

GLOBAL ANIMAL HUSBANDRY MARKET AND ITS DEVELOPMENT

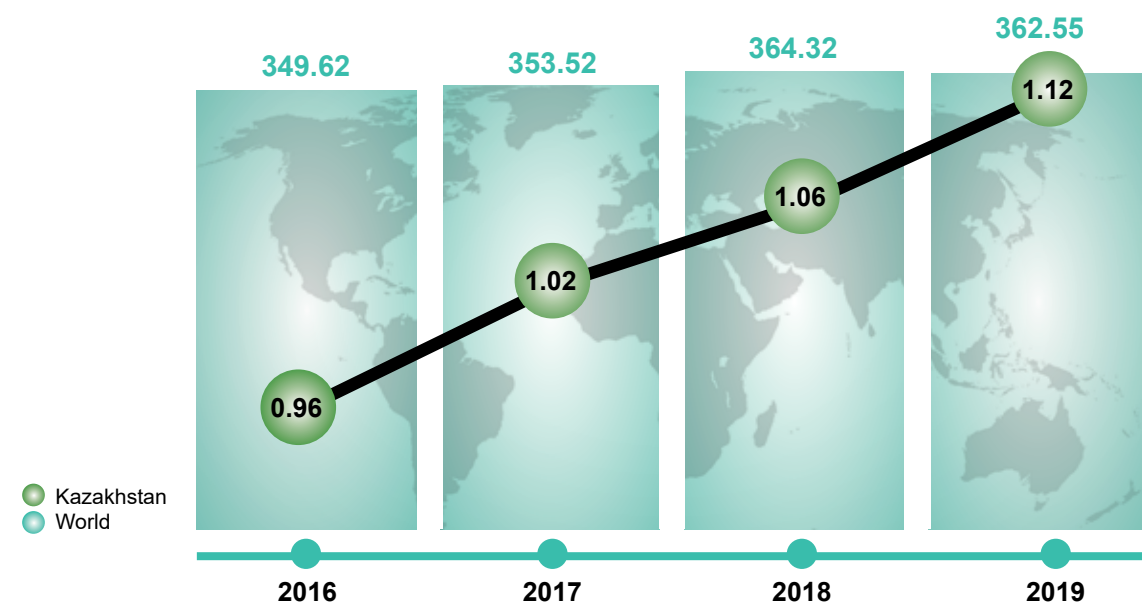
Animal husbandry, as well as crop growing, is almost universal, and in the world pastures occupy three times as much land as arable land. Along with crop production, animal husbandry is the second major part of agriculture. Therefore, this industry is divided into four main types, namely cattle breeding, pig farming, sheep breeding, and poultry farming. In Kazakhstan, cattle breeding is considered to be a traditional type of activity. Despite this fact, according to “Statista”, Kazakhstan is not a leader in the number of cattle. Despite this, according to the results of 2019, there was 7.4 million head

of cattle in Kazakhstan. In so doing, the compound annual growth rate over the past 8 years was 3.9%, while the global indicator for the same period was only 0.1%. In recent years, there has been a tendency in animal husbandry farms to increase the population of young cattle, which is reflected in the growth of labor productivity and the profitability of the industry. Thus, in developing countries, more than half of the total number of cattle is owned by private farmsteads and households, which in some cases negatively affects the volume and quality of products. This fact is due to that private farms are not always able to provide animal

husbandry with the necessary conditions.

According to “Statista”, there has been an increase in meat production in the world market. Between 2016 and 2018, global meat production increased from 350 million tons to 364 million tons, while in 2019 the figure fell to 363 million tons. This trend is inherent in the Kazakhstan market. So, in the period from 2016 to 2019, Kazakhstan has a stable positive dynamics in meat production. In 2016, 0.96 million tons were produced in Kazakhstan, and already in 2019 the figure reached 1.12 million tons. This fact is associated with population migration to cities, which in turn leads to increased meat consumption.

THE DYNAMICS OF MEAT PRODUCTION GROWTH IN KAZAKHSTAN AND IN THE WORLD, MLN.TONS



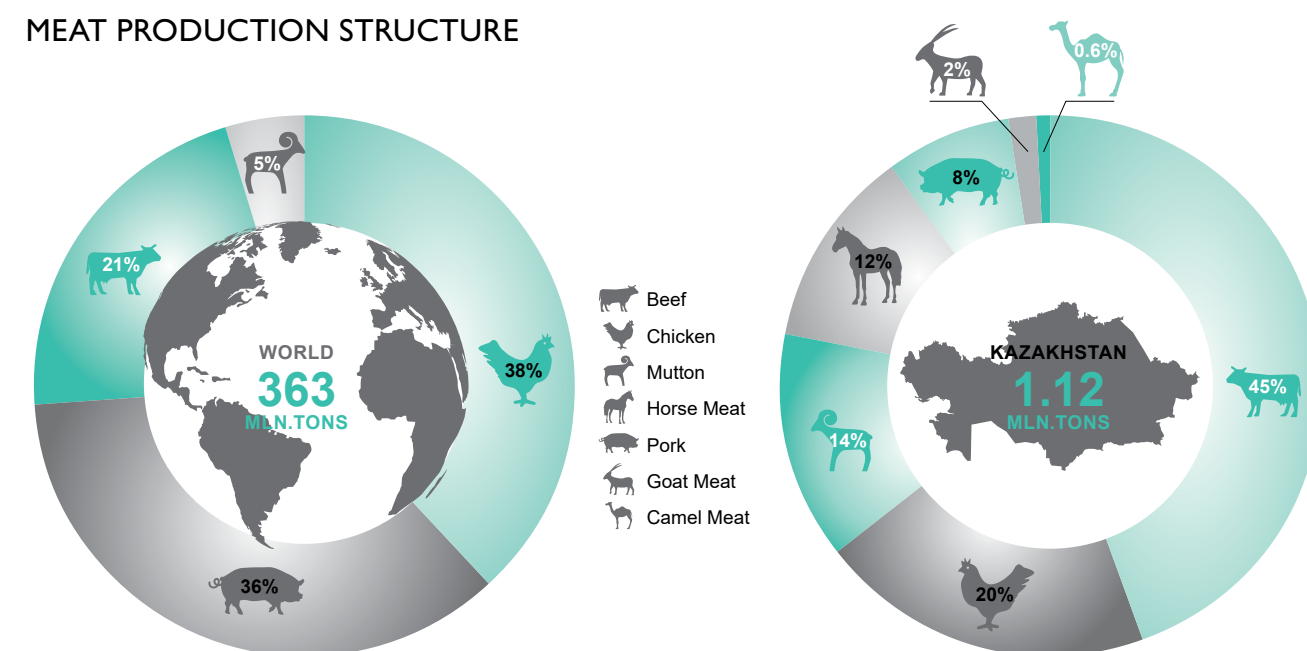
SOURCE: STATISTA, COMMITTEE ON STATISTICS OF THE MINISTRY NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN

It is worth noting that in 2019 on the world market, the production of poultry meat amounted to 38% of the total, pork 36%, beef 21%, and mutton 5%. In Kazakhstan, the market structure is significantly different. At the end of 2019, advanced to the top three: beef, 501.4 thousand tons or 45% of the total volume produced, poultry 223 thousand tons or 20%, lamb 151.9 thousand tons or 13% of the total slaughtered livestock. Thus, in terms of production, beef, poultry, and lamb are considered

the most popular in Kazakhstan at the moment. It should be noted that, according to the results of 2019, the average share of meat per capita in the ration of the consumed food of the population was 7.9%. So, milk and dairy products occupy 25.2% (252.6 liters) of the general ration; eggs – 19.4% (193 pcs.); vegetables (including potatoes) – 14% (139.8 kg); bakery products and cereals – 13.6% (136.3 kg); meat and meat products – 7.9% (78.8 kg). Thus, the share of products produced by all types of animal

husbandry in the diet of the population amounted to more than 50%, which indicates a significant demand in the market. It is worth noting that at the end of 2019, retail prices of agricultural products increased in all categories. Therefore, horsemeat with bones became the most expensive meat; it priced at 1,884 tenge per kilogram. Chicken remained the cheapest meat, but at the same time, the price of this meat increased the most (15.5%) and was 875 tenge per kilogram.

MEAT PRODUCTION STRUCTURE



SOURCE: STATISTA, COMMITTEE ON STATISTICS OF THE MINISTRY NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN

Crop growing market analysis

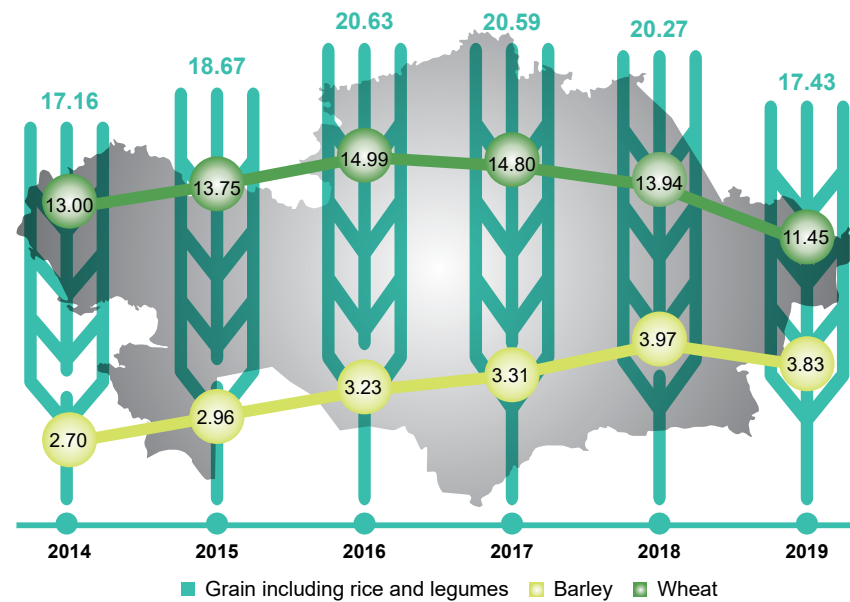
Another important industry for Kazakhstan is crop growing market. In 2019, 276 kg of crop production was consumed per capita in average. The government continued to implement structural and technological diversification. Thus, according to the Committee on Statistics

of the Ministry of National Economy of the Republic of Kazakhstan, in 2019 the sown area increased by 205.8 thousand hectares compared to the previous year. At the same time, in Kazakhstan, there was an increase in the sown area of the following crops: barley, rye, and oats. On the results of 2019, the total planted area of these crops

increased by 16.6%, and the total sown area of grain crops amounted to 71.5%. It is worth noting that for Kazakhstan, this industry is one of the leading, as our country is one of the ten leaders in the export of wheat and barley. Largely, the increase in the sown area is closely related to the growth of animal husbandry in the country.

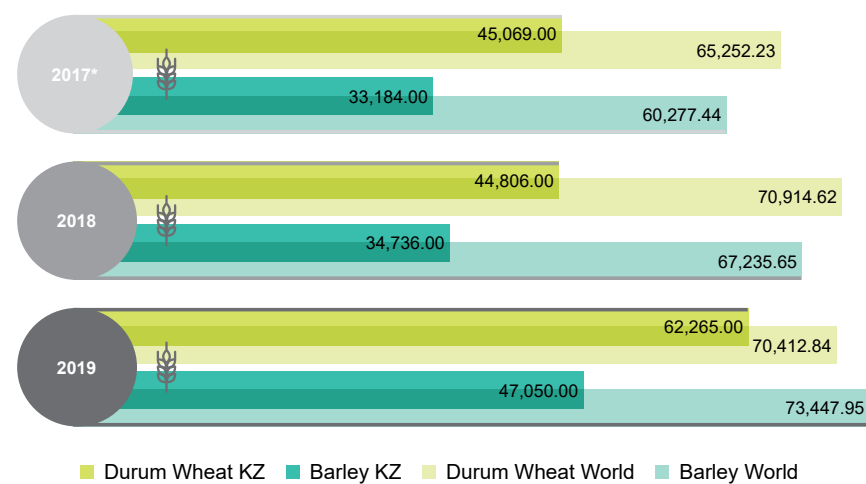
For 2019, in Kazakhstan, despite a significant increase in the sown area of fodder and grain crops, there has been a decline in the gross yield of wheat and barley. Therefore, in 2019, the total weight after refinement was 17.43 million tons, which is 14% less than in 2018. The two predominant crops, wheat, and barley, accounted for 11 and 3.8 million tons, respectively; for comparison, these indicators in 2018 were 14 and 4 million tons. As a result, the collection indicators in 2019 turned out to be the worst in the last 5 years. According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, the average yield in 2019 was 11.4 kg/ha, 15.5% less than in 2018. This fact is associated with worsening weather conditions in a number of northern regions. So the total share of the northern regions in the total production was about 80%.

THE GROWTH DYNAMICS OF TOTAL HARVEST OF GRAIN (INCLUDING RICE) AND BEAN CROPS IN KAZAKHSTAN, 2015-2019, MLN.TONS



SOURCE: COMMITTEE ON STATISTICS OF THE MINISTRY NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN

THE DYNAMICS OF PRICES FOR AGRICULTURAL PRODUCERS IN REPUBLIC OF KAZAKHSTAN AND IN THE WORLD, TENGE PER TON



SOURCE: COMMITTEE ON STATISTICS OF THE MINISTRY OF NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN, S&P GLOBAL MARKET INTELLIGENCE
* AVERAGE WORLD PRICE AUGUST-DECEMBER 2017

Despite the decline in gross output, prices for the main types of goods rose significantly more. According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan for 2019, the price for one ton of wheat from producers was 62,265 tenge excluding VAT, which is 39% more expensive compared to 2018. The price per ton of barley amounted to 47,050 tenge and increased by 35.5%. However, according to commercial market data, the average prices for the sale of wheat were 88,333 tenge, for barley – 67,000 tenge. Prices on the world market are more consistent with commercial than with official data. Therefore, according to S&P Global Market Intelligence, the price per ton of wheat, according to the results of 2019, was 70,413 tenge and the price of one ton of barley was 73,448 tenge. It is worth noting that prices in dollars have decreased compared to 2018.

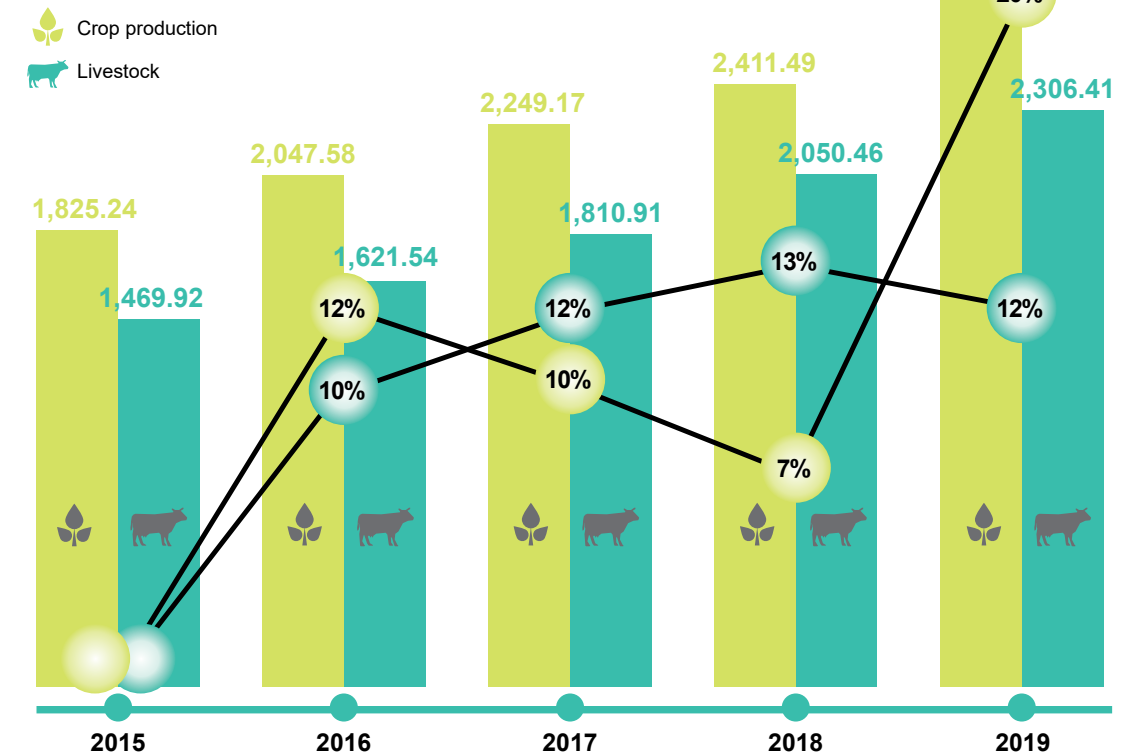
Animal husbandry vs Crop growing market

In conclusion it is require mention that both markets are promising for investment. Therefore, despite the decrease in gross crop

production in physical volume for 2019, their gross volume in monetary terms continues to grow, and account for 2,897 billion tenge. Thus, the increase was 20.1% compared to 2018. In the case of animal

husbandry, it is worth noting an increase both in the physical volume of production and in monetary terms. At the end of 2019, the volume amounted to 2,306.4 billion tenge and increased by 12.5%.

CROP GROWING AND ANIMAL HUSBANRY PRODUCTION, BILLION TENGE



SOURCE: STATISTA, COMMITTEE ON STATISTICS OF THE MINISTRY NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN

Thus, we can conclude that at the moment, the crop growing industry is more profitable in terms of turnover. It is important to note that now; the government of Kazakhstan continues to develop strategies to support these sectors actively. So, at the moment, gross meat production in slaughter weight covers 87% of the domestic market. At the same time, the Government of the Republic of Kazakhstan introduces

restrictive measures on the export of breeding stock in order to preserve the local product in the domestic market. Concerning crop production, Kazakhstan seeks to increase the territory of irrigated fields. According to the government's plan, an increase to 3.5 million ha is expected by 2028, which will significantly increase productivity indicators.

It is evident that expanding or diversifying a business, requires

serious financial investments. In order to demonstrate transparency and reliability as a partner that will attract financing it is important to hire professional appraisals and financial advisory service. Collaboration with professionals such as Baker Tilly Qazaqstan Advisory makes it easier for businesses to attract investments and build trustworthy relationship with partners.