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Accession of Kazakhstan**

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ACCESSION OF KAZAKHSTAN

Questions and Replies concerning
Domestic Support and Export Subsidies in the Agricultural Sector

Addendum

The following submission, dated 19 July 2011, is being circulated at the request of the Delegation of the Republic of Kazakhstan.

- **GENERAL COMMENTS**

Question 1

We thank Kazakhstan for the updated Domestic Support and Export Subsidies tables. Updating this information to the 2006-2008 time period is an extremely important step in being able to inform the Working Party of the most current and accurate description of the agricultural situation in Kazakhstan. We commend Kazakhstan for undertaking what was undoubtedly an extensive effort to provide this important information.

We also thank Kazakhstan for the Compendium of Domestic Support Programmes (JOB/ACC/12). This detailed and extensive information is quite useful in evaluating and understanding the nature and scope of Kazakhstan's domestic support programmes listed in the DS Tables.

Having such updated and extensive information is critical in helping move the Working Party report forward, and again we appreciate Kazakhstan's good faith efforts in providing this updated information.

We do note that Kazakhstan again has notified certain domestic support programmes under Article 6.2 Special and Differential Treatment Provisions. It remains our position that Kazakhstan does not have recourse to Article 6.2 provisions and should move these programmes to other supporting tables, as appropriate.

Answer

Agriculture is a key sector and it plays an important role in the field of economic and social development in Kazakhstan, since nearly 47 per cent of Kazakhstan's population lives in rural areas. Taking into account income per capita of rural citizens (US\$256 per capita as of 2009) Kazakhstan could be considered as a low-income country (in accordance with the World Bank classification). Moreover, with respect to the United Nations classification, Kazakhstan is referred to the "landlocked developing countries" group.

Furthermore, the Government recently has launched development programmes in the agricultural sector as the development level of this sector still remains below the level of 1990, especially in the livestock production sector. For instance, the number of cattle is still lower by 40 per cent than that in 1990. It should be noted that livestock production in Kazakhstan is characterized by low productivity because over 90 per cent of livestock is kept by households which use manual works and low quality cattle breeds. For instance, average milk-yield in Kazakhstan is equal to 2,000 litres per cow a year, whereas average milk-yield in the countries with the developed industrial type of production reached 7,000-8,000 litres per cow a year.

As for agricultural crops, due to dry and sharply continental climate Kazakhstani farmers cultivate agricultural crops in a zone of risky agriculture. Such condition for nearly all crops is one of the most extreme conditions in the world as it increases costs and reduces agricultural output. For this reason, agricultural output in Kazakhstan is very low in comparison to other countries. For instance, in 2009 wheat yield in Kazakhstan was equal to 9 quintal per hectare, while in Australia it reached - 16 quintal per hectare, in Canada - 28, in USA - 30, in Saudi Arabia - 61 and in Japan - 70. Therefore, due to low profitability all agricultural producers in Kazakhstan could be considered as low-income or resource-poor agricultural producers.

Thus, Kazakhstan seeks special and differential treatment for its domestic support commitments granted to developing countries and had been provided to a number of acceded countries with similar

structure of economies. In particular, Kazakhstan would seek recourse to the provisions of Article 6.2 of the Agreement on Agriculture and 10 per cent *de minimis*.

Question 2

We note that Question 11 on page 9 of document WT/ACC/SPEC/KAZ/7/Add.2 dated 17 October 2005 highlights previous concerns expressed regarding Kazakhstan acceding to the WTO as a developed country, but seeking to use Special and Differential Treatment flexibilities in agriculture.

We are disappointed to observe that Kazakhstan seeks to continue with this approach and we urge Kazakhstan to reconsider.

In this context, we note that our comments and questions on agricultural programmes that Kazakhstan has identified in the documents under review are offered without prejudice to our position that Kazakhstan should abide by the self-selection it has made of its development status in relation to the whole WTO Agreement, which is as a developed country.

Answer

Taking into account of the recent accessions (Saudi Arabia, Viet Nam and etc.), Kazakhstan considers itself as a developing country in the context of WTO accession. As a "developing country" Kazakhstan seeks for the recourse to the Special and Differential Treatment provisions stipulated by Articles 6.2 and 6.4 of the Agreement on Agriculture.

Furthermore, please see the answer to the Question 1.

Question 3

Regarding sub-totals provided for each agricultural programme, we would suggest following the usual practice of placing the sub-total calculation at the bottom of each entry, rather than the top, for ease of reference and to avoid confusion.

Answer

Kazakhstan takes account of this comment and will make the necessary amendments in the table.

Question 4

It would be helpful for the understanding of the calculations, and also in line with document WT/ACC/4, if the three-year averages of the yearly data were also presented.

Answer

Kazakhstan takes account of this comment and will make the necessary amendments in the table.

Question 5

Input subsidies are known to be one of the most distorting means to provide support to agriculture, as those subsidies tend to lead to overuse of such inputs. Could Kazakhstan provide any indications as to the reasons why it favours input subsidies instead of resorting to non-distorting policies, such as those provided for in the Green Box (Annex 2 of the Agreement on Agriculture).

Answer

As stated above, Kazakhstan has been implementing a set of agricultural support measures under the Programme of Development of Agricultural Sector in Kazakhstan for 2010-2014 approved by the Government Resolution No. 1052 of 12 October 2010, which continues implementation of the similar programme for 2006-2008 approved by the Government Resolution No. 149 of 6 March 2006. The programme focuses on solving the following problems in the sector, revealed during the analysis: slow technological modernization of equipment and machinery, poor infrastructure, prevalence of low productive households, financial instability of farmers, low interest of private investors, deficit of qualified cadre etc. Moreover, financial and subsequent food crises revealed additional problems related to investments into the sector. For instance, lack of financial resources impede farmers to apply mineral fertilizers and herbicides, which are important for maintaining soil fertility and phytosanitary safety of agricultural land in the whole. Over 80 per cent agricultural machinery and equipment in use have been worn out. This requires expensive investments that farmers are not capable to accomplish without support from the Government under leasing programme.

- **Supporting Table DS:1****Question 6**

We note that there are significant increases and/or variation in year to year expenditure for a number of programmes. For example:

- **Training services - training for government officers;**
- **Extension and advisory services - International Bank for Reconstruction and Development Project - "Agricultural Post-Privatization Assistance";**
- **Extension and advisory services - Asian Bank for Development Project - "Water Resources Management and Land Rehabilitation";**
- **Extension and advisory services - International Bank for Reconstruction and Development Project - "Irrigation and Drainage Systems Improvement"; and**
- **Inspection services - inspection of agricultural crops for grading purposes.**

Could Kazakhstan please explain the reasons behind such variations in programme expenditure?

Answer

1. Programmes which had an upward trend: "Training for government officers" and "Inspection of agricultural crops for grading purposes".

As regards the programme of "Training for government officers", budget expenditures from 2006 to 2007 were increased to address the needs of the farmers in up-to-date knowledge in farming technologies. The programme provides for training of government officers who, in turn, provide trainings to farmers. In particular, the trainings focus on transfer information and technical support relating to food security, farm risk mitigation, how to increase crop yields and other needs specific to geographical location of a particular farm.

As for "Inspection of agricultural crops for grading purposes" programme, in 2008 apart from expenditures allocated for inspection services, the Government had also funded upgrade of facilities of the seeds inspection service, in particular, construction of new laboratories for seeds inspections, modernized and improved seeds grading facilities and increased the quantity of seeds grading techniques. Therefore, the amount of money under the programme in question was increased by more than three times from 2007 to 2008.

2. Programmes which had a downward trend: "Water Resources Management and Land Rehabilitation" and "Irrigation and Drainage Systems Improvement".

These programmes were funded under the Agreements with the Asian Development Bank and the World Bank, respectively, which were implemented within 1998-2007. In 2008, the Government completed the implementation of these programmes.

3. Programme which had a variation trend: "Agricultural Post-Privatization Assistance"

The Agricultural Post-Privatization Assistance Project aimed at supporting newly privatized farms and enterprises in eight oblasts of Kazakhstan through establishment of rural advisory centres. This component was aimed at strengthening information for agricultural producers on market principles, such as shareholder rights, and build local business support infrastructure to deliver advice and training on technical and commercial practices. Expenditures varied according to the needs of agricultural producers in advisory service.

Question 7

We note that the description for training services reads "Training of government officers. Budget allocations to set up training to improve professional skills of government officers - employees of the Ministry of Agriculture etc.". Could Kazakhstan please explain how this programme is consistent with Annex 2, paragraph 2 - General Services? How does the training of government officers provide a direct benefit to agriculture or the rural community? Further, could Kazakhstan provide further detail on how this programme is administered, in particular, who receives the training?

Answer

The support is compliant with the criteria of 2(c) of the Annex 2 to Agreement on Agriculture as it covers the cost of conducting professional training, including basic and advanced specialist training to improve professional skills of government officers – employees of central administrative office of the Ministry of Agriculture, Committees (Committees of State Inspection in Agribusiness Industry, Water Management, Forestry and Hunting Farm, Fishing Industry and Development of Rural Territories) and their Territorial bodies in 14 oblasts and in Astana and Almaty cities.

The training programme was designed to address the needs of the farmers in up-to-date knowledge in farming technologies, for instance, how to make better use of agricultural science, knowledge and technology. Apart from the technical modules, other training courses were also organized, such as veterinary diagnostic development, plant quarantine, food safety, etc. The programme provides for training of government officers who, in turn, provide trainings to farmers. Therefore, the training of government officers provides a direct benefit to agriculture and rural community.

Question 8

We note that "Institutional development of agricultural services" is classified as being both (d) extension and advisory services and (f) marketing and promotion services. We would suggest that this programme be classified as, either (d) extension and advisory services, or (f) marketing and promotion services, rather than both.

Answer

Kazakhstan takes account of this comment and will make the necessary amendments in the table.

Question 9

Could Kazakhstan please explain how the "Payment for relief from natural disasters" programme complies with the criteria of paragraph 8(a)-(e) of Annex 2 of the Agreement on Agriculture?

In particular, could Kazakhstan advise whether payments are determined by a production loss that exceeds 30 per cent of the average production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry, as set out in paragraph 8(a) of Annex 2?

Answer

This programme complies with the criteria of paragraph 8(a)-(e) of Annex 2 of the Agreement on Agriculture. In particular, pursuant to the Government Resolution of the Republic of Kazakhstan No. 407 "On Approval of Regulatory Legal Acts in the Field of Veterinary" of 28 April 2003, based on results of laboratory tests, a head of local executive body (Akim) takes a decision on imposition of quarantine or restrictive measures when outbreak of highly pathogenic and infectious animal disease occurred.

The payments shall be made only in respect of a type of disease included into the List of Highly Pathogenic/Infectious Diseases approved by the same Government Resolution. For these purposes a special Commission is formed on an *ad hoc* basis upon: (i) request of the chief veterinary and sanitary inspector of the relevant territorial body of the Committee of the State Inspection in Agribusiness Industry of the Ministry of Agriculture (furthermore – territorial body) and (ii) Ordinance of the territorial branch of the veterinary service.

The Commission shall consist of representatives of local executive bodies, the Committee of Sanitary and Epidemiological Surveillance of the Ministry of Public Health and chief veterinary and sanitary inspector of relevant territorial body. When suspected animals are confirmed with the highly pathogenic disease included into the List, all susceptible livestock, presented in the establishment/farm, are subject to stamping out at the cost of state budget.

Payments shall be made by the decision of the Commission upon submission of the following documents: (i) decision of the local executive body on implementation of restrictive measures or quarantine on animal diseases; (ii) formal note on destruction and stamping out of suspected animals signed by the Commission members; (iii) report issued by a veterinary laboratory upon the results of diagnosis or veterinary and sanitary expertise; (iv) ordinance of the state veterinary-sanitary inspector of district (city) on destruction of affected animals; (v) veterinary passport.

Upon the decision of Commission, the Government compensates 100 per cent of the quantity of livestock destroyed. Maximum compensation amounts are fixed by the Government Resolution of the Republic of Kazakhstan No. 407 "On Approval of Regulatory Legal Acts in the Field of Veterinary" of 28 April 2003 and vary by animal type, class and age. However, the total amount of payments per head of destroyed livestock, per kilogram or unit shall not exceed 80 per cent of market price of livestock or product in question.

Question 10

In several cases the claim for compliance with each and every criterion in Annex 2 of the Agreement on Agriculture is based on assertion rather than by explaining how the programme related to those criteria. This is the case for some general services, where it is not always obvious that the programme does not provide a direct payment to producers or processors.

Regarding "Payment for relief from natural disasters", how do these payments meet each and every criterion of Paragraph 8 of Annex 2 of the Agreement on Agriculture?

Answer

Please see the answer to Question 9.

Question 11

Regarding "Storage and handling of state reserve of grain for food security purposes", could Kazakhstan provide information to show (1) what are the "officially published objective criteria" referred to in footnote 5 of Annex 2 of the Agreement on Agriculture, and (2) on what grounds this programme would meet these criteria?

Answer

Pursuant to Article 11 of the Law No.143 of the Republic of Kazakhstan "On Grain" of 19 January 2001, the Government for the purpose of ensuring food security goals shall procure grain from agricultural producers into the state grain reserves. For this purpose, the Government annually allocates funding for the procurement of grain. The Government sets amount of funding based on current market price of the product. Pursuant to the Resolution of the Government of the Republic of Kazakhstan No. 34 "On Approval of Volumes of the State Reserves of Food Grain" of January 2006, the volume of wheat to be procured into the state reserve is fixed and equal to 500,000 metric tonnes.

The Government annually renews the state food grain reserves through its designated agent - the "Food Contract Corporation" (hereinafter - the FCC) since 1998.

When setting the purchase price on grain, the Government takes into account that the price shall cover the production costs of agricultural producers and to ensure some minimal level of profitability for further development.

The programme complies with the criteria of paragraph 3 of Annex 2 of the Agreement on Agriculture as it forms a basic part of food security programme for the purposes of food security stipulated in the national legislation. Furthermore, the difference between the purchase price and external price was calculated in the Supporting Table DS:5.

Question 12

Paragraph 2(b) - Pest and disease control: Do measures related to controlling agricultural crops' pests and diseases include spraying crop pest for producers in general? Can Kazakhstan confirm that these are not a subsidization of an input cost?

Answer

The authorized body applies a range of measures designed to reduce losses in crop yield caused by pests, diseases and weeds as well as to keep crops free from pests. Apart from the measures listed on

page 4 of the document JOB/ACC/12 dated 17 November 2010, it also applies such common method of pest control as spray of pesticides on arable lands affected by highly pathogenic diseases and pests included into the List of Extremely Hazardous Diseases and Pests approved by the Resolution of the Government of the Republic of Kazakhstan No. 1295 of 10 December 2002. The List includes the most common types of highly pathogenic diseases and pests, such as *scutelleridae*, locust, Hessian fly, *anisoplia*, *helicoverpa zea*, *tetranychidae*, etc.

Kazakhstan confirms that these are not a subsidization of an input cost.

Question 13

Paragraph 2(b) - Pest and disease control: Do measures related to maintaining favourable epizootic situation for agricultural animals include purchasing veterinary medicine for producers in general? Can Kazakhstan confirm that these are not a subsidization of an input cost?

Answer

The programme "Maintenance of epizootic welfare" covers only diseases included into the List of Highly Pathogenic/Infectious Animal Diseases, Prophylactics, Diagnostics and Liquidation of which are Subject to Budget Funding, adopted by the Government Resolution of the Republic of Kazakhstan No. 407 of 28 April 2003 and consists of the following sub-programmes: (i) procurement of veterinary vaccines to be applied by private veterinarians to farm animals; (ii) diagnostic measures provided by state veterinary laboratories; (iii) measures on localization and liquidation of outbreaks of highly pathogenic and chronic infectious diseases.

Kazakhstan confirms that these measures do not represent subsidization of an input cost.

Question 14

Paragraph 2(d) - For extension, advisory, infrastructure, and market promotion services provided under IBRD, ABD, and World Bank projects, can Kazakhstan confirm that the amounts listed only account for funds from Kazakhstan's budget and not the portion of aid or assistance from IBRD, ABD or World Bank? If funds reported are grant funds from IBRD, ABD or World Bank, they should not be reported as Kazakhstan's support to producers. If they are Kazakhstan's cost share funds, or funds used to repay loans from these institutions, then they should remain in the tables.

Answer

Funding indicated under the programmes of "Agricultural Post-Privatization Assistance" (IBRD Project), "Water Resources Management and Land Rehabilitation" (ABD Project), "Irrigation and Drainage Systems Improvement" (IBRD Project) and "Institutional development of agricultural services" (WB Project) represent the portions of cost share funds of the state budget.

Question 15

Paragraph 2(e) – "Determination of sort and sowing qualities of seeds and planting materials": Can Kazakhstan clarify the scope of the programme, for example, is testing done for all seeds intended for planting? Is this service provided free of charge to producers? Can Kazakhstan confirm that these are not a subsidization of an input cost?

Answer

Pursuant to the Resolution of the Government of the Republic of Kazakhstan No. 805 "On Approval of Rules of Evaluation of Sort and Sowing Qualities of Seeds Conducted at the Expense of Republican Budget, Including those Seeds, Intended for Planting by Domestic Agricultural Producers" of 12 August 2003, evaluation of sort and sowing qualities of seeds and planting materials is carried out on a compulsory basis for all agricultural producers, including elite seed producing farms, state varietal-testing stations and the state resources of seeds. This service is provided on a free-of-charge basis to all agricultural producers by laboratories conducting seed testing.

Question 16

Paragraph 8 – Payments for relief from natural disasters: Can Kazakhstan confirm that eligibility for the payments adheres to the 30 per cent threshold as required by paragraph 8(a) of Annex 2 to the Agreement on Agriculture?

Answer

Please see the answer to the Question 9.

- **Supporting Table DS:2**

Question 17

With regard to Supporting Table DS:2, we reiterate our concerns regarding Kazakhstan acceding to the WTO as a developed country, but seeking to use Special and Differential Treatment flexibilities in agriculture.

Answer

Kazakhstan notes that, nevertheless, among recent accessions there are such precedents when a country, without being formally granted a developing country status, received certain preferences available for developing countries. For instance, Saudi Arabia was granted 10 per cent *de minimis* for its AMS reduction commitments. Similarly, China acceded with 8.5 per cent *de minimis*.

Agriculture is a key sector of economy and plays important role in economic and social development of Kazakhstan, since nearly 47 per cent of Kazakhstan's population live in rural areas. Taking into account income per capita of rural citizens (US\$256 per capita as of 2009) Kazakhstan could be considered as a low-income country (in accordance with the World Bank classification). Moreover, in the United Nations classification, Kazakhstan is referred to the group of "landlocked developing countries".

Furthermore, as the Government had started to implement market economy reforms in the agricultural sector since gaining independence by the country, the development level of this sector still remains below the pre-reform stage, especially in the livestock production sector. For instance, the number of cattle is still lower by 40 per cent than in the pre-reform stage. Livestock production in Kazakhstan is characterized by low productivity because over 90 per cent of livestock is kept by households which use manual works and low quality cattle breeds. For instance, average milk-yield in Kazakhstan is equal to 2,000 litres per cow a year, whereas average milk-yield in the countries with the developed industrial type of production reached 7,000-8,000 litres per cow a year.

As for agricultural crops, Kazakhstan due to dry and sharply continental climate, cultivates agricultural crops in a zone of high risk agriculture. Such conditions for nearly all crops are

considered as one of the most extreme conditions in the world as it increases costs and reduces agricultural output. For this reason, agricultural output in Kazakhstan is very low in comparison to other countries. For instance, in 2009 wheat yield in Kazakhstan was equal to 9 quintal per ha, while in Australia it reached - 16 quintal per ha, in Canada – 28, in USA – 30, in Saudi Arabia - 61 and in Japan - 70. Therefore nearly all agricultural producers in Kazakhstan could be considered as low-income or resource-poor producers and, subsequently, Kazakhstan should be considered as a developing country within the WTO or receive certain preferences available for developing countries.

Question 18

We observe that for a measure to be included in Supporting Table DS:2 it must satisfy the criteria set out in Article 6.2 of the Agreement on Agriculture.

On pages 37 and 38 of document JOB/ACC/12 it is indicated that the "Subsidies for Livestock Breeding" programme covers costs of off-farm enterprises such as slaughterhouses, processing plants and factories. Could Kazakhstan explain how this programme meets the criteria of investment subsidies under Article 6.2?

Answer

The full name of the programme looks as follows - "Support of Production, Processing and Marketing of Livestock Products". Kazakhstan understands that this programme is inconsistent with the criteria of investment subsidies under Article 6.2. Kazakhstan will make the necessary amendments and report this measure in Supporting Table DS:9.

Question 19

Could Kazakhstan explain how the following programmes meet the criteria of input subsidies being generally available to low-income or resource-poor producers?

- **Soft loans for spring-field and harvesting works;**
- **Partial compensation of feedstuff cost;**
- **Support for livestock breeding;**
- **Support for seed breeding;**
- **Soft loans for agricultural producers - small businesses; and**
- **Soft loans from local budgets for resource poor agricultural producers at the local level.**

Answer

Under indicated programmes the Government provides support in the form of input subsidies and loans under below-market interest rates to encourage low-income agricultural producers to purchase inputs for the entire process of agricultural production. Such inputs include feedstuff, elite seeds, breeding stock products, etc.

In Kazakhstan about half of country's population resides in rural areas. Income of rural citizens' is equal to US\$256 per capita. By contrast, national average income is equal to US\$456 per capita. In accordance with the World Bank classification, all agricultural producers except for large agricultural enterprises, are considered "low-income producers" and are eligible for the programmes listed in the Supporting Table DS:2 under the Article 6:2 of the Agreement on Agriculture.

Question 20

With particular regard to the "Partial compensation of feedstuffs cost", it is noted that the "subsidies are paid to domestic agricultural producers specialising in production of beef, pork and poultry meat" (pages 50 and 51 of document JOB/ACC/12 refer). Could Kazakhstan clarify whether subsidies under this measure are available to all agricultural producers or limited to either low-income or resource-poor producers?

Answer

Within the period of 1993-1999 the output of livestock production decreased significantly. This was caused mainly by reduction of number of cattle - from 9 million to 3 million. Number of low-income households which use manual works and out-dated agricultural machinery still prevail in the sector. The quality of feedstuff decreased because of the farmer's failure to comply with the technological requirements for its production. Development of feed crops was suspended. Natural pastures, especially in the remote areas are used inefficiently. For this reason, Kazakhstan considers all livestock production farms as low-income and resource-poor producers.

Question 21

With particular regard to the "Soft loans for agricultural producers - small businesses" programme, could Kazakhstan clarify what is meant by "small businesses"? Are these businesses either low-income or resource-poor producers?

Answer

In the process of agrarian restructuring in the 1990s the majority of agricultural producers had faced the problem of insolvency. For this reason, the Government has developed programme devoted to providing loans for farmers with the purpose of supporting the small rural businesses. The term "small businesses" is referred to small-sized peasant (private) farms. In general, such farms are physical rather than legal persons. Small-sized peasant farms in Kazakhstan are considered as low-income agricultural producers.

Question 22

Our view is that Supporting Table DS:2 would not be applicable, as recourse to Article 6.2 would not be available. In acceding as a developed country, i.e. without being able to exempt support under Article 6.2 and with a 5 per cent *de minimis* percentage, Kazakhstan will be expected to, instead of reporting policies in Supporting Table DS:2, report them in those Supporting Tables that feed into Supporting Table DS:4.

Answer

Please see the answer to Question 1.

Question 23

As previously stated, it is our position that Kazakhstan does not have recourse to Article 6.2 provisions and thus Supporting Table DS:2 should be eliminated and the information moved to other tables, as appropriate.

Answer

Please see answer to Question 1.

Question 24

We note that Kazakhstan has not included any aid and/or assistance from multilateral institutions. Would Kazakhstan confirm non receipt of aid or assistance from multilateral institutions?

Answer

Kazakhstan had cooperated with the international organizations within the following projects which provided soft loans to farmers for reconstruction of irrigation systems located in Southern Kazakhstan as well as consulting services for implementation of the projects:

- International Bank for Reconstruction and Development Project "Agricultural Post-Privatization Assistance";
- Asian Bank for Development Project "Water Resources Management and Land Rehabilitation"; and
- International Bank for Reconstruction and Development Project "Irrigation and Drainage Systems Improvement".

The support under the projects is presented in the Domestic Support Tables of Kazakhstan for 2006-2008.

Question 25

Could Kazakhstan please clarify input costs? In measure type (a) would investors also qualify for these subsidies? Would Kazakhstan state the criteria for "low-income" and/or "resource-poor" farmers in measure type (b)?

Answer

- Measure type (a) investment subsidies:

Investors are not qualified for the investment subsidies. This type of subsidy is granted only to domestic agricultural producers to encourage agricultural and rural development.

Under this measure government allocates budget resources to the programme aimed at increasing the supply of agriculture machinery on the one hand, and at reducing the costs of this machinery to farmers through financial leasing, on the other.

- Measure type (b) input subsidies:

"Input subsidies" are provided in order to reduce the prices that agricultural producers pay for major production inputs such as water, fertilizers, pesticides, feedstuff, elite seeds and loan interest rates. The input subsidies are available to all agricultural producers. WTO Agreement on Agriculture does not contain definitions of "low income" or "resource poor" agricultural producers.

In Kazakhstan about half of country's population resides in rural areas. Income of rural citizens' is equal to US\$256 per capita. By contrast, national average income is equal to US\$456 per capita. In accordance with the World Bank classification, all agricultural producers except for large

agricultural producers are considered to be "low-income producers" and are eligible for the programmes listed in the Supporting Table DS:2 under the Article 6:2 of the Agreement on Agriculture. For this reason, Kazakhstan considers all livestock production farms as low-income and resource-poor producers.

Question 26

We seek clarification on the criteria Kazakhstan's farmers must comply with to be eligible to programmes listed under the Article 6.2 of the Agreement on Agriculture. Could Kazakhstan provide detailed information about the exact criteria that defines both "low income" and "resource-poor" producers?

Answer

Please see answer to Question 1 above.

Question 27

We would like a clarification in Kazakhstan's "Soft loans for agricultural producers - small businesses" and the "Soft loans from local budgets for resource poor agricultural producers at the local level" under Input Subsidies Programme, categorized as Special and Differential Treatment (S&DT). This is because the aforementioned programmes could fall under AMS and are, therefore, subjected to subsidy limitation.

Answer

"Soft loans for agricultural producers - small businesses":

Following the implementation of structural reforms in agriculture, the newly created farms faced a lot of difficulties. For this reason, the Government had elaborated a programme for crediting of agricultural producers with the purpose of supporting the small rural businesses. The term "small businesses" is referred to the small sized peasant (private) farms. In general, such farms are physical rather than legal persons. Small sized peasant farms in Kazakhstan are classified as low-income agricultural producers.

The Government provides soft loans through the "Fund for small business development". Soft loans are distributed for:

- introduction and operation of a new technology in agriculture production; and
- purchase of such inputs as tractors, agricultural machines, fuel and lubricant materials, seeds, fertilizers, herbicides, pesticides, veterinary preparations and cattle breeds.

"Soft loans from local budgets for resource poor agricultural producers at the local level":

Under this programme loans are granted to banks for crediting of resource poor agricultural producers at the local level for replenishing of their floating assets. The loans are distributed by local administrations. Agricultural producers and small rural businesses use the funds to purchase inputs for the agricultural production process.

- **Supporting Table DS:4**

Question 28

In the Supporting Table DS:4 for the years 2006 to 2008, Kazakhstan presented its estimated value of production of "small cattle". Could Kazakhstan specify which kinds of livestock are included under such denomination?

Answer

Kazakhstani statistics distinguishes two most common groups of livestock: "small cattle" (small ruminants) and "large cattle" (big ruminants). Small cattle consists of sheep and goats. "Large cattle" includes cows and buffaloes.

Question 29

What animal species are included in "Small cattle (livestock)"? Why is the data not disaggregated by animal species? Are there also large cattle?

Answer

The data relating to livestock was collected from the Agency for Statistics of Kazakhstan and "KazAgroProduct" ("former - Mal Onimderi Korporatsiyasy") which acts on behalf of Government of Kazakhstan as an agent for procurement of livestock products. Both agencies do not keep a record of small cattle disaggregated by species. Therefore, the data cannot be disaggregated by animal species. This type of livestock does not include large cattle.

Question 30

What would Kazakhstan's average Current Total AMS for 2006-2008 be when using a 5 per cent *de minimis* percentage?

Answer

Please see answer to Question 1.

Question 31

We note that the figures of the AMS for raw cotton in 2007 in tenge and US\$ are not equivalent. Could Kazakhstan confirm the value of the AMS for raw cotton in 2007?

Answer

Kazakhstan takes account of this comment and will make the necessary amendments in the table.

- **Supporting Table DS:5**

Question 32

Could Kazakhstan explain the criteria used for the definition of administered prices listed in Supporting Table DS:5?

Answer

According to the Resolution of the Government of Kazakhstan No. 45 "On Certain Issues of Support of the Agro-Industrial Complex with Involvement of Specialized Organizations" of 7 July 2006, the KazAgroProduct and Food Contract Corporation purchase crops and livestock products on behalf of the Government in order to support agricultural producers.

The data for "applied administered prices" is based on the actual prices at which both agents purchase crops and livestock products directly from agricultural producers.

Question 33

What is the source and definition of the three external reference prices for wheat, the average of which would constitute the fixed external reference price for wheat for future notifications?

Answer

1. The "external reference price" for agricultural commodities was based on customs value of exported and imported products provided by Kazakhstan's Customs Statistics of Foreign Trade.

Kazakhstan was a net-exporter of wheat in 2006-2008. Therefore the calculation of external reference price for the period in question was based on export prices.

The Customs Statistics provides various import-export data for HS commodities at the 2-, 4-, 6- and 10-digit levels. Taking into account that the wheat variety in question is soft wheat except seed, the calculation of the reference price is made using data on 10-digit HS EurAzEC Code for soft wheat other than seed.

It should be noted, that Kazakhstan in its Supporting Table DS:5 table of November 2010 mistakenly used the data on soft wheat and meslin seed instead of the data on soft wheat other than seed and the data for the CIS countries was excluded from the calculation for all agricultural commodities since customs duties are not levied within the FTAs. Thus, calculation of external reference price for wheat looked as follows:

HS code	Country	Year	Export volume, tonne	Export value, US\$	Export price, US\$/tonne	Export price, (KZT/tonne)
1	2	3	4	5	6 (5/4)	7
1001901000 Soft wheat and meslin seed	All countries, except for CIS	2006	68,001	9,327.5	137	17,295
		2007	225,320	44,587	198	24,251
		2008	291,124	86,269	296	35,936

*Average annual exchange rate equals to:

- KZT 126.09/US\$ in 2006
- KZT 122.55/US\$ in 2007
- KZT 121.27/US\$ in 2008

Taking into account concerns raised by some Working Party Members, Kazakhstan re-calculated "external reference price" for the soft wheat using the data on soft wheat other than seed for exports to all destinations, including CIS countries. The "external reference price" for other agricultural commodities was re-calculated in the same way based on the data for exports to all countries.

Thus, the calculation of "external reference price" for the soft wheat other than seed looks as follows:

HS code	Country	Year	Export volume, tonne	Export value, US\$	Export price, US\$/tonne	Export price, (KZT/tonne)
1	2	3	4	5	6 (5/4)	7
1001901000 Other spelt, except for soft wheat and meslin seed	All countries	2006	3,482,270	438,440	126	15,875
		2007	5,309,433	975,693	184	22,520
		2008	4,204,685	1,223,199	291	35,279

2. Taking into account the existing WTO practices, the fixed external reference price for wheat for future notifications would be the simple fixed external reference price in 2006-2008, in particular - US\$200 per tonne (KZT 24,588 per tonne).

Updated DS tables with necessary amendments including re-calculation of "external reference price" (Supporting Table DS:5) for all agricultural commodities based on the data for exports/imports of all destinations are available through document WT/ACC/SPEC/KAZ/6/Rev.5.

- **Supporting Table DS:9**

Question 34

There are two "Debt writing off" programmes with the same name. It would clarify the reading of this Supporting Table if these two programmes were identified separately as, for example, Debt writing off (Ministry of Finance) and Debt writing off (Ministry of Agriculture).

Answer

Kazakhstan takes account of this comment and will make the necessary amendments in the table.

Question 35

While support through debt writing off is reported in 2006 and 2007, zero support is reported in 2008. Does this mean that the authority to write off debts had been eliminated by 2008? Alternatively, did and does this authority still exist but it was just not used in 2008?

Answer

The competence to write off the debts of farmers is under the competence of the Government. This programme is implemented on the basis of a Government decision. The authorized body writes off the accumulated debts in the amount specified by the Government Resolutions. "Zero" in the table means that Government did not take a decision to write off the debts.

Question 36

"Revenue forgone due to decreasing coefficients for transportation of agricultural cargoes by railway": Do the reduced costs of transportation for agricultural products on the main railway networks apply the same to both domestic consumption and exports?

Answer

Under this programme, the Government provides decreasing coefficients on tariffs for transportation of fruits and vegetables by main railway networks within the territory of Kazakhstan and were applied

only to fruits and vegetables for domestic consumption. The measure was taken by the Government against inflation.

- **Supporting Table ES:1 - Export Subsidies**

Question 37

We note that Kazakhstan did not provide export subsidies in the period 2006-2008. Our expectation remains that Kazakhstan will commit to binding export subsidies at zero upon accession.

Answer

Kazakhstan needs to use export subsidies due to its landlocked geographical location, the vastness of territory, remoteness from major agricultural markets and high transportation costs, which significantly affected the competitiveness of Kazakhstan's agricultural products.

For instance, when delivering wheat to external markets, wheat is transited through the Russian Federation via railways. The delivery cost of wheat to the Black Sea ports is equal to US\$70-75 per tonne. To the Baltic Sea the cost reaches US\$80-85 per tonne. High transportation costs represent a significant obstacle to the competitive advantage of domestic wheat.

Besides, Kazakhstan applies export subsidies only in exceptional cases. For instance, in 2004 the Government of Kazakhstan rendered a food aid to Georgia. In accordance with the Government Resolution No. 758 of 12 July 2004, Kazakhstan provided KZT 23.6 million (US\$173,000) to cover the cost of purchase grain and its delivery to Tbilisi (1,000 metric tonnes). In 2005 Kazakhstan rendered a food aid to The Kyrgyz Republic. In accordance with the Government Resolution No. 385 of 23 April 2005, Kazakhstan provided KZT 18 million (US\$135,000) to cover the cost of purchase of grain and its delivery to Bishkek station (1,000 metric tonnes). In 2009 in accordance with the Government Resolution No. 1909 of 26 February 2009, Kazakhstan provided funds amounting to KZT 5 billion (US\$34 million) for reimbursement of transportation cost of grain by railways through the territory of the Russian Federation.

Question 38

Kazakhstan is correct in preparing to schedule NIL export subsidies.

Answer

Please see answer to Question 37 above.

Question 39

We note that in Supporting Table ES:1 there are no export subsidies and we seek confirmation that this will continue.

Answer

Please see answer to Question 37 above.

Question 40

We are pleased to see that Kazakhstan did not report the use of export subsidies during 2006 through 2008. We firmly reiterate our position - which is the same for all acceding countries - that Kazakhstan commit to binding all agricultural export subsidies at zero upon accession, and we trust given their non-use, such a commitment will be an easy one for Kazakhstan to make.

Answer

Please see answer to Question 37 above.
