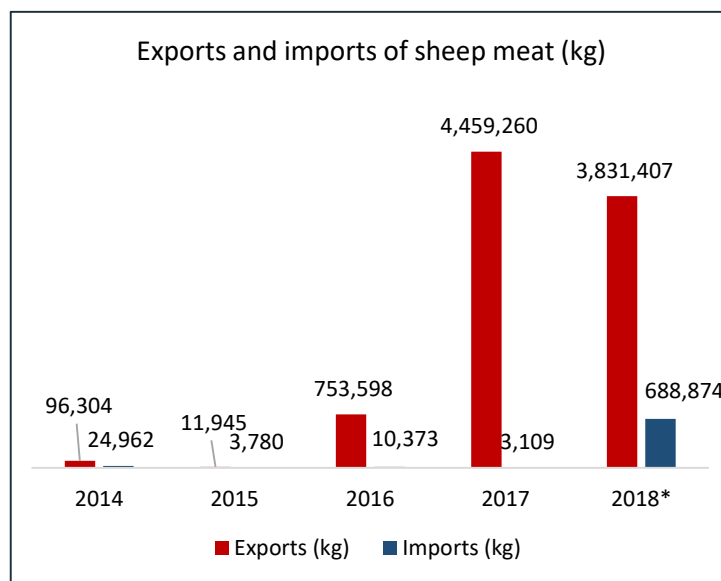
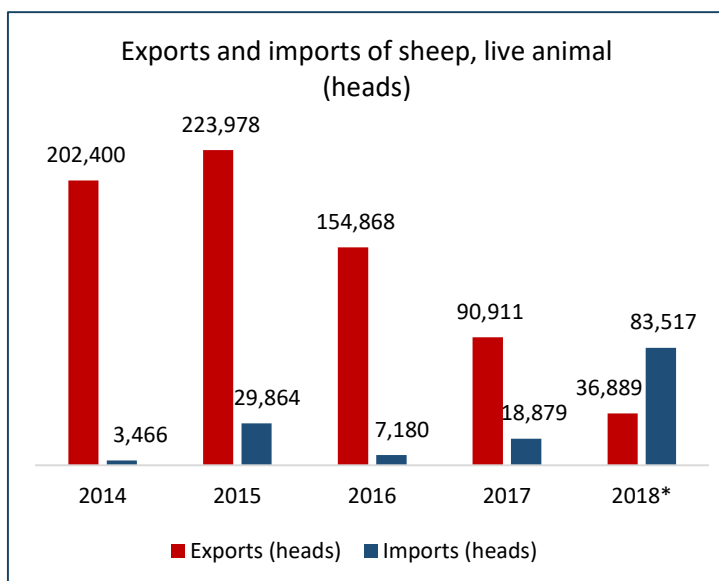


SECTOR AT A GLANCE

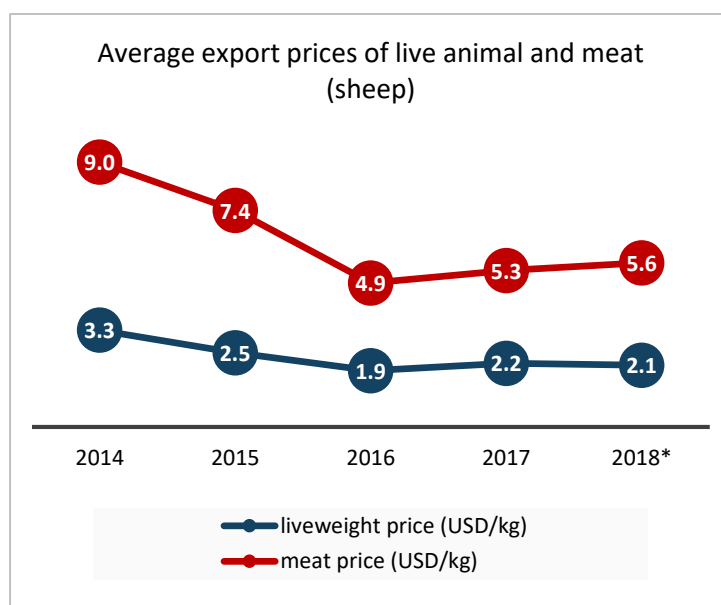
GEORGIAN SHEEP MARKET

Back in 2015 Georgian sheep market got into the spotlight due to the increased demand for sheep from Arabic countries. Prior to 2015, Azerbaijan was the most important export destination for live sheep, while in 2015, in addition to Azerbaijan, Georgian sheep was exported to United Arab Emirates, Jordan, Lebanon and Saudi Arabia. Current trends in the trade data show, that exports of live sheep decrease, while exports of sheep meat increase, which is the sign of sheep market development and increased potential for higher value added in the sheep value chain.



Source: Ministry of Finance, 2018; Note: 2018 data refers to the period January-September; Note: 74% of imported meat in 2018 was imported from Iran which might refer to returning of exported sheep meat back to Georgia due to food safety issues.

As shown by export price data, meat export price is more than twice higher than live weight export price which motivates Georgian sheep exporters to focus on meat exports rather than export of live animals. While generally switching from primary exports to more value addition is a good news for the sector, the imports of live sheep and sheep meat dramatically increased in 2018, which might negatively affect domestic production. Particularly dangerous is re-export of sheep meat which requires strict control to ensure that imported foreign sheep meat is not re-exported as Georgian sheep meat. In the absence of control, there are food safety related risks which might adversely affect domestic sheep farmers and Georgia's relations with its trade partners well as.



Source: Ministry of Finance, 2018; Note: 2018 data refers to the period January-September

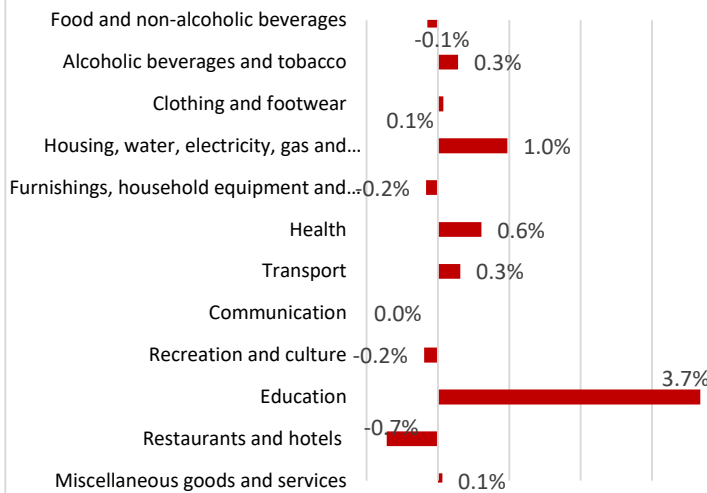
PRICES

DOMESTIC PRICES

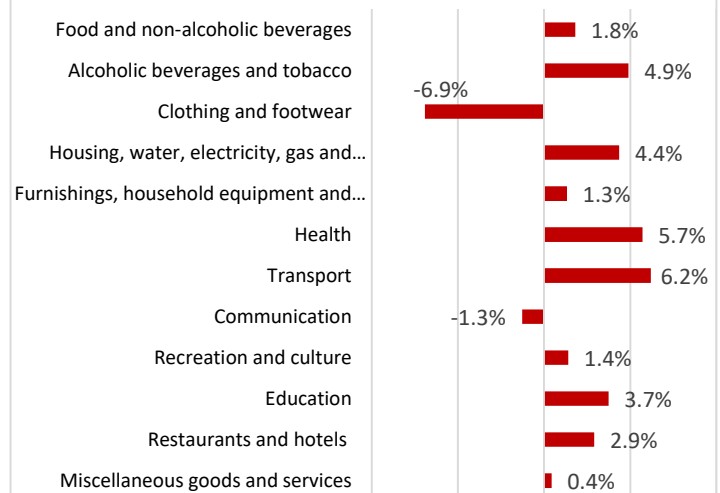
On a monthly basis, the price level in the country stayed relatively steady; the Consumer Price Index (CPI) in September 2018 slightly increased by 0.3% compared to August 2018. Month-on-month prices almost did not change in the category of food and non-alcoholic beverages (-0.1%).

From an annual perspective (September 2018 vs. September 2017), CPI experienced a 2.7% increase. Compared to September 2017, the prices of food and non-alcoholic beverages increased by 1.8%, contributing 0.55 percentage points to the annual inflation rate.

**Percentage Change in Prices m/m
(September 2018 VS August 2018)**



**Percentage Change in Prices y/y
(September 2018 VS September 2017)**



Source: Geostat, 2018

On annual basis, the sharpest price changes were observed in the following sub-categories:

Vegetables (8.7% ↑)



Fruit and grapes (-9.9% ↓)



Fish (5.1% ↑)



Sugar, jam, honey, chocolate and confectionary (-3.5% ↓)



Oils and fats (3.8% ↑)



Milk, cheese and eggs (-1.4% ↓)



Source: Geostat, 2018

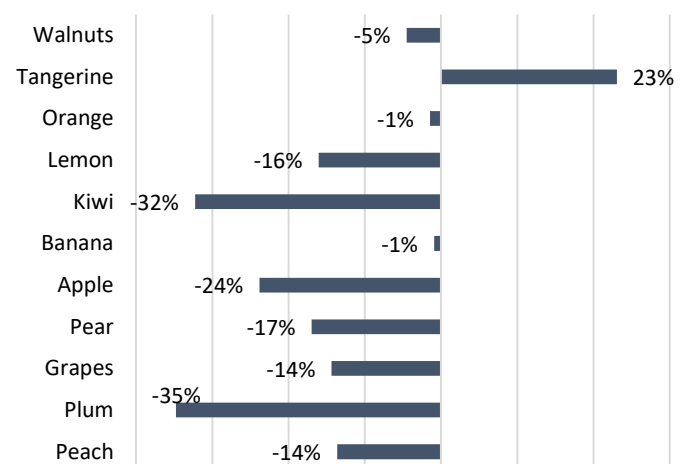
FRUITS AND GRAPES IN THE SPOTLIGHT

In September 2018, prices for fruit and grapes dropped by 9.9% compared to September 2017. According to Geostat data, prices declined mostly for plums (-35%), Kiwi (-32%), apples (-24%), pears (-17%), lemon (-16%), and grapes (-14%). The low prices of fruit and grapes might be the result of comparatively good harvest and increased production in 2018. 2017 was a bad year in terms of harvest for Georgia's agriculture; a spring frost followed by a summer drought has created the unfavorable weather conditions for deciduous fruit trees. In addition, [Asian Stink Bug](#), an agricultural pest which attacks fruit trees and vegetables, damaged the crops. Consequently, we saw a significant annual decrease in production of the following crops in 2017: apples (-70%), plums (-55%), lemon (-53%), and pears (-48%).

2018 seems to be a good year not only for plums and apples, but for grapes as well. As of today, more than 230 000 tons of grapes have been processed; that is 72% higher compared to the previous year (134 000 tons).

The revenues of Georgian grape growers this year were also higher compared to the previous year, and exceeded to 300 million GEL. This indicator is 85% higher compared to the previous year (162 million GEL). Current year is a good year for [apple growers](#) as well.

Annual Changes in Fruit Prices
(September 2018 VS September 2017)



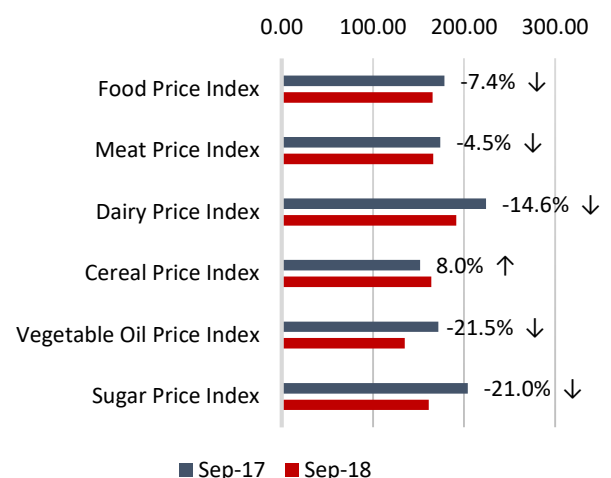
Source: Geostat, 2018

INTERNATIONAL PRICES

International prices decreased in September 2018. The Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased by 7.4% in September 2018, compared to the previous year. Prices dropped for the following sub-categories: Vegetable Oil (-21.5%), Sugar (-21%), Dairy (-14.6%), and Meat (-4.5%).

Meanwhile, Cereal Price Index increased by 8% compared to September 2017, but dropped by 2.8% from August 2018. Month-on-month decline was mainly driven by the expectations of increased supply globally as maize crop production increased in the US. International prices decreased for wheat and rice as well.

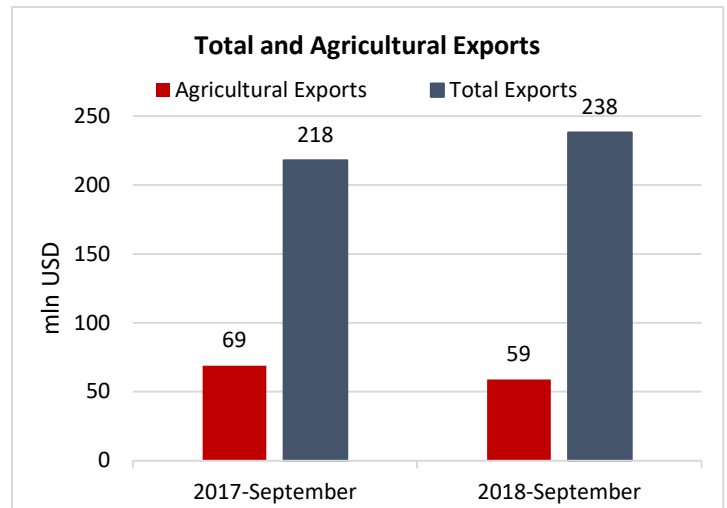
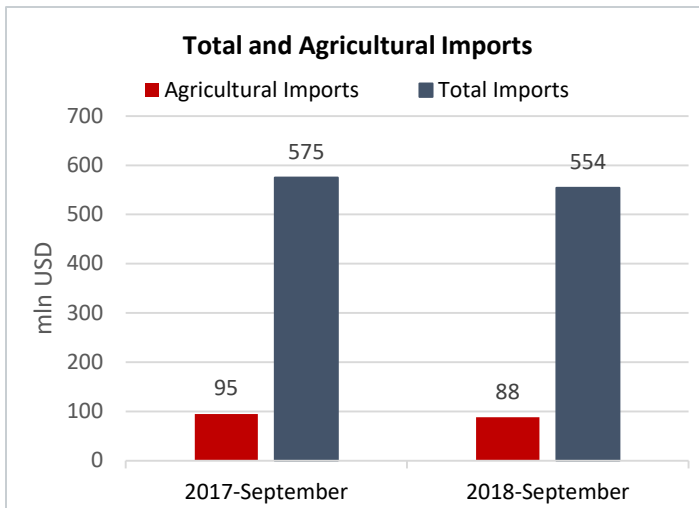
ANNUAL PRICE CHANGES IN WORLD PRICES



Source: FAO, 2018

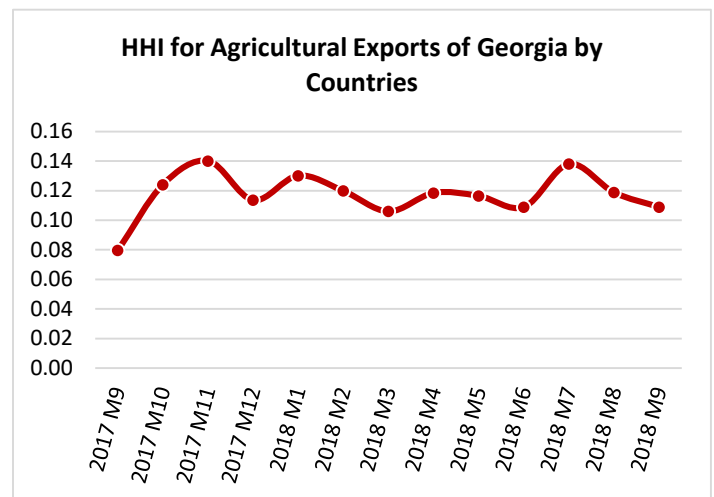
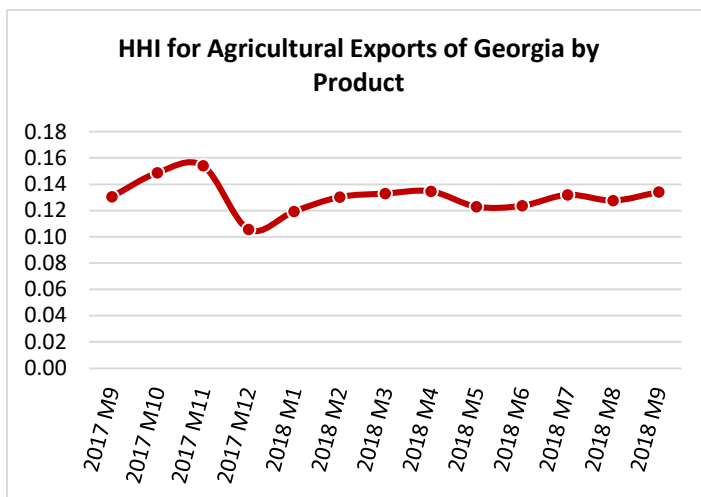
TRADE HIGHLIGHTS

During September 2018, Georgia's agricultural exports (including food) amounted to 59 mln USD, which is almost quarter of total Georgian export value. While comparing this indicator to September 2017, it is down by 4%. As to imports, in September 2018, Georgia's agri imports reached 88 mln USD, which constitutes 16% of total Georgian imports. Year over year (compared to September 2017), agricultural imports shrank by 7%.



EXPORT DIVERSIFICATION

As already mentioned in our previous publications, country's export/import diversification can be measured by Herfindahl-Hirschman Index (HHI), which ranges from zero to one. The lower the HHI, the more diversified trade is. In the last month, county's export diversification stayed at the same level (HHI=0.11) as in June 2018, while export diversification by product slightly decreased.

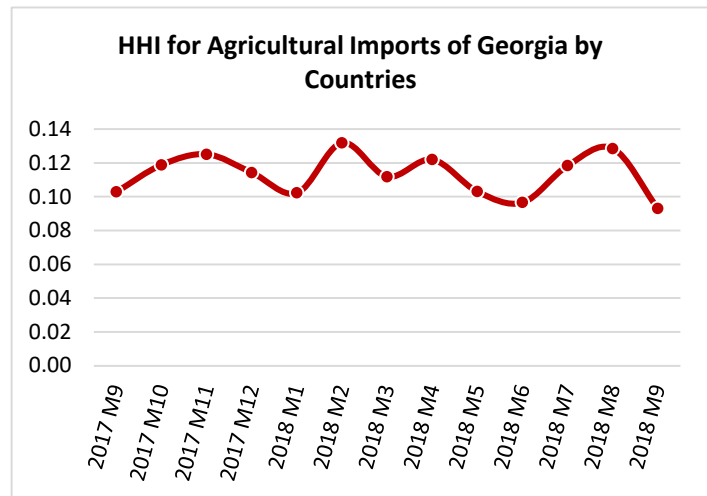
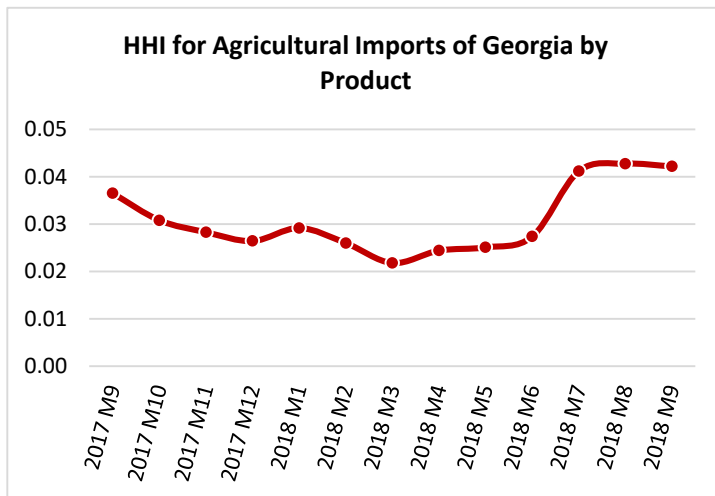


Source: MoF data

Note: Agricultural exports include food exports

IMPORT DIVERSIFICATION

In September 2018 Georgia performed quite well in terms of its import diversification by countries. The HHI index fell to its record low (HHI=0.09) since January 2017 mainly due to the shift from Ukrainian market to other trading partners. Import diversification by product also increased, yet it remains more concentrated than usual since the last July.



Source: MoF data

Note: Agricultural exports include food exports

POLICY WATCH

Development of organic production as a part of green economy

With a grant from Austrian Development Agency, the Government of Georgia plans to support organic production by offering tax reliefs to organic producers. According to the Ministry of Environment Protection and Agriculture (MEPA), organic production is an important component of green economy which aims for sustainable development without degrading the environment.

For more information: <https://commerciant.ge/ge/post/biomeurneobebistvis-shegavatiani-sagadasaxado-rejimi-dawesdeba>

Rural development program

The Ministry of Regional Development and Infrastructure announced the renewal of state support program for rural development. According to the ministry representative, currently the ministry is working on the selection of projects to be implemented in regions.

For more information: <https://bpn.ge/ekonomika/49556-regionuli-ganvitharebis-ministris-moadgile-2019-tslidan-soflis-mkhardatceris-programa-aghdgeba.html?lang=ka-GE>