



Grain Trade Policy

July 20, 2004

Kazakhstan

Summary

Agriculture is a significant sector of Kazakhstan's economy, employing 40 percent of the workforce and generating most rural income, while accounting for approximately 10 percent of GDP and 7 percent of exports in CY 2003. The Government of Kazakhstan (GOK) is planning to increase agricultural production and exports by 12 percent within the next three years. Kazakhstan is a net exporter of grain, the majority of which is wheat. In 2003, Kazakhstan exported \$450 million worth of wheat (accounting for 80 percent of total agricultural exports), \$40 million worth of wheat flour and \$30 million worth of barley. Much of this trade was with the republics of the Former Soviet Union. The United States exported no grains to Kazakhstan in 2003.

Market Access

Tariffs

Kazakhstan's tariffs are assessed as a percentage of the customs value and a minimum tariff is assessed in Euros per unit to discourage under invoicing. According to the "Customs Code", importers or local producers can apply for changing tariffs twice a year. The Ministry of Industry and Trade, together with the Customs Committee, consider these appeals. Changes are made based on the affect it would have on Kazakhstan's economy and compliance to international trade agreements concluded by the GOK.

All importers have to fill out custom declaration in electronic version and have to pay 50 Euro fees for processing each declaration. Imports and domestic products are subject to a value-added tax (VAT) of 15 percent. Import values for custom purposes are based on CIF prices. As of July 2002, the GOK adopted new rules for pre-shipment expertise determination of custom value, quantity and quality of imported goods. According to the rules, all importers must apply to Inspection and Control Services (ICS) for the calculation of custom values, which is the basis for determining customs duties and taxes. This procedure is obligatory for all importers.

As of January 2005, Kazakhstan is expected to move from the 9-digit to the 10-digit uniform tariff nomenclature of the Euro-Asian Economic Community.

The GOK provides tariff preferences for 54 "less developed countries". All commodities may be imported from these countries duty-free. The GOK provides a 25 percent discount for commodities imported from 104 developing countries.

Kazakh Grain Tariffs

HS Number	Description	Tariff (%)
100110000	Wheat Durum	0
100190910	Wheat	5
100200000	Rye	5
100300100	Barley	5
100400000	Oats	5
1006	Rice	20
110100110	Wheat Flour	10

Note: Wheat and flour is imported from Russia duty-free. Kazakhstan imports insignificant amounts of the other grains.

Sanitary and Phytosanitary Measures and other Non-tariff Barriers

Since 2002, the GOK has adopted new laws that are the basis for Quarantine regulations. These laws have been implemented as part of the “Program on Agricultural Standardization”, to standardize regulations to facilitate the application of international standards and systems of quality control. All importers of plants and seeds must apply to plant quarantine authorities prior to shipment in order to obtain the specific requirements for imported commodities. If imported commodities meet these requirements, the shipment will be allowed.

Kazakhstan requires a phytosanitary certificate for all imported grains which has to be issued by authorities in the exporting country.

State Trading Enterprises

Officially, Kazakhstan has no state trading enterprises, but the GOK has major shares in the Food Contract Corporation (FCC), an agricultural trading Joint Stock company. The FCC was established in 1995 for maintaining grain state reserves and the development of new markets for Kazakhstan’s wheat. Since 2002, the FCC has purchased about 1.0 million MT of wheat from farmers for commercial exports. For these purchases the FCC concluded future contracts with farmers with a guaranteed price of US\$65 per MT, i.e. the FCC paid 70% of contracts in advance (mainly in the spring, before the sowing campaign) and another 30% in the fall before harvesting. After harvesting, farmers shipped their contracted grain to the assigned elevators. In 2003, the FCC continued this practice, but due to higher export prices they proposed to pay farmers \$125 per MT.

World Trade Organization

Kazakhstan has applied for membership in the World Trade Organization (WTO), and its WTO Working Group was established in February 1996. Bilateral negotiations on market access for goods and services began in October 1997 and are ongoing. The GOK is in the process of reforming its customs regime by reducing tariffs and streamlining import and export procedures.

U.S. Non-Party Agreements

Under bilateral agreements concluded between Kazakhstan and the CIS countries (excluding Turkmenistan), grains imported to Kazakhstan are exempt from custom duties.

Kazakhstan is a member of a Custom Union with Russia, Belarus, Kyrgyzstan and Tajikistan. Under the provision of the Customs Union, trade between these countries is free of customs duties.

Kazakhstan also is a member of regional trade group Economic Cooperation Organization (ECO) which grants members a 10 percent tariff preference on statutory rates for grains and some other goods. The ECO consists of 10 countries: Pakistan, Turkey, Iran, Afghanistan, Uzbekistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan.

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