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**Problems and prospects of  
developing export in the  
agricultural sector**

The article deals with the current state of agriculture, which has a decisive impact on the socio-economic development of the country. It gives an estimate of the development of the agricultural sector, particularly plant science, identifies problems and priority guidelines for improving the competitiveness of the industry and the development of export potential of the Republic of Kazakhstan as a whole. The focal points of the article are the major competitive advantages of the development of Kazakhstan's agriculture, export of grain crops in the CIS and abroad, and identifying new prospective directions of export of Kazakh grain to China and South-East Asia. The article provides recommendations on the ways of supporting agricultural production and sales by subsidizing and crediting the agricultural sector of Kazakhstan.

**Key words:** State support, agriculture, crop science, export, competitiveness, farmland, farming, grain, flour, cotton, sunflower.

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**Экономиканың аграрлық сек-  
торындағы экспорттың даму  
проблемалары мен болашағы**

Мақалада елдің әлеуметтік-экономикалық дамуына басымды түрде әсер ететін ауыл шаруашылығы саласының кәзіргі кездегі жәй-күйі қарастырылған. Аграрлық сектордың дамуына баға берілген, оның ішінде өсімдік шаруашылығына және де бар болған проблемалар анықталып, белгілі саланың бәсекеге қабілеттілігін жоғарылатуға және жалпы Қазақстан Республикасы бойынша экспорттық потенциалды дамытуға приоритетті бағыттар берілген. Қазақстанда ауыл шаруашылығын дамытудың негізгі бәсекелік артықшылық мәселелері, жақын және алыстағы шет елдеріне дәнді дақылдарды экспорттау проблемалары қозғалған және де Қытай мен Оңтүстік-Шығыс Азия елдеріне қазақстандық астықты экспорттаудың жаңа перспективалық бағыттар анықталған. Мақалада ауыл шаруашылық өндірісін қолдау және Қазақстанда аграрлық секторды қаражаттандыру мен несиелеу арқылы өнімді сату жөнінде ұсыныстар берілген.

**Түйін сөздер:** мемлекеттік қолдау, ауыл шаруашылығы, өсімдік шаруашылығы, экспорт, бәсекеге қабілеттілік, ауыл шаруашылығына пайдаланылатын жер, ауыл шаруашылық өндірісі, астық, ұн, мақта, күнбағыс.

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**Проблемы и перспективы  
развития экспорта в аграрном  
секторе экономики**

В статье рассмотрено современное состояние сельского хозяйства, оказывающее решающее воздействие на социально-экономическое развитие страны. Дана оценка развития аграрного сектора, в частности отрасли растениеводства, выявлены существующие проблемы и даны приоритетные направления повышения конкурентоспособности данной отрасли и развития экспортного потенциала Республики Казахстан в целом. Конкретно затронуты вопросы основных конкурентных преимуществ развития сельского хозяйства Казахстана, экспорта зерновых культур в страны ближнего и дальнего зарубежья, а также определены новые перспективные направления экспорта казахстанского зерна в Китай и страны Юго-Восточной Азии. В статье даны рекомендации по поддержке сельскохозяйственного производства и реализации продукции посредством субсидирования и кредитования аграрного сектора Казахстана.

**Ключевые слова:** государственная поддержка, сельское хозяйство, растениеводство, экспорт, конкурентоспособность, сельхозугодья, сельскохозяйственное производство, зерно, мука, хлопок, подсолнечник.

## **PROBLEMS AND PROSPECTS OF DEVELOPING EXPORT IN THE AGRICULTURAL SECTOR**

Agro-industrial complex (AIC) is one of the major economic complexes that determine the conditions for the maintenance of social activity. Its importance lies not only in satisfying the needs of people for food, but also in the fact that it significantly affects the employment and efficiency of the national output.

The level of production and export of crop supplies directly affects real GDP growth, raising people's incomes and the development of economy of our state. However, increasing global food insecurity and exceeding consumption over the volumes of production has made the issue of export potential development of Kazakhstan's agricultural sector a priority for the state policy.

The main competitive advantage of Kazakhstan, allowing to develop agriculture is a high proportion of farmland in the land fund of the country – 34.3%, as well as high availability of arable and grazing land. The area of pastures in Kazakhstan is 180.9 million hectares or 84.4% of the total area of farmland. While in developed countries, such as Germany, Japan, France, Britain and the United States pastures occupy 28-60%. In addition, there are considerable reserves for land rehabilitation.

More than 25.0 million hectares (29%) in the structure of the country's farmland account for arable land. However the cultivation area is on average 21.3 million hectares, of which about 15.9 million hectares (75%) are for the grain crops.

There is currently a tendency to reduce the grain sown area, which is connected with the implementation Kazakhstan's export basket diversification policy, implying an increase in the production of other crops, as well as a departure from the monocultural orientation in agriculture. Dominance of grain crops is one of the weaknesses in the development of agriculture, as it leads to the interruption of crop rotation and low efficiency of arable land use.

Every year there is a tendency of growth in crop production. The volume of gross output of crop was 1336521 mln. tenge by the end of 2014, it increased in comparison with 2013 by 46%. Almost all types of crops gave high yields.

As for the commodity structure of export of agricultural products, it is characterized by narrow diversification. Wheat dominates in the export of grain. Traditional markets for Kazakh grain are the

countries of Central Asia (Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), which on average

account for 44% of exports of Kazakh grain, China – 18%, Russia – 18%, Azerbaijan – 10% [2].

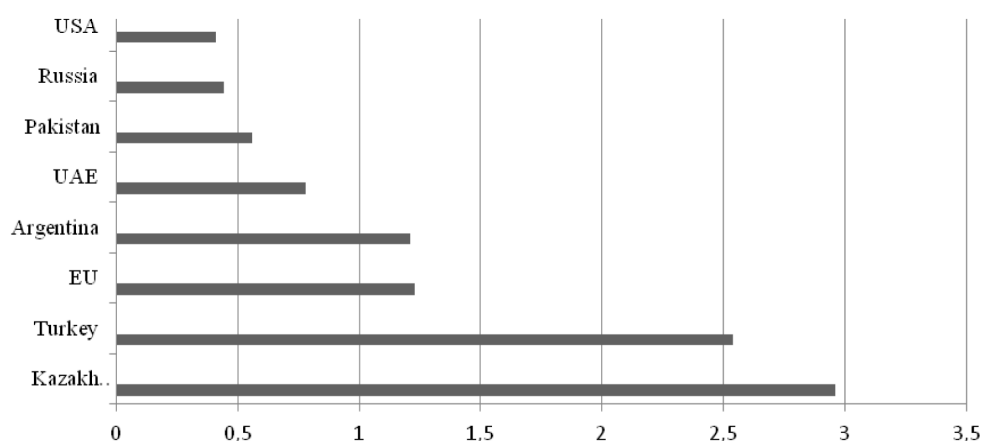
**Chart 1 – Gross harvest of major crops, MT**

Years Mln. tons	2010	2011	2012	2013	2014	Change 2014-2010, %
Grain crops	20,8	12,2	26,9	12,9	18,2	-12,5
Oil crops	0,7	0,8	1,1	0,9	1,4	100,0
Potato	2,8	2,6	3,1	3,1	3,3	17,9
Vegetables	2,5	2,6	2,9	3,1	3,2	28,0
Gourds	0,9	1,1	1,2	1,6	1,7	88,9
Sugar beet	0,2	0,2	0,2	0,2	0,1	-50,0

Today, one of the promising new directions of Kazakh wheat exports is China and South-East Asia, where consumer markets will grow rapidly, depending on population growth. Kazakhstan, with a production figure of 16 million tons, occupies the 11th position in the world ranking of wheat-producing countries. In addition, over the past

years, Kazakhstan has been a leader in the export of flour.

Over the past five years, about 2.96 million tons of Kazakh flour has been supplied to foreign markets. The share of flour in the total export of grain and flour in grain equivalent ranges from 20% to 30% (Figure 2).



**Diagram 2:** The leading exporters of flour, mln. tons (annual average over the past 5 years)

The leading wheat-producing countries are the EU, China, India, USA, Russia, Canada, Australia, Pakistan, Ukraine, Turkey, Kazakhstan, Iran and others. The main competitive advantage of Kazakhstani wheat on the world grain market is the high quality indicators: a high amount of protein and gluten, improving the quality of the flour. Chart 2 shows the comparative characteristics of quality indicators of the North

American and Kazakh wheat. At the same time, demand from the domestic market and importers requires intensified efforts to further improve the quality of grain produced. Thus, measures on improvement the quality of grain are taken on the national level in Kazakhstan. In order to make our grain comply with international standards, national standard for methods of determining quality indicators has been developed.

**Chart 2** – Comparative characteristics of quality indicators of the North American and Kazakh wheat

Indicators	USA: Hard, winter wheat	Kazakhstan: Spring, soft wheat	Canada: soft, spring wheat
Grain unit, kg/hl	74,6	75,0	76,0
Humidity, %	13,5	14,0	14,5
Impurities, %: grain other	5 1	3 1	3 0,75
Content, %: protein gluten	12-13 24	13 24	13,5 25
The average price onFOBterms,US \$.	190-195	182-185	225-230

A significant problem for the realization of the export potential of grain is a continental location of Kazakhstan and the proximity to major producers, Russia and Ukraine. Remoteness from world markets and lack of direct access to seaports also create a major barrier to the promotion of Kazakh grain to markets. The rolling stock with 5200 grain carriers now available in Kazakhstan en-

ables to export only up to 500 thousand tons of grain monthly. [3]

If we compare the yield of grain with the leading countries exporting grain, Kazakhstan has the lowest yield as compared to the developed countries, where the sown area of grain is much smaller, but yields are about 30 c/ha due to use of modern technology. (Chart 2).

**Chart 3** – Yields of main agricultural crops, 2014

Yield, c/ha	Kazakhstan	Russia	USA	Canada
Wheat	10,8	19	29	27
sunflower	4,6	13,4	15,7	14,5
Corn	50	60	90	90
Soy	19	15	28	28

Undoubtedly, production of crops such as wheat, is a priority for Kazakhstan. At the same time, over the last five years the republic has been expanding crop area under oilseeds. The main buyers of sunflower seed from Kazakhstan are Uzbekistan (90%), Tajikistan (5%), Kyrgyzstan, Afghanistan, the Netherlands, Poland, etc. The average price ranges from 142 – 425 USD / ton. It is worth mentioning that the Kazakh market of oil crops has fairly high investment attractiveness. The most promising in terms of production are flax, rapeseed and sunflower.

Cotton industry is also developing fast. Product of primary processing of raw cotton is an export commodity. Kazakhstan's share accounts for less than 1% of the world production of cotton fiber, at the same time due to the lack of capacities for deep

processing of cotton production, almost the entire volume (more than 90%) of cotton produced in the country is exported abroad. The bulk of Kazakh cotton fiber is realized in the CIS countries and partly in Latvia and Turkey. Today, Russia (30,629.5 tonnes) and Latvia (12,856.3 tonnes) remain one of the key markets for Kazakh cotton. Despite the absence of problems with the export sales of the main product of primary processing of raw cotton, this situation is not effective for Kazakhstan.

The main problems slowing down the growth of the export potential of the agricultural sector of Kazakhstan, in particular crop production are:

1) Irrational use of arable land. More than 70% of the cultivated area is occupied by crops where wheat dominates – 65%.

2) The lack of grain storage, as well as a high degree of deterioration of existing ones. Physical wear ratio of agricultural machinery and main assets of processing plants is between 60-80%.

3) Crop production, as opposed to small-scale farming, is dominated by large agricultural enterprises, which have the ability to not only produce, but also to export products; whereas small farms do not have such opportunity due to lack of funds and inaccessibility to market infrastructure.

4) Advanced agricultural technologies of cultivating agricultural crops are not applied sufficiently, including resource saving, which not only improves productivity, but also significantly reduces the cost of product manufactured.

5) There are problems with insurance of agricultural crop production due to high dependence of the industry on the natural and climatic conditions.

6) Finished product, in many cases, is inferior to imported, both in quality and price.

The following priority areas can be identified to improve the efficiency of the agricultural sector of Kazakhstan, in particular the crop sector:

In order to avoid the negative effects of grain oversupply it is necessary to continue to diversify the structure of crop areas by optimizing the wheat areas and expanding the areas of priority crops, including cereals, oilseeds, pulses and forage crops.

It is possible to increase grain industry capacity in Kazakhstan through the development of deep processing technologies that will satisfy not only the internal needs of the state in the product, but also beyond it.

It is important to develop the export of grain through the expansion and development of new markets, including China, South-East Asia, and the Persian Gulf countries. Holding the position in these

markets requires regular delivery of high quality products that will enable our country to be always competitive in the world markets.

Use of modern crop protection means, introduction of reasonable crop rotation, humidity- and resource-saving technologies, including zero technology provides increased productivity, reduces the need for equipment, optimization of field work.

It is necessary to create modern enterprises for deep processing of cotton fiber, in order to export yarn and finished fabrics. Along with this, it is necessary to introduce modern technologies at all levels of production of finished products, as Kazakhstan is inferior to competitors in the percentage of the output of primary processing products. In developed countries cotton fiber output out of 1 ton of raw cotton is on average 45%, while in Kazakhstan the output does not exceed 33%.

It is impossible to increase competitiveness of domestic products without deep technological modernization, through improving the efficiency of agricultural science and its close relationship with industry.

A key tool to support agricultural production and stimulate exports is government support for the production and sale of agricultural products using mechanisms of subsidizing and crediting in the agricultural sector of Kazakhstan.

In general, further development of the agricultural sector of Kazakhstan should focus on improving the competitiveness of agricultural products by improving the effectiveness of state support and creating favorable conditions for the development of agricultural business. Export potential should be increased not due to raw material, but due to the products of complex processing of raw materials and agro-industrial diversification of agricultural output.

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