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Report Name: Oilseed Industry Anticipates Increases to Planting Acreage and Exports to China

Country: Kazakhstan - Republic of

Post: Astana(Nur-Sultan)

Report Category: Oilseeds and Products, Planting Seeds

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Report Highlights:

During a national oilseeds conference, industry representatives noted that domestic oilseed production increased from 2.5 million hectares in 2020 to 3.4 million hectares in 2022, and they further expect production to reach 5 million hectares by 2027. This growth is driven largely by increased use of modern production methods, favorable domestic prices, and strong export demand from China. However, representatives noted that production increases may be stymied by inaccurate market statistics, inconsistent government policies, and challenging transportation logistics. U.S. exporters may capitalize on increasing oilseed production by providing planting seeds to producers, and soybeans to underutilized oilseed processors.

Background

On May 12, FAS staff from the FAS Office of Agricultural Affairs (OAA) in Astana attended the Kazakh National Oilseed Processors Association's (NOPA) Fats and Oils conference in Almaty. The approximately 100 participants included oilseed processors, producers, traders, and representatives from the Ministries of Agriculture and Trade and Integration. NOPA is one of the two main oilseed trade associations active in Kazakhstan. NOPA generally caters toward oilseed producers and processors, while the Fats and Oils Union of Kazakhstan tends to represent edible oil and food processors.

Oilseed Acreage in Kazakhstan Expected to Double

Several speakers noted that oilseed planting acreage and production since 2020 increased for several reasons. Producers have invested in using a greater share of improved seeds, machinery, and other production technologies. Steady domestic demand for animal feed and edible oil has led to favorable prices for producers. Producers have also enjoyed favorable export opportunities to China, in addition to other Central Asian countries, the European Union, and Iran. As a result, presenters noted oilseed production increased from an estimated 2.5 million hectares in 2020 to 3.4 million hectares in 2022, yielding approximately 3.3 million metric tons (MMT). Several speakers expected oilseed production acreage to continue increasing, potentially reaching 5 million hectares by 2027, yielding 5 MMT.

Oilseeds and oilseed processed products are now the fourth largest agricultural sector following grain (largely wheat and barley), dairy, and meat and poultry production. Speakers from the Ministries of Agriculture and Trade and Integration encouraged those in attendance to further expand oilseed production to reduce the country's perceived reliance on wheat and barley trade. They suggested that, unlike wheat and barley, oilseeds had greater export opportunities outside of Central Asia. They shared that the government was considering increasing subsidies for oilseed producers relative to wheat and barley producers, although no specific details were provided.

Kazakhstan utilizes just 40 percent of its oilseed crushing capacity, while Russia utilizes 80 percent. There are 70 oilseed crushing facilities in Kazakhstan with the capacity to process 3 MMT of oilseeds per year. The largest oil crushing facilities are in the Abai, Almaty, and East Kazakhstan regions. In order of volume, Kazakhstan processes sunflower, rapeseed, flax, and small amounts of soy.

China Seen as the Most Promising Export Market

According to Trade Data Monitor (TDM), Kazakh exports of edible oils to China increased more than 300 percent by value, or \$58 to \$170 million, between 2018 and 2022. By value in 2022, 63 percent, or \$108 million, of edible oil exports to China consisted of sunflower oil, followed by rapeseed at \$45 million, and linseed at \$17 million. Similarly, oilseed exports by volume to China increased by nearly 300 percent, or 147,000 to 413,000 MT, from 2018 to 2022. In 2022, these exports consisted of roughly 45 percent each of sunflower and flax, with safflower accounting for the other 10 percent. Nearly all those presenting on trade mentioned China as the top growth export market for Kazakh edible oils and oilseeds. According to TDM, China edged out the European Union to become the top destination for

Kazakh oilseeds by volume in 2022. In part to facilitate grain exports to China, the government announced the construction of a third port rail terminal at Bakhty-Tacheng to complement terminals at Dostyk-Alashankou and Altynkol (Figure 1).

Figure 1. Existing and proposed commercial rail stations with China



Oilseed Sector Challenges: Common to Kazakh Agriculture

For the keynote presentation, the chairman of NOPA identified three overarching challenges facing the Kazakh oilseeds industry. The following three challenges to the oilseed sector share similarities OAA Astana has identified in other Kazakh agricultural sectors:

1. **Lack of reliable agricultural statistics:** Agricultural production, processing, and trade data collected at the local level are influenced by local and regional officials. Officials are incentivized to report optimistic numbers, and thus exert influence on producers to report inaccurate data. By the time these data are analyzed at the national level they have been influenced multiple times leading to inaccurate national production, processing, and trade statistics. During the question and answer session, several attendees agreed with the chairman’s assessment and asked the government officials on the dais to consider ways to improve official statistics.
2. **Inconsistent government policies:** While the government implements policies with a stated goal to promote agricultural development, these policies are executed unpredictably using inaccurate statistical data. Common support policies include domestic supply and price supports, subsidizing inputs and production targets, and trade restrictions and bans. Since businesses are

unsure how and when policies may be implemented, they sometimes restrict production and investment. In the oilseeds sector, the government has implemented short-term trade restrictions on Russian exports of edible oils and sunflower seeds into Kazakhstan, and restricted the export of Kazakh edible oils. In one previous oilseeds conference, a presenter noted that after the government implemented export bans on several specific edible oil products by HS code, companies reformulated products so they could be exported under a different HS code.

3. **Difficult logistics:** As the world’s largest landlocked country, Kazakhstan has faced logistical hurdles exporting agricultural products outside of Central Asia. Russia’s full-scale invasion of Ukraine and western sanctions has exacerbated this challenge. While most speakers expected that neighboring China would be the top future oilseed and edible oil market, the land border still presents challenges to trade. For products to be shipped by rail through to China, products frequently must be offloaded and loaded again due to different rail gauges. To address this issue, a Kazakh national railway representative noted plans to construct a third rail terminal at the Bakhyt-Tacheng border crossing (Figure 1). Additionally, Chinese customs officials have closely scrutinized Kazakh oilseed and related products for phytosanitary issues, causing shipment rejections and delays. In 2021, a Kazakh shipment of canola was refused entry after testing positive for an unapproved biotech event by Chinese authorities.

Edible Oil Processors Concerned by Increased Oilseed Exports and Foreign Competition

Despite the expected increased production, national oilseed processors were concerned about losing access to domestic oilseeds due to increased exports to China and Central Asia. While Kazakh oilseed processing operated at approximately 40 percent capacity, other Central Asian countries similarly were operating under capacity. For example, NOPA reported that in 2022, sunflower production in Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan) was estimated at 1.129 MMT, however processing capacity was estimated at 4.76 MMT (Table 1).

Table 1. Central Asia’s Sunflower Seed Processing Capacity and Production

	Sunflower seed processing capacity, MMT	Sunflower seed production, MMT
Kazakhstan	3.000	1.000
Uzbekistan	1.100	0.100
Kyrgyzstan	0.200	0.020
Tajikistan	0.400	0.005
Turkmenistan	0.060	0.004
TOTAL	4.760	1.129

Source: [Fats and Oils Conference, Almaty, Kazakhstan, May 11, 2023](#)

However, Central Asia sunflower demand was estimated at 1.545 to 1.605 MMT amounting to a 0.416 to 0.476 MMT deficit (Table 2). While this references the sunflower seed market, it illustrates that production has not kept pace with demand and processing capacity.

Table 2. Central Asia’s Sunflower Seed Demand

	Sunflower seed demand, MMT
Kazakhstan	0.630-0.650
Uzbekistan	0.575-0.600
Kyrgyzstan	0.115-0.120
Tajikistan	0.165-0.170
Turkmenistan	0.060-0.065
Total	1.545-1.605

Source: [Fats and Oils Conference, Almaty, Kazakhstan, May 11, 2023](#)

Trends in Kazakh Seed Trade

The Chairman of the Republican Chamber of Seed Growers noted Kazakhstan is highly dependent on planting seeds from outside the country and imports 80 to 85 percent of its planting seeds, mostly from Russia. Sunflower production increased as sunflowers were perceived to be more drought resistant than other oilseeds. However, he also noted that the climate in southern Kazakhstan was not suitable for production. Planting area for canola had decreased, likely due to its sensitivity to pests. The Chairman encouraged producers to consider increasing soybean planting as locally developed soybean varieties proved to be highly productive. Safflower prices had dropped recently, and farmers expected it to remain a niche product. Flaxseed prices increased due to drought in Canada which could stimulate increased Kazakh production.

U.S. Export Considerations

Noting that crushing capacity is underutilized, there may be an opportunity for the United States to export soybeans for crushing by local processors. Several Kazakh companies have explored opportunities to import U.S. soy for consolidation and sale throughout Central Asia.

In 2022, Kazakhstan imported \$98 million in planting seeds from the world, with \$63 million coming from Russia, mostly consisting of wheat seed. While the United States exports approximately \$3 million planting seeds to Kazakhstan, there may be greater opportunities for U.S. exporters if Kazakhstan joins the Union of Protection of New Varieties of Plants (UPOV) and diversifies production away from wheat. The Ministry of Agriculture has long voiced its intention for Kazakhstan to join UPOV, but it has extended this process for many years. Given increasing interest in oilseed production and reliance on planting seed imports, the ministry may choose to finalize UPOV accession to diversify grain production and access improved seeds.

Attachments:

No Attachments.