



Cash Crop Conference 2010

Kazakhstan

Analytical Centre of the Economic Policy in Agricultural Sector of Kazakhstan

- ❖ founded in 2009 with a purpose of providing analytical support for the Government in carrying out state policy in agriculture.

Main objectives of the Centre are:

- ❖ analytical support for decision-making of the Ministry of Agriculture;
- ❖ study international best practice, collaboration with foreign and international research centers and think tanks and development on this basis, proposals for effective measures of public policy in Kazakhstan
- ❖ development of state programs of development of agricultural sub-sectors;
- ❖ to analyze and forecast the effects of the policy measures aimed at supporting agricultural sector and regulating the market;
- ❖ to forecast the changes in the global economy and assess their impact on socio-economic development of Kazakhstan ;
- ❖ to disclose the main strengths and weaknesses of the national economy and develop the mechanisms of achieving desirable results of the economic development both on internal and external markets

Country profile

Facts

- ❖ territory: 2,7mn sq. km (9th largest country)
- ❖ population: 16mn, of which 45% - in rural area
- ❖ 63.7% - kazakhs, 23.7% russians, 2.8% uzbeks, 2.1% ukrainians
- ❖ GDP: €78.3bn.
 - ❖ industry: 29.8%
 - ❖ services: 54.7%
 - ❖ agriculture: 6.3%
- ❖ export: €31.0bn, import: €20.4bn

International rankings:

- ❖ GDP PPP per capita: 70/181 (\$11 693)
- ❖ Gini: 119/134 (28.8)
- ❖ HDI : 82/182 (0.804)
- ❖ Ease of doing business: 63/183
- ❖ Global Competitiveness Index: 67/133 (4.06)
- ❖ oil reserves: 9th (5.3bn tons)
- ❖ coal reserves: 8th (31.3bn tons)
- ❖ gas reserves: 15th (1.8tn m³)



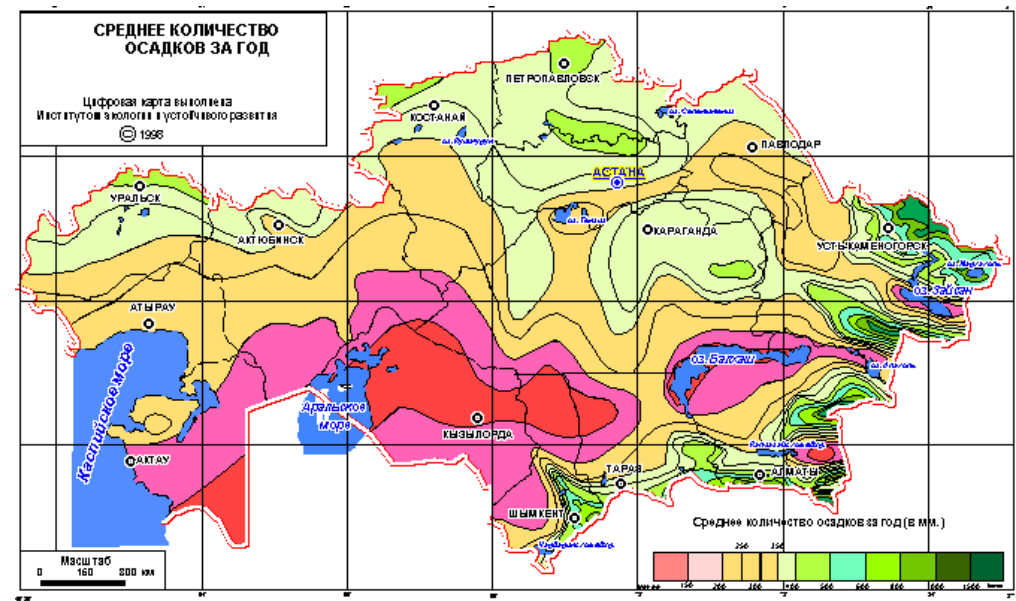
Climate

- ❖ Harsh continental climate with uneven rainfalls
- ❖ 6 zones: forest-steppe, steppe, semidesert, desert, foothills and mountain area
- ❖ vegetative period lasts from 105 to 165 days and is longer in the southern regions.

Averages

- ❖ Temperature: 8.9°C
- ❖ Temperature range: 30.5°C.
- ❖ Highest monthly high T: 30°C in Jul.
- ❖ Lowest monthly low T: -12°C in Jan.
- ❖ 581 mm of rainfall per year, or 48 mm per month.
- ❖ 2392 hours of sunlight per year and 6.6 hours of sunlight per day
- ❖ annual relative humidity is 59.9%

Average annual precipitation, mm



Soils

Chernozems

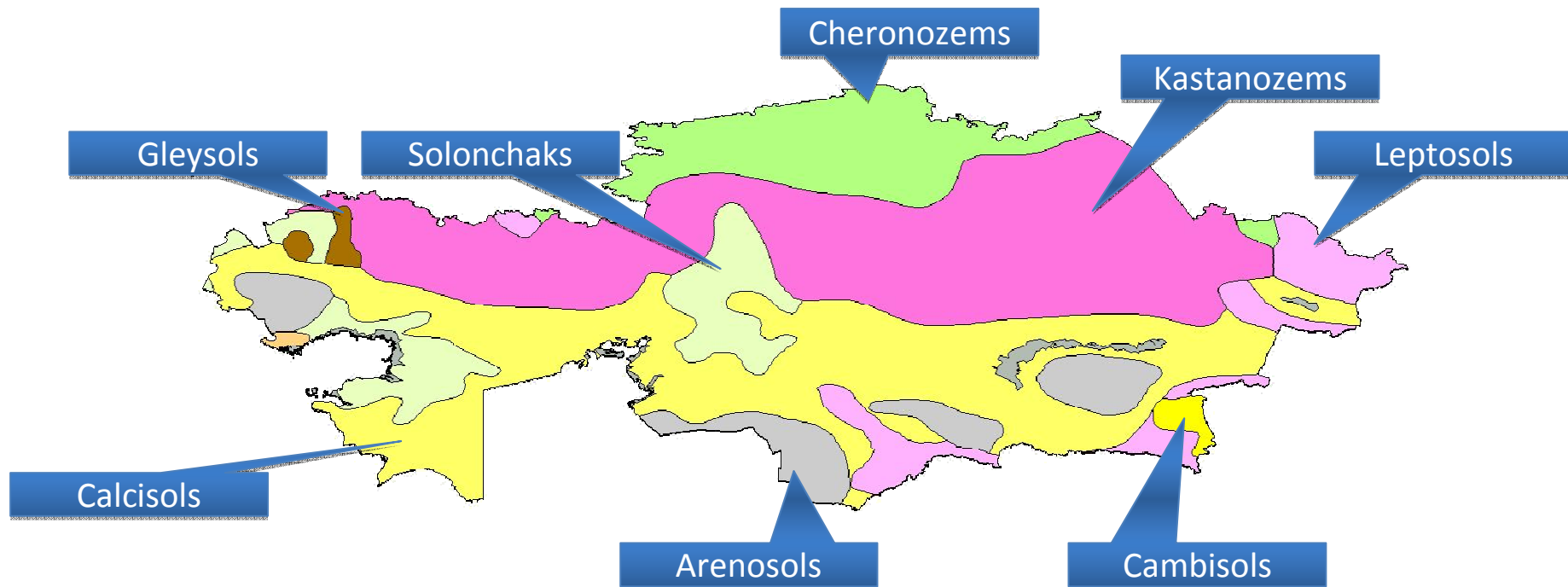
few leached chernozems
4.5% ordinary chernozems
4.9% southern chernozems

Chestnut soils

10.5% dark chestnut soil
9.6% typical chestnut
14.2% light chestnut soils

other

21.6% brown soils
22.0% grey-brown soils
12.6% mountain soils



Agriculture in Kazakhstan

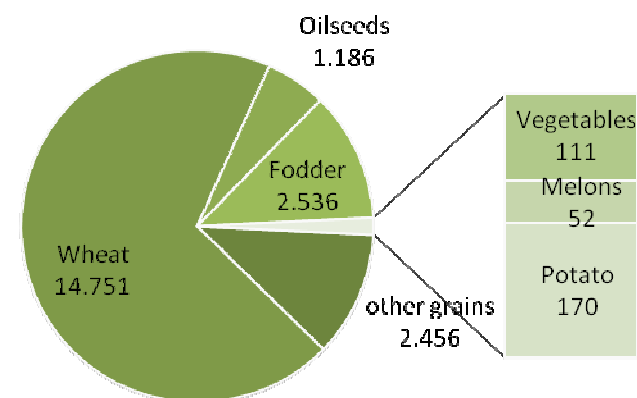
Facts

- ❖ €7.9bn - gross output of agriculture (2009)
 - ❖ €4.5bn plant growing
 - ❖ €3.4bn livestock farming
- ❖ 2.3 mil. people engaged in agriculture
 - ❖ 27.2% of total economically active population
 - ❖ 57.1% of active population in rural area
- ❖ 2009-record grain harvests of 21mn tons
- ❖ wheat and rye net export: €454mn (3.2mn tons)
- ❖ wheat and rye flour net export: €412mn (2.2mn tons)

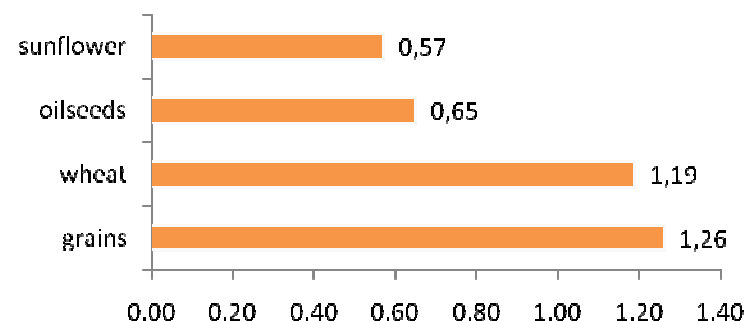
Land

- ❖ 89mn ha - agricultural land
- ❖ 22.5mn ha – arable land
- ❖ 1.3mn ha - irrigated land
- ❖ 70% of arable land in 4 oblasts
- ❖ average agricultural unit own or rent 509 ha
- ❖ average size of enterprise is 8 728 ha

Planting acreage 2009 (ths. ha)

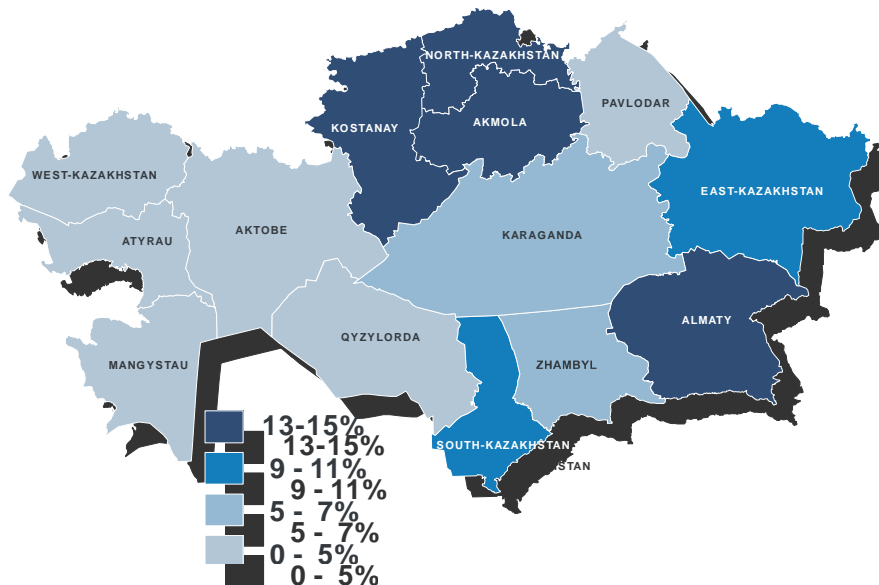


Yield in 2009, tons per ha



Selected region

The share of the regions in agricultural output



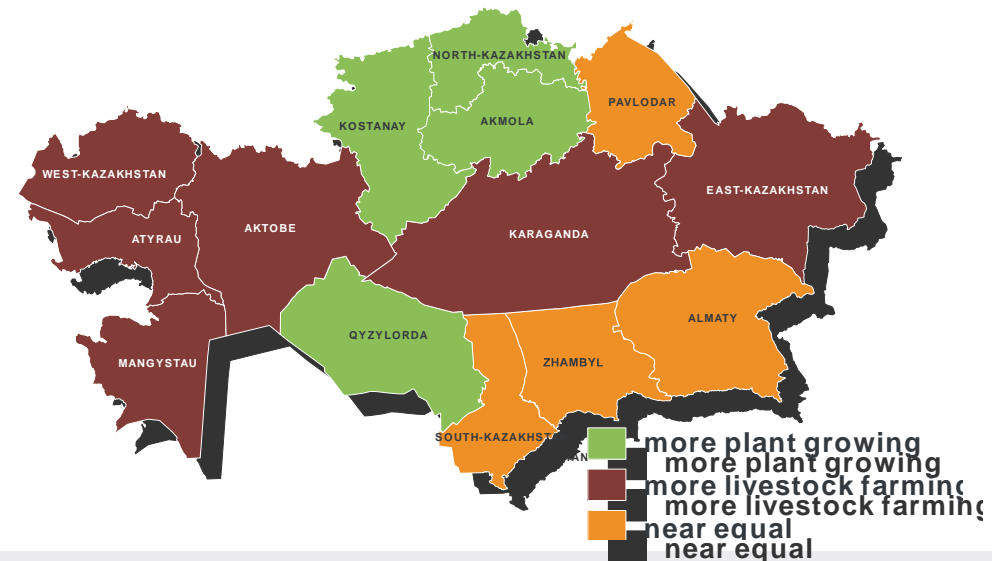
Livestock farming:

- ❖ cattle
- ❖ sheep and goat
- ❖ pigs
- ❖ horse
- ❖ poultry

Plant growing:

- ❖ wheat, rye, barley, rice
- ❖ potato, vegetable, fruits
- ❖ sunflower, rapeseed, cotton
- ❖ fodder
- ❖ sugar beet

Specialization of the regions



Selected region

North-Kazakhstan oblast (NKO)

- ❖ the northernmost region of Kazakhstan bordering Russia
- ❖ contributes 2,5% of Kazakhstan GDP
- ❖ 4.5% of the territory in country
- ❖ 4.2% of country population
- ❖ the biggest region to harvest wheat in 2009 – 4.8mn tons
- ❖ 28% of total harvest in country
- ❖ 3,4mn ha under wheat, 24% of country (3rd)
- ❖ average yield of wheat – 1,44 tons per ha
- ❖ no and minimum till acreage increased 5 times within last 4 years (~2,8mn ha)

Climate in region

- ❖ 290-430 mm annual precipitation
- ❖ precipitation in July – 45-75 mm
- ❖ average temperature in July +18,8°C
- ❖ annual sunlight hours: 2000-2150 h
- ❖ 130-140 days with $t^0 > +10^{\circ}\text{C}$
- ❖ the last chill in spring : May 20th
- ❖ the first chill in autumn: Sept. 20th



Farm preliminary study



Land usage

- ❖ land rental payments are almost equal with tax on ownership
- ❖ sublease is prohibited
- ❖ small landlords can participate in enterprises with their plots

Enterprises VS peasant farms

- ❖ average size of enterprise is 8 592 ha, peasant farm – 409 ha
- ❖ enterprises in NKO plant 76% of total area under wheat
- ❖ the share of enterprises in harvest is the same
- ❖ 60% of arable land in enterprises are the plots with acreage > 10 000ha

Farm data

- ❖ top performing farm
- ❖ arable land acreage: 16 000 ha (rented), average field size: 300ha
- ❖ soil type – chernozem
- ❖ no tillage - with one pass seeding (direct seeding)
- ❖ crops rotation: rapeseed, wheat, wheat, barley
- ❖ yield, tons per ha: rapeseed – 1.2, wheat-1.4, barley – 1.5



Farm preliminary study

Staff:

- ❖ 1 farm manager
- ❖ 1 agronom
- ❖ 1 engineer
- ❖ 3 accountance
- ❖ 2 secretaries
- ❖ 2 supervisors
- ❖ 11 tractor drivers
- ❖ 10 drivers
- ❖ 5 mechanician
- ❖ 5 warehousemen
- ❖ 5 unskilled workers
- ❖ 5 others

Total: 51

Horsepower
per ha
0.32

| Tractors | Quantity | Hpower |
|------------------|----------|--------------|
| Tractor 4WD | 4 | 400 |
| Tractor MTZ 1221 | 3 | 130 |
| Total | 7 | 1 990 |



| Towed machinery | Quantity | Working width |
|-----------------|-----------|---------------|
| Airseeder | 4 | 12,00 |
| Cultivator | 2 | 12,00 |
| Straw Harrow | 2 | 22,00 |
| Sprayer | 3 | 30,00 |
| Total | 11 | |



| Selfpropelled | Quantity |
|--------------------------|-----------|
| Windrower | 2 |
| Combine | 6 |
| Car | 4 |
| Truck | 10 |
| Telehandler | 1 |
| Var. transport machjnerj | 1 |
| Total | 24 |



Prices and costs



Some costs per 1 ton, USD

| | Average in SKO | The farm |
|---------------------|----------------|----------|
| Labor | 15,9 | 7,2 |
| Seeds | 20,4 | 21,4 |
| Mineral fertilizers | 10,3 | 5,8 |
| Fuel | 24,4 | 10,7 |
| Electricity | 0,8 | 0,6 |
| Water | 0,2 | 0,3 |
| Spare | 11,9 | 7,6 |



Prices in 2009

- ❖ \$122 wheat
- ❖ \$407 rapeseed
- ❖ \$61 barley



Transportation

Transportation issues

- ❖ Kazakhstan is the biggest landlocked country
- ❖ there are 3 key directions of export
- ❖ Russian exporters have the privilege on russian railways
- ❖ railways capacity limits export on southern directions
- ❖ Kazakhstan has no cargo ships in Caspian sea
- ❖ export to China is poor

Kazakh wheat hardly compete Russia and Ukraine on EU market and Australia on China market due to higher transportation costs and lower yield



Wheat market

Common

- ❖ low access to finance limits farmers investments
- ❖ since 2003 tractor fleet has mostly renewed(imported 30ths. units), however infrastructure is still underdeveloped (drying, storage)
- ❖ grain sector jumps to extremes:
 - ❖ 2007: high prices led the traders and producers to sell too much grain. Fearing deficit of seed in 2008, government banned export
 - ❖ 2009: low prices, record harvest and limited storage capacity spoiled the grain



Regulation issues

- ❖ state-owned Food Contract Corporation (FCC) is the biggest trader and compete with private traders
- ❖ FCC is a market maker and distorts the prices
- ❖ unexpected export bans burn the contracts and worsen business reputation

Thank You!

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