



Economic Newsletter on Kazakhstan

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The Economic Section of the Embassy of the Kingdom of the Netherlands in Kazakhstan intends to distribute this newsletter as widely as possible among Dutch institutions, companies and persons from the Netherlands. The newsletter summarises economic news from various Kazakhstani and foreign publications and aims to provide accurate information. However, the Embassy cannot be held responsible for any mistakes or omissions in the bulletin.

MACRO-ECONOMICS & FINANCE

GDP in Kazakhstan in first two months of 2018 increased by 4%

GDP growth in Kazakhstan for the first two months was 4%, said Minister of National Economy Timur Suleimenov at a meeting of the RK Government, Kazpravda.kz reports.

"GDP growth for the reporting period amounted to 4.0% compared to 2.5% in the same period in 2017. This growth was due to the manufacturing and services, as well as the investment and domestic consumption," the minister said.

At the same time, according to Timur Suleimenov, inflation in Kazakhstan has slowed and since the beginning of the year amounted to 1.3%. This is the lowest value for the recent years. In annual terms, inflation was 6.5% (February to February).

According to the minister, in general, the volume of industrial production grew by 5.6%. In the structure of the industries, the growth of the manufacturing industry exceeded the growth in the extractive sector (6.1% and 5.5%, respectively). At the same time, there was a 4.5% drop in construction sector volumes.

The rise in the services sector by 4.1% (compared to 1.5% in the same period last year) is due to the growth in trade indicators by 7.0%.

"Investments in fixed assets increased by 54.4%, which is related to modernization and reconstruction of the Shymkent oil refinery," Timur Suleimenov said.

In addition, in the first two months of 2018, the country's international reserves grew by 2.0% (up to \$90.8 billion). Gold and exchange currency reserves grew by 2.2% (up to \$31.4 billion). The assets of the National Fund increased by 1.8% (up to \$59.4 billion).

Kazakhstan to present export strategy in April

The Ministry of Investment and Development of Kazakhstan will present the country's export strategy in April 2018, Kazakh news agency Kazinform reported.

"In April 2018, we plan to organize several events with participation of the diplomatic corps. One of them is the "Economic Diplomacy of Kazakhstan: from the East to the West" forum with participation of Prime Minister of Kazakhstan Bakytzhan Sagintayev and a briefing in conjunction with the Ministry of Investment and Development of Kazakhstan, JSC NC Kazakh Export NPP RK Atameken for the presentation of the export strategy with the participation of a diplomatic business club that unites the leading business structures and businessmen of the country with the ambassadors of foreign countries," Kazakh Foreign Minister Kairat Abdrakhmanov said at a meeting of the Foreign Ministry's collegium.

He also noted that the Foreign Ministry is a traditional platform for meetings with foreign diplomatic corps accredited in the country and foreign business community.

"Their goal is briefings, exchange of opinions and practical recommendations on current issues and areas of development of Kazakhstan," he added.

The session of the board of the Ministry of Foreign Affairs of Kazakhstan was held in Astana on March 29, chaired by the head of the department.

Kazakh industry grows by 5.6%

The volume of industrial production increased by 5.6% in Kazakhstan in January-February 2018 as compared to the same period in 2017, according to a report of the Statistics Committee of the Ministry of National Economy of Kazakhstan.

During this period, production increased by 5.5% in the mining industry, and by 6.1% in manufacturing. Electricity, gas, steam supply and air conditioning increased by 5.7%. The indicator decreased by 2.2% in the water supply, sewage system, control over the collection and distribution of waste.

The extraction of crude oil, natural gas and metal ores also increased in January-February 2018 as compared to the same period of 2017.

The production of foodstuffs, beverages, rubber and plastic products, products of the chemical, pharmaceutical, metallurgical and machine building industries has increased.

Meanwhile, coal and lignite production, and the production of tobacco products decreased.

**EURASIAN
ECONOMIC
UNION**

Eurasian Economic Union plans to sign trade agreements with China, Iran in 2018

The Eurasian Economic Union (EAEU) is planning to sign the trade agreements with China and Iran in the first half of 2018, Chairman of the Board of the Eurasian Economic Commission (EEC) Tigran Sargsyan said in an interview with the Belarus 1 TV channel on 18 March, BelTA has learned.

"The first free trade area agreement was launched with Vietnam. The export to Vietnam rose by 35%. This year we have already prepared two treaties. They are now undergoing internal procedures so that we could submit them to our presidents for approval," Tigran Sargsyan said.

These documents include the agreement on trade and economic cooperation with China, and the interim agreement on a free trade zone with Iran. "These are two huge markets, and we are confident that our business will benefit from this," Tigran Sargsyan said. It is planned that both documents will be signed in the first half of 2018, Kazinform reports.

BANKING

Kazakhstan cuts key rate to 9.5%

National Bank of Kazakhstan has cut its key rate to 9.5%, regulator's chief Daniyar Akishev said citing slowdown in inflation processes.

The refinancing rate has also been cut to 9.5%, Akishev said noting the further slowdown in the inflation processes is expected in the mid-term.

He noted that this is the second in 2018 decrease in key rate and the National Bank will continue cutting the base rate in 2018.

"We have all prerequisites for that. The important condition is further inflation decrease and keeping it in a target corridor with further decrease to 4% by 2020," Akishev said.

The next decision on the base rate is expected on 16 April 2018, he said, according to AKIpress.

Banking sector begins the year with losses

Cumulative equity of banks of the second level for the first month of 2018 was reduced to 2.88 trillion tenge, minus 6.9% on-month and minus 0.9% in a year. For the end of 2017 the indicator stood at 3.09 trillion tenge, and in January of last year at 2.9 trillion tenge.

Assets of banks were reduced by 1.8%, to 23.8 trillion tenge.

Nearly 54% of cumulative equity of BVU RK accounts for the top-5 banks with 1.54 trillion tenge.

Leaders in volumes of equity are Halyk Bank with 784,3 billion tenge, Kazkom with 232.9 billion tenge, Tsesna with 186 billion tenge, Forte with 180.6 billion tenge and Kaspi with 155.9 billion tenge.

The sharpest reduction of capital in top five is observed at Kazkom. The equity of bank was reduced by 18%, or 52.8% on-year.

However, Kazkom is in process of acquisition by Halyk Bank. The latter and Kazkommertsbank signed a memorandum of association at the beginning of March 2017. The two leading banks plan to complete their merger before the end of 2018, reported by Finprom.

More than 50% of business loans are issued to small enterprises

The portfolio of business crediting decreased for January, 2018 a little more than by 300 billion tenge, or 2%, and made 16 trillion tenge. More than 56% of the portfolio structure is occupied by small enterprises, about 10% by averages and 22.2% by large ones. Crediting individual entrepreneurs occupies 5.5% of the portfolio.

The structure did not undergo considerable changes compared to the previous year.

By January, 2018 the cumulative loan credit debt of individuals made 5.2 trillion tenge, having decreased since the beginning of year by 0.6%. In comparison with December 2017

the quantity of the issued credits reduced by more than 9%, and the cumulative amount of credits issuance by more than 20%. Such dynamics are the consequence of a seasonal factor as the demand for consumer lending falls in January after peaks in the end of the year.

The Index of Credit Health showed positive dynamics at the beginning of the year, having added 1 point and having made 69 points.

Despite the decrease in total volume of disbursements, the separate use of tools for crediting such as credit cards, showed a gain of 9.3%. Dynamics of car loans matched all-market dynamics decreasing by 21%. Unsecured consumer crediting, the largest segment of the market, lost 13%, and the greatest decrease happened in a segment of the mortgage loans by nearly 66%, reported by Kapital.

S&P: Kazakh Kazkommertsbank, Halyk Bank merger to be completed in 2H18

S&P Global Ratings kept their 'B+' long-term global scale issuer credit rating and 'kzBBB-' long-term Kazakhstan national scale rating on Kazkommertsbank (KKB) on CreditWatch with positive implications, where it was placed on Dec. 22, 2017, the press office of the international rating agency reported.

At the same time, the rating agency affirmed the 'B' short-term issuer credit rating and removed it from CreditWatch positive, where it was placed on 22 December 2017, by mistake. The mistake, however, did not affect the ratings on KKB.

According to the report, the CreditWatch continues to reflect the still-pending approvals of the merger from the shareholders of KKB and Halyk Bank and the banking regulators of Kazakhstan and Russia, where KKB has a subsidiary. The banks expect to receive shareholder approval for the merger around the end of April 2018.

S&P noted that they understand from KKB that preparations for the merger are proceeding according to the planned timeline, with the merger expected to be completed in the second half of 2018.

The rating agency has identified and corrected an error in its previous review when it placed its 'B' short-term issuer credit rating on KKB on CreditWatch positive. Raising the short-term rating would have required the rating agency to raise the long-term rating on KKB above 'BB+', a scenario S&P see as highly unlikely in the short term. The agency noted that, in their previous review, they should not have placed the short-term rating on KKB on CreditWatch positive. However, this error has had no impact on the ratings.

The S&P intend to resolve the CreditWatch on KKB upon completion of the merger, which they understand is likely to occur in the second half of 2018. At that point, the agency would likely equalize its ratings on KKB with those on Halyk Bank and then withdraw them, since KKB will cease to exist as a separate legal entity.

If the merger does not occur, the S&P would likely affirm their ratings on KKB. This could happen if the shareholders of either bank or their regulators do not approve the merger.

ENERGY & NATURAL RESOURCES

NCOC exported 11,5 million tons of Kashagan oil

The NCOC has shipped 11,5 million tons of oil from Kashagan field, Kazinform reports.

"Since early 2018 we have produced about 2,5 million tons of oil and about 1,5 billion cubic meters of gas. In total since September 2016 we exported 11,5 million tons of crude and we sold more than 3,5 billion cubic meters of natural gas. This gas goes to the pipeline system of KazTransGas," Managing Director of NCOC Bruno Jardin told Kazinform in an interview.

At present, Kashagan oil is shipped in the western direction via Atyrau-Novorossiisk pipeline consortium, in the northern direction via Atyrau-Samara pipeline connected with the system of Russia's Transneft and in the eastern direction via Atyrau-Alashankou pipeline, reported by Kazinform.

Kazakhstan produces over 1 million tons of sulfur from Kashagan

Some 1.5 million tons of sulfur has been extracted from oil produced at Kashagan field, Atyrau region, Kazinform reports.

"In October 2017, we started exporting Kashagan sulphur by railway. Production of granulated sulfur has increased. By the end of the year, the export of sulfur amounted to more than 100,000 tons. In total, since the start of production, more than 1.5 million tons of sulfur have been produced. By today, we have exported more than 250,000 tons of sulfur," Bruno Jardin, Managing Director of NCOC told Kazinform.

According to Bruno Jardin, the extracted sulfur is supplied by pipelines in a liquid condition in two directions - to the sulfur blocks and to the plant for granulation. Once the design capacity is reached there will be no need to stack sulfur blocks. The entire sulfur produced will be exported. The company also plans to melt and process accumulated sulfur blocks into granules.

The ready granulated sulfur is loaded onto the railcars which go to Karabatan to one of the NCOC shareholder companies which handles sale of sulfur and other North-Caspian project products.

The potential sale markets are China and the countries of West Mediterranean district where sulfur is used as a raw material for production of agricultural fertilizers, Bruno Jardin added.

Four new fields put into operation in the Caspian

The development of four new offshore fields is planned to begin by a consortium of companies that are mining at Kashagan.

Studies have already been completed at the Kalamkas-Sea and Khazar fields, which make it possible to talk about the profitability of production.

Specialists have begun to study the potential of the deposits of Aktota and Kairan. All of them are located near Kashagan, where from the beginning of operation 11.5 million tons of oil and 3.5 billion cubic meters of gas were produced.

"We have solved a complex engineering task of injecting associated gas back into the reservoir. This allowed to increase oil production in the Kashagan field to 300,000 barrels per day and to produce 2.5 million tons of oil from the beginning of this year." Bruno Jardin, CEO of the oil company said, 24.kz reported.

China to increase gas supplies from Central Asia due to insufficient reserves

The Chinese authorities intend to increase gas imports due to extremely inadequate reserves in many Chinese cities. This was stated at a press conference on Tuesday by the head of the State Committee for Development and Reforms of the country He Lifeng, Tass reports.

"As for gas supplies, we are going to increase them at the expense of the neighbouring states that produce this energy carrier. We are talking about Russia, the countries of Central Asia, the Asia-Pacific region," the official said.

Among the Chinese cities, Shanghai has the largest reserves of natural gas. "The reserve rate there is maintained at 15 days, but in other settlements this indicator needs to be gradually and systematically increased. For example, in Beijing gas reserves will last about 10 days without replenishment," stressed He Lifeng.

The official added that in 2017 the volume of gas supplies to the population of China amounted to 237 billion cubic meters, which is 14% more than a year earlier. "For the first time since the foundation of the People's Republic of China, we have experienced such a significant growth – this means that we will have to ensure energy security because of the increasing volumes of gas supplies, taking into account new prerequisites," he concluded.

In recent years in China, especially in the northern, central and north-eastern regions of the country, the lack of natural gas is increasingly felt, and demand for it is constantly growing. The traditional inland areas for the extraction of this energy carrier, for example the Datsinsky deposit, are close to depletion of the bulk of their reserves. As a result,

cooperation with Russia in the energy sector is becoming increasingly important for China, reported by Podrobno.

EBRD to invest \$244 million in Kazakh renewable energy projects

The Eurasian Bank for Reconstruction and Development (EBRD) plans to invest approximately \$244.2 million in Kazakh renewable energy sources (RES) attracting private and international financial investment. Fifty-two renewable energy facilities will be built through 2020, said Minister of Energy Kanat Bozumbayev during a February 27 government meeting chaired by Prime Minister Bakytzhan Sagintayev.

He added EBRD wants to engage private and international investors for 40 to 80 million euros (\$48.8 million-\$97.6 million).

"There are 55 operating RES with a total capacity of 336 megawatts. Up to the end of 2020, there are plans to put into operation about 52 renewable energy sources with a total capacity of two gigawatts. The total investment is almost \$31 billion (9.9 trillion tenge)," he said.

The Green Climate Fund approved \$110 million in financing for Kazakhstan to implement RES projects under the EBRD, said Bozumbayev. Eni, General Electric energy companies and the Development Bank of Kazakhstan (DBK) are reviewing the perspectives to implement RES projects in the country.

The ministry is considering the possibility of cooperating with BRK-Leasing, Central-Asian Fuel and Energy Company, ENI International B.V., General Electric International Inc., Green Energy, Kaz Green Tek Solar and Samruk Kazyna United Green.

Bozumbayev noted the ministry attracted about \$200 billion in foreign investments to the oil and gas industry, including more than \$120 billion to develop Kashagan, Karachaganak and Tengiz, its largest projects.

Kazakh Invest and the Ministry for Investments and Development created a list of 145 investment projects worth \$47.8 billion, said Minister for Investment and Development Zhenis Kassymbek. The projects would generate 35,000 jobs in Kazakhstan-China, Kazakhstan-Russia and Kazakhstan-Turkey projects.

Sagintayev noted a particular Kazakh-Chinese project which will create 20,000 jobs. The joint Kazakhstan-China programme is implementing 51 projects worth \$27.7 billion.

The Ministry for Investment and Development suggested it is time for the country to adopt an offset agreements law that will provide for the conclusion of long-term contracts with foreign suppliers. Kassymbek noted more than 50 countries actively use the agreements, such as World Trade Organisation (WTO) members China, Greece, India, Poland, South Africa, South Korea and Sweden.

The offset agreements law was on track in 2015, but was postponed due to lack of support. Kassymbek asked Sagintayev to resume work on the draft.

The EBRD is a leading international financial institution in renewable energy and energy efficiency. The bank remains the largest and in some cases the only source of financing for renewable energy projects. It has invested more than \$8.7 billion in the Kazakh economy. In 2017, EBRD devoted 40% of its investments to projects promoting green economy, Astana Times reported.

Reforms in Kazakh power sector to strengthen position of producers

The new electricity market model in Kazakhstan may improve the most efficient generators' earnings predictability, especially after the tariff freeze during 2016-2018, depending on the details of the first capacity auctions, Fitch Ratings said in a message.

The agency believes that the capacity market launch in 2019 will make Kazakh utilities' credit metrics increasingly dependent on cash flows from the modernization of existing units under long-term tariff mechanisms.

"The new model anticipates the segregation of the electricity market into electricity and capacity sub-markets, which will remain fully regulated with approved maximum caps for long-term tariffs with possible annual revisions. This will result in the transition from the

current single electricity tariff to a double-rate tariff that will include electricity and capacity components,” according to Fitch.

Further, the electricity component will continue to cover generators’ variable costs (mostly fuel) but will also allow all generators to earn an extra fixed margin of around 12 percent of the maximum costs for electricity generation which will be included in the total tariffs for generators.

“This extra margin will be funded by rebalancing the existing tariffs between generators, with no impact on end-user tariffs. As a result, electricity component of some generators may fall while others will see an increase, but mitigated by the new capacity component,” AzerNews reports.

For more news on Kazakhstan’s energy sector, please see our **Special Energy Issue**, which is available on a monthly basis at the Embassy’s website:

<https://www.netherlandsandyou.nl/your-country-and-the-netherlands/kazakhstan>.

MINERAL RESOURCES

New ferroalloy plant for Karaganda

A new ferroalloy plant will be built in Karaganda, the industrial center of Kazakhstan. The management of the Development Bank of Kazakhstan has approved financing of the innovative project. The annual output of the export-oriented enterprise will help Kazakhstan be among the world’s nine largest producers of ferrosilicon. The loan provided by the Development Bank of Kazakhstan will be used for construction of the necessary buildings and structures, and to purchase and install modern equipment. The first stage of construction at the plant will be launched next year.

“We will finance the first stage of the plant’s construction. There will be two furnaces. The production will amount to 96,000 tons of ferroalloys a year. The project is worth 34 billion tenge. The loan amounts to 24 billion tenge and the loan’s term is 11 years. It is financed as part of the State Program of Industrial-Innovative Development. The project is very promising. There is high profitability. It is expected the income will allow the plant to finance the second and third stages of construction,” says DNK chairman Bolat Zhamishev. The plant is built near the Karaganda Thermal Power Station#3. According to the spokespeople of the YDD Corporation implementing the project, the region has all the necessary supplies for production of ferrosilicon, specifically, quartzite, limestone, coal and dross. The main raw materials will be supplied to the plant at a fixed price, which is designed for a long period. Kazakhstan’s share in the project will amount to over 90%.

“An increase in output is expected at the second and third. The plant will produce 144,000 tons of ferrosilicon per year at the second stage and 240,000 tons of ferrosilicon per year at the third stage. This will allow Kazakhstan to become the worlds’ fifth largest producer of ferrosilicon. Our plant has a good contract work going on. We have off-take contracts for sale of finished products with an international trader,” in the words of YDD shareholder Erlan Nigmatulin.

According to the project participants, the plant will become one of the most environmentally friendly factories in Kazakhstan. For example, a gas cleaning system will be installed which will process the industrial dust into a component used for production of cement, Kazakh TV reports.

TRANSPORT & COMMUNICATIONS

Light rail line construction in Astana to be finished in 2019

A light rail tram line in Astana will connect the airport and the new railway station. The mayor of Astana Aset Issekeshev mentioned this at a meeting with residents of the capital, Kazpravda.kz reports.

“Construction is to be finished by the end of 2019. A 22.5-km overpass will be built, including 18 stations, 10 underground and 8 surface pedestrian crossings,” Issekeshv said.

He also spoke about innovations in the public transport system, enabling effective management of the traffic flows.

Kazakhstan ratifies Protocol to Convention on maritime navigation

Head of State Nursultan Nazarbayev has ratified the Protocol of 2005 to the Convention for the suppression of unlawful acts against the safety of maritime navigation, Kazinform has learnt from the Akorda press service.

The text of the Law of the Republic of Kazakhstan “On ratification of the Protocol of 2005 to the Convention for the suppression of unlawful acts against the safety of maritime navigation” will be published in the press.

UAE company to take part in construction of facilities in Kazakhstan

A Memorandum of Cooperation has been signed between Kazakhstan’s Special Economic Zone “Aktau Seaport” and DP World international company, located in Dubai (UAE), according to a message of the press service of the Mangistau region’s administration.

The memorandum was signed as part of a business visit of the Mangistau delegation led by head of the region, Eraly Tugzhanov, to the UAE.

DP World offered cooperation in the sphere of management of JSC SEZ “Aktau Seaport”.

The document envisages the cooperation in the construction of a logistics and industrial park with an area of 60 hectares. It is planned to invest \$50 million in the project.

The Kazakhstan-UAE business forum led by Sheikh Suroor Bin Mohammed Al Nahyan and head of the Mangistau region administration Eraly Tugzhanov took place on March 12.

The purpose of the forum was to strengthen relations between entrepreneurs of Abu Dhabi and Mangistau in the sphere of air transportation, information technology and oil industry.

US to use Kazakh ports for transit of special cargo

The US plans to use Kazakhstan’s Aktau and Kuryk ports for transit of special cargo, Kazakh Foreign Minister Kairat Abdrakhmanov said at a meeting of the parliament, Kazakh media reported.

The parliament of Kazakhstan approved a draft law on ratification of the protocol on amendments to the agreement between the governments of Kazakhstan and the United States on provision of commercial railway transit of special cargo through Kazakhstan.

The agreement illustrates Kazakhstan’s support to the US efforts for stabilization and restoration of Afghanistan.

“The list of checkpoints in the agreement is supplemented by the Aktau and Kuryk ports. This work fully corresponds to the interests of the Republic of Kazakhstan as a strategic partner of the United States, a country that seeks to maintain peace and stability in Afghanistan,” Abdrakhmanov said.

He added that the signed protocol does not change the essence of the agreement, but complements the list of checkpoints with the ports of Aktau and Kuryk.

AGRICULTURE

Kazakh specialists check out Dutch ‘smart’ agriculture technologies

The national company KazakhInvest and the Embassy of Kazakhstan in the Netherlands organized a visit of Kazakhstani agrarian entrepreneurs to the country of tulips, Kazinform reports.

Representatives of domestic business visited a number of agricultural enterprises and scientific and research institutions of the Netherlands where they got familiar with innovation technologies of agricultural production.

As part of the visit, there was held a round table where the Kazakh side presented the Dutch businessmen the potential of Kazakhstan in the agrarian sector and the peculiarities of the country's investment climate.

Manager of the European Bank of Reconstruction and Development Assel Aitkhozhina revealed the opportunities of agricultural projects in Kazakhstan.

During a separate session, Kazakhstani entrepreneurs held talks with their Dutch partners. One of the outcomes of the visit will possibly be creation of an agro-industrial park in Kazakhstan together with the Wageningen University of the Netherlands, the one of the world leading scientific research centers.

Creation of such park is a step towards increased labor productivity and growth of export of processed agricultural production. Also, agrarian science will receive development on its basis.

"Kazakhstan has a big agricultural potential. The Netherlands has technology. Combination of these two factors will allow to speak about the high relevance and profitability of cooperation," agricultural specialist Peter Smits said.

In 2017 investments in the Kazakh agricultural sector increased by almost 40%

In 2017, the investment volumes in the agro-industrial complex of Kazakhstan totaled 352 billion tenge, an increase of 39% compared with 2016, declared First Vice-Minister of Agriculture of the Republic of Kazakhstan Arman Evniev.

To date, there are 4 active investment projects for milk and meat production and processing at the general sum \$175 million. In addition, there are also 20 projects with participation of foreign investors at \$952 million, said Evniev.

According to the Vice-Minister, in the reporting year investments in food production significantly increased – up 51%, APK Inform reports.

In January 2018 flour production increased to the maximum level for 5 recent years

According to the Statistics Committee at the Ministry of National Economy of the Republic of Kazakhstan, in January 2018 the production of wheat flour in the country totaled 295 400 tons, which became the maximum figures for the certain month for 5 recent years.

During 7 months of the season-2017/18 (July-January), flour milling enterprises of Kazakhstan produced 2.2 million tons of wheat flour, up 2% compared with the same period last season, APK Inform reports.

Kazakhstan can provide beef for itself and its neighbors

The Ministry of Agriculture of Kazakhstan told about plans for export of meat to neighboring countries of Russia and China, according to Kazakhstan Today.

Minister of Agriculture Umirzak Shukeev presented the new programme in the field of livestock production. The main aim of the programme is to increase the export of meat.

The matter is that Kazakhstan has a huge unrealized potential for the development of meat cattle breeding. The total area of pastures in the republic is 187 million hectares. At the same time the country takes the fifth place in the world on the total area of pastures. Russia and China import beef in a large volume straight across their borders with Kazakhstan. Russia annually buys 700 thousand tons of beef, taking the second place in the world on import of this type of meat. China imports 1.06 million tons of beef annually, occupying the first place in the world.

In 2011 the Ministry began to advance on its project on the Development of the Export Potential of Meat. The ultimate goal of the project was to export 60 thousand tons of beef by 2016. The first supply rates of high-quality beef to Russia were started in 2013. In the period of the project implementation the export volume of beef reached 25 thousand

tons. But the overall target indicator of the project on export of meat of 60 thousand tons was not reached.

One of the main reasons are the results of cattle identification in 2011. Identification revealed discrepancy between statistical data and reality. It turned out that there were one million heads of cattle less than what was specified in the statistical data.

Still, certain positive motions occurred in the industry. For example, in 2012 some changes to the legislation were introduced in the mechanism of subsidizing livestock breeding production. There was a deregulation of the system of livestock breeding production, a transition from a "breeding farm" concept to a "breeding animal" concept. Before, the status of "breeding" was given by the state body directly to a farm. Now the status of a "breeding animal" is given to a specific animal, and it is done by public associations which are created by cattle farmers and manufacturers.

A transition from subsidizing breeding farms to subsidizing buyers of breeding animals took place. Earlier, breeding farms pursued only one business objective for receiving subsidies from the budget. It was their main method of gaining profit. Breeding animals was not a core business and instead of their reproduction they were generally slaughtered. The accepted changes led to the growth of competition among farms with breeding livestock. Cancellation of price regulation on breeding products together with the emergence of a subsidy for conducting selection and breeding work led to that breeding bulls are in high demand.

Due to the use of genetics of breeding animals, indicators of medium live weight of the cattle raised from 310 kilograms in 2011 up to 335 kilograms in 2017. Besides, domestic breeding farms imported more than 55 thousand head of a breeding livestock of meat breeds for a pedigree improvement of the local cattle. The share of breeding animals grew from 5.6% to 11%, or an increase of 362 thousand heads. More than 65 thousand heads of young breeding cattle are being sold by reproduction farms to individual farmers annually.

The Ministry supports market mechanisms which have already began to develop in the livestock industry.

"The approach to cooperation development is reviewed. Development of small and average farmers in cooperation with large feedlots which provide them sales, distribution of technologies, knowledge and access to financing will be encouraged," the Minister said.

The matter is that in such countries as Australia, Canada and the USA, a significant share in a production cycle is occupied by small farms with an average livestock of 50-80 head. In this business small farmers are the most competitive at cost in terms of pasture maintenance and low costs of production. They are steadier and adapted to market and climatic changes.

The first component of the programme are commodity farms with the main task of cattle birth and its breeding till 6-12 months old. On reaching this age the young animal becomes productive.

The second component of the program are large industrial feedlots. Feedlots provide intensive nutrition of the purchased bull-calves within three-six months and create supply of cattle for slaughter. This link in the technology chain is aimed at redeeming bull-calves from the commodity farms containing a uterine livestock and rendering them methodological and financial support. The technology of meat cattle breeding assumes need for implementation of cluster development approach, when average and small farms for delivery of bull-calves are created around feedlots for insemination.

In turn, an insemination platform helps farms, providing them with breeding bulls to rent or lease, with strict veterinary control. Further subsidies go the modern meat-processing plants which carry out the slaughter of cattle, and then create supply of meat both to domestic market and to export markets.

During the development of this project the experience and technology of leading countries with a developed meat industry, such as the USA, Canada and Australia was

considered. For the first time in Kazakhstan technology of keeping of animals under controlled low temperature without construction of rooms for keeping of animals was successfully approved and implemented in reproduction farms and feedlots. It allows to cut expenses in production and to reduce the cost of livestock maintenance.

Umirzak Shukeev noticed that examples of such cooperatives are the meat cooperative Aktep in the Aktyubinsk region, Agro North in Kostanay, KazBeef, SC Food in the Akmola region, Atameken Agro in the North Kazakhstan region, Arkharly Mayburek in the Almaty region.

“We are going to revive this programme, to fulfill standard models of livestock farms and cooperatives, to remove veterinary queries on export to China, to prepare calculations for investments,” the Minister reported.

He separately emphasized that issues of processing agricultural products will be resolved by consolidation of agricultural producers and processing enterprises on a model of the above-stated meat cooperatives. Strategic investors can act as anchor enterprises in similar cooperatives.

One of such examples is the “meat cluster” created in the Aktyubinsk region based on the anchor enterprise of Aktep group which includes a breeding reproduction farm with 10 thousand heads, an export-oriented feedlot with 13 thousand places, a modern meat-processing complex with a capacity of 7.2 thousand tons of beef a year and formula-feed plant of 20 thousand tons per year.

A uniform cluster integrating more than 300 average farms, having all technology chains, is created around it. The basic principle of a cluster is cooperation offering opportunities to all participants for the achievement of common goals. Being formed in 2011, the enterprise achieved increase in consolidated revenues by eight times from 500 million tenge to four billion tenge.

Besides, production of beef grew from 323 tons to 3.07 thousand tons, or by 10 times in six years. The number of breeding cattle increased from 2.4 to 9.7 thousand heads and of commodity cattle from 6.7 to 25.7 thousand heads, while the use of pastures increased from 231.3 to 458.3 thousand hectares, Zerno Kazakhstan reports.

Kazakhstan establishes mutton export to China

Kazakh Central Communications Service hosted press conference “The Ministry of Agriculture opened up exports of Kazakh mutton to China”, Kazinform reported.

The event was attended by Tursyn Kabduldanov, the Chairman of the Veterinary Control and Supervision Committee of the Kazakh Ministry of Agriculture, Azamat Saginbayev, the Director of the Livestock Department of the Ministry, and Kaiyrzhan Nauryzghaliyev, a member of the Board of Directors of Agricultural Holding “Zernovaya Industriya” (Grain Industry).

It was noted at the conference, that the Ministry of Agriculture continues working on finding strategic niches in international markets and promoting domestic products. They, primarily, deal with neighboring countries in view of the availability of infrastructure and the reduction of logistics costs for the Kazakh businesses.

In this regard, the Kazakh Ministry cooperates with the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (AQSIQ) to take administrative and veterinary issues off the table to ensure unimpeded importation of a number of agricultural products from Kazakhstan to China.

Earlier, the Ministry of Agriculture and AQSIQ signed protocols of phytosanitary requirements for export consignments of wheat, soybeans and wheat to China.

On March 20, 2018, the official website of AQSIQ of China published information on the approval of the veterinary certificate (requirements) for frozen mutton and the license for importing the product from 9 regions of Kazakhstan. Frozen mutton will be exported by rail via Altyntkol and Dostyk checkpoints.

In addition, during the 4th session of the Working Group on Cooperation (on February 12, 2018 in Astana), the sides agreed to hold in June 2018 a joint inspection of enterprises producing corn and barley.

In the near future, they will resume negotiations for approval of the requirements for exporting beef, sheep meat and goat meat, camel meat, etc. to China.

The Ministry of Agriculture of Kazakhstan will continue work on increasing the export potential in all economically-viable directions for the benefit of Kazakh agricultural producers.

Seven milk farms to be built in North Kazakhstan region

Seven milk farms capable of producing 10,000 tons of product will be constructed in different districts of the North Kazakhstan region to provide job opportunities, satisfy local demand and boost exports.

“Milk production in the region in 2017 reached 546,100 tons, increasing by 3.9% compared to 2016. The plan for 2018 is to boost production by 3%; in other words, to produce 563,000 tons,” said regional agriculture department head Kairat Omarov.

To achieve higher production, the farms will be built in the Akkayin, Kyzylzhar, Mamlyutka, Taiynsha and Zhumabayev districts. The 1,500 additional cows will supplement those at existing dairy farms, including four launched the previous year.

Officials seek to ensure there is one farm in each of the 13 districts, creating employment opportunities throughout the year and providing sufficient input for milk processing plants.

The challenge, however, is in acquiring dairy cattle. The available animals will probably not suffice in satisfying the current demand, which increases year to year. Moreover, production levels require imported pedigree cattle, which produce more milk than domestic breeds. Although state subsidies partially cover the cost of imported cattle, it is still a heavy burden for farmers.

“The average cost of one cow varies from 840,000 to 920,000 tenge (\$2,700-\$2,900); however, the subsidy covers only one-fifth of the cost, as it is 100,000 tenge (\$315) for a cow from the Commonwealth of Independent States (CIS) or Europe and 225,000 tenge (\$700) for one from Australia, Canada or the U.S. We have applied to the Agriculture Ministry several times asking to increase subsidies,” said Omarov.

Kazakhstan produced 5.4 million tons of milk in 2017. The North Kazakhstan region contributed 10% of the overall volume, trailing the Astana, East Kazakhstan and South Kazakhstan regions, with each producing more than 700,000 tons. The region also processed 255,000 tons, a quarter of all milk processed in the country, according to Astana Times.

EXHIBITIONS IN KAZAKHSTAN (April 2018)



Global Oil & Gas Atyrau Conference

Atyrau Regional Oil and Gas Technological Conference
10 – 11 April 2018, Atyrau
Organizer: Iteca
www.oil-gas.kz



Global Atyrau Oil & Gas Exhibition

North Caspian Regional Exhibition on Oil and Gas
10 – 12 April 2018, Atyrau
Organizer: Iteca
www.oil-gas.kz



Atyrau Build

International North Caspian Regional Exhibition on Construction, Interior, Heating and Ventilation
10 – 12 April 2018, Atyrau
Organizer: Iteca
www.atyraubuild.kz



AstanaFloraExpo

International Exhibition of Flowers and Landscape Design
11 – 13 April 2018, Astana
Organizer: Astana Expo KS
www.astana-expo.com



Village 2017

International Exhibition on Cottage Construction and Landscaping
11 – 13 April 2018, Astana
Organizer: Astana Expo KS
www.astana-expo.com



KITF

Kazakhstan International Exhibition on Tourism and Travel
18 – 20 April 2018, Almaty
Organizer: Iteca
www.kitf.kz



Greenhouses. Vegetable Stores. Drip Irrigation

Kazakhstan International Exhibition on Greenhouses
19 – 21 April 2018, Almaty
Organizer: Kazakhstan Greenhouses Association
www.greenhouses.kz



Flowers. Landscape. Homestead

Kazakhstan International Flower Exhibition
19 – 21 April 2018, Almaty
Organizer: D-Expo
www.expoflowersalmaty.org



ITS

Kazakhstan International Information Technologies,
Security and Communication Exhibition

25 – 27 April 2018, Almaty

Organizer: Iteca

www.aips.kz



Securika Kazakhstan

Kazakhstan International Protection, Security, Rescue
and Fire Safety Exhibition

25 – 27 April 2018, Almaty

Organizer: Iteca

www.securika-almaty.kz



KIOSH

Kazakhstan International Occupational Safety Health
Conference and Exhibition

26 – 27 April 2018, Astana

Organizer: Iteca

www.kiosh.kz



MachExpo

Kazakhstan International Industrial Exhibition for
Machine Building, Machine-Tool Building and
Automation

26 – 27 April 2018, Astana

Organizer: Iteca

www.machexpo.kz



Power Astana

Kazakhstan International Exhibition on Power and
Lighting

26 – 27 April 2018, Astana

Organizer: Iteca

www.powerexpo.kz/ru/1-power-ast/



NDT Kazakhstan

Kazakhstan International Non-Destructive Testing and
Technical Diagnostics Exhibition

Organizer: Iteca

26 – 27 April 2018, Astana

www.machexpo.kz

Exhibitions dates are subject to change. For a complete overview and more information
on exhibitions in Kazakhstan, please visit:

www.iteca.kz

www.astana-expo.kz

www.expocentralasia.com

www.tntexpo.kz

www.atakentexpo.kz

<http://10times.com/>

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