
International Perspective Farm Business Management in Kazakhstan

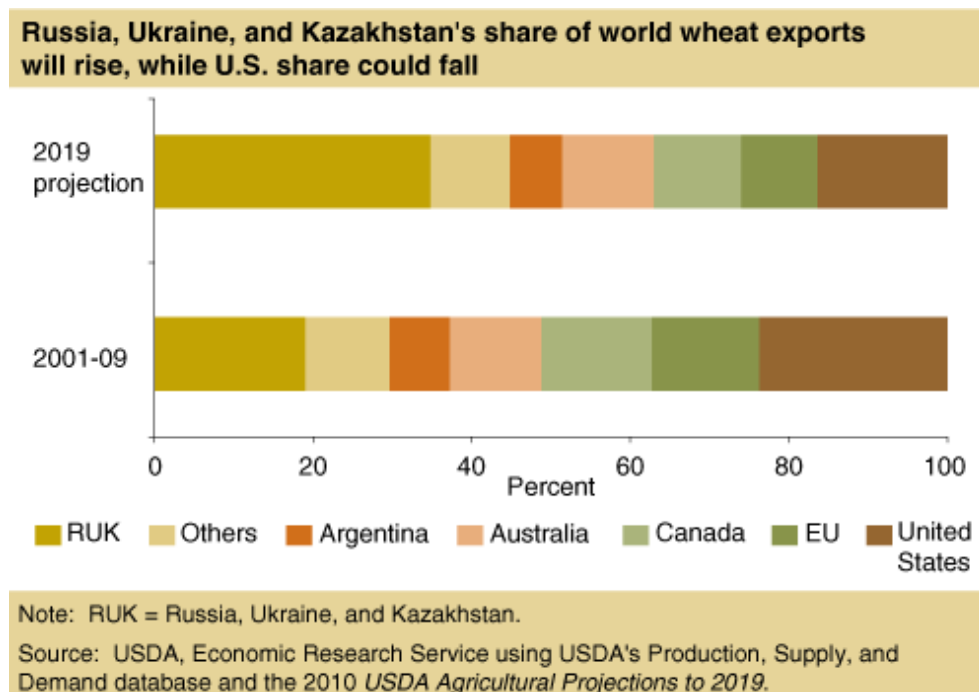
By Al Scholz

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USDA sees Former Soviet Union dominating wheat exports by 2019

For those interested in the changing global grain trade, the June 2010 USDA global market report is a must read. It predicts the next decade will see a major shift in global wheat production and trade. USDA states that wheat exports by Russia, Ukraine, and Kazakhstan will increase by about 50 percent to over 50 million metric tons [mmt] by 2019. In the coming decade, the region may account for over half the growth in world wheat exports, and surpass the U.S. as the “wheat breadbasket of the world.”

U.S. wheat production is projected to rise only slightly over the next decade and exports are forecast to be below average for 2001-09. Accordingly, Russia’s wheat exports alone will more than double those of the United States by 2019.



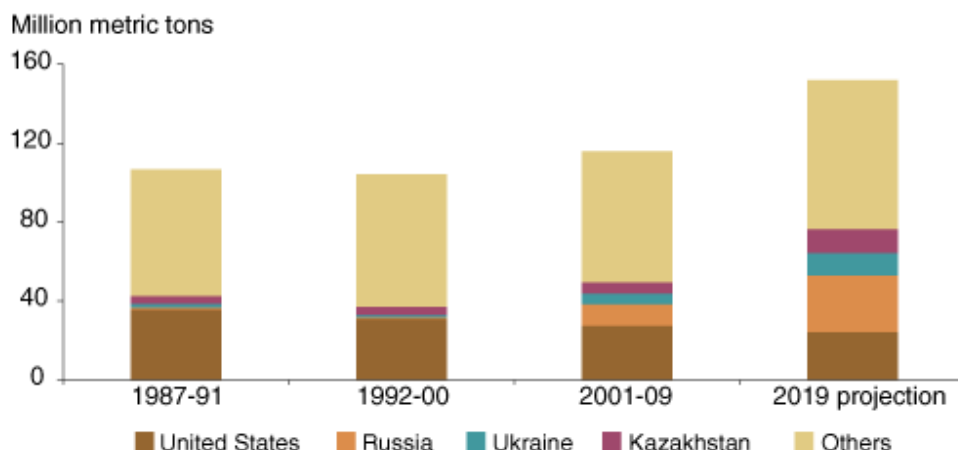
Interestingly, the report predicts that Canada, Argentina and the European Union will lose shares of world wheat exports, while Australia will be stable. Russia, Ukraine, and Kazakhstan’s could increase from under 20 percent in the 2000s to over 33 percent in 2019.

USDA states two main reasons why these three countries have become large wheat exporters. First, the region transitioned to market-oriented economies with the collapse of the USSR. During the late Soviet period of 1987-91, the USSR imported about 35 mmt (net) of grain per year, while in 2009, the former USSR countries exported nearly 55 mmt. This sum difference in output means about 90 mmt of additional grain is available to the world market.

The exportable grain surpluses were made possible largely because of the dramatic contraction of the livestock sectors of these countries during the 1990s, bringing an end to imports of grain and oilseeds while freeing up internal grain consumption for export.

Second, the region's wheat yields rose steadily during the 2000s - particularly in Russia and Kazakhstan, where they increased by 32 percent and 25 percent respectively. In addition, approximately 50 million idled acres have been returned to annual crop production, boosting total output.

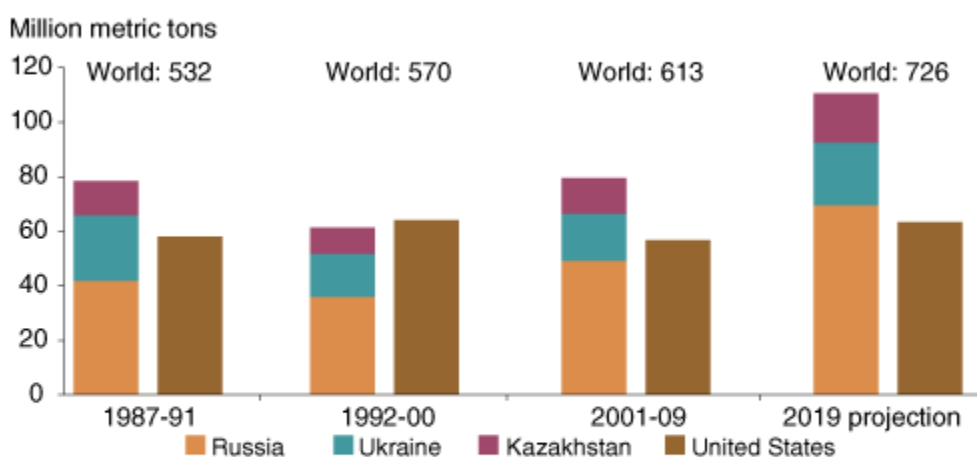
Russian, Ukrainian, and Kazakhstan wheat exports are expanding . . .



Note: Figures give average annual exports over the periods identified, except for 2019, which are from the 2010 *USDA Agricultural Projections to 2019*.

Source: USDA, Economic Research Service using USDA's Production, Supply, and Demand database and the 2010 *USDA Agricultural Projections to 2019*.

. . . because wheat production in the three countries is expanding



Note: Figures give average annual production over the periods identified, except for 2019, which are from the 2010 *USDA Agricultural Projections to 2019*.

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The combined production increase in these three nations has been driven mainly by the rise of “new private operators”, which are large, vertically integrated enterprises that combine primary agriculture, processing, distribution, and sometimes retail sales. The new operators are especially interested in grain production because of its export profit potential.

Yet, uncertainty exists as to the degree which the three former Soviet Union countries will increase their wheat exports. Export growth requires costly improvements in an out-dated and dilapidated infrastructure. Variable weather and possible export restrictions could diminish the region’s export reliability. These uncertainties are likely to mitigate, though not reverse, the growing importance of Russia, Ukraine, and Kazakhstan as world wheat providers.

For Canadian farmers, it is important to understand where Kazakhstan and other countries are headed. This will have a substantial effect on global trade and agriculture, especially if the growth in Kazakhstan’s exports means Canada’s share could decrease.

Knowing the larger global trends in advance, is the first step to preparing for the inevitable constant change that will impact on our own backyards. Innovation and strategic planning is the key to improved competitiveness, which could be in the form of alternative or new market directions.

For more details on the USDA projections – go to the full report at <http://www.ers.usda.gov/AmberWaves/June10/Features/FSUWheat.htm>

More next week ...

Al Scholz is working as a research agronomist on a 5,200 ha [12,300 acre] demonstration farm in Northern Kazakhstan from May to October 2010. See his Blog for more information at www.awellfedworld.com/blog.