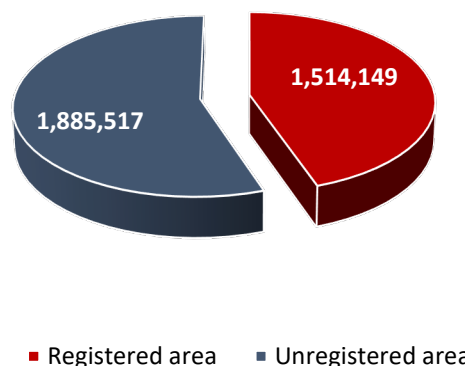


THE SECTOR AT A GLANCE

LAND MARKET DEVELOPMENTS

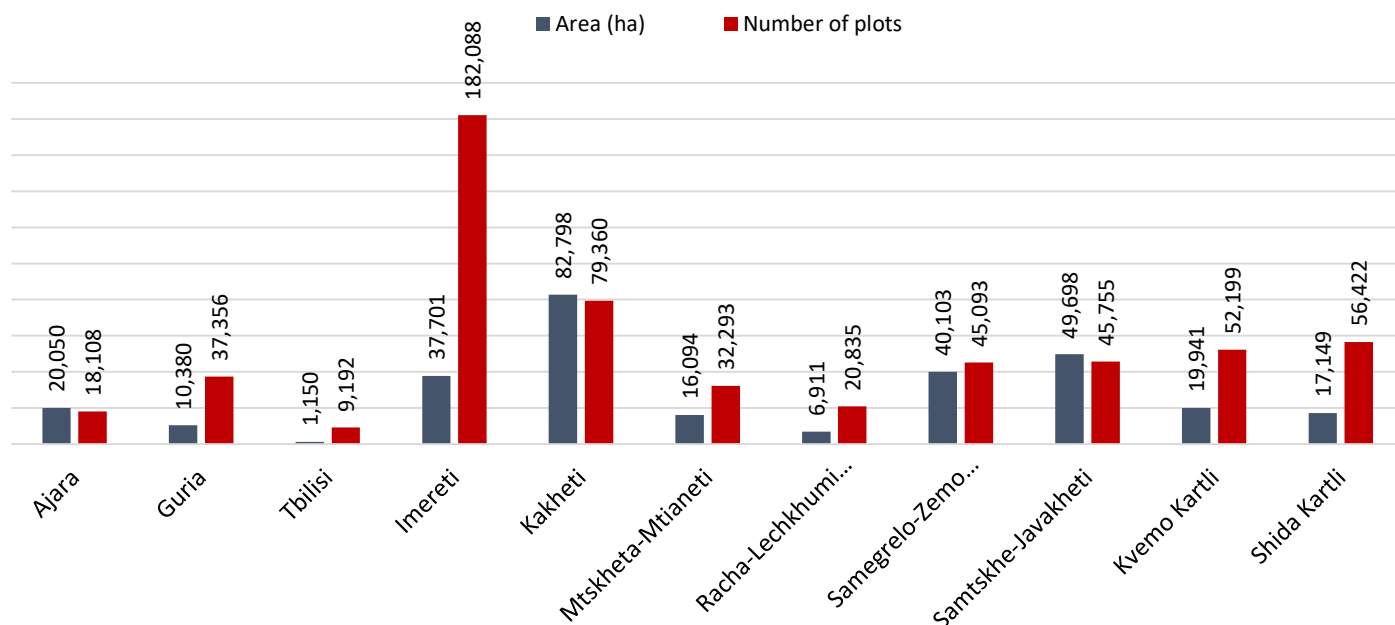
Underdevelopment of the land market is a major obstacle behind the development of Georgian agriculture. A significant number of unregistered plots of land prevent land consolidation and increases in agricultural productivity. According to the Ministry of Justice, as of February 2019, in the framework of the land registration reform, since 2016, there are 543,139 citizens who have registered 130,943 ha of land; 1,431 legal entities which have registered 1,793 ha; and 34,131 state entities with 169,241 ha of registered land. Thus far, until 1 August 2016, 1,212,173 ha of land had been registered and an additional 301,976 ha have been registered since then. Therefore, the total area registered is 1,514,149 ha, which accounts for 45% of all agricultural lands, leaving 55% remaining unregistered. As for the regional distribution of lands registered after 1 August 2016, the largest area was recorded in Kakheti, whilst the greatest number of plots was in Imereti. The average size of a registered plot is 0.5 ha.

Registered and Unregistered Land Area (ha)



Source: Public Registry, Ministry of Justice, 2019

Number of Registered Plots and Registered Land Area, by Regions (From 1 August 2016 - 5 February 2019)



Source: Public Registry, Ministry of Justice, 2019

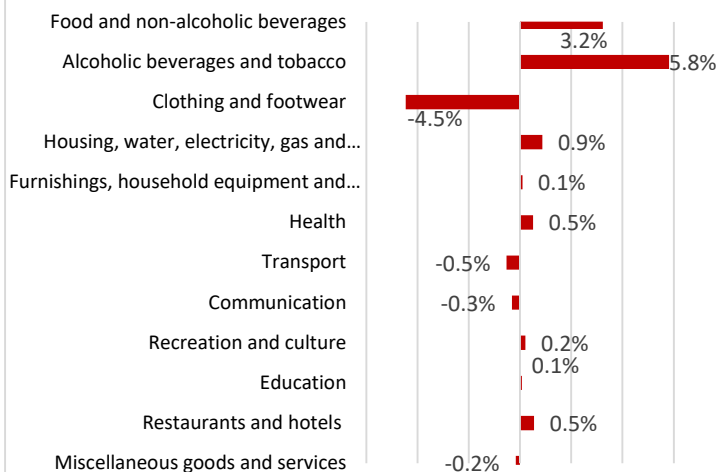
PRICES

DOMESTIC PRICES

On a monthly basis, the country's price levels have increased slightly. Where the Consumer Price Index (CPI) in January 2019 was 1.3% higher compared to the previous month. While in comparison to January 2018, the CPI experienced a 2.2% increase.

For food and non-alcoholic beverages, the month-over-month prices increased by 3.2%, contributing to a 0.98 percent overall change in CPI. The main drivers were the price fluctuations in the following sub-groups:

**Percentage Change in Prices MoM
(January 2019 vs. December 2018)**



Vegetables (15.8% ↗)



Milk, cheese, and eggs (4.7% ↗)



Bread and cereals (1.4% ↗)

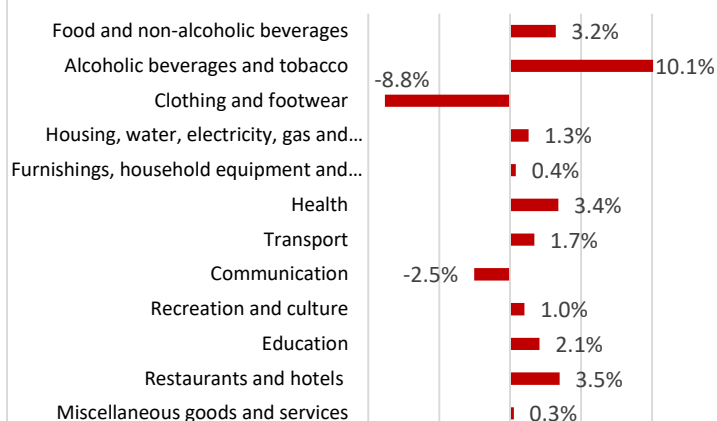


Source: Geostat, 2019

On an annual basis for food and non-alcoholic beverages, prices increased by 3.2%, contributing to a 1.0 percent change in the total CPI.

In January 2019, the sharpest price changes, on an annual basis, were observed within the following subgroups:

**Percentage Change in Prices YoY
(January 2019 vs. January 2018)**



Fish (12.3% ↗)



Bread and cereals (10% ↗)



Vegetables (6.5% ↗)

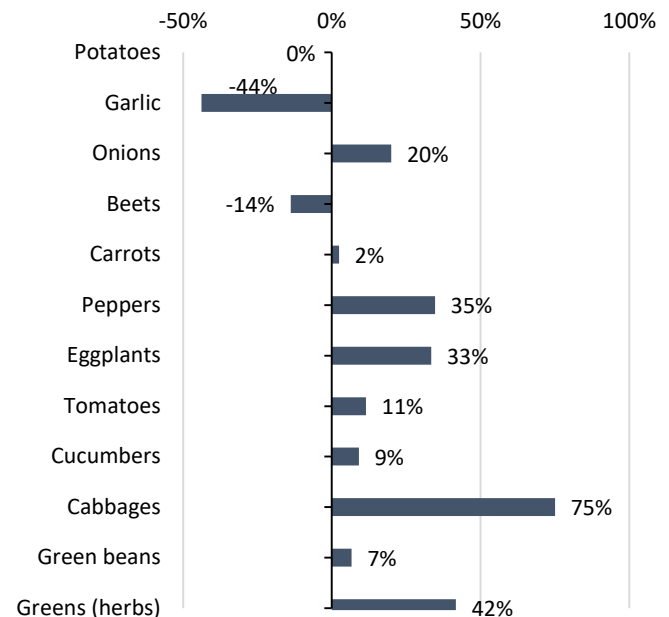


Source: Geostat, 2019

VEGETABLES - IN THE SPOTLIGHT

In January 2019, prices in the vegetable category increased by 15.8% compared to December 2018. On an annual basis, prices in this group increased by 6.5%. According to Geostat data, cabbage prices displayed the largest increase, of 75%, in January 2019, in comparison to the previous year. Considering that the year has just begun, the increase in cabbage prices is quite surprising. While, trade statistics reveal that both the import value and quantity of cabbage trade follow increasing trends. In January 2019, the import value amounted to 80,311 USD, 82% higher than the 44,048 USD of January 2018. Within the same period, the quantity of imported cabbage increased dramatically by 132%, from 200.64 tons to 466.38 tons. Typically, an increase in import contributes to a decrease in price, unless domestic production and stocks are extremely low. If domestic production is indeed low, it might have caused a shortage in supply and therefore an increase in price. As statistics on domestic production are not yet available, it is difficult to discern the exact reason for the increased prices.

Annual Changes in Vegetable Prices



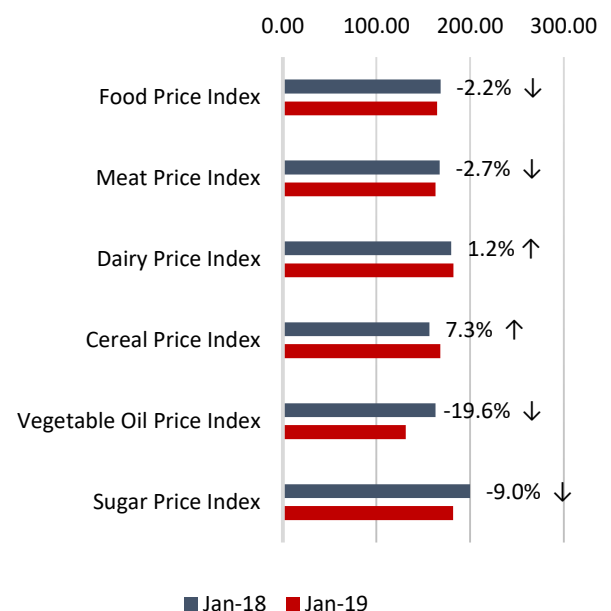
Source: Geostat, 2019

INTERNATIONAL PRICES

In January 2019, international prices maintained a downward trend. The Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased by 2.2%, compared to January 2018. The main drivers were the weaker prices of vegetable oil (-19.6%), sugar (-9%), and meat (-2.7%).

Whereas, the Cereal Price Index experienced a significant 7.3% increase, compared to January 2018. The main driver was the price of maize, which rose due to adverse weather conditions in South America. Furthermore, there was a hike in rice prices, reflecting both the increased demand for Japonica supplies and the appreciated Thai Baht. On an annual basis, dairy prices also increased somewhat, by 1.2%, in reaction to the increased internal demand on dairy products in Europe.

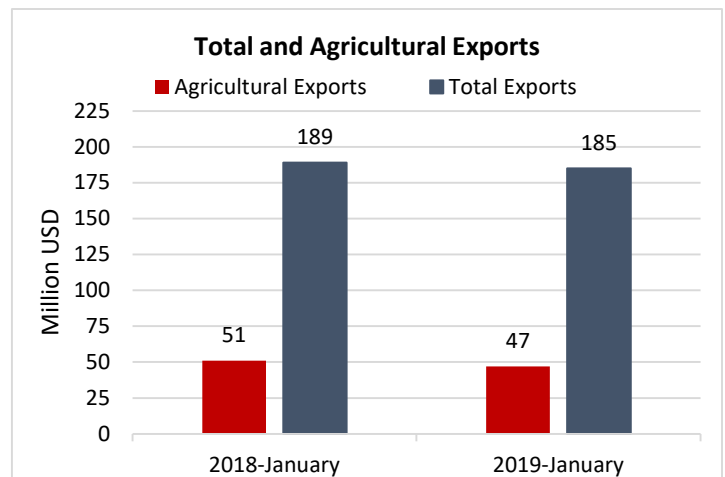
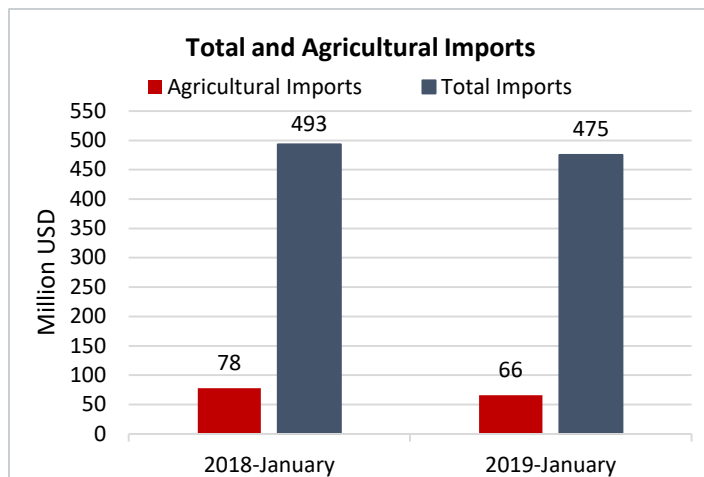
ANNUAL CHANGES IN WORLD PRICES



Source: FAO, 2019

TRADE HIGHLIGHTS

In January 2019, Georgia’s agricultural exports (including food) equaled approximately 47 million USD, which is greater than a fourth of Georgia’s total export value. Comparing this indicator to January 2018, the share is down by 2 percentage points. While for imports in January 2019, Georgia’s agro imports exceeded 66 million USD, which is almost 14% of the country’s total imports. Year over year (compared to January 2018), agricultural imports dropped by 15%.

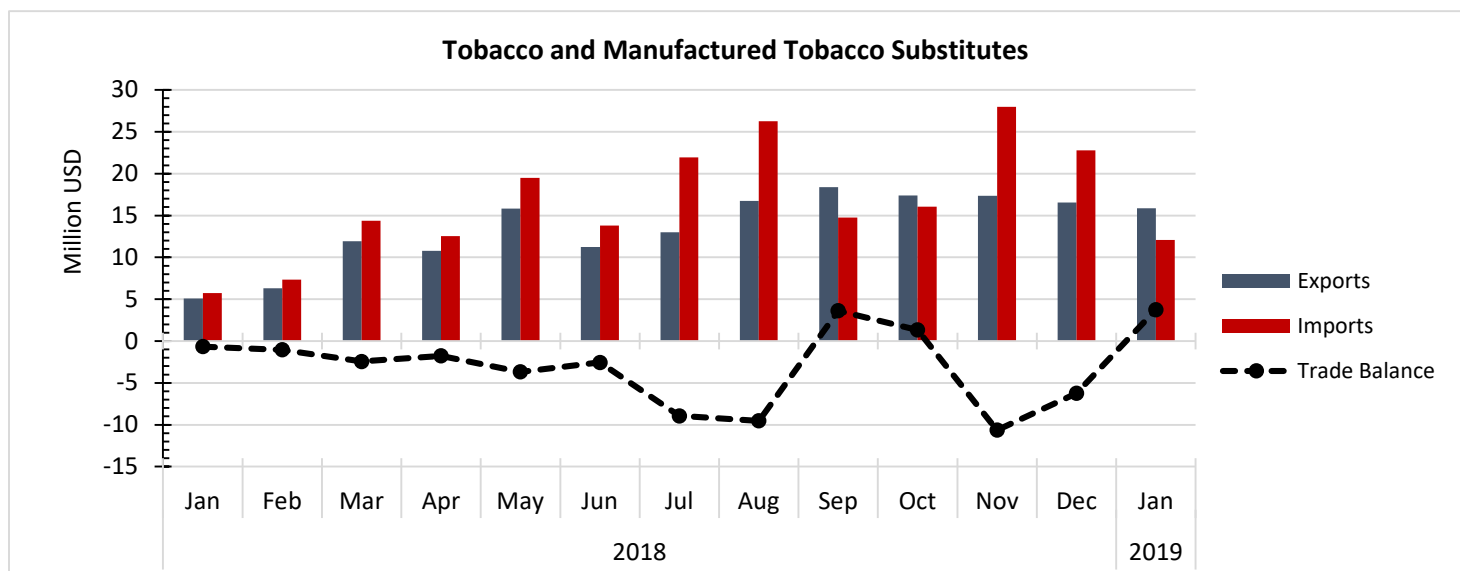


Source: MoF data

Note: Agricultural exports include food exports.

TOBACCO - IN THE SPOTLIGHT

In January 2019, the Georgian export of *tobacco and manufactured tobacco substitutes* (HS codes 2401-2403) grew more than threefold compared to January 2018, and they reached almost 16 million USD in value. Moreover, the export value also significantly exceeded the corresponding import and the trade surplus (3.7 million USD), and exceeded its previous record by a 0.1 million USD margin.



Source: MoF data

An upward trend in tobacco trade has been apparent since 2017, and as the share of low-value *unmanufactured tobacco and tobacco refuse* in 2018 held a much smaller portion of total imports than export, the trend is moreover expected to follow the same pattern in the near future. It would seem that increased [taxes](#) and [additional regulations](#) push Georgian tobacco producers/importers to search for alternative markets in which to sell their value-added final products.

POLICY WATCH

The Organic Law on Agricultural Lands was initiated by the Agrarian Committee

The Chair of the Agrarian Issues Committee, Otar Danelia, presented the draft law on Agricultural lands along with a subsidiary legislation package to the Agrarian Committee. While the draft law regulates the major principles of property rights, food security, land liquidity issues, etc., the subsidiary legislation focuses on the sustainable management of land resources.

According to Otar Danelia, the Committee lobbies for the creation of a National Agency for Land Management, which would be responsible for the classification of agricultural lands, status related issues, and an analysis of land balance. Yet another issue raised in the draft law relates to fines for non-operated land. According to the Committee Chair, such regulation will create further incentives for land owners to operate their agricultural land.

Foreign ownership of agricultural land was also discussed during the presentation, and as stated in the Constitution of Georgia, foreign ownership of agricultural land by foreigner is prohibited.

For more information: <https://m2b.ge/post/249407-sasoflo-sameurneo-miwis-damusaveba-sesazloa-savaldebulo-gaxdes>

New rules for labelling of food products

New regulations regarding the labelling of food products entered into force on 1 March 2019. The regulations state that the amount of information on labels must increase. The rules also define the font size for labels, as well as the location for the various types of information on a label. The rules require that all information on the label is exact, clear and easily understandable for the consumer.

For more information: <http://www.bm.ge/ka/article/dgeidan--sursatis-etiketirebis-axali-wesi-amoqmedda/30540/>