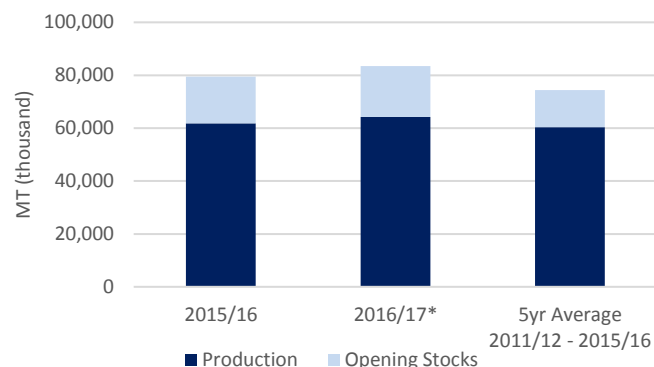


Central Asia

KEY MESSAGES

- Wheat production in Central Asia for the 2016/2017 marketing year is similar to 2015/2016 and slightly above the five-year average. Consecutive years of good production have led to regional carry-over stocks that are 37 percent above average.
- Wheat price levels and trends vary across the region. Prices are 16 percent below average in Kazakhstan, stable and near the average in Afghanistan and Pakistan, and well above average in Tajikistan.
- The region is expected to have a surplus of wheat that is 26 percent higher than the previous year and 52 percent higher than the five-year average.
- Prices are projected to be similar to the previous year with the continuation of record low prices in Kazakhstan, very high prices in Tajikistan, and prices near average in Afghanistan and Pakistan. Tajik prices continue to be high because of their weak national currency which has depreciated substantially due to decreased remittances and lower export commodity prices.
- Despite strong regional wheat supply and near-average prices, many people in Afghanistan face acute food insecurity, due primarily to reduced labor opportunities, increasing conflict and displacement, and large numbers of Afghan nationals being repatriated from Pakistan. More information on FEWS NET's food security analysis and reporting for Afghanistan can be found [here](#).

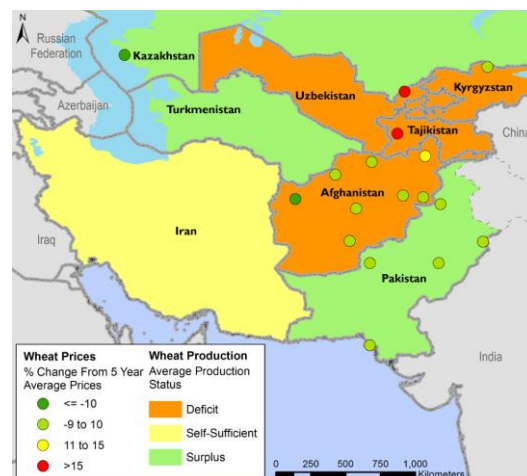
Figure 1 Central Asia wheat supply estimates (000s MT)



Source: FEWS NET estimates.

* Expected production for 2016/17.

Figure 2 Central Asia wheat production status and prices, 2016/2017



Source: FEWS NET estimates

ABOUT THIS REPORT

The Famine Early Warning Systems Network (FEWS NET) monitors trends in staple food supply and prices 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. To learn more about typical market conditions in Central Asia, readers are invited to explore the Central Asia regional wheat market fundamentals report. **In this report, "Central Asia" refers to the countries of Afghanistan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.**

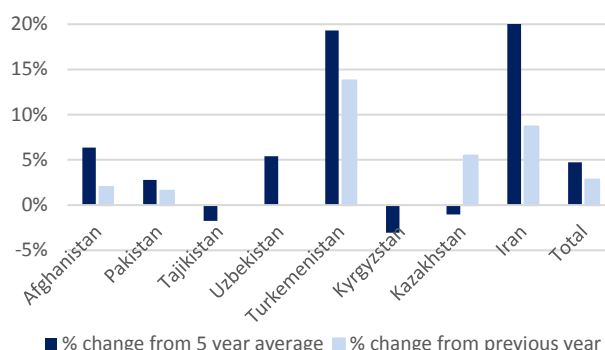
CURRENT WHEAT SUPPLY

- Overall wheat production in the Central Asia region in 2016 is similar to last year and slightly above the five-year average (**Figure 1**). Prices and production status in the region vary by country (**Figure 2**).
- Production was average in surplus-producing Pakistan and Kazakhstan. Kazakhstan is the main exporter of wheat in the region and is well integrated with world markets. Pakistan is the second largest wheat exporter though it almost exclusively exports to Afghanistan. Production in Iran, the third largest producer, is expected to be 13 percent higher than average (**Figure 3**). Together, Pakistan, Kazakhstan, and Iran comprise nearly 80 percent of regional wheat production.
- Consecutive years of good production have led to carry-over stocks that are 37 percent above the five-year average in the region. Carry-over stocks were double their average levels in Pakistan and significantly higher in Iran and Uzbekistan, but are below average in Kazakhstan (**Annex 1**).
- In the structurally deficit countries of Afghanistan, Tajikistan, and Kyrgyzstan production was near average.

CURRENT TRENDS IN PRICES

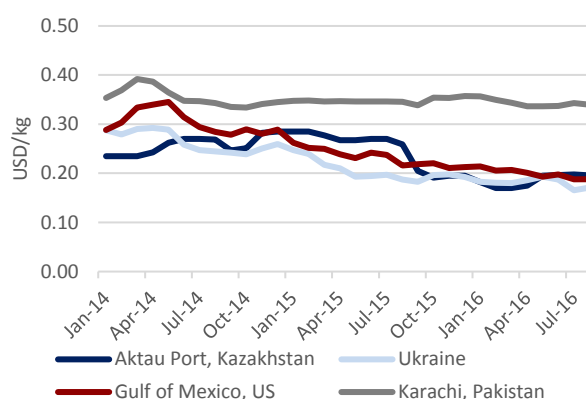
- Wheat prices in Kazakhstan, the major wheat exporter in the region, have decreased since the start of 2015 (**Figure 4**). These trends were driven by the rapid depreciation of the Kazakh Tenge versus the USD, which put downward pressure on export parity prices (**Figure 6**). The value of many regional currencies have been driven down by low global fuel prices and export earnings (**Figure 5**).
- In Tajikistan, the depreciation of the local currency was due to a decline in remittances as well as decreased prices in cotton and aluminum, two important exports. The country has a strong reliance on remittances which contribute to nearly 40 percent of the country’s GDP, and cotton and aluminum are important sources of foreign exchange reserves. As a result, domestic wheat flour prices have remained high despite consecutive average to above-average wheat harvests due to the combined effects of higher import parity prices in this heavily wheat import dependent country. The currency has stabilized but wheat flour prices remain 16 percent above average (**Figure 7**).

Figure 3 Change in wheat production in 2016/17 compared to previous year and five-year average



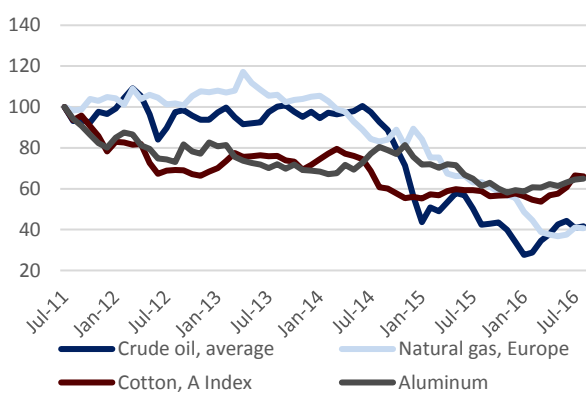
Source: FEWS NET estimates

Figure 4 Wheat grain prices (USD/MT) in wheat exporting countries



Source: FAO GIEWS

Figure 5 International commodity prices index, 2011-2016 (July 2011 =100)



Source: World Bank Commodity Markets

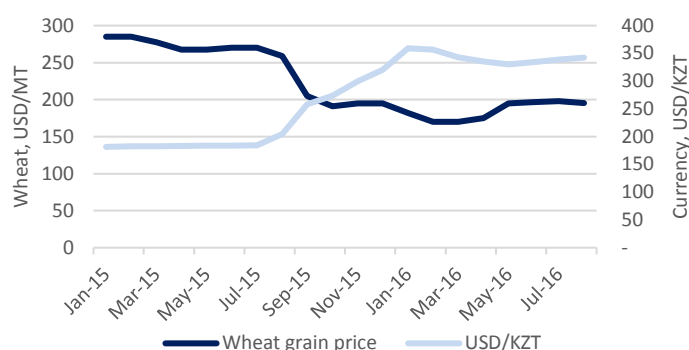
- In Afghanistan, prices for wheat flour are mostly stable and similar to last year and the five-year average in most markets. Four years of average production and steady imports from Pakistan and Kazakhstan have stabilized wheat flour prices in the country. Lower imported fuel prices have also contributed to lower food prices through reduced transportation costs.
- Despite stable prices, food purchasing power for poor households has decreased in Afghanistan. This is primarily due to declining real wages for casual labor in recent years, associated with the economic impact of the ISAF withdrawal and reduced foreign aid and investment. In Faizabad, the terms of trade (ToT) for casual labor to wheat flour was 27 percent below the five-year average in August 2016 (10.5 kg wheat flour/day of labor). Significant declines in this ToT are also observed in Mazar-i-Sharif (- 24.4 percent), Maimana (- 17.6 percent), and Jalalabad (- 17.0 percent).
- In Pakistan both wheat grain and flour prices were stable compared to last year and the five-year average in major markets due to average production for the last couple of years and above-average carry-over stocks. However, wheat grain prices in Pakistan are significantly higher than world prices. The local wheat grain price in Karachi is 70 percent higher than Kazakhstan wheat export prices. Because of this significant difference, the government of Pakistan is providing a rebate of \$120 per MT for exports of wheat in order to incentivize exports. Pakistan is the only country in Central Asia where the currency was relatively stable through the previous marketing year.

PROJECTED WHEAT MARKET TRENDS FOR 2016/17

Regional trends

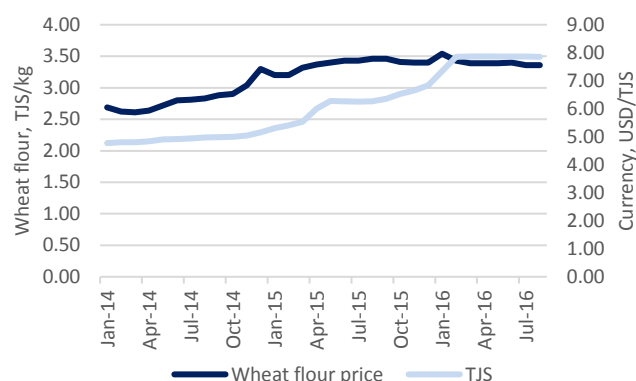
- The region is projected to have an 18.8 million metric ton (MMT) wheat surplus for the 2016/17 marketing year. This surplus is over 30 percent higher than the five-year average (Table 1). Wheat grain and wheat flour prices are therefore expected to remain similar to last year. The World Bank’s Commodity Market Outlook estimates that commodity prices will stabilize or slightly increase in 2016/17 over the previous years’ levels (Figure 8). Therefore, domestic currencies of some Central Asian countries will likely stabilize as well.

Figure 6 Wheat grain export price in USD and value of Kazakhstan Tenge (KZT) against USD



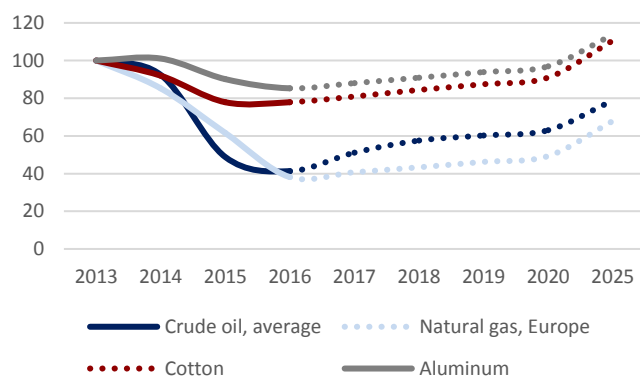
Source: FEWS NET estimates and Oanda.com

Figure 7 Wheat flour price in Tajikistani Somoni (TJS) and value of TJS against USD



Source: FEWS NET estimates and Oanda.com

Figure 8 Projected international commodity prices index, 2011-2016 (July 2011 =100)



Source: World Bank Commodity Outlook

- Regional trade is expected to take place at a normal rate and importing countries will fill their requirements through regional imports.

Country-specific trends

- In Kazakhstan, the main exporter of wheat in the region, prices will remain similar to last year but significantly below average (**Figure 9**), due to ample domestic supplies, average regional demand, well supplied global markets, and the persistent low value of the Tenge.
- In Pakistan, both wheat grain and flour prices will follow seasonal trends with a slight increase from September onwards, but within range of the five-year average. With the government of Pakistan's strong interventions, prices are likely to remain stable through February 2017 (**Figure 9**).
- In Afghanistan, because of average production and average carry-over stocks, it is expected that wheat grain and wheat flour prices (both high quality and low quality) will remain similar to last year and near average in nominal terms. (**Figure 10**). Wheat grain prices usually see a slight increase during the beginning of the lean season (January – April).
- In Tajikistan, wheat prices are projected to be stable for coming six months, similar to last year and will stay above-average for the entire marketing year as the TJS is not expected to recover in the scenario period (**Figure 10**).

Table 1. Central Asia regional wheat supply projections for MY 2016/17 (000s MT)

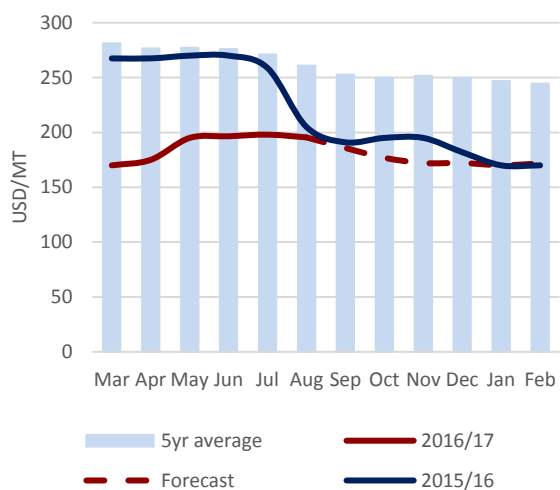
	2015/16	2016/17*	5yr Average 2011/12 – 2015/16	change over one year	change over 5yr average
Production	61,760	64,202	60,309	4%	6%
Opening Stocks	17,769	19,215	14,071	8%	37%
Supply	79,529	83,417	74,380	5%	12%
Requirements	68,830	69,910	65,502	2%	7%
Net Supply	10,699	13,507	8,878	26%	52%
Self-sufficiency ratio	1.16	1.19	1.14	3%	5%

Source: FEWS NET estimates.

* Expected 2016/2017 production.

Figure 9 Wheat Price Projections in Structurally-Surplus Countries

Kazakhstan: wheat grain prices (USD/MT)



Pakistan: Lahore wheat grain prices (PKR/kg)

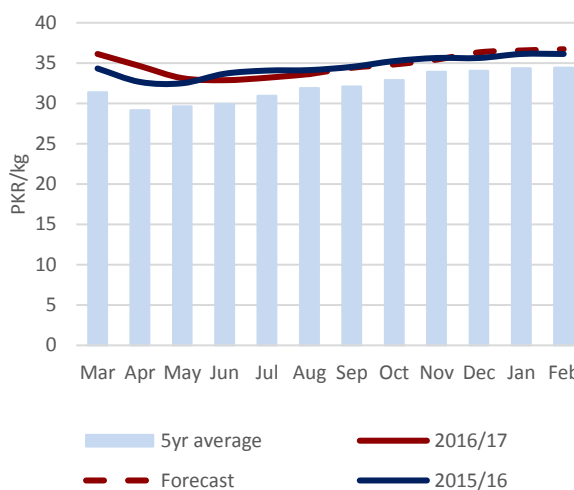
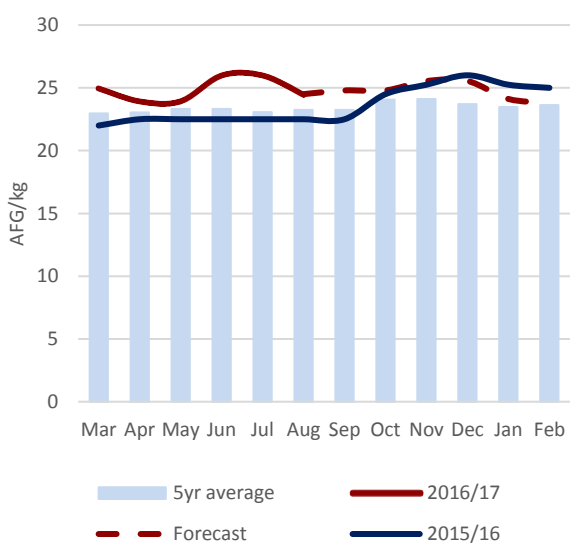
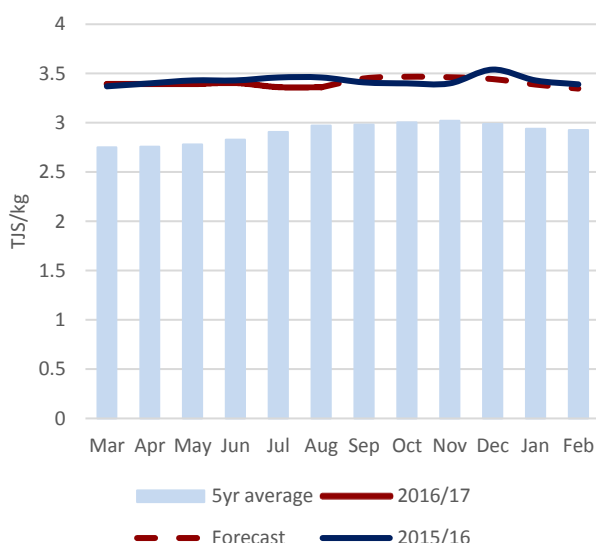


Figure 10 Wheat Price Projections in Structurally-Deficit Countries

Afghanistan: Kabul wheat flour prices (AFG/kg)



Tajikistan: National wheat flour prices (TJS/kg)



Source: FEWS NET estimates.

EVENTS THAT COULD CHANGE THE OUTLOOK

Kazakhstan extensively exports to other countries outside of Central Asia	Regional supply and demand in this report focuses on only eight countries in Central Asia. However, Kazakhstan exports to outside of Central Asia as well. If other countries compete for Kazakh wheat, exportable surpluses will decrease and prices will increase. In particular, China's demand in recent years for Kazakh wheat has reportedly increased. According to Kazakh Customs Statistics office Chinese imports of Kazakh wheat flour increased from three percent to 11 percent between 2015 and 2016.
Export/import policies in the region	Kazakhstan has, in the past, devalued its currency to promote exports (i.e. 2014 when the national currency was devalued by 20 percent). However, since mid-2015, the Central Bank decided to allow the currency to float which led to further devaluation in 2015. If Kazakhstan's Central Bank takes action to manipulate its currency than there could implications for the price of wheat and wheat flour for those countries who depend on Kazakh wheat exports. The government of Pakistan currently provides a subsidy of \$120 MT for exports of wheat in order to incentivize. A change in the policy would have implications for wheat exports to Afghanistan.
Exchange rates	It is expected that international commodity prices, which are driving currency depreciations in many of the Central Asian countries, will stabilize. However, if prices continue to decrease it may put downward pressure on the value of regional currencies and affect the purchasing power of wheat importing countries.
Conflicts and its impact on trading routes	Conflicts in Afghanistan and Pakistan could disturb trade routes in the region. This year, insurgents in northern Kunduz province destroyed the main bridge connecting Afghanistan and Tajikistan in August 2016 which temporarily halted trade between the two countries. A similar attack on a more important trade route could cause a more severe disturbance to wheat flows into the country. Political tension between Afghanistan and Pakistan could disturb trade between the two countries. In June 2016, clashes between Afghanistan and Pakistan at the border town of Torkham led to temporary shutdown of the border. A similar incident was reported in August 2016 at Chaman border between Afghanistan and Pakistan. Both are important routes for wheat trade.
Afghan returnees and their impact on local markets	Following pressure for Afghans to return back to Afghanistan by the government of Pakistan, an average 5,000 individuals per day have been returning from Pakistan since mid-July where majority of whom have temporarily settled in eastern Afghanistan. UNOCHA has estimated that over one million people will be displaced in Afghanistan between September and December 2016 with the majority consisting of returnees. The number of returnees might affect market dynamics in eastern Afghanistan, particularly Jalalabad – the main hub for Afghan returnees.

MARKET MONITORING INDICATORS FOR 2015/16 MARKETING YEAR

Harvest prospects in surplus producing countries	<p>Ongoing harvests in northern Kazakhstan need to be monitored closely as only three provinces produce nearly 80 percent of total production.</p> <p>The Government of Pakistan is heavily involved in regulating wheat prices in domestic markets through “producer support prices”. Production levels may in part depend on whether the government will maintain support prices or to decrease it for coming year.</p>
Export parity prices	Prices in hub markets need to be monitored on a continuous bases, particularly in exporting markets such as Lahore and Karachi in Pakistan and Aktau port in Kazakhstan.
Import parity prices	In Afghanistan, monitoring both high and low quality wheat flour is more important in urban markets as households tend to purchase more wheat flour than wheat grain. However, wheat grain prices will be a good indicator for rural markets and agricultural laborers working in exchange of wheat grain.
Global commodity prices	Global commodity prices should be monitored since they effect the value of domestic currencies, transportation costs, and purchasing power.
Remittances in Tajikistan	Remittances make up a significant proportion of Tajikistan’s GDP and affect the country’s purchasing power and currency.

Annex 1: Central Asia Wheat Supply Projections for 2016/17 Marketing Year

Country	Attribute	2015/16	2016/17	5yr Average 2011/12 -	Change over one year	Change over 5yr average
Afghanistan	Production	5,000	5,100	4,795	2%	6%
	Opening Stocks	310	410	163	32%	152%
	Supply	5,310	5,510	4,958	4%	11%
	Requirements	7,600	7,900	6,557	4%	20%
	Net Supply	(2,290)	(2,390)	(1,599)	4%	50%
	Self-sufficiency	0.70	0.70	0.76	0%	-8%
Pakistan	Production	25,086	25,482	24,793	2%	3%
	Opening Stocks	3,351	5,016	2,580	50%	94%
	Supply	28,437	30,498	27,373	7%	11%
	Requirements	24,400	24,500	24,000	0%	2%
	Net Supply	4,037	5,998	3,373	49%	78%
	Self-sufficiency	1.17	1.24	1.14	7%	9%
Tajikistan	Production	770	770	784	0%	-2%
	Opening Stocks	548	568	351	4%	62%
	Supply	1,318	1,338	1,135	2%	18%
	Requirements	1,875	1,925	1,737	3%	11%
	Net Supply	(557)	(587)	(602)	5%	-3%
	Self-sufficiency	0.70	0.70	0.65	-1%	7%
Uzbekistan	Production	4,320	4,320	4,098	0%	5%
	Opening Stocks	2,200	2,513	1,587	14%	58%
	Supply	6,520	6,833	5,685	5%	20%
	Requirements	9,350	9,500	8,490	2%	12%
	Net Supply	(2,830)	(2,667)	(2,805)	-6%	-5%
	Self-sufficiency	0.70	0.72	0.67	3%	7%
Turkmenistan	Production	1,406	1,600	1,341	14%	19%
	Opening Stocks	564	374	660	-34%	-43%
	Supply	1,970	1,974	2,001	0%	-1%
	Requirements	1,280	1,300	1,420	2%	-8%
	Net Supply	690	674	581	-2%	16%
	Self-sufficiency	1.54	1.52	1.41	-1%	7%
Kyrgyzstan	Production	700	700	722	0%	-3%
	Opening Stocks	183	158	261	-14%	-39%
	Supply	883	858	983	-3%	-13%
	Requirements	1,300	1,310	1,315	1%	0%
	Net Supply	(417)	(452)	(332)	8%	36%
	Self-sufficiency	0.68	0.65	0.75	-4%	-12%
Kazakhstan	Production	13,748	14,500	14,652	5%	-1%
	Opening Stocks	3,245	2,568	3,445	-21%	-25%
	Supply	16,993	17,068	18,097	0%	-6%
	Requirements	6,900	6,900	6,980	0%	-1%
	Net Supply	10,093	10,168	11,117	1%	-9%
	Self-sufficiency	2.46	2.47	2.57	0%	-4%
Iran	Production	11,500	12,500	9,908	3%	13%
	Opening Stocks	7,916	8,176	5,375	3%	70%
	Supply	19,416	20,676	15,283	3%	28%
	Requirements	18,000	18,500	16,740	3%	11%
	Net Supply	1,416	2,176	(1,457)	5%	185%
	Self-sufficiency	1.08	1.12	0.91	1%	16%

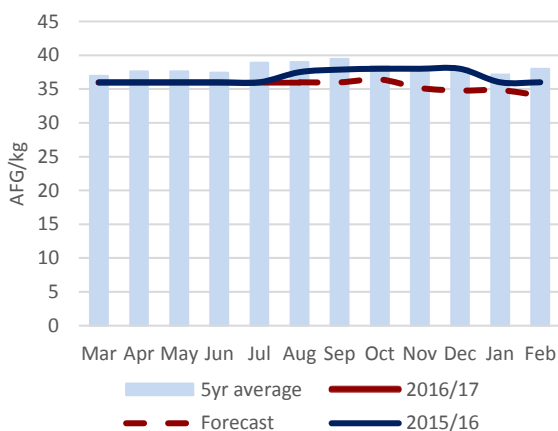
Source: FEWS NET estimates based on data from USDA PSD, FAOSTAT, FAO GIEWS, UN COMTRADE, Afghanistan Ministry of Agriculture, Irrigation and Livestock, Pakistan Bureau of Statistics, and Ministry of National Economy of the Republic of Kazakhstan.

ANNEX 2. RICE SUPPLY, PRICES, AND OUTLOOK

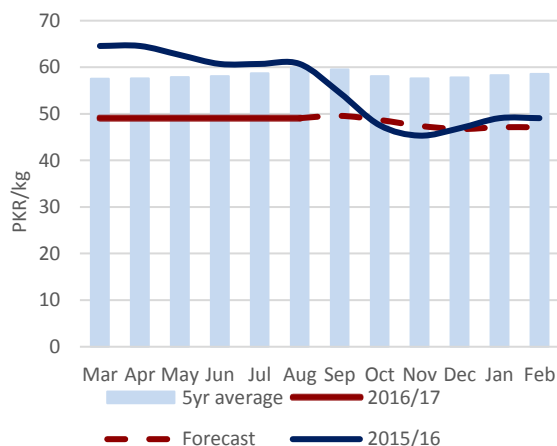
- Rice is the second most important staple food in both Pakistan and Afghanistan after wheat (**Figure 13**). Nearly all of Afghanistan’s rice imports come from Pakistan. Pakistan produces about 70 percent of the total regional production, and is an important international exporter of rice.
- For 2016/17, rice production in Pakistan is estimated at ten percent above average. Aggregate supply, including carry-over stocks, is 11 percent above the five-year average. In Lahore, a key market for trading rice, prices are 20 and 17 percent lower than previous year and the average, respectively (**Figure 11**).
- In Afghanistan rice has not been harvested yet for this marketing year, but preliminary findings from FEWS NET field monitors suggest rice production will be near average though area planted has slightly decreased. Both domestic and imported rice prices were stable in major markets, however, domestic rice prices were significantly higher in Kabul and Kandahar where domestic rice quantity does not suffice and people rely on imported rice (**Figure 12**).

Figure 11 Rice Price Projections in Pakistan and Afghanistan

Afghanistan: Mazar rice prices – low grade (AFG/kg)

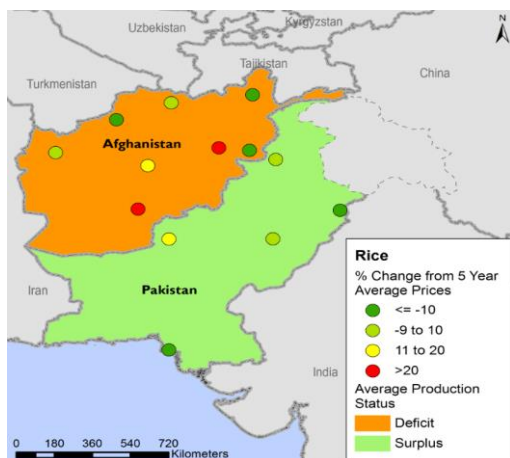


Pakistan: Lahore rice prices – IRRI-6 (PKR/kg)



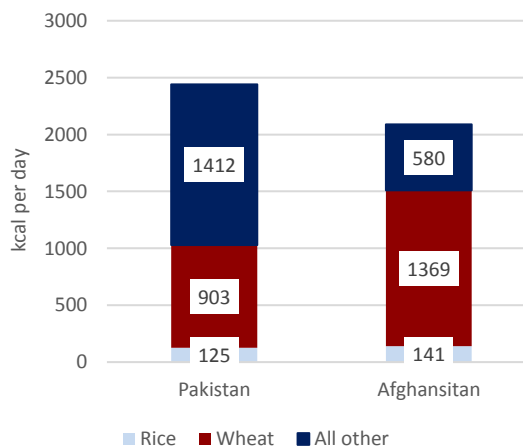
Source: FEWS NET estimates.

Figure 12 Rice production status and prices



Source: FEWS NET.

Figure 13 Wheat and rice consumption rates



Source: FAOSTAT.