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Kazakhstan, Republic of

Grain and Feed

Grain and Feed Annual Report

2004

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Report Highlights:

Kazakhstan's MY2004/05 wheat production forecast is at 11.5 million metric tons (MMT), assuming normal weather conditions. MY 2004/05 wheat exports are forecast to decrease to 5.5 MMT due to anticipated average yields and lower ending stocks.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Kazakhstan's MY2003/04 total grain production is estimated at 14.8 MMT including 11.5 MMT of wheat, 2.3 MT of barley and about 1 MMT of other grain (corn, rice, oats, rye, buckwheat, and sorghum). That is 1.1 MT less than the previous year due to a reduction of 200,000 hectares of wheat and lower average yields. Grain producers reduced the area under grain crop production due to high ending stocks and low grain prices in traditional export markets during the previous year. Poor MY2003/04 crops in Ukraine and Russia resulted in larger Kazakhstan wheat exports to these countries. Higher export demand resulted in a significant price increase throughout the marketing year. For example, average export prices for 3-class soft wheat increased from USD 95 in August 2003 to USD 143 in December. Total MY2003/04 wheat exports are estimated at 6.5 MMT.

In MY2004/05, the grain production area is expected to increase slightly by 100,000 hectares but total grain production is expected to remain unchanged at 14.8 MMT assuming normal weather conditions. Total grain production will include: 11.5 MMT of wheat, 2.2 MMT of barley and 1.2 MMT of other grains. Exports are expected to decrease to 5.5 MMT due to lower ending stocks and anticipated better crops in Russia and Ukraine.

Production

Kazakhstan's MY 2003/2004 wheat production is officially reported at 11.5 MMT. Large ending stocks in the previous year and a relatively small export market resulted in a decrease in area by 200,000 hectares. Hot weather during June-July in the northern part of the country led to lower than anticipated yields, but at the same time, such conditions were favorable for grain quality.

Kazakhstan's MY2004/05 wheat production forecast is at 11.5 MMT assuming normal weather conditions. Specialists expect that the production area will increase slightly to 11.5 million hectares. Average yields are expected to be 1.0 tons per hectare, which is based on average yields during the last ten years. Lower than average snow cover in production areas may result in lower yields.

Barley is the second major grain produced in Kazakhstan. MY2003/04 production is estimated at 2.3 MMT. In general, barley suffers from similar production problems as wheat. Specialists do not expect significant changes in barley production area due to small local market and limited exports. MY 2004/05 the barley production forecast is 2.3 MMT, assuming normal weather conditions.

Consumption

According to the State Committee on Statistics MY2003/04 total domestic wheat consumption increased significantly by 1.0 MMT to 6.7 MMT. A significant portion of this increase occurred in regions that border Russia, Uzbekistan and Kyrgyzstan. Specialists assume that consumption increased due to increases in unrecorded exports of wheat and wheat flour from these regions. For example, the local administration in South-Kazakhstan region has noted that in MY2003/04 retail sales of wheat flour in the region increased by 250,000 MT.

In MY 2004/05 wheat consumption is expected to decline by 300,000 MT due to stronger border control established on Uzbekistan's border and expected better wheat crops in neighboring countries.

Kazakhstan, Republic of							
Wheat							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Area Harvested	11500	11500	11500	11300	0	11400	(1000 HA)
Beginning Stocks	5200	5200	6655	6115	6570	4030	(1000 MT)
Production	12600	12600	12000	11500	0	11500	(1000 MT)
TOTAL Mkt. Yr. Imports	27	15	15	15	0	20	(1000 MT)
Jul-Jun Imports	27	15	15	15	0	20	(1000 MT)
Jul-Jun Import U.S.	3	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	17827	17815	18670	17630	6570	15550	(1000 MT)
TOTAL Mkt. Yr. Exports	5505	5000	6000	6500	0	5500	(1000 MT)
Jul-Jun Exports	5505	5000	6000	6500	0	5500	(1000 MT)
Feed Dom. Consumption	1800	1800	2000	2000	0	1800	(1000 MT)
TOTAL Dom. Consumption	5667	6700	6100	7100	0	6800	(1000 MT)
Ending Stocks	6655	6115	6570	4030	0	3250	(1000 MT)
TOTAL DISTRIBUTION	17827	17815	18670	17630	0	15550	(1000 MT)

Trade

MY 2003/04 wheat exports are estimated at 6.5 MMT. Poor yields and as result high wheat prices in Ukraine and Russia led to an increase in Kazakhstan's exports to these countries. Ukraine, Russia and Azerbaijan were major importers of Kazakhstan's wheat in MY 2003/04. According to official statistics, total MY2003/04 wheat exports are estimated at 5.4 MMT and wheat flour exports are about 500,000 MT. Grain traders assume that an additional 500,000 MT of wheat was exported to Russia without any record. Tariffs for shipping Russian grain to Europe are three times lower than tariffs for shipping grain from Kazakhstan. In practice, Russian grain traders deliver Kazakhstan's grain to the border with Russia and change shipping documents to indicate that the grain is Russian origin.

Kazakhstan's MY2004/05 wheat exports are forecast at 5.5 MMT. Observers expect that major importers will be CIS countries due to low ending stocks and poor to average crops in these countries.

Export Trade Matrix			
Republic of Kazakhstan Wheat			
Time Period	MY	Units:	'000 MT
Exports for:	2003		2004
U.S.	3	U.S.	5
Others		Others	
Ukraine	1800	Russia	800
Azerbaijan	600	Ukraine	800
Russia	800	Azerbaijan	600
Tajikistan	330	Tajikistan	400
Moldova	150	Moldova	150
Kyrgyzstan	150	Kyrgyzstan	150
Iran	50	Iran	400
Romania	50	Romania	50
Turkey	50	Turkey	100
Georgia	20	Georgia	20
Total for Others	4000		3470
Others not Listed	2497		2025
Grand Total	6500		5500

Stocks

MY2003/04 ending stocks are estimated to have declined significantly to 4.0 MMT due to lower production and high exports and domestic consumption. The SFPC is keeping about 500,000 MT of grain in state reserves. The remaining stocks are held in elevators by processors and traders. Nevertheless, observers estimate that ending stocks are less than officially reported due to unrecorded exports of wheat and wheat flour.

MY2004/05 ending stocks are forecast to decline by an additional 750,000 MT to 3.25 MMT due to average production and high exports.

Policy

The Government of Kazakhstan is continuing to support farmers through subsidies for purchasing seeds, fertilizers, chemicals, fuel and machinery. In MY 2004/05, the GOK is planning to allocate about 30 billion KZT (USD 1=139 KZT) for these subsidies. In addition, each spring and fall the GOK establishes a ban on the export of diesel fuel to avoid significant increases its price during planting and harvesting. Subsidies for inputs are distributed among the input suppliers so that they can sell to farmers with a 40% discount. Regional administrations are responsible for the distribution of discounted inputs among the farmers. The GOK is providing machinery for grain producers through the State Leasing company Kazagrofinance. The company sold about 500 harvesting combines in 2003.

In MY2003/04, the State Food Procurement Corporation (SFPC) increased their purchases to 2.4 MMT of wheat, 400,000 of which for rotation of state reserves and 2.0 MMT for exports and domestic sales. The SFPC has purchased grain from farmers on a futures basis; i.e., paying farmers 60 percent in advance and 40 percent after wheat delivery. A fixed price for purchases into the state reserves has been at \$65 per ton. For commercial sales, however, the SFPC contracted sales at \$125 per ton. During the winter, export prices for wheat grew significantly and exporting became more preferable than selling domestically. To support the domestic market and to avoid bread shortages in some regions, the SFPC started procure wheat at \$150-160 per ton. The state, through the SFPC is going to be a major player on Kazakhstan's grain market with annual sales about 2.5 MMT.

Prices Table			
Republic of Kazakhstan Wheat			
Prices in	USD	per uom	MT
Year	2002	2003	% Change
Jan	103	78	-24%
Feb	99	77	-22%
Mar	94	78	-17%
Apr	87	81	-7%
May	83	86	4%
Jun	73	93	27%
Jul	65	112	72%
Aug	67	95	42%
Sep	71	115	62%
Oct	77	130	69%
Nov	75	133	77%
Dec	77	143	86%
Exchange Rate	150	Local Currency/US \$	

Republic of Kazakhstan							
Barley							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Area Harvested	1750	1750	1800	1800	0	1800	(1000 HA)
Beginning Stocks	1147	1147	946	1047	496	547	(1000 MT)
Production	2200	2200	2000	2100	0	2100	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	3347	3347	2946	3147	496	2647	(1000 MT)
TOTAL Mkt. Yr. Exports	501	400	500	600	0	500	(1000 MT)
Oct-Sep Exports	542	400	500	600	0	500	(1000 MT)
Feed Dom. Consumption	1800	1800	1850	2000	0	2000	(1000 MT)
TOTAL Dom. Consumption	1900	1900	1950	2000	0	2000	(1000 MT)
Ending Stocks	946	1047	496	547	0	147	(1000 MT)
TOTAL DISTRIBUTION	3347	3347	2946	3147	0	2647	(1000 MT)

Export Trade Matrix			
Republic of Kazakhstan			
Barley			
Time Period		Units:	'000MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Saudi Arabia	250	Saudi Arabia	250
Russia	100	Russia	80
Ukraine	50	Ukraine	50
Azerbaijan	30	Azerbaijan	30
Cyprus	10	Cyprus	10
Iran	15	Iran	10
Uzbekistan	8	Uzbekistan	10
Netherlands	3	Netherlands	5
Total for Others	466		445
Others not Listed	134		55
Grand Total	600		500