
International Perspective Farm Business Management in Kazakhstan

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A Race to Be the Biggest

A number of western grain analysts have watched the re-emergence of the Former Soviet Union [FSU] republics in the grains export sector, particularly Russia, Ukraine and Kazakhstan, with increasing concern.

No doubt the analysts are reacting to the above average growing condition in recent years – and the rapid increase in export market share from these republics. Kazakhstan had exceptional yields in 2006 and 2009. However, the 2010 crop will be different with very dry growing conditions and management challenges, posing the question of whether the former Soviet republics can be consistent performers?

To put it in context, everything collapsed with the demise of the Soviet system. From this reference point, the 1990's were spent splitting up the state farms and allocating land to the villagers – with ambitions for a system of small farmers similar to the west. That has been a challenge because of the lack of capital and cash-flow production. There has been partial success with several thousand small farms of 500 to 1,000 ha but they are struggling to survive.

Then around the year 2000, a new plan allowed large conglomerates, with deep pockets, to acquire the former state farms, and run them as private ventures. Kazakhstan is currently promoting this path to achieve government production targets.

The farms are huge, up to 500,000 acres, and getting bigger every year. The land can be leased for pennies an acre – essentially free for the taking.

**World Bank Conference at the A.I Baraev Grains Research Institute – June 21, 2010
where world class leaders on conservation agriculture support projects in Kazakhstan**



But here's the rub. The Soviet production management systems linger on - which is essentially a "one-size-fits-all" model. All cereal, oilseed and pulse fields are managed with the same

formula regardless of the field and weather conditions. This is partly why average yields are only one-half of the Canadian prairies, despite a similar climate and superior soils.

A Kazakh crop scientist recently said the best that this management system can produce is three good crops out of ten. In contrast, my farmer friends in east-central Saskatchewan expect nine crops out of ten – and plan judiciously for that one disaster year.

Outside the A.I Baraev Dry-land Grains Research Institute in Kazakhstan



Despite the agronomic and management challenges, the FSU republics are back in the export grains market to stay. Their competitive advantage is being the “lowest-cost-producer” to nearby Baltic markets.

There are still big fluctuations in annual production, and it will be another decade before the FSU republics are consistent and dependable suppliers to export customers.

It is essentially a “race to be the best” in terms of production technologies, marketing and management skills. At the end of the day, a share of the export market will be secured by those who are not only innovative, but also consistent, reliable and predictable.

The country has adequate internationally-supported research facilities for conservation agriculture – but the challenge is the lag-time for technology and management transfers.

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.