
International Perspective Farm Business Management in Kazakhstan

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Watch-out for the unexpected in international markets

The drought in Russia, Ukraine and Kazakhstan is severe. With almost no rain since May 1st, current temperatures in the high 30s and high winds, yields have been dramatically reduced. It's amazing that Russia was the world's third largest wheat exporter in 2009 but has completely withdrawn from the 2010 market due to production short-falls.

Kazakh wheat yield comparisons - averaging from 3 to 10 bu/acre



In 2009, Kazakhstan rose to be the world's sixth largest wheat exporter but they might also disappear from the export market this year as any surplus is likely to be siphoned into Russia who will probably need to import grain.

The record rainfall and floods in western Canada and parts of Europe have also put pressure on declining global production, sending the price of a bushel in Chicago and Kansas City from about US \$4 two months ago to US \$6.34.

Prices have shot up around 50 per cent since June, the most dramatic rise in more than 30 years, and bread, pasta and breakfast cereal are all likely to increase in price.

A barley field so short the combine header was getting dirt in the cutter-bar



Al Scholz with farm agronomist – canola yields running from zero to 8 bu/ac



Al Scholz in a Kazakh flax field ready for harvest



Flour millers and major flour suppliers around the world are warning that prices will gradually increase even though global stocks of wheat are far higher today than during the last food price scare of 2007 and 2008. There is about 528 million tonnes in reserve, about 25% more than the 427 million tonnes in store when the price of grain soared above US \$12 a bushel.

Hopefully cooler heads will prevail and stocks to use ratios will become more meaningful for everyone. But then there is always the “fear factor” that throws more fuel on irrational market behavior.

Speculators are jumping in to capture quick returns from a volatile market – adding to the concerns of consumers in poor countries around the world – and thereby creating pressure for national government intervention to preserve food security.

Also the climatologists have been reminding us that the weather during the 20th century was unusually stable – and the globe is returning to a more normal state of erratic annual fluctuations. We are now looking at the “new normal” for weather and crop yields.

What does all this mean for farmers? Management decisions will become increasingly important. As well, expecting the unexpected will become part of the annual planning cycle. Longer-term strategic planning must focus on adaptation as global markets swiftly change every year.

Management that can innovate and adapt to ever changing “change” is a strength of many Canadian farmers. This will give Canada a market advantage, at least for a while, because it is a skill set that is currently largely absent in the former Soviet republics.

To conclude, some national governments will begin to retreat from international trade in food products to provide food sufficiency and food security to their country. This will be a mistake and could easily disrupt trade and food prices for the next decade until a new equilibrium is reached.