

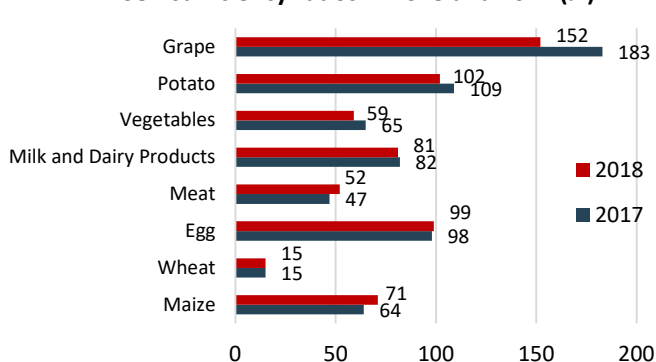
SECTOR AT A GLANCE

GENERAL STATISTICS

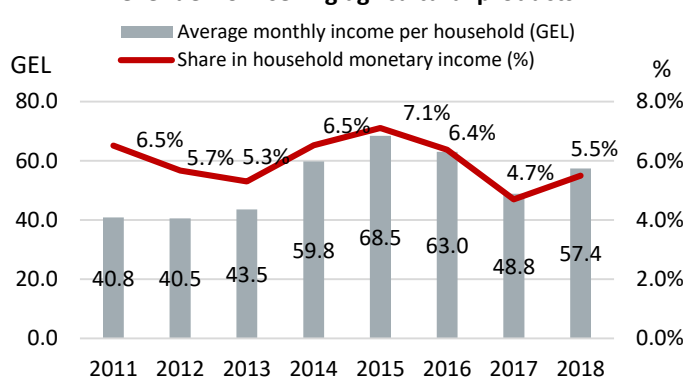
The share of the rural population in the total population decreased slightly, from 42.6% in 2015 to 41.3% in the beginning of 2019. The share of agriculture in total GDP has also declined, from 9.1% in 2015 to 7.7% in 2018. While production figures have gone up, there was a 6.4% increase in agricultural production in 2018 compared to the previous year. Production in the plant-growing sector increased by 10.9%, and animal production experienced an increase of 2.1% compared to 2017. Looking at the self-sufficiency ratio, the highest decrease was for grapes, followed by vegetables, and the highest increase was for meat, followed by maize.

Revenue from the sales of agricultural products in 2018 has increased compared to the 2014-2017 period, both in percentage and absolute terms. Increased production is the most likely reason for this result. Another possible explanation would be that other sources of income aside from selling agricultural products contributed to households' income, but since there were no significant structural changes observed in the country in recent years, increased production is most likely responsible for the increased sales revenue.

Self-sufficiency ratios in 2018 and 2017 (%)

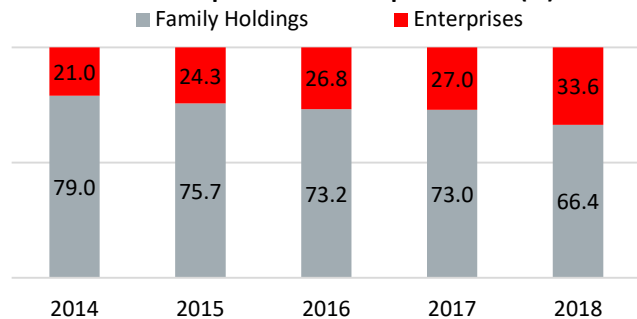


Revenue from selling agricultural products

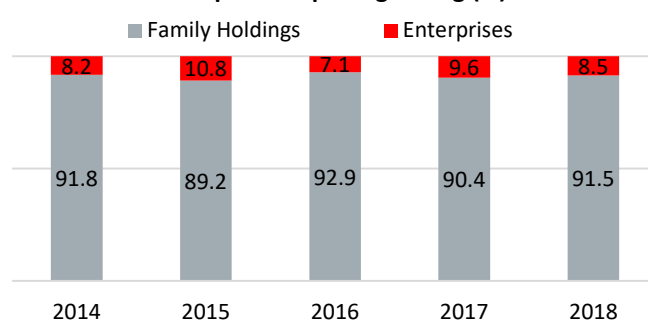


As revenue from selling agricultural products increased in 2018, the level of commercialization in the sector has increased. The share of family holdings in agricultural production has decreased and share of agricultural enterprises has increased steadily over recent years. This trend is particularly persistent in animal production, where the share of enterprises increased from 21.0% in 2014 to 33.6% in 2018. As for plant growing, the share of enterprises in 2018 has decreased slightly, but there are no decreasing trends observed in general, since the share keeps changing direction from year to year.

The share of family holdings and enterprises in animal production (%)



The share of family holdings and enterprises in plant growing (%)



Source: GeoStat, 2019

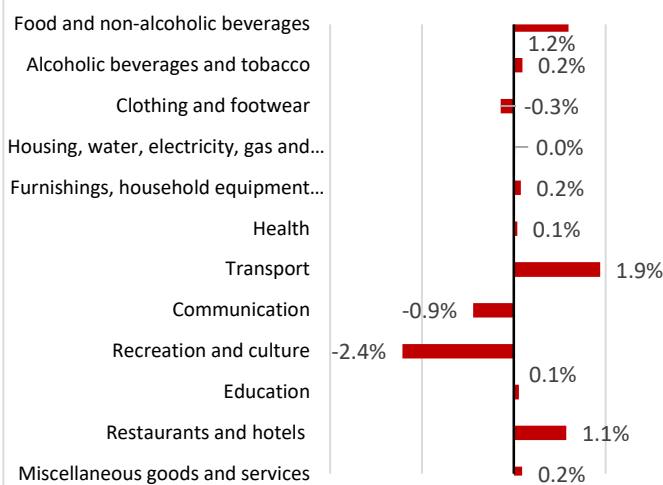
PRICE HIGHLIGHTS

DOMESTIC PRICES

On a monthly basis, the country's price levels barely changed. The Consumer Price Index (CPI) in May 2019 was 0.5% higher than the previous month. While in comparison to May 2018, CPI experienced a significant 4.7% increase.

For food and non-alcoholic beverages, the month-over-month prices increased by 1.2%, contributing 0.37 percentage points to the change in total CPI. The main drivers were price fluctuations in the following sub-groups:

**Percentage Change in Prices MoM
(May 2019 VS April 2019)**



Vegetables (8.1% ↗)



Fruit and grapes (7.1% ↗)



Milk, cheese, and eggs (-5.7% ↘)

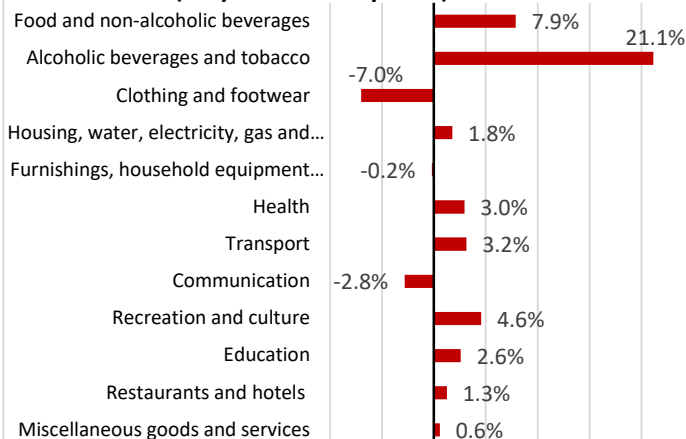


Source: GeoStat, 2019

From an annual perspective (May 2019 vs. May 2018), the prices of food and non-alcoholic beverages increased by 7.9%, contributing 2.43 percentage points to the change in total CPI.

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

**Percentage Change in Prices YoY
(May 2019 VS May 2018)**



Vegetables (33.7% ↗)



Fish (13.5% ↗)



Fruit and grapes (-19.9% ↘)



Source: GeoStat, 2019

POTATOES - IN THE SPOTLIGHT

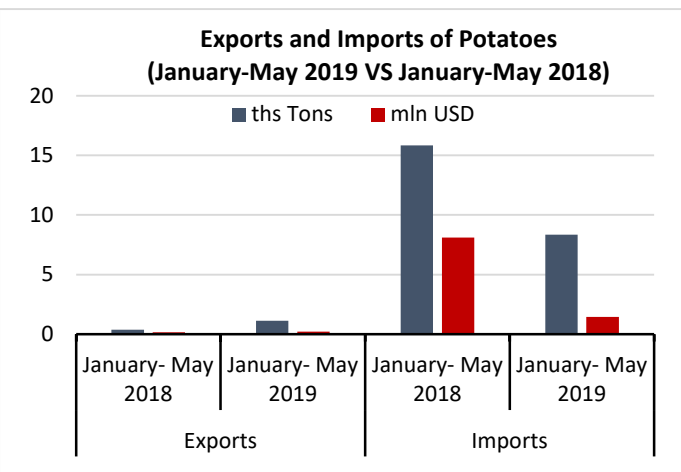
In May 2019, prices in the category of vegetables increased by 8.1% compared to the previous month. On an annual basis, prices in this group experienced a significant 33.7% increase. According to GeoStat data, annual prices increased mostly for potatoes (67%), onion (64%), cabbage (60%), cucumber (57%), and pepper (56%).

According to trade statistics, the import value and quantity of potatoes during January-May 2019 decreased on an annual basis. In January-May 2019, the quantity of imported potatoes decreased by 47%, from 15.9 thousand tons to 8.3 thousand tons. Within the same period, the import value amounted to 1.5 mln. USD, 82% lower than the 8.1 mln. USD of January - May 2018. On the other hand, the quantity of exported potatoes in January-May 2019 almost tripled from 0.4 thousand tons to 1.1 thousand tons compared to the same period of the previous year. The corresponding increase in export value was 39% (from 0.15 mln. USD to 0.2 mln. USD).

Meanwhile, annual publication of [Agriculture of Georgia 2018](#) (GeoStat, 2019) suggests that the domestic

production of potatoes in 2018 increased by 32% from 180.1 thousand tons to 237.5 thousand tons compared to 2017.

It appears that the increase in domestic production led to a decrease in imports of potatoes and an increase in exports resulting in a supply shortage. This shortage is likely to be the major cause of the increase in prices.

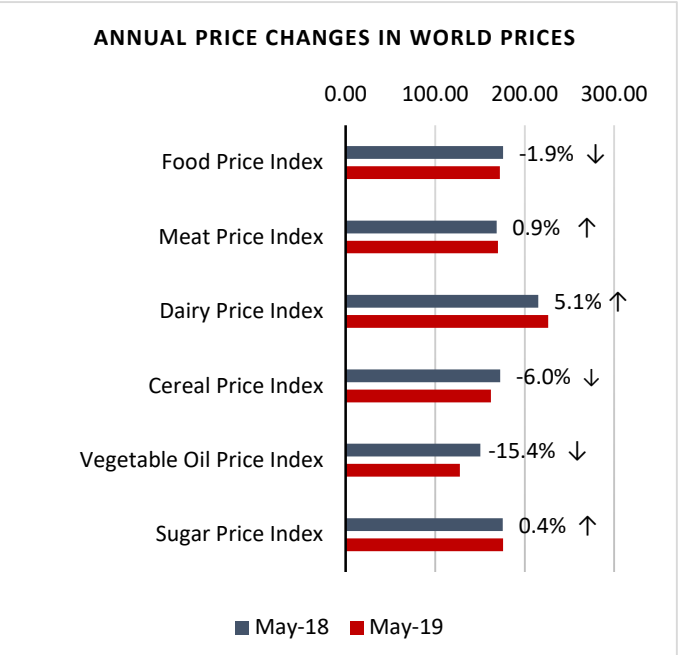


Source: MoF, 2019

INTERNATIONAL PRICES

Starting from January 2019, international prices have been increasing for five consecutive months. In May 2019, the Food Price Index, measured by the Food and Agriculture Organization (FAO), increased by 1.2% compared to April 2019. From an annual perspective, we still observe a downward trend in world prices: the FAO Food Price Index decreased by 1.9%, compared to May 2018.

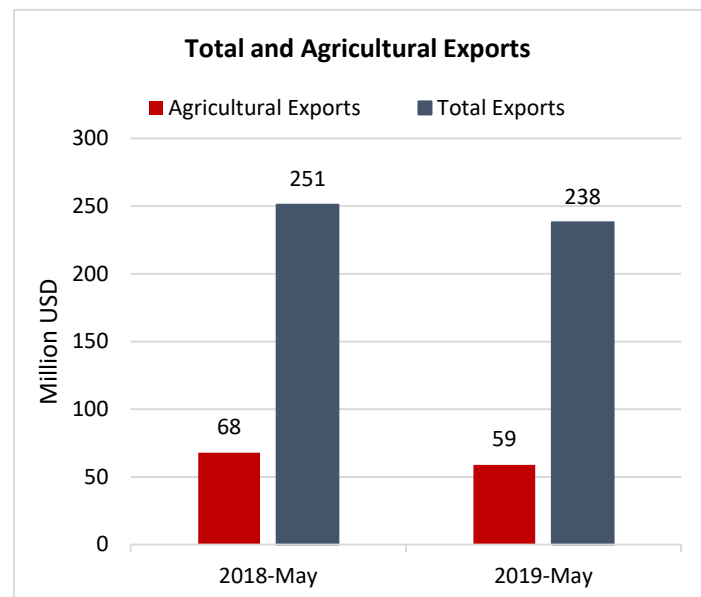
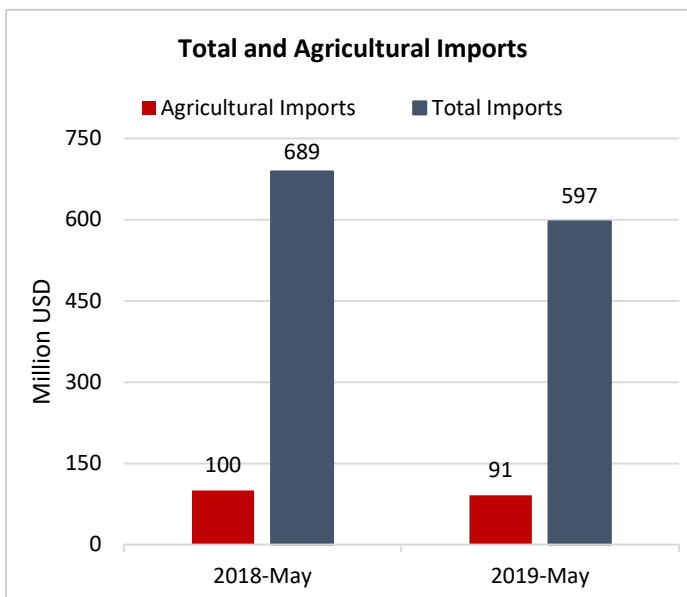
Annual price decreases were observed for vegetable oil (-15.4%) and cereal (-6.0%), while prices for meat (0.9%) and sugar (0.4%) remained almost unchanged compared to the corresponding month last year. Meanwhile, dairy prices are close to the five-year maximum since 2013. In May 2019, annual prices for dairy increased by 5.1% reflecting increased import demand in anticipation of a tightening in export availability from Oceania due to declined production. Concerns over milk production in Europe put additional upward pressure on dairy prices.



Source: FAO, 2019

TRADE HIGHLIGHTS

In May 2019, Georgia's agricultural exports (including food) equaled approximately 59 mln. USD, almost quarter of the total Georgian export value. When comparing this indicator to May 2018, the share has decreased by more than 2 percentage points. As for imports in May 2019, Georgia's agricultural imports equaled 91 mln. USD, which is more than 15% of all Georgian imports. Year-over-year (compared to May 2018), agricultural imports are down by 9 mln. USD approximately.



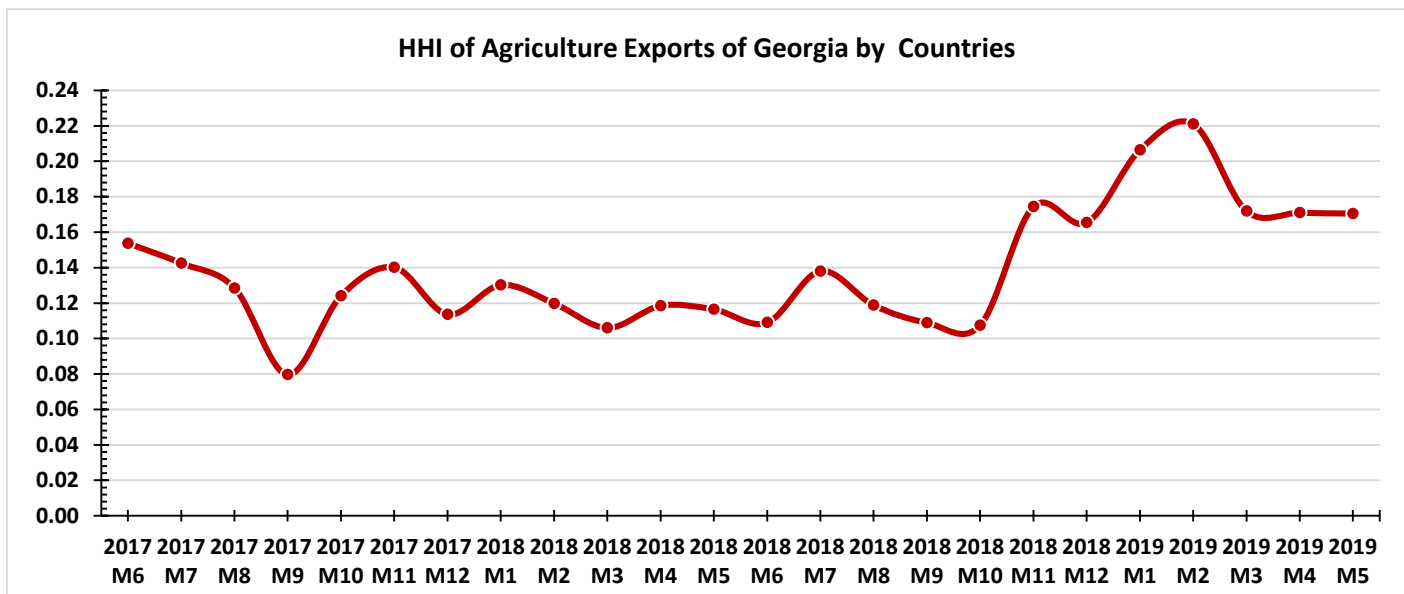
Source: MoF data, 2019

Note: Agricultural exports include food exports.

EXPORT DIVERSIFICATION

Georgia's agricultural export has been fairly diversified in terms of destination for the past years (Herfindahl-Hirschman Index (HHI) with a value less than 0.2, which is considered a sign of a high diversification), but the concentration has increased markedly from October 2018 to February 2019. The biggest importer of Georgia's agriculture produce has been Russia, who accounted for slightly less than one third of the country's annual agriculture exports (in the June 2017-May 2018 period), but this average increased by 3 percentage points in the last 12 months' (June 2018-May 2019), leading to the change in total index.

The concentration rose gradually in terms of product concentration since the end of 2017 too (HHI=0.11 in December 2017 versus HHI=0.18 in May 2019) and the decline in hazelnut exports is to blame. Citrus, the production of which, like the hazelnut, was affected by the stink-bug invasion, also lost part of its share in Georgia's total agriculture exports, but the change is more moderate. Parallel to these negative changes, Georgian wine enjoyed record exports in 2018 (approximately 200 mln. USD), the importance of which rose in the country's agriculture exports, and its average share in 2019's agriculture exports exceeds the 30% margin. As far as the second biggest item in Georgia's list of agriculture exports is concerned, mineral waters have generated roughly one fifth of total agriculture export income for the country in 2019 so far, but like Georgian wine, its prime destination is Russia (in value terms, 46% of mineral water exports was directed to Russia in 2018). For detailed monthly dynamics of HHI in Georgia's agriculture exports by countries, see the graph below.



Source: GeoStat, 2019

POLICY WATCH

Georgia joins the International Olive Council

Under the auspices of a working visit to the Kingdom of Morocco, the Minister of Environmental Protection and Agriculture of Georgia, Levan Davitashvili attended a session of the International Olive Council held in the city of Marrakech. The council brings together 20 leading olive oil-producing countries around the world. At the session, Georgia was accepted as a member of the International Olive Council.

For more information follow the link: <http://mepa.gov.ge/Ge/News/Details/9537>

New Project worth two million EUR starts in order to support Georgia's rural and agricultural development

A new project for rural and agricultural development has been launched by the Ministry of Environmental Protection and Agriculture of Georgia and the United Nations Food and Agriculture Organization (FAO). Austrian Development Cooperation (ADC) will allocate two million euros to finance the project, which aims to develop rural development policy in Georgia, improve value chain, sustainable use of natural resources, and support environmentally friendly agricultural activities.

For more information follow the link: <http://mepa.gov.ge/En/News/Details/9532/>

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