

Central Asia

ABOUT THIS REPORT

The Famine Early Warning Systems Network (FEWS NET) monitors trends in staple food supply and price trends in countries at risk of food insecurity. The Regional Supply and Market Outlook report provides a summary of regional staple food availability, surpluses and deficits during the current marketing year, projected price behavior, implications for local and regional commodity procurement and essential market monitoring indicators. FEWS NET gratefully acknowledges partner organizations, national ministries of agriculture, national market information systems, regional organizations, and others for their assistance in providing the harvest estimates, commodity balance sheets, as well as trade and price data used in this report. **NOTE: "Central Asia" in this report refers to the countries of Afghanistan, Kazakhstan, Pakistan, and Tajikistan.**

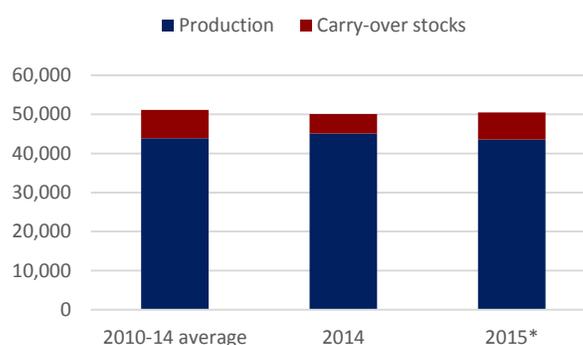
KEY MESSAGES

- Regional wheat supplies in Central Asia are near the five year average and are expected to remain so over the 2015/2016 marketing year.
- The structurally deficit countries of Afghanistan and Tajikistan are expected to meet their domestic wheat requirements through intra-regional trade with Pakistan and Kazakhstan.
- In Tajikistan, wheat prices have reached record high levels (26 percent higher than average) and are projected to remain at the current high levels. The Tajik currency (Somoni) has depreciated by 27 percent against the USD over the past year due to reduced remittance inflows. Tajikistan is particularly reliant on food imports, thus the depreciation of the Somoni has been driving up food prices.
- Wheat prices in Afghanistan and Pakistan are near average and are projected to be stable, while wheat prices in Kazakhstan are lower than average and are projected to remain lower than average.

INTRODUCTION

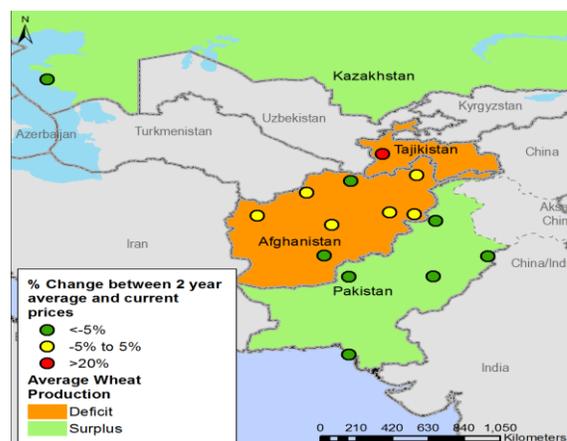
- This report considers wheat production and markets in Afghanistan, Kazakhstan, Pakistan, and Tajikistan. Afghanistan is a FEWS NET presence country, while Tajikistan is a FEWS NET remote monitoring country. The report does not take into consideration the other countries in the region, namely Iran, Uzbekistan, Turkmenistan, and Kyrgyzstan, on the basis that there are currently no irregular issues or trends in these countries that would affect the regional outlook. Supply projections are valid for the marketing year (October – September), while prices are projected through December 2015.

Figure 1 Regional Wheat Supply Estimates (000s MT)



Source: FEWS NET calculations with data from FAOSTAT, USDA PSD, Afghanistan MAIL, TAJSTAT, Pakistan Bureau of Statistics.
*Projections valid as of 10/1/2015.

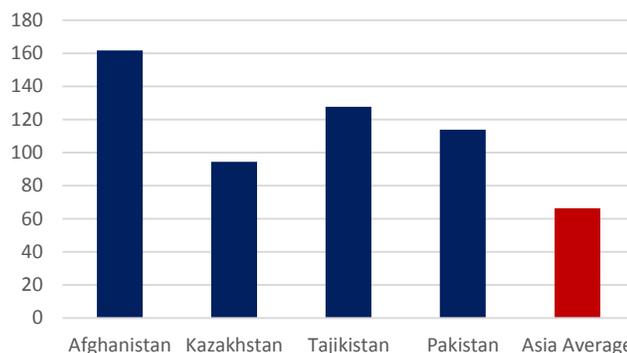
Figure 2 Map of Wheat Production Status and Prices



Source: FEWS NET calculation based on data from FAOSTAT, USDA PSD, Afghanistan MAIL, TAJSTAT, Pakistan Bureau of Statistics.
Note: Prices in Kazakhstan are for wheat grain. Prices for Afghanistan, Tajikistan, and Pakistan are for wheat flour.

- Wheat is by far the dominant staple in this region (Figure 3). In the lower income countries of Afghanistan and Tajikistan wheat consumption on average constitutes 66 percent and 49 percent of calories of the local diets, respectively.¹ Given this dependence on wheat in the region, monitoring wheat production and intra-regional trade of wheat is important for understanding regional food availability and access. Other important grains include rice, maize, and barley.
- The timing of central Asian wheat harvests typically vary depending on the country. The main regional wheat harvests are generally complete by the end of September (Figure 4). This report considers the most recent 2015 production and carry-over stock estimates from a variety of sources including USDA, FAO, FEWS NET staff, and government ministries.

Figure 3 Wheat Consumption (annual kg/capita) in Asia, 2011



Source: FAOSTAT

BACKGROUND

- The region as a whole is typically structurally surplus in wheat supply. This means that, on average, total regional production and carry-over stocks satisfy regional wheat requirements, including consumption and industrial use, and government strategic reserves. However, national-level production and self-sufficiency vary widely from country to country.²
- Intra-regional trade is critical as production is not balanced in the region. Kazakhstan and Pakistan are structurally surplus producing countries, while land-locked Afghanistan and Tajikistan are structurally deficit countries without easy access to global staple food markets. Typically, all of Afghanistan’s wheat imports come from Pakistan and Kazakhstan, while all of Tajikistan’s wheat imports come from Kazakhstan.
- Pakistan produces the most wheat in the region, but with a population of 180 million it also has the highest domestic requirements (Annex 1). Despite the domestic requirements, Pakistan generally produces a surplus of wheat that is typically exported in the form of wheat flour to Afghanistan. Pakistan is not well integrated with international wheat markets.
- Kazakhstan is an important international wheat exporter and makes substantial contributions to wheat availability in a number of countries in the region including Uzbekistan, Azerbaijan, Iran, Russia, Kyrgyzstan, Afghanistan, and Tajikistan.

Figure 4 Regional Wheat Seasonal Calendar

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Afghanistan			Spring Planting							Winter Planting		
Kazakhstan												
Pakistan												
Tajikistan			Spring Planting							Winter Planting		
Planting												
Harvesting												

Source: FEWS NET, GIEWS

¹ FAOSTAT, Food Balance Sheets, 2011

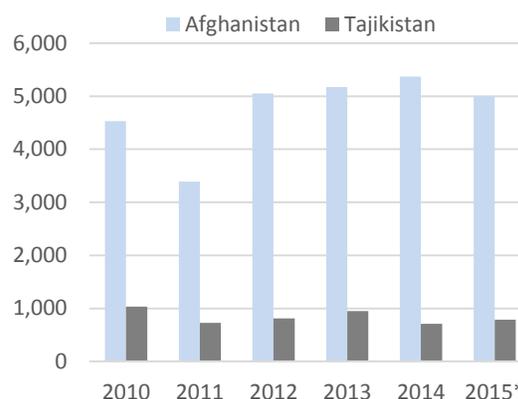
² FEWS NET, 2011, <http://www.fews.net/central-asia/special-report/july-2011>

- Nearly a quarter of Afghanistan's domestic requirements for wheat are met through imports. On average, over the past five years, Afghanistan produced 4.7 million MT and imported about 1.7 million MT annually. Over this period, Afghanistan's wheat imports have been split evenly between Kazakhstan and Pakistan though annually the proportion of imports vary.
- Tajikistan relies on Kazakhstan to meet over half of its domestic wheat requirements. On average, over the past five years, Tajikistan has produced 858,000 MT and imported 1 million MT annually, exclusively from Kazakhstan.
- Production in the region can be highly volatile because the majority of wheat production in Kazakhstan and Tajikistan, and much of production in Afghanistan, rely on rain or snow. Seasons with poor precipitation, droughts (which are experienced approximately two out of every five years, on average), or excessive heat are common.³ However, the majority of wheat production in Pakistan is on irrigated land, making production there much more stable than the other three countries (Figure 6).

CURRENT WHEAT SUPPLY AND PRICES

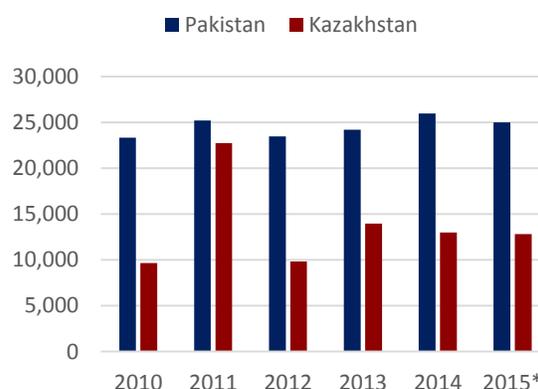
- Current estimated regional supplies for the 2015/16 marketing year are near the five year average, though significantly lower than 2011/2012 which was buoyed by the record harvest in Kazakhstan of 22.7 million tons – double the average harvest level of the last 20 years.
- At the country level, production levels for Kazakhstan and Tajikistan are all slightly below the five year average, while Afghanistan and Pakistan are slightly above. Carry-over stocks in both Afghanistan and Tajikistan are estimated to be significantly higher than average (Annex 1).⁴
- Current market prices are below or comparable to their respective recent two year average levels in Pakistan, Afghanistan, and Kazakhstan, but significantly above average in Tajikistan (Figure 2).

Figure 5 Wheat Production in Structurally Deficit Countries (000 MTs)



Source: FEWS NET calculations based on data from Afghanistan MAIL, TAJSTAT, USDA PSD, FAOSTAT
* Estimated.

Figure 6 Wheat Production in Structurally Surplus Countries (000 MTs)



Source: FEWS NET calculations based on data from Pakistan Bureau of Statistics, USDA PSD, FAOSTAT.
* Estimated.

³ FEWS NET, 2011, <http://www.fews.net/central-asia/special-report/july-2011>

⁴ Carry-over stocks include all of the commodity which is not currently in use, regardless of where it is stored: on the farm, in a warehouse or elevator awaiting marketing, at a port awaiting shipment, at a mill awaiting use, or in emergency government reserve.

PROJECTED WHEAT MARKET TRENDS FOR 2015/16

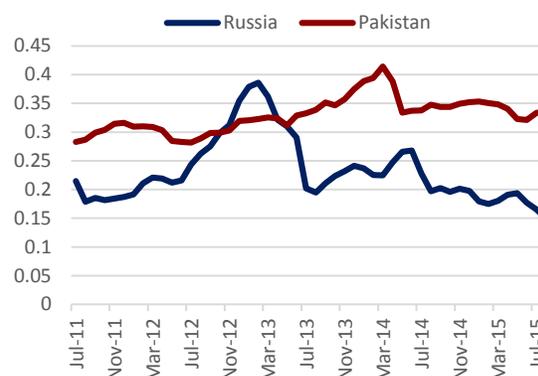
Regional trends

- After taking into account intra-regional requirements, the region is estimated to have an exportable surplus of 3.1 million MT for the 2015/16 marketing year.⁵
- Intra-regional trade is projected to progress at normal rates, with Kazakhstan and Pakistan supplying Afghanistan, and Kazakhstan supplying Tajikistan.
- Prices in the region are expected to remain stable through the projection period (through December 2015) though prices in Tajikistan are 26 percent higher than average and are projected to remain high (Figures 9 and 10).

Country-specific trends

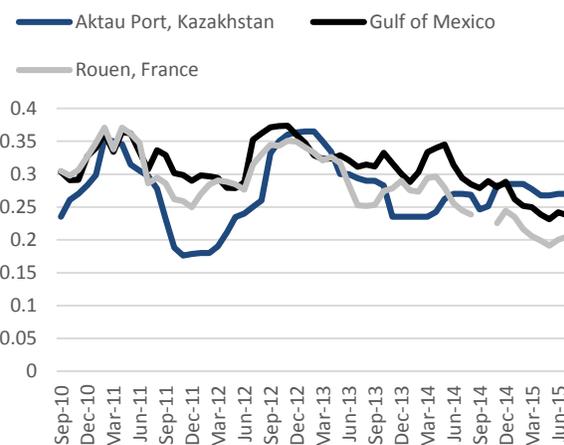
- Wheat production in Pakistan has remained very stable over the past five years and wheat prices are generally not well integrated with global prices. During the 2014/2015 marketing year, Pakistani importers took advantage of relatively lower prices in Russia and imported about 700,000 MT of low-quality wheat due to favorable domestic product prospects (Figure 7). However, they are expected to import significantly less in 2015/2016 as the government increased import tariff rates on wheat from 20 percent to 40 percent. Furthermore, there are currently no indications that the Pakistani government will limit wheat exports to regional markets, as domestic supplies are able to meet and exceed domestic requirements. Prices in Pakistan are projected to slightly decrease or remain stable through the remainder of the year at above average levels though lower than last year (Figure 9).
- In Kazakhstan, government policy since 2012 has aimed to diversify agricultural production, and especially to expand into oilseeds and other inputs for livestock. Area planted and harvests have been decreased for wheat. Despite this, Kazakhstan is still projected to have an exportable surplus in 2015/2016 of around six million MT of wheat grain, which is about 1 million MT below the average. Kazakhstan wheat prices are highly integrated with world markets which have been on a downward trend (Figure 8). Wheat prices in Kazakhstan are projected to decrease and remain below average levels mirroring projected global trends. (Figure 9).

Figure 7 Wheat Prices in Russia and Pakistan (USD/kg), July 2011 – July 2015



Source: FEWS NET, APK-Inform Agency

Figure 8 Kazakhstan and International Wheat Prices (USD/kg), Sep 2010 – June 2015

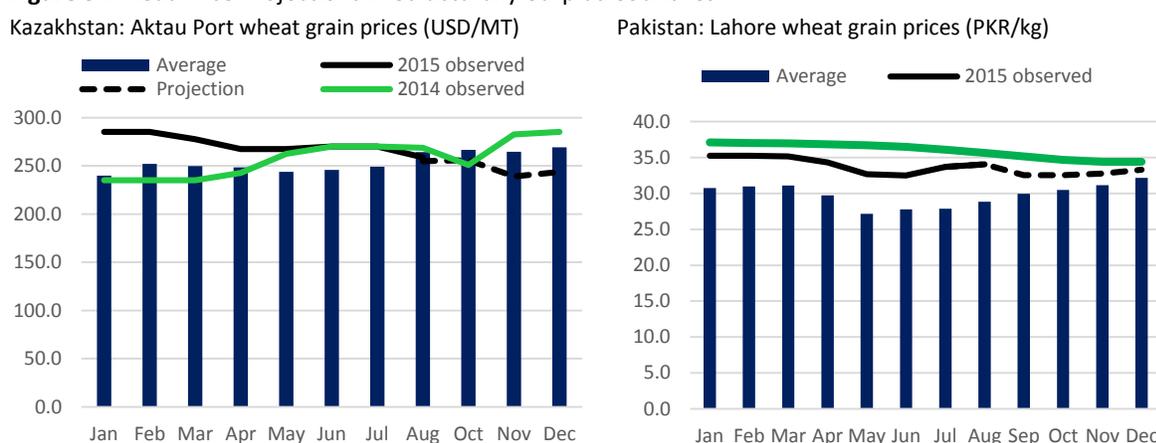


Source: FEWS NET

⁵ The projected regional wheat surplus is 10 million MT which includes estimated production and carry-over stock levels less domestic requirements. The projected exportable surplus of 3.1 million MT is estimated production less domestic requirements and carry-over stocks.

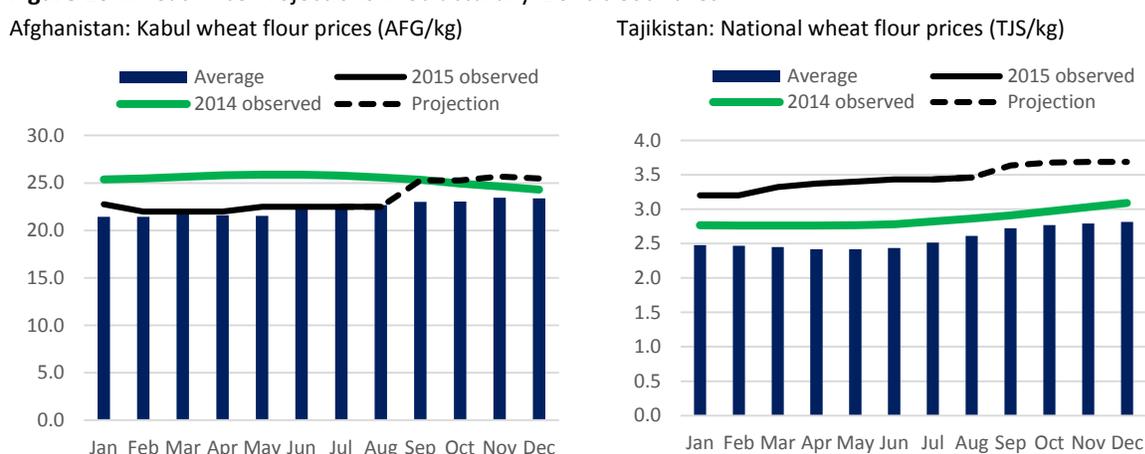
- Afghanistan is projected to import about 1.5 million MT of wheat (90 percent of which is wheat flour) from Kazakhstan and Pakistan, which is about average. Kazakh wheat will mostly supply areas in the north and northeastern parts of the country, while Pakistani wheat imports will supply markets in the eastern, southern, and western parts of the country. Wheat flour prices in Afghanistan are expected to increase in the coming months staying above average levels, but comparable to the previous year (Figure 10). Wheat grain prices are projected to be stable at average levels.
- Tajikistan is expected to fill its deficit, which are at average levels, through imports from Kazakhstan. The economic downturn in Russia and Ukraine has resulted in a dramatic decrease in remittances to Tajikistan. The World Bank projects that remittances will decrease by 40 percent in 2015, which is significant given that remittances contributed to 40 percent of GDP in 2014 - the highest of any nation in the world.⁶ The decrease in remittances has depreciated the Somoni by 27 percent against the dollar over the past year. Because of Tajikistan’s reliance on food imports, the results of the currency depreciation are likely to be higher food prices. Wheat prices are currently 26 percent higher than average, however prices are projected to remain stable or slightly increase as wheat prices in Kazakhstan, Tajikistan’s main source of wheat, are projected to be below average (Figure 10).

Figure 9 Wheat Price Projections in Structurally-Surplus Countries



Source: FEWS NET

Figure 10 Wheat Price Projections in Structurally-Deficit Countries



Source: FEWS NET.

⁶ World Bank, Tajikistan: Slowing Growth, Rising Uncertainties, Spring 2015 (<http://www.worldbank.org/content/dam/Worldbank/Publications/ECA/centralasia/Tajikistan-Economic-Update-Spring-2015-en.pdf>)

EVENTS THAT COULD CHANGE THE OUTLOOK

Factor	Justification
Depreciation of Somoni (TJS)	The continued depreciation of the Somoni because of significantly lower remittances in Tajikistan has the potential to increase prices of imported wheat, which makes up over half of the wheat supply in Tajikistan.

MARKET MONITORING INDICATORS FOR 2015/16 MARKETING YEAR

Indicator	Justification
Tajik remittance levels	The downturn in Tajik remittances is believed to be one of the key drivers behind the recent depreciation of the Somoni. FEWS NET will monitor remittance flows as well as the currency exchange rate in the coming months.
Price levels (intra-regional trade)	<p>Monitoring actual trade levels in real time is often quite difficult. FEWS NET will therefore monitor price differentials as a means of monitoring incentives for trade between surplus and deficit countries.</p> <p>Price differentials between Afghanistan and Tajikistan and Kazakhstan should be monitored.</p> <p>Price differentials between Afghanistan and Pakistan should be monitored.</p>
Country-specific trade policies	Although the introduction of new trade policies is not expected, past trade policies in the region have impacted intra-regional trade and food availability. FEWS NET will monitor for any potential trade policies that could affect intra-regional trade.

ANNEX 1: FEWS NET Central Asia Wheat Supply Projections for 2015/2016 Marketing Year (MY)

Country	Item	MY 2014/15	5-year Average	MY 2015/16	% change one year	% change 5 year average
Afghanistan	Opening stocks	285,000	115,000	310,000	9%	170%
	Production	5,370,000	4,701,847	5,000,000	-7%	6%
	Supply	5,655,000	4,816,847	5,310,000	-6%	10%
	Requirements	7,000,000	5,665,600	7,200,000	3%	27%
	Self sufficiency	81%	85%	74%	-9%	-13%
Kazakhstan	Opening stocks	1,988,000	3,756,000	2,784,000	40%	-26%
	Production	12,996,000	13,829,714	12,800,000	-2%	-7%
	Supply	14,984,000	17,585,714	15,584,000	4%	-11%
	Requirements	6,800,000	6,940,000	6,800,000	0%	-2%
	Self sufficiency	220%	253%	229%	4%	-10%
Pakistan	Opening stocks	2,172,000	3,107,600	3,222,000	48%	4%
	Production	25,979,400	24,437,760	25,000,000	-4%	2%
	Supply	28,151,400	27,545,360	28,222,000	0%	2%
	Requirements	24,500,000	23,720,000	24,600,000	0%	4%
	Self sufficiency	115%	116%	115%	0%	-1%
Tajik	Opening stocks	525,000	274,600	545,000	4%	98%
	Production	711,000	858,002	788,000	11%	-8%
	Supply	1,236,000	1,132,602	1,333,000	8%	18%
	Requirements	1,810,000	1,662,000	1,850,000	2%	11%
	Self sufficiency	68%	68%	72%	6%	6%
Total	Opening stocks	4,970,000	7,253,200	6,861,000	38%	-5%
	Production	45,056,400	43,827,323	43,588,000	-3%	-1%
	Supply	50,026,400	51,080,523	50,449,000	1%	-1%
	Requirements	40,110,000	37,987,600	40,450,000	1%	6%
	Self sufficiency	125%	134%	125%	0%	-7%

Source: FEWS NET calculations based on data from FAOSTAT, USDA PSD, Afghanistan Ministry of Agriculture, Irrigation, and Livestock, TAJSTAT, Tajikistan Ministry of Agriculture, Pakistan Bureau of Statistics