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German Bundestag

German-Kazakh Agricultural Policy Dialogue (APD)



Round table

"Agrarian subsidies in the Republic of Kazakhstan"



Nur-Sultan / December 2021 / Barnewitz

With support from



Federal Ministry
of Food
and Agriculture

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German Bundestag



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Survey of farmers I

A total of 657 farmers were interviewed, of which by line of business are engaged:

- just livestock farming:
300 farmers (45.7% of respondents); (average 143 cattle, 330 MHP, 91 spouses)
- just crop farming:
143 farmers (21.8% of respondents)
- mixed farming :
214 farmers (32.5% of respondents)

In **terms of agricultural land**, the surveyed farmers have a total of 1,159,800 ha. On average per one farmer:

	Total Ga:	
• 2,378.6 ha, arable land	306,000	
• 1,611.7 ha, pastures	664,000	
• 650.9 ha, hayfields	105.000	
• 632.4 ha of irrigated land -		---



Survey of farmers II

In terms of investment in production, 303 farmers (46.1% of those surveyed) responded that they had invested in production in the last 12 months.

Total investments amounted to **11,598,600,000 tenge**, of which

type	No.	ha
• equipment	115 - 6,884.8 million tenge or 59.4%;	334,000
• machinery,	38 - KZT 1,975.9 mln or 16.2%;	145,000
• Purchase		
of livestock	195 - 2,102.5 million tenge or 18.1%;	133,000
• Building	17 - 536.9 million tenge or 4.6%;	20,000
• <u>Land</u>	15 - KZT 190.5 million or 1.6%;	24,000
	380	11.598.600.000
		656.000

Without investment 300

458.000

arable land	21%	67,000
pastures	50%	337.000
haymaking	42%	54,000



Analysis of results III: Sources of financing

Indicator	%	Number of responses	Share, %	Share of financial institutions, %
Own funds	100%	296	46,8%	-
Borrowings	100%	85	13,4%	FFPSH - 33.5%; C.T. IS 29.2; ACC - 17.3%; CAF -11.1%; MFIS - 5.7%; HLB - 3.2%.
	less than 100%	253	39,8%	



almost half of the surveyed farmers have **not** applied to financial institutions for loans recently.

Analysis of results IV: Most important subsidies

Type of subsidy	Number of responses	Share of responses, %	Average score
Subsidizing livestock production	370	20,5	8,8
Subsidy of remuneration rate	214	11,9	8,4
Investment subsidies	215	11,9	8,3
Subsidizing water costs	110	6,1	8,1
Seed subsidy	200	11,1	8,1
Fertilizer / herbicide subsidy	206 / 193	11,4 / 10,7	7,9



Analysis of results V: Problems in the provision of support measures

Problem	Number of responses	Share of responses, %
long application processing time	322	24,7
lack of collateral	281	21,5
Red tape and bureaucracy in reviewing applications	167	12,8
shortage of funds in a financial institution	157	12,0
non-transparency of the bid selection procedure	95	7,3
imperfect legislation	86	6,6

Lack of collateral / #281	GA	Investments
arable land	67.000	1.8 mrd. T.
Grassland / Hayland	366.000	0.4 mrd. T.



Analysis of the results of farmers' survey VI

When asked what farmers need to further expand their activities, farmers noted the following main measures:

- Unsecured, low-interest, low-collateral soft loans or loan guarantees;
- guarantees and stability of state support measures;
- **qualified personnel;**
- **Bringing necessary infrastructure** (irrigation systems, mobile communications, roads, schools and health care, etc.).

Do you have intentions for further expansion of your activities	Yes	No
arable land	170.000	130.000
pastures	430.000	230.000
Haymaking	105.000	0



counter liabilities I

- Definition and purpose of counter obligations:

To ensure the effectiveness of state support measures, a register of counter-obligations of AIC subjects to receive state support measures, including subsidies, will be introduced Counter-obligations will include:

- 1) Diversification of cultivated areas;
- 2) increase in gross agricultural output;
- 3) implementation of requirements for rational use of land;
- 4) increase in labor productivity.

The effectiveness of state support measures will be assessed based on the results of the fulfillment of counter obligations by the subjects of the agro-industrial complex.



counter obligations II: The example of Germany

Political Objectives:

- Improve by 2030 the humus content of all arable land suitable for the respective soil type.
- Increase different crops in the crop rotation to at least 5 different crop types per farm by 2030.
- To achieve legume crop cultivation on 10% of arable land by 2030.

Implementation of the Goal through individual programs. For example:

- "Agricultural Investment Program" promotes the purchase of modern machinery and equipment for precision application of mineral fertilizers and crop protection products, as well as for mechanical weed control.
- Program to increase humus content on all arable land
- + Measures and Evaluation of profitability / effectivity



Conceptual Proposals I:

1. **Introduce stability of state support measures:**

Eliminate frequent changes in the Subsidy Regulations, and define specific terms and also **volumes of subsidies** in a fixed range: For example, not less than 5% of the previous year's Gross Domestic Product of Agriculture;

2. **Ensure timely allocation of funds** for crediting seasonal works, as well as timely consideration of applications for crediting by the financial institution, it is necessary to consider applications for spring field works in winter, and autumn harvest works in summer before the harvesting works.



Conceptual Proposals II:

3. Focus on risk coverage

Agriculture is a risky industry, and in the sharply continental climate of Kazakhstan, the risks increase.

In many countries, state support is mainly aimed at **minimizing commercial agricultural risks**. For example, in the USA, Canada, and China there are anti-risk programs for agricultural producers, which cover farmers' risks of lost profits, i.e. insure the price losses of output:

- **Insurance**
- **Guarantee**



Detailed Proposals I:

Implement in subsidy information systems (Qoldau.kz) :

- **Transparency:**
 - **Notification** of the date and time of the opening of applications for subsidies, where the announcement should be placed on the main page of the subsidy portal
 - **"waiting list"**, which underestimates risks and improper budget planning;
- **Improved spatial monitoring of agricultural land** (so far, error up to 75% of allegedly identified unused agricultural land);
- **Feedback** from Qoldau portal developers on stakeholder initiatives (MoA, NFS, AIC entities) to improve the services provided; **and from the business side** in the portal improvement processes.



Detailed Proposals II:

Issue: Limited funds for subsidy programmes

Germany also lacks cheap financial resources for farmers. Therefore, the procedure was changed in order to determine the maximum number of farmers who will take part in the 3 phase competitions:

1. Expression of interest
2. Lottery procedure
3. Processing of detail applications

There was indeed dissatisfaction at the beginning of the procedure change. Just like with the original "first come, first served" procedure.

The dissatisfaction was due, in part, to a **subjectively** perceived lower chance of being able to apply at all.

The introduction of the Expression of Interest procedure has been very successful and there is currently no significant rejection of the procedure by farmers.

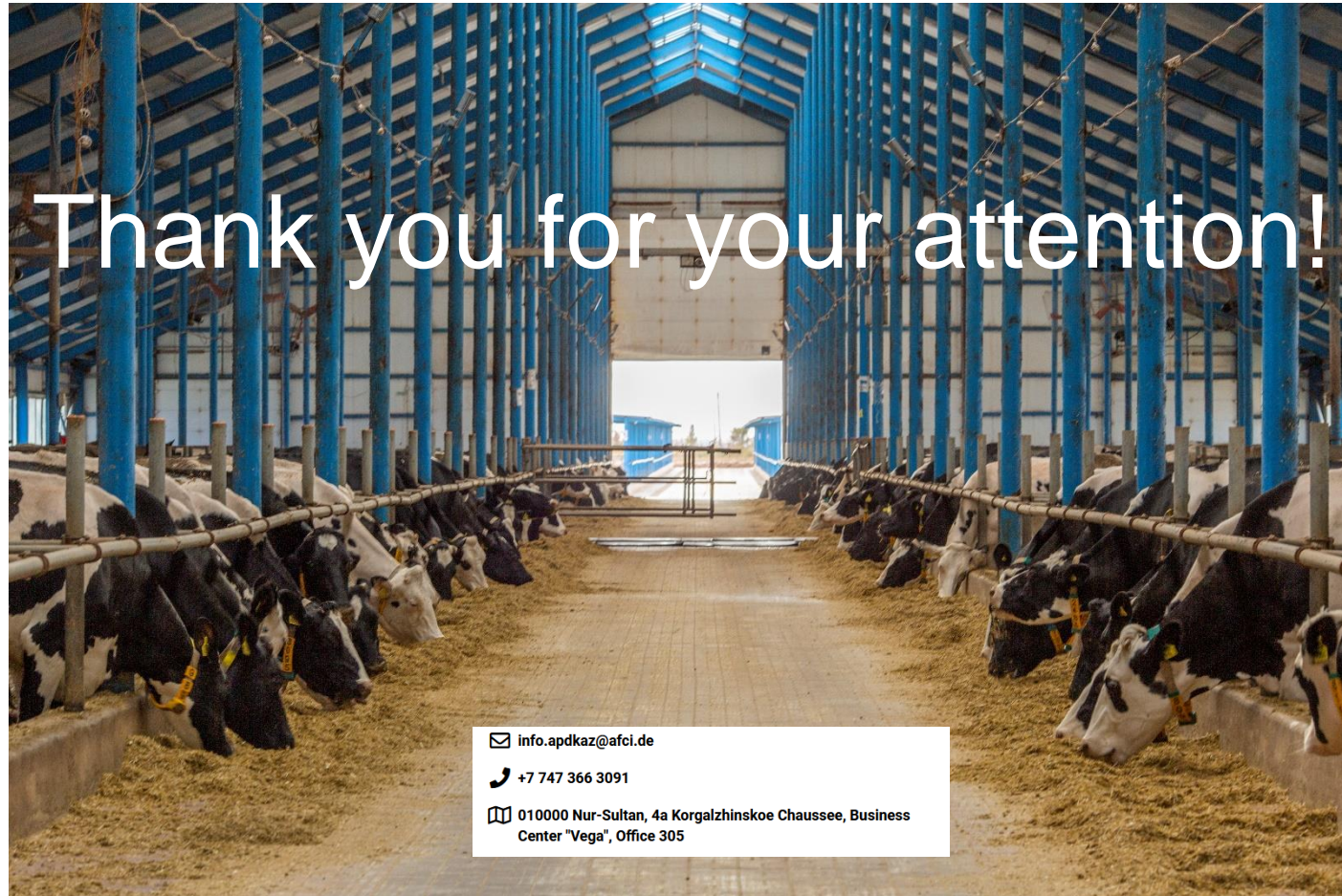


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