
International Perspective Farm Business Management in Kazakhstan

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Farming in Kazakhstan

For centuries, Kazakh herdsmen grazed their animals on the arid sub-Siberian grasslands, or steppes, of northern central Asia. This traditional lifestyle is a direct result of the vastness of Kazakhstan: it covers an area of 2.7 million square kilometers — about the size of Western Europe — but has a population of only 16 million.



Figure 1: Kazakhstan in relation to the world – located in the Central Asia steppe

These days it is not migratory horsemen and their livestock, but railcars laden with grain and wheat flour that cross the nation's immense deserts and steppes, much of it en route to export markets in Central Asia.

Under Stalin's Virgin Lands policy in the 1950s, large scale wheat production was introduced for the first time to the northern Kazakhstan steppe. During this time, Soviet central planning called for as much as 25 million hectares (ha) of wheat, durum and barley, the size of the Canadian prairie region.

When the Soviet Union was dissolved in 1991, Kazakhstan gained its independence while enduring a decline in agricultural production and subsequent changes to processing industries. Grain production has settled to around 15.5 million ha on land best suited for annual cultivation, the same size as Saskatchewan's cropped area.

Having abandoned centralized planning, about 70% of Kazakhstan's grain is now produced by a few large farms that combine ownership of farmlands, grain elevators, flour and feed mills, and even export terminals. Some of these corporate farms manage up to 400,000 ha [1 million acres] of grain land and up to 1 million tonnes of grain elevator capacity.



Figure 2: Major wheat areas in Northern Kazakhstan

The Kazakhstan government still plays a limited role by subsidizing inputs for wheat production and market intervention. For example, early in 2010 the government initiated a \$40 per tonne export transportation subsidy.

This is because the main constraint on the country's wheat production is the high transport cost to international markets. Kazakhstan is a landlocked country, and like the Canadian prairies, its grain production is thousands of kilometers from both the Baltic and Black Sea ports. Transport to ocean ports, for instance, can cost as much as the farm gate value of the wheat itself.

Although average yields are low compared to Canadian standards, Kazakhstan wheat has high protein and gluten content and is sought by millers in many countries. The country ranks as one of the world's top four wheat flour exporters while countering a worldwide trend of diminishing trade in milling flour. The share of wheat flour as a percentage of total grain exports has increased rapidly as Kazakhstan milling companies have aggressively sought outside markets.

Farm business management in Kazakhstan has been and will continue to be shaped by its history, geography and government.

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.