

The disposal fee, which is qualified in all documents as environmental indulgence, has been openly recognised in the country as a barrier to imports.

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All summer long, Kazakhstan’s agrarians, officials and farm machinery manufacturers have argued whether the country needs a disposal fee for farm machinery. It should have been entered on August 1. Relevant agreements were signed one year ago between the supervisory Ministry of Industry and Infrastructure Development (MIIR) and the national chamber of entrepreneurs of Kazakhstan “Atameken”.

But, in early summer, agrarians opposed to this new fee. According to them, if it applies to tractors and harvesters, it will trigger rise in prices of the latter. And, in chain order, of all food produced in the country.



Photo: kazakh-zerno.net

How farmers will be taught to love their motherland

According to the statements of the ministry of industry, the disposal fee will be 7 per cent of

the machinery price and will apply only to machinery, which is produced in sufficient quantities in Kazakhstan. These are grain harvesters and wheel tractors.

The introduction of this fee automatically allows farmers to participate in a car recycling programme. Since 2016, a similar programme has been launched in the country for light motor vehicles, commercial vehicles and passenger vehicles - when a citizen discards a non-functioning vehicle, they receive a certificate that can be used to buy a new home-made car.

The state pays 315 thousand tenge (814 dollars) for a light motor vehicle, 550 thousand tenge (1,422 dollars) for a commercial vehicle weighing up to 3.5 tonnes, and 750 thousand tenge (1,939 dollars) for a bus. The two certificates may be combined upon purchase. According to officials, certificates for the value of 1.5 to 3 million tenge (3,878-7,755 dollars) will be issued for discarding agricultural machinery.

The disposal fee or the so-called extended obligations of manufacturers in all official documents at both national and international levels is seen a measure to protect the environment. Initially, it was introduced in western countries in order to free cities from unnecessary old vehicles. 95 per cent of the vehicle may be recycled, except for some parts made of polyvinyl chloride.

However, in Kazakhstan, officials are guided not only by caring for the environment, but recycling is a hidden measure of support of domestic manufacturers. MIIR calculated that the disposal fee together with preferential loans for the purchase of domestic vehicles have already allowed to increase the production of light motor vehicles in the country. If in 2016 domestic vehicles accounted for 25 per cent of the market, in 2018 the share was 49 per cent.

According to the agency, Kazakhstan's farmers annually need 2,500 tractors and 1,000-1,200 harvesters. And with a 100 per cent load, Kazakhstan factories will easily supply this need. Now all domestic production is 20-30 per cent loaded.

Farmers wonder why [the state] is trying to develop domestic agricultural machinery industry represented by six plants at the expense of more than 200 thousand farms.

“We have a pseudo-mechanical engineering industry that buys ready-made vehicle sets, attaches the wheels, tightens some nuts and sells all this as a domestic product. In order to increase their profitability, they are now trying to monopolise the market via this disposal fee,” said **Maksut Baktibaev**, Director-General of the Meat Union of Kazakhstan.



Maksut Baktibaev. Photo: Atameken, National Chamber of Entrepreneurs of Kazakhstan

According to him, the disposal fee will instantly make not only American, but also Russian and Belarusian machinery, which Kazakh farmers are more willing to buy, 10 per cent more expensive. And then, farmers fear that domestic harvesters are going to become more expensive on the quiet.

Moreover, based on the experience of Russia and Belarus, the disposal fee, which is now 7 per cent, is likely to increase. In these countries, to whose experience officials refer, this tax rises regularly, as does the machinery.

According to farmers, the agricultural machinery pool in the country is renewed by 3-5 per cent annually, despite the standard rate of 10 per cent. Farmers simply do not have money for more active procurements. And after the introduction of the disposal fee, the renewal rate of the pool may drop to 1 per cent per year.

Very expensive machinery

According to official statistics, Kazakhstan spends 180 million dollars every year to buy imported agricultural machinery. Plus farmers receive subsidies – 25 per cent of price from the republican budget and up to 10 per cent from the regional budget – to buy tractors and other agricultural machinery. Subsidies don't depend on the country of origin.

According to official data, expensive machinery is not very popular with farmers.

But if we look in terms of money spent on domestic and foreign machinery, the advantage belongs to imported vehicles. In 2018, Kazakhstan's factories sold their products for 24 billion tenge (62.04 million dollars), while machinery was imported for 100 billion tenge (2.59 billion dollars).

The reason is, first of all, a threefold difference in the price of domestic and imported tractors and harvesters. However, off the record, farmers speak about another, less obvious reason for this imbalance.

According to them, a limited amount of money is allocated from the regional budget for the purchase of machinery annually and distributed by the municipal authorities by turn. Those who do not have enough subsidies prefer not to buy. So, the first in the queue are almost always large holdings that purchase expensive equipment. So it turns out that small farms fail to renew their machinery year by year.

And now it is large farmers and industry unions who oppose the disposal fee more than others.



Yerzhan Imanslyam. Photo: time.kz

“Expensive and high-performance machinery will pay off if the cultivated area is at least 2.5 thousand hectares. Those with 200-500 hectares can never pay for the machinery. Plus, it behaves temperamentally on moist soil, so you should wait until it dries. By introducing the disposal fee, we protect the interests of small farmers as well,” explained **Yerzhan Imanslyam**, head of the engineering department at MIIR RK.

Kazakhstan’s agricultural machinery manufacturers put high hopes on disposal fee. Joint-stock company Agromashholding, producing Yesil harvesters, is one of the oldest industries in the republic. They started almost 20 years ago by assembling large-sized parts from the manufacturer into fully-featured harvesters.

Now the company produces parts of bodies and engines. Thus, Yesil harvester is localised by 40 per cent. But most Kazakhstani plants are still screwdriver industries.



Agromashholding plant. Photo: amx.kaz

According to vice president of Agromashholding JSC **Dinara Shukizhanova**, agricultural machinery engineering plants in Kazakhstan now need not only loans for development, but also some incentive for further development.

“We will not just get some bonuses from the state. Each plant assumes certain obligations to increase the level of production localisation to 50 per cent. And if we do not fulfil this plan, we will have to return all the benefits to the budget, including disposal fee,” Shukizhanova explained.

They think this will make their products more popular with farmers, and also attract new investors to the country. After all, once the authorities spoke about barriers, the German concern CLAAS, which produces high-performance harvesters and tractors, as well as the St. Petersburg Tractor Plant, which makes Kirovets tractors, announced their plans to open their plants in Kazakhstan.

So far, only one global manufacturer of agricultural machinery actively used by Kazakhstan

farmers does not have its own production in Kazakhstan – John Deere. Back in 2015, the Canadian concern promised to open the plant in the country, but so far these plans have not been implemented.

Meanwhile, the equipment of this particular brand, along with the German one, is considered one of the most advanced and, as a result, expensive in the world. However, no one can tell the exact cost of the harvester – the official dealer of John Deere equipment in Kazakhstan, Eurasia Group LLP, has no price list for the equipment both on the official website and in regional offices. It also has a flexible system of discounts. And sometimes neighbouring farms can buy the same harvester with a difference of 20 thousand dollars.

One can only guess the real cost of the harvester and, as a result, the dealer margin. According to MIIR, seller’s surplus is at least 20 per cent.

“Foreign distributors like to shout out loud that the disposal fee will increase the price of machinery by many per cent, and many media made a fuss about it. But we say: disposal fee is just 7 per cent. This is not much with a margin of 20-30 per cent. Anyone who wants to sell in Kazakhstan can keep the price by lowering their profit a little,” said **Yerzhan Imanslyam**, head of the engineering department at MIIR RK.

What about ecology?

Kazakh ecologists worry that while supporting the industry, the government will forget about the original goal of introducing a disposal fee.

“This is a rather new environmental protection tool for Kazakhstan. It was introduced only in 2016. And we have not fully studied its influence. How much has already been done and how convenient, effective it is for the population? What is needed to make it work even better?” the chairperson of the Association of Environmental Organisations of Kazakhstan, **Aigul Solovyova**, wondered.

Currently, disposal fees for light motor vehicles, commercial vehicles and passenger vehicles are accumulated in the privately-owned Operator ROP LLP. It doesn’t perform recycling, but encourages entrepreneurs to do this by creating sustainable waste flows for recycling.



Rustam Temirbek. Photo: bnews.kz

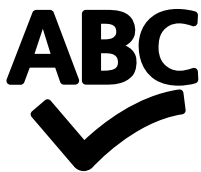
It is the Operator ROP that collects non-functioning vehicles from the population, and also subsidises the construction of processing plants and their logistics costs.

“Before we appeared, about 10 tire processing enterprises operated in Kazakhstan and they were 30-40 per cent loaded. Now there are more than 20 enterprises and each one has a good load,” **Rustam Temirbek**, Managing Director of Operator ROP LLP, said.

The Association of Environmental Organisations also notes an increase in waste recycling in the country: the solid waste processing depth in Kazakhstan increased from 2 per cent in 2016 to 14 per cent in 2018.

But the association is not yet sure that a private company will manage to fulfil new obligations on receiving agricultural machinery in the near future. To do this, new recycling stations and special presses are needed. There are only three presses in Kazakhstan. There’s only one vehicle recycling plant in the entire country.

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