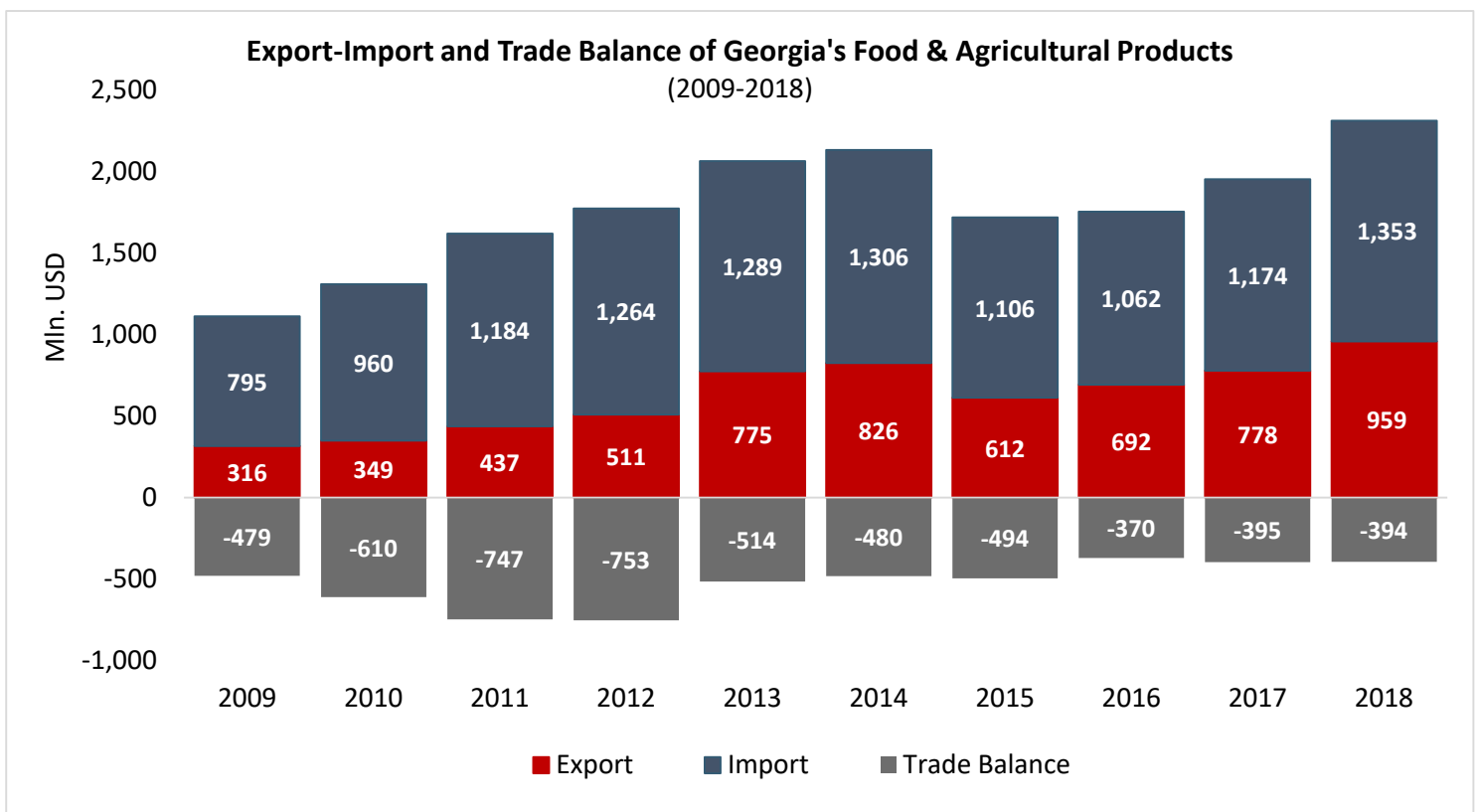


**THE SECTOR AT A GLANCE**

**Georgia's Export-Import and the Trade balance of Food & Agricultural Products**

In 2018, Georgian wine exports reached a record 200 million USD threshold (86 million bottles). Similarly, Georgia's food & agricultural exports almost hit their 1 billion USD threshold, attaining a historic maximum since independence – and that certainly sounds like something to celebrate! However, the respective imports have also increased and broken records. As a result, the trade balance (the difference between export and import) remained virtually unchanged at (-394) million USD. Although, compared to 2017, export increased by 23.2% (181 million USD), while the respective imports grew by only 15.5% (179 million USD). Out of sharp increase of 181 million USD, only 26 million USD are attributed to wine, while the rest came from trade in tobacco and cigars. Since Georgia cultivates very little tobacco, the growth was instigated mostly from the import, slight processing and re-export of tobacco products. Consequently, the export of tobacco & cigars increased by 240% in 2018, and it currently holds second place (after wine) in Georgia's total food & agricultural exportation (nearly 160 million USD). In 2018, it contributed staggeringly to over 100 million USD in export growth.

Along with wine and tobacco, the export of Georgia's other main food & agricultural products, such as spirits, natural and mineral water, lamb and mutton, citruses, and peaches & nectarines, also positively contributed to export growth. While the export of hazelnuts and live cattle saw a decrease from 2017.



Source: Geostat, 2019

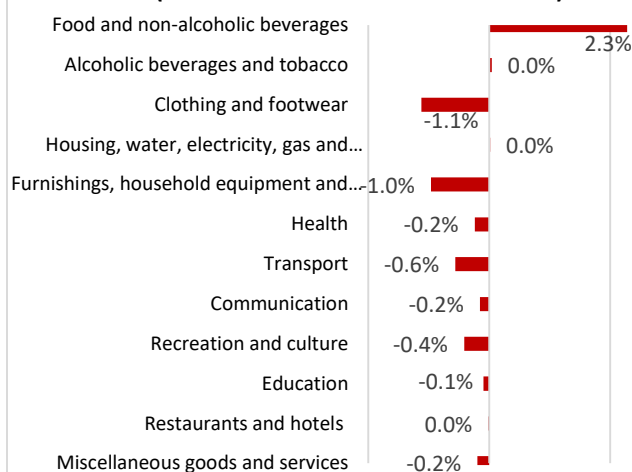
## PRICES

### DOMESTIC PRICES

On a monthly basis, price levels in the country remained relatively steady; the Consumer Price Index (CPI) in December 2018 saw a slight increase of 0.5% compared to the previous month. While in comparison to December 2017, CPI experienced a 1.5% increase.

For food and non-alcoholic beverages, the month-over-month prices increased by 2.3%, contributing to a 0.69 percent overall change in CPI. The main drivers were the price fluctuations in the following sub-groups:

**Percentage Change in Price, m/m  
(December 2018 vs. November 2018)**



*Bread and cereals (5.9% ↗)*



*Vegetables (5.6% ↗)*



*Milk, cheese, and eggs (2.8% ↗)*

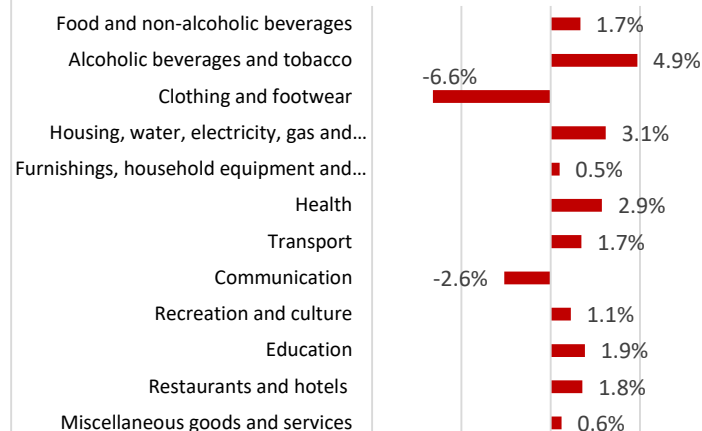


Source: Geostat, 2019

On an annual basis for food and non-alcoholic beverages, the prices increased by 1.7%, contributing to a 0.52 percentage change in the total CPI.

In December 2018, the sharpest price changes on annual basis were observed within the following subgroups:

**Percentage Change in Price, y/y  
(December 2018 vs. December 2017)**



*Fruit and grapes (-17.5% ↘)*



*Fish (11.1% ↗)*



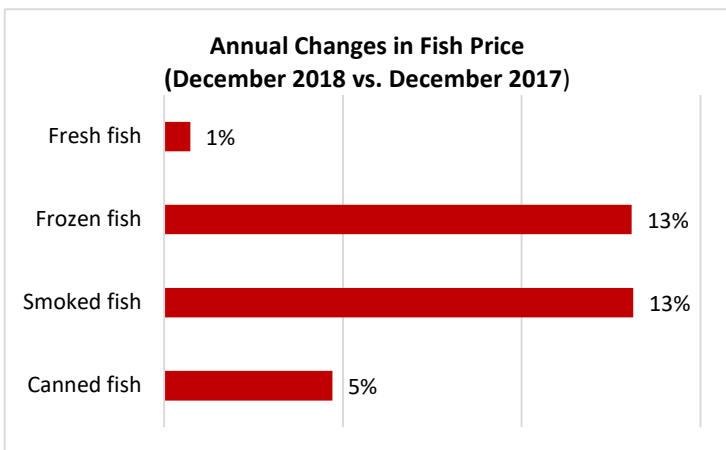
*Bread and cereals (8.8% ↗)*



Source: Geostat, 2019

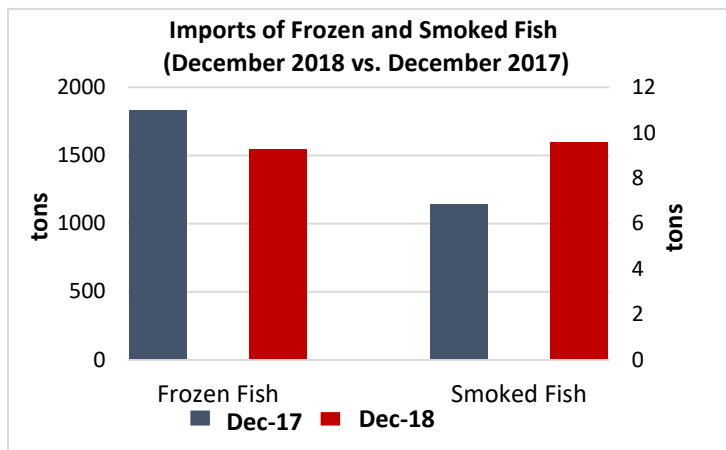
## FISH - IN THE SPOTLIGHT

In December 2018, fish prices experienced a significant 11.1% increase in comparison to December 2017. According to Geostat data, chiefly the prices of frozen fish (13%) and smoked fish (13%) increased. As Georgia is a net importer of these commodities, a shortage in import supply might provide one explanation. While according to trade statistics, both the import value and quantity of frozen fish declined. In December 2018, imports of frozen fish decreased sharply, by 15%, from 1831.4 tons to 1548.0 tons compared to the previous year.



Source: Geostat, 2019

The import value of frozen fish also saw a marginal decrease of 3%. However, the import of smoked fish did not follow the same trend. As shown in the following diagram, in December 2018 the import quantity of smoked fish increased by 40%, from 6.8 tons to 9.6 tons compared to December 2017. Furthermore, the import value of the product increased by 42% in the same period. This might imply that the Georgian consumer demand for smoked fish, or for fish in general, has increased.

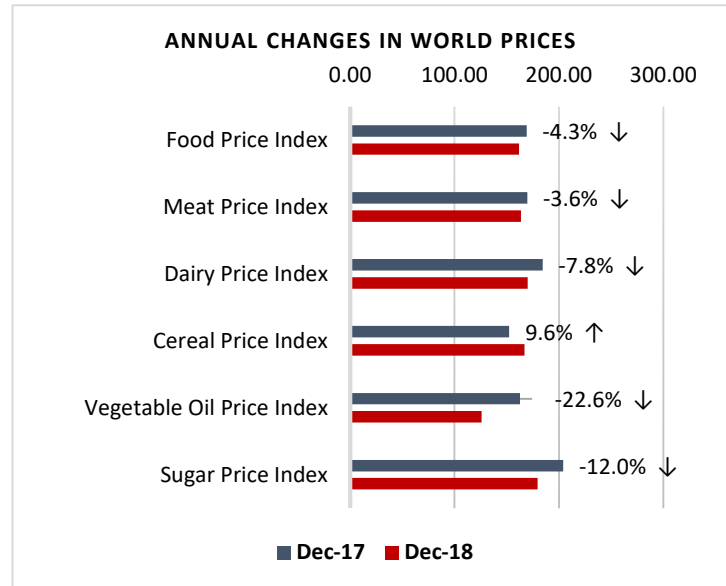


Source: MoF data, 2019

## INTERNATIONAL PRICES

In December 2018, international prices maintained a downward trend. The Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased by 4.3%, compared to December 2017. The main drivers were the weaker prices of vegetable oil (-22.6%), sugar (-12%), dairy (-7.8%), and meat (-3.6%). Whereas, the Cereal Price Index experienced a significant 9.6% increase, compared to December 2017.

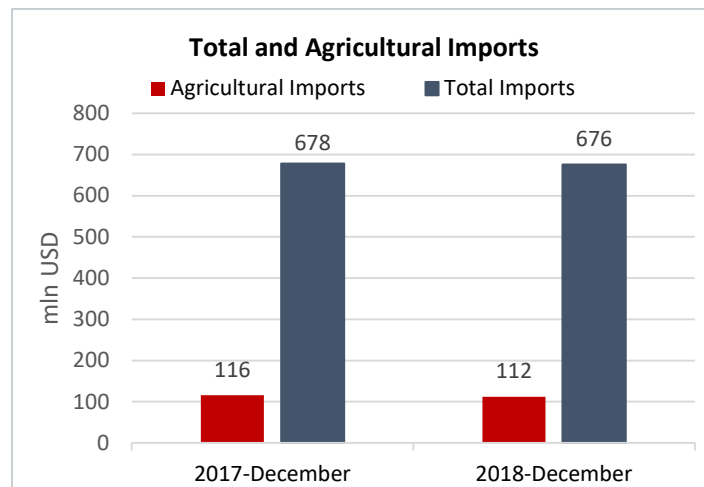
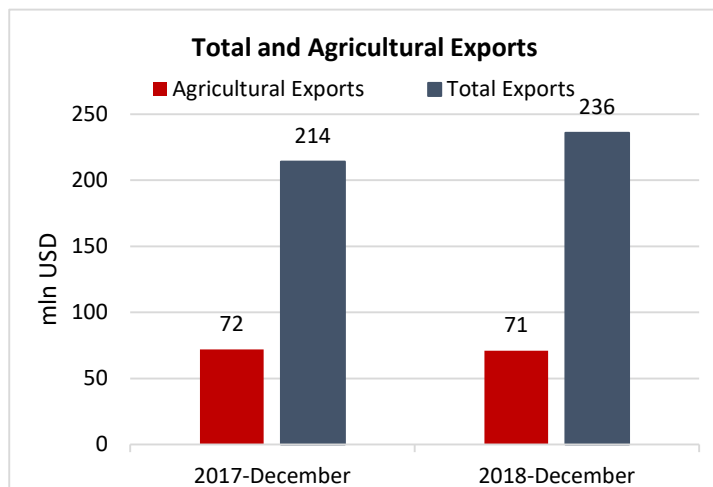
For the whole of 2018, the FAO Food Price Index decreased by 3.5% from 2017. The prices fell for the following sub-categories: sugar (-21.9%), vegetable oil (-14.7%), dairy (-4.6%), and meat (-2.2%). Conversely, cereal prices increased by 9% compared to 2017.



Source: FAO, 2019

## TRADE HIGHLIGHTS

In December 2018, Georgian agricultural exports (including food) exceeded 70 million USD, which accounts for almost 30% of Georgia's total export value. Comparing this indicator to December 2017, the share has fallen by four percent. While for imports, in December 2018, Georgia's agro imports reached 112 million USD, approximately 17% of the Georgian total. Year-over-year (compared to December 2017), agricultural imports have decreased by more than 3%.

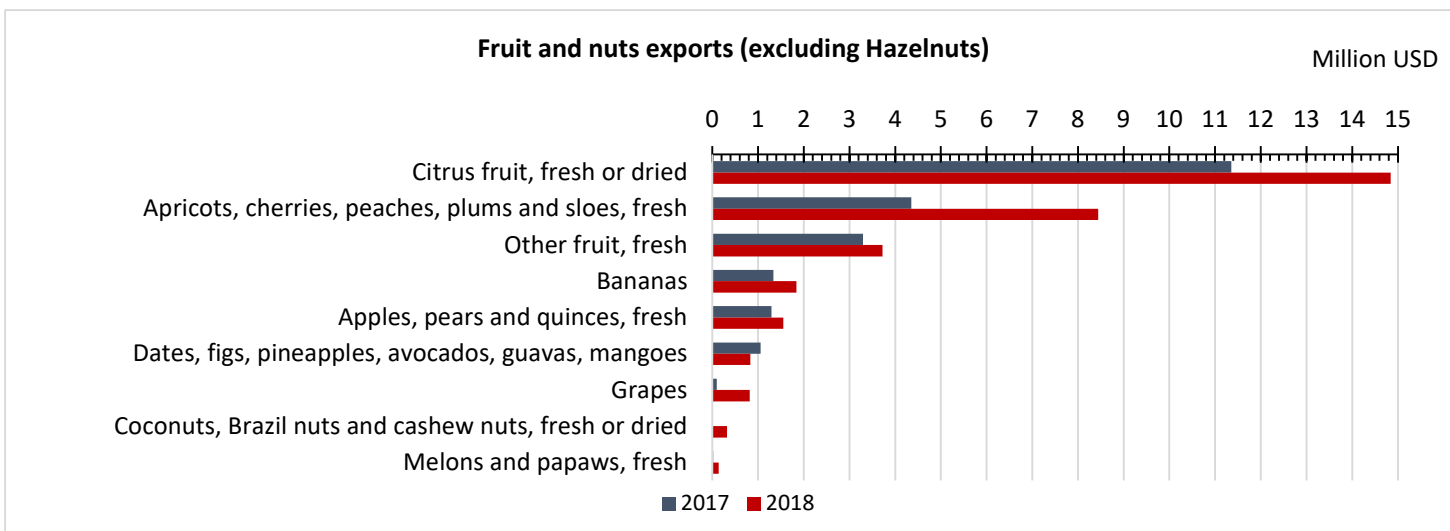


Source: MoF data

Note: Agricultural exports include food exports.

## FRUITS - IN THE SPOTLIGHT

According to GeoStat primary data, 2018 was a productive year for Georgian fruit exports. Over the last year, hazelnut exports dropped by 13.5 million USD compared to 2017, though the export of almost all the other produce in the *edible fruit and nuts* (Harmonized System Codes 0801-0810) category increased. An upward trend in fruit (excluding hazelnuts) export has been observed since 2015, when the value equaled just 6.4 million USD, while its corresponding figure in 2018 exceeded 17.6 million USD. On a year-over-year basis, fruit (excluding hazelnut) export over the last year is up by more than half (20000 tons) of its 2017 value.



Source: MoF data

Note: Agricultural exports include food exports.

Exports were boosted significantly in the *stone fruit* (e.g., peaches, cherries, plums, etc.) and *citrus fruit* categories with 3.5 and 4.1 million USD, respectively, and thus securing a place for *citrus fruit* as one of Georgia's top-10 export goods.

While in absolute terms the gain in *grape* exports was somewhat moderate, in relative terms it outperformed most other fruit. Moreover in 2018, grape exports increased more than eightfold over the previous year, and reached its historic maximum value of 0.8 million USD (see the graph above).

The changes in fruit export figures have been positive over the last year thanks to a good harvest. Although the official statistics for fruit production in 2018 are not yet available, according to the forecasts, 2018 was the one of the best years for *citrus* production, while the "rtveli" *estimates* were up by more than 20 thousand tons compared to 2017.

## POLICY WATCH

### *MEPA and FAO renewed plan for cooperation*

Under the framework of the official visit to Berlin, the Minister of Environmental Protection and Agriculture (MEPA), Levan Davitashvili and FAO Deputy Regional Representative for Europe and Central Asia, Raimund Jehle, signed a renewed document on strengthening the capacity of the MEPA for 2017-2020. This document aims to boost agricultural competitiveness and eradicate poverty in rural areas by considering the principles on equality, increasing food production, also implementing activities envisaged under the Agriculture and Rural Development Strategy and Action Plan.

For more information: <http://mepa.gov.ge/En/News/Details/7343>

### *Land ownership by foreigners will be strictly regulated*

According to the Organic Law on Land, to be initiated in the parliament in February, if foreign citizens own land but do not cultivate it for maximum period of two years, they will be obliged to sell, rent or cultivate that land. According to the head of Agrarian Committee – Otar Danelia, the objective of this initiative is to increase the amount of cultivated land in Georgia. Some restrictions, although not as strict, are expected to be adopted in the future for Georgian landowners who do not cultivate their land.

For more information: <https://www.bpn.ge/article/52210-ucxoelebs-sakutrebashi-arsebuli-daumushavebeli-micis-partobebis-realizacia-daevalebat-gavrceldeba-tu-ara-es-cesi-sakartvelos-mokalakeebze/>