NEW PROSPECTS OF GRAIN EXPORTS OF KAZAKHSTAN

Nowadays grain is the third most important commodity that Kazakhstan exports after oil and gas products, and metals. Kazakhstan is one of the major players in the world grain market. Vast plains with an appropriate soil type and climate in the northern regions of Kazakhstan allow to harvest many millions of tons of grain. The main type of grain that Kazakhstan cultivates is wheat. For instance, according to preliminary estimates, in 2015 Kazakhstan became the eighth largest exporter of wheat in the world. In 2015 it exported 6.5 million tons of wheat, 0.4 million tons of barley, 27 thousand tons of maize and 17.8 thousand tons of other cereals. Annual revenues from grain export range between $1.3 and $1.8 billion. Approximately 85% of this sum comes from export of wheat.

The grain market contains many risks due to its high volatility and low predictability. This is largely due to the fact that the yield depends on many external factors. Thus, apart from output surplus and deficit, unexpected yields cause many logistical problems, such as the one in 2011. Thanks to ideal weather conditions, the grain harvest in Kazakhstan in the marketing year of 2011-2012 was the highest since 1992-1993. Almost 22.7 million tons of wheat were harvested which is 120% more than it was initially expected. However, it turned out to be the most disastrous marketing year for many farmers. As it was revealed, the government was not ready to cope with this problem. Grain elevators of the country were not able to store that much grain. Consequently, hundreds of thousands of tons of wheat were simply left in the fields and rotted away making many farmers go bankrupt.

Unusual amounts of grain harvest also caused serious problems with transportation. There were not enough carriages of grain train in the country to export the grain to nearby countries. Moreover, Kazakhstan was not able to borrow them from Russia as it also had an unusual abundant harvest that year. According to the official data of the Committee of Statistics, Kazakhstan lost 2.3% of its harvest in 2011. However, many experts claim this number to be underestimated. The same calculations based on the data of the International Grain Council (IGC) shows 11% of loss. Despite the high volumes of grain production, Kazakhstan, among other major grain exporting countries, has rather low yield. Nearly 52% of the total of 21.2 million hectares (ha) of cultivated land in Kazakhstan is used to grow wheat and another 8% is used to grow barley. The average yield of wheat in Kazakhstan is about 1.1 tons per ha (t/ha), which is almost three times less than the world average of 3.2 t/ha. Although this difference arises from many external factors that we cannot control such as quality of soil, temperature, precipitation, etc., there are also technological variables that could increase the crop yield bringing it closer to the yields of the countries that have similar geographical conditions such as Canada (3.1 t/ha), Argentina (2.6 t/ha) and Australia (1.7 t/ha). Thus, Kazakhstan has a full potential to increase its wheat exports without expanding its cultivated land area.

However, Kazakhstan, unlike other major grain exporters, has difficulties with getting access to foreign markets that limit its exporting capacity. Currently, Kazakhstan exports its grain predominantly to its regional neighbors. Thus, in 2015 Kazakhstan exported 19.5% of its wheat to Iran, 18% to Tajikistan, 16.5% to Uzbekistan, 10.2% to Azerbaijan, 7.9% to Russia and 6% to China. Iran also accounts for around 70.1% of Kazakhstan’s exports of barley whereas 92.5% of maize is exported to Uzbekistan. 3-4 years ago the Ministry of Agriculture was more interested in expanding grain exports through increasing the volume of exports to current grain importers rather than entering new markets. However, development of new plans concerning the realization of the New Silk Way project and other transit projects offers new opportunities of grain trade inside Eurasia and provides an access to other markets as well. Namely, from the point of view of grain industry in Kazakhstan, the most important transit corridor would be the International North-South Transport Corridor (INSTC). In this case, the grain transit route would go through Aktau - Bandar-e Anzali - Bandar Abbas crossing the Caspian Sea and Iran, and reaching the Saudi Arabia, which is one of the major grain importers, and other nearby countries. The works on the enlargement of transit capacities in the port of Aktau are planned to be finished this year. With the completion of the new grain terminal, its transit capacity would rise from 16.8 to 21 million tons per year.

The International Grain Council in its report of 2015 forecasts rather sluggish growth of grain production and acceleration of grain consumption until 2020. The grain consumption is projected to grow by 1.5% per annum mainly due to the rise of the world population and to increase of per capita income in developing countries. Consequently, the grain stocks all over the world are expected to shrink and to push the grain price upwards.

Grain production undoubtedly is one of the most important sectors in the economy of Kazakhstan. The further development of the grain sector is largely hampered by domestic infrastructural and logistic problems. However, new solutions have been looked for in order to solve these problems. For instance, new international transit initiatives in the Central Eurasia offer new opportunities of grain export. In this light, Kazakhstan is able to expand both the volume and the geography of its grain exports. Moreover, the forecasts of the IGC predict an increase in the demand for grain. Thus, the upcoming five years seem to offer rather favorable conditions for the grain industry of Kazakhstan.

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Politics, Foreign Affairs and Security

- The Executive Committee of the Commonwealth of Independent States (CIS) announced that nearly 300 CIS observers will monitor the elections to the lower chamber of the parliament of Kazakhstan.
- The meeting of the Council of National Coordinators of the Shanghai Cooperation Organization (SCO) chaired by Uzbekistan took place in Beijing. Participants from China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan exchanged views on the draft documents that should be signed at the upcoming SCO Summit, the meeting of the Foreign Ministers Council in Tashkent and other events.
- According to the State Border Guard Service of Ukraine, the country has temporarily closed the border checkpoint Zaytsevo on the contact line in the Donetsk Region.
- According to the Defense Ministry of Kazakhstan, the country has designed a project of bilateral military cooperation for 2016-2017 with the United States. In the next two years the main directions of the development will be peacekeeping activities, assistance in training armed forces and military education.
- Ukraine’s Verkhovna Rada has failed to ratify the agreement on the opening of NATO’s representative office in Ukraine. According to the Foreign Minister of Ukraine, Pavlo Klimkin, the office would have coordinated all projects related to cooperation between Ukraine and the North Atlantic Alliance.
- According to the annual report by the Government of Ukraine, in 2015 the country increased the spending for defense and security by a factor of 1.5 to an equivalent of $3.77 billion.

Economy, Finance and Energy

- The Provincial Director of the National Iranian Oil Products Distribution Company, Mohammad-Mehdi Gharaei, stated that the first ever Iranian gas oil shipment to Tajikistan in the amount of 2.9 million liters was transported through the land border in the Khorasan Razavi province.
- According to the Central Dispatching Department of Fuel Energy Complex of Russia, total amount of crude oil exports equaled to 20.71 million tons in January 2015, which is a 0.7% or 903,400 tons decrease year-on-year. Particularly, exports to the CIS countries rose by 0.8% to 1.982 million tons, while supplies to the non-CIS countries dropped by 0.9% to 18.728 million tons.
- The Chairman of Russia’s state-owned gas company, Gazprom, Alexey Miller, stated that in January 2016 the company had increased its gas supplies to Turkey by 3.4% year-on-year to 2.82 billion cubic meters.
- Ukraine’s gas pipeline operator, Ukrtransgaz, reported that in January 2016, 6.4 billion cubic meters of Russian gas was piped through the Ukrainian gas transportation system to the European Union and Moldova, which is a 52% increase compared with the same period last year.
- Azerbaijan’s state oil company, SOCAR, announced its plans to additionally produce about 11,000 tons of oil daily by commissioning a new well at the offshore field Gunesli.
- The Energy Minister of Iran, Hamid Chittinan, said that Iran and Russia agreed on construction of a 1400-MW power plant on Iran's territory.
- The railway companies of China, Kazakhstan, Turkmenistan and Iran launched a new container train service on the Chinese-Iranian route. The 9000 km long route runs from the city of Yiwu located in the Chinese Zhejiang Province to Ashakhanu – Dostyk border crossing, to the new lines of Kazakhstan, namely, Zhezkazgan – Beineu and Uzen – Bolashak station, and to Tehran, Iran via Turkmenistan railway network. The train is formed of 40-foot containers with different types of cargo.
- According to the governor of the Khorasan Razavi province, Mohammad-Mehdi Gharaei, the province has transported more than 6,000 types of goods through the land border, giving Kyrgyzstan a right to export to the European Union and Moldova, giving Kyrgyzstan a right to export more than 6,000 types of goods to the European Union duty-free.
- According to the Statistical Agency of Tajikistan, in 2015 the trade turnover with Turkmenistan decreased by 0.6%, totaling to over $109 million, compared to 2014.
- According to the Russian Federal Statistics Service (Rosstat), the GDP at constant price amounted to 60.687 trillion roubles ($789.5 billion) and the decline of the GDP amounted to 3.9% in 2015. According to the Rosstat, the highest increase was recorded in the agricultural sector (3.5%), while the highest drop was noted in wholesale and retail trade (-10.1%). The share of final consumption expenditure in GDP was 68.6% in 2015, which is 3.1% less than the one in 2014. In turn, the share of net exports in GDP increased by 7% up to 15%. Due to the decrease in imports, the total amount of net exports increased by 71.8% from 5.294 trillion roubles ($80.1 billion) in 2014 to 9.095 trillion roubles ($118.3 billion) in 2015.
- According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, inflation in the country measured on the consumer price index hit 1.3% in January 2016. Over the past month the prices for food, non-food goods and paid services increased by 1.8%, 0.9% and 1.2% respectively.
- According to the Government of Turkmenistan, the GDP growth in the country amounted to 6.5% in 2015. In 2015 the growth in the industrial sphere and the construction amounted to 3.1% and 8.1% respectively, while the growth in the transport and communication sector, agriculture and service sector reached 9.8%, 7.9% and 9.8% respectively.
- Kazakhstan’s National Welfare Fund Samruk-Kazyna increased its total comprehensive income up to 607.32 billion tenge ($1.665 billion) in 2015 compared to 332.3 billion tenge ($1.799 billion) in 2014.

Society and Culture

- The Islamic Development Bank (IDB) announced its plans to finance five advanced mobile health clinics in rural regions of Kyrgyzstan as part of the SR1 billion program, totally funded by the late King Abdullah of Saudi Arabia and implemented by the IDB.
- According to the Chairman of the Commission on International Humanitarian Aid of Kazakhstan, Bakytzhan Sagintayev, the country decided to provide humanitarian aid to victims of mudflow and flood in Tajikistan and to victims of a strong earthquake in Kyrgyzstan.
- According to the draft Federal Space Program of Russia for 2016-2026, the State Space Corporation Roscosmos is to launch two Rokot carrier rockets converted from IC-BMs from the Plesetsk military space center to orbit three Gonets-M communications satellites each.