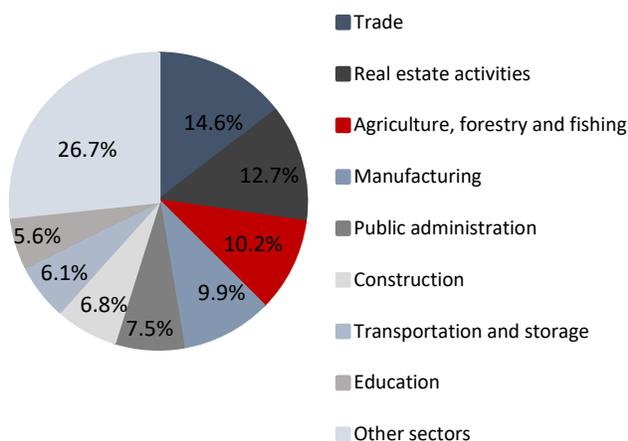


THE SECTOR AT A GLANCE

GENERAL TRENDS

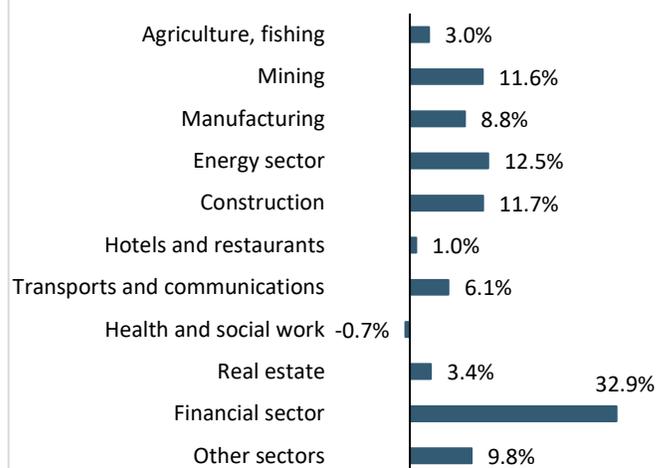
The National Statistics Office of Georgia (GeoStat) recently published its economic review for [Quarter II 2020](#). The publication highlights that agricultural production increased by 4.7% in the second quarter of the year compared to the same period in 2019. Furthermore, agriculture contributed to 10.2% of the country’s total GDP during the same period. In the second quarter of 2020, Foreign Direct Investments (FDI) in agriculture also increased and were almost six times higher than the corresponding indicator in 2019. Notwithstanding, FDI in agriculture was relatively low compared to the other sectors of the Georgian economy and accounted for 3% of the total FDI.

GDP structure, quarter II, 2020



Source: GeoStat, 2020.

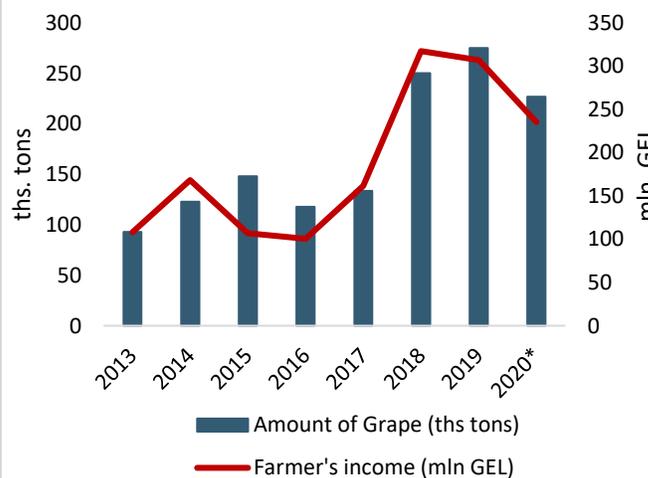
FDI by major economic sectors, quarter II, 2020



On 26 August “Rtveli 2020” began. This year, the Government of Georgia (GoG) is subsidizing the 2020 grape harvest to help farmers and wine producers sell their produce. From a total of 0.8 GEL per kg of Rkatsiteli or Kakhuri Mtsvane grapes, 0.3 GEL is being subsidized. Under extreme circumstances, the state will also be involved in the purchase of grapes.

By 1 October, 165 wine producers and around 21 thousand grape growers participated in “Rtveli 2020”; furthermore, around 227.2 ths. tons of grapes were sold with a corresponding income for farmers of 235.8 mln. GEL. However, since Rtveli is not yet over, the final statistics on grape sales and their total income is still not available.

Amount of grapes and farmers' income



Source: National Wine Agency, 2020; the Ministry of Environment Protection and Agriculture.
Note: the data for 2020 was retrieved on 1 October 2020.

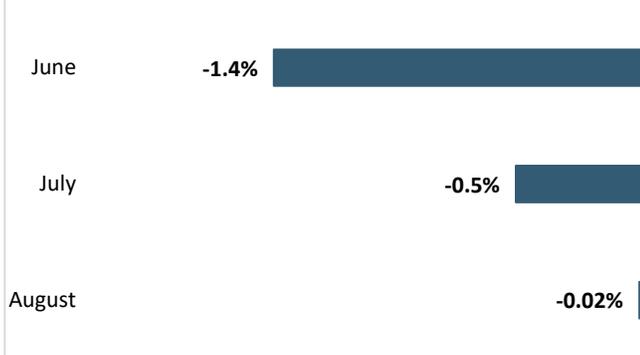
PRICE HIGHLIGHTS

DOMESTIC PRICES

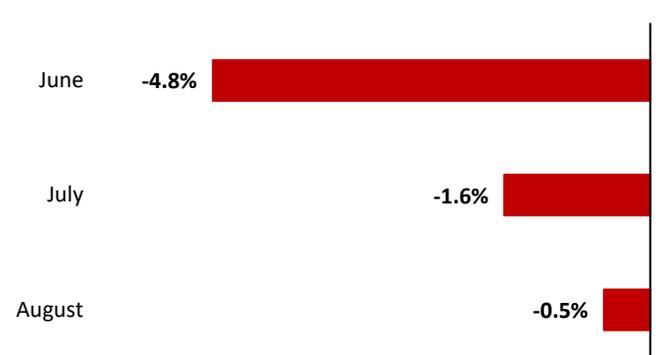
On a monthly basis, the country's price levels decreased between June-August 2020. The Consumer Price Index (CPI) in August 2020 remained almost unchanged (-0.02%) compared to July 2020. While in July, prices had slightly decreased, by 0.5%, since the previous month. The corresponding month-over-month price decrease was 1.4% in June.

Between June-August 2020, prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also exhibited a downward trend. In August 2020, food prices slightly decreased, by 0.5%, compared to July 2020; while the corresponding month-over-month price changes in June and July were -4.8% and -1.6%, respectively.

MoM % change in CPI (June-August 2020)



MoM % change in FPI (June-August 2020)



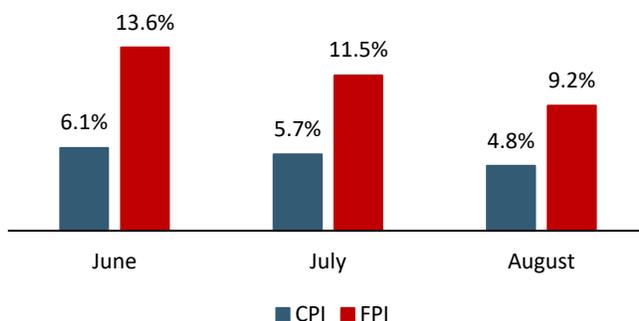
Source: GeoStat, 2020.

Note: the index value in the previous month is 100.

From an annual perspective, the CPI continued to increase from June-August 2020. Within the indicated period, both CPI and FPI marked their highest level in June at 6.1% and 13.6%, respectively. In August, the CPI rose by 4.8% compared to August 2019.

In August 2020, the year-over-year prices of food and non-alcoholic beverages increased significantly, by 9.2%, contributing 2.88 percentage points to the change in the total CPI. The main drivers were price fluctuations in the following sub-groups:

Annual % changes in CPI and FPI



Fruit and grapes (18%↗)

Coffee, tea, and cocoa (14.9%↗)



Fish (13.5%↗)

Source: GeoStat, 2020.

SPOTLIGHT

Starting from November 2016, the year-over-year prices for food and non-alcoholic beverages were higher than last year. In April 2020, annual food price inflation marked its highest level at 16.1%, mainly due to disruptions in the supply chains associated with the COVID-19 pandemic. Depreciation of the Georgian lari also placed additional upward pressure on food prices. Since then, annual food price inflation has been decreasing with the resumption of farming after the relaxation of COVID-19 restrictions and the sale of seasonal agricultural products. In August 2020, the FPI increased by 9.2% compared to August 2019. Prices increased the most within the following categories:

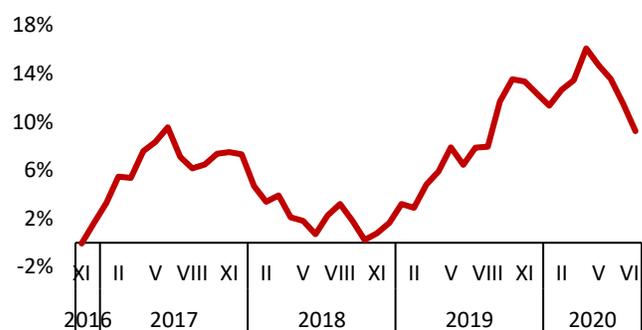
Fruit and grapes – Apple prices increased the most (by 37%) within this group. This is explicable as 2020 has been a good year for the [apple harvest](#). Therefore, Georgia exported more apples: [the volume of apple exports](#) is almost five times greater than last year (MEPA, 2020). Consequently, there might be a shortage in the domestic supply that led to the price increase.

Coffee, tea, and cocoa – In this group, prices for ground coffee rose the most (by 17%) on an annual basis. Given that Georgia is a net importer of the commodity, international trends influence coffee prices.

According to the [International Coffee Organization](#) (ICO), international coffee prices exhibited an upward trend this year due to limited production. In August 2020, the prices increased by 19% compared to August 2019. Furthermore, depreciation of the lari forced additional upward pressure on coffee prices.

Fish – Within this group, prices increased the most for canned fish (29%) and frozen fish (12%). Given that Georgia mostly imports these products, the main driver behind these heightened prices was depreciation of the lari.

Food price inflation (November 2016-August 2020)

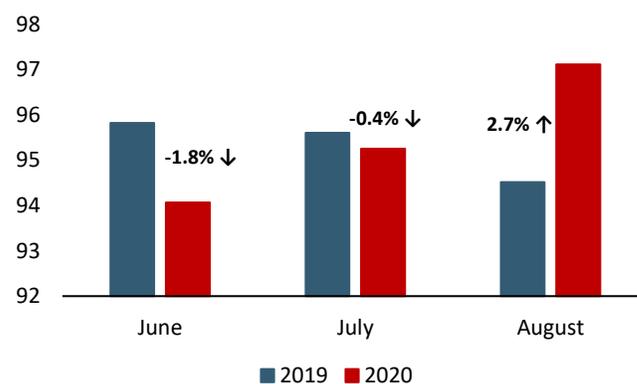


Source: GeoStat, 2020.

INTERNATIONAL PRICES

In June and July 2020, international prices continued their downward trend on an annual basis. Starting in April 2020, international prices were lower than last year as a weaker U.S. dollar provided support for the price of most agricultural commodities. Meanwhile, in August 2020, the Food Price Index, measured by the Food and Agriculture Organization (FAO), started to increase and rose by 2.7%, compared to the corresponding month of last year. Prices increased for vegetable oil (20%), cereals (8%), sugar (7%), and dairy (2%). By contrast, international prices for meat decreased by 8% on an annual basis, caused by weaker import purchases and tightened global supplies.

Annual changes in international prices (June-August 2020)



Source: FAO, 2020

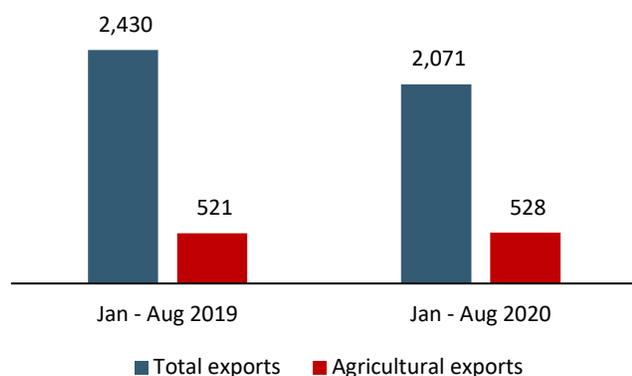
TRADE HIGHLIGHTS

The total Georgian exports between January-August of 2020 amounted to 2,071 mln. USD, which is 15% lower than the same indicator in 2019 (2,430 mln. USD). At the same time, agricultural exports increased by 1% from 521 mln. USD in 2019 to 528 mln. USD in 2020.

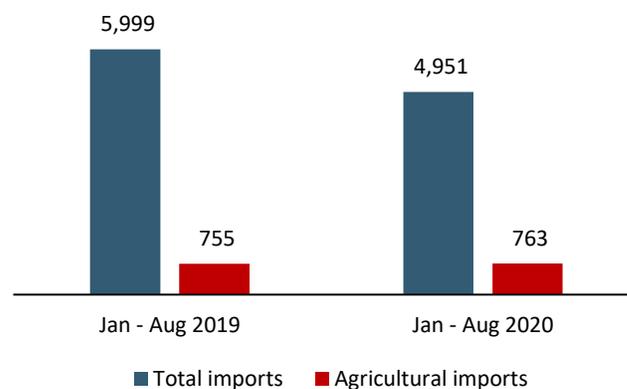
A similar trend can be observed in the case of imports. Georgia's total imports decreased by 17% (from 5,999 mln. USD to 4,951 mln. USD), while agricultural imports increased by 1% (from 755 mln. USD to 763 mln. USD) during the first eight months of 2020. Given that the COVID-19 pandemic has caused trade restrictions and negatively affected the income of populations all over the world, a reduction in international trade is hardly surprising.

An increase in both the export and import of agricultural products signals the importance of the agricultural sector to the economy. This is also reflected in the boosted proportion of agricultural trade within total Georgian trade. The share of agricultural exports in total exports rose from 21% in Jan-Aug 2019 to 25% in Jan-Aug 2020. Year-over-year, the share of agricultural imports within total imports also increased from 13% to 15%.

Total and agricultural exports (mln. USD)



Total and agricultural imports (mln. USD)



Source: GeoStat, 2020.

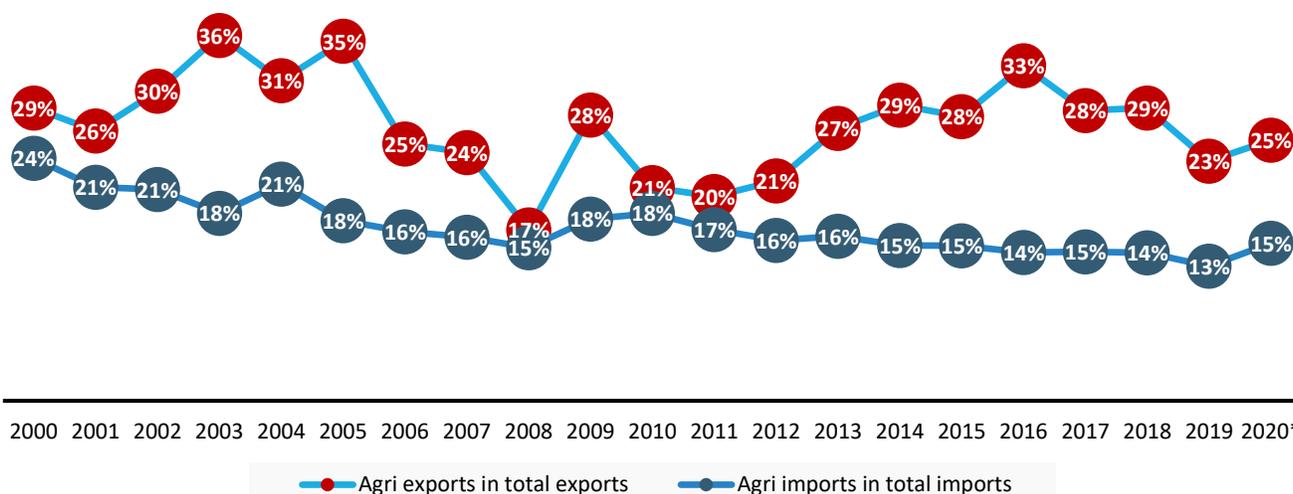
Note: Agricultural exports and imports include food.

Over the last decade the share of agricultural imports from total imports was relatively stable and ranged from 13% to 24%. Whereas the agricultural export share from total exports was more volatile, and for instance accounted for over one-third of total exports back in 2003, 2005, and 2016. The higher proportion of agricultural exports compared to imports shows that trade in agricultural commodities is particularly salient for the Georgian export market.

The data reveals that both shares exhibit downward trends in general, however in 2020 the total trade share of agricultural trade increased due to food security concerns during the shocks of the COVID-19 pandemic.

The downward trend in shares might also denote the greater diversification of Georgian exports and imports.

The share of agricultural imports and exports in total import and export



Source: GeoStat, 2020

Note: Agricultural exports and imports include food; * Year 2020 includes January – August data

POLICY WATCH

The Agrarian Issues Committee of the Georgian parliament has initiated a draft law on agritourism

On 28 September 2020, the Agrarian Issues Committee of the Georgian parliament initiated a draft law on agritourism. The main goal of the draft law is to strengthen the capacity of Georgia's rural population, increase their economic inclusion and incomes, and promote employment. The draft law envisages the introduction of benefits in the area of VAT and income tax, and involvement in governmental programs.

For more information follow the link: <https://bm.ge/ka/article/agroturistuli-obieqti-10-wlit-gadasaxadebisgan-gatavisufideba---rogor-miigebt-statuss/64619>

Micro and Small Enterprises support program starts on 5 October 2020

From 5 October, Enterprise Georgia's program to support small entrepreneurs will be extended. The budget of the program will also be increased to 41 million GEL. The provision of this grant supports the initiative for people to take their first steps in business and start their own businesses. Citizens can find information about these programs at Community Centers and Justice Houses within their towns and regions.

For more information follow the link: <https://bm.ge/ka/article/mikro-da-mcire-mewarmeobis-xelshewyobis-programa-5->