

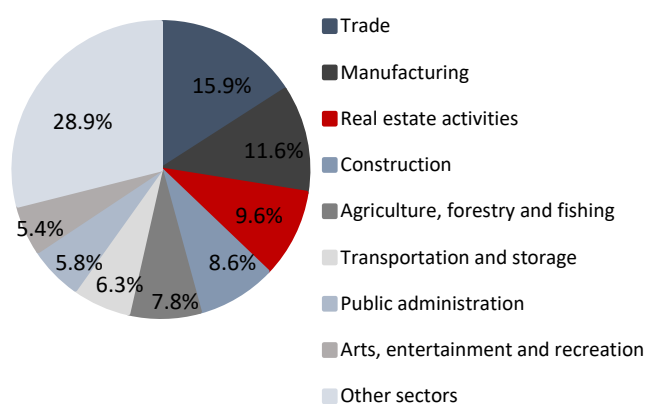
### THE SECTOR AT A GLANCE

#### GENERAL TRENDS

The National Statistics Office of Georgia (GeoStat) recently published its economic review for [Quarter II 2021](#). The publication highlights that agricultural production decreased by -2.3% in the second quarter of the year compared to the same period of 2020. Furthermore, agriculture contributed to 7.8% of the country's total GDP during this period.

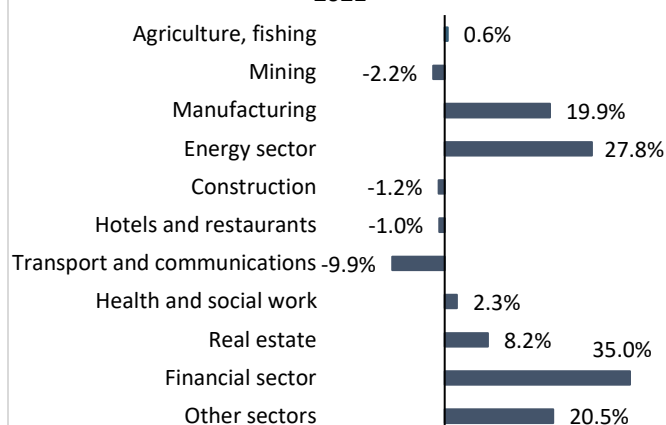
Trends in Foreign Direct Investments (FDI) do not look promising either. In the second quarter of 2021, FDI in agriculture decreased significantly by 73% compared to the same indicator in 2020. Moreover, FDI in agriculture was relatively low compared to the other sectors of the Georgian economy and accounted for 0.6% of total FDI.

**GDP structure, quarter II, 2021**



Source: GeoStat, 2021.

**FDI by major economic sectors, quarter II, 2021**

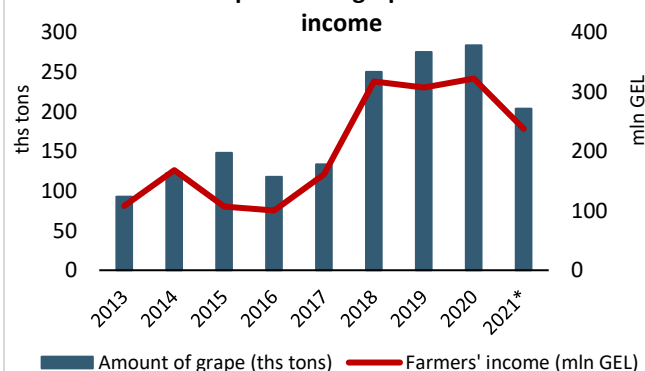


2021 has been tough for grape growers. On August 26, hail and strong winds [damaged 4,600](#) hectares of grapes in the Telavi and Gurjaani municipalities of the Kakheti region. Under "Rtveli 2021", damaged Rkatsiteli grapes were accepted for 0.8 GEL in the Vintage Coordination Headquarters and damaged Saperavi grapes - for 1 GEL. According to the Ministry of Environmental Protection and Agriculture of Georgia, there will be one-time compensation of 3000 GEL to those farmers whose harvest was completely destroyed to recover their vineyards.

Similarly to previous years, the Government of Georgia (GoG) is subsidizing the 2021 grape harvest again this year to help farmers and wine producers sell their products. From a total of 0.9 GEL per kg of Rkatsiteli or Kakhuri Mtsvane grapes, 0.35 GEL will be subsidized.

By 1 October, around 203.7 ths. tons of grapes were sold with a corresponding income for farmers of 237.8 mln. GEL. However, since Rtveli is not yet over, the final statistics on grape sales and their total income is not yet available.

**Amount of processed grapes and farmers' income**



Source: National Wine Agency, 2021; the Ministry of Environment Protection and Agriculture.

Note: the data for 2021 was retrieved on 1 October 2021.

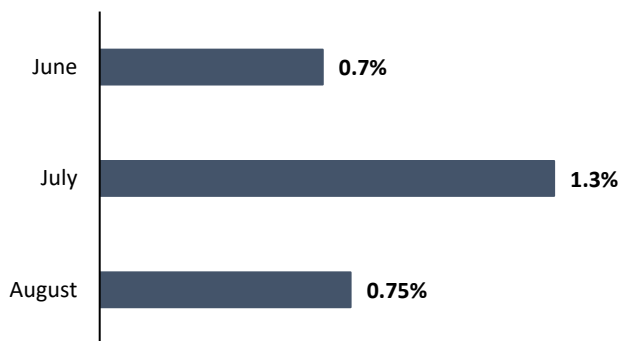
## PRICE HIGHLIGHTS

### DOMESTIC PRICES

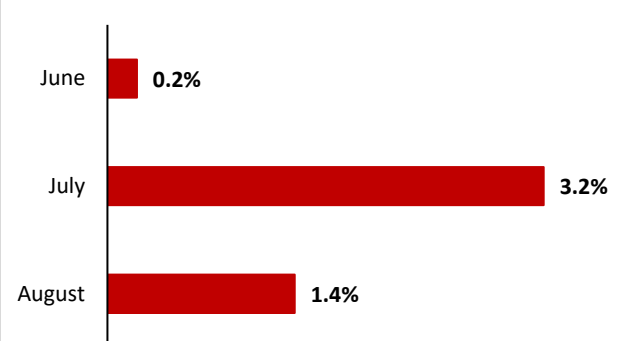
On a monthly basis, the country's price levels increased between June-August 2021. The Consumer Price Index (CPI) in August 2021 slightly increased by 0.75% compared to July 2021. While in July, prices increased by 1.3%, from the previous month. The corresponding month-over-month price increase was 0.7% in June.

Between June-August 2021, prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also exhibited an upward trend. In August 2021, food prices increased by 1.4%, compared to July 2021; while the corresponding month-over-month price changes in June and July were 0.2% and 3.2%, respectively.

MoM % Change in CPI (June-August 2021)



MoM % Change in FPI (June - August 2021)

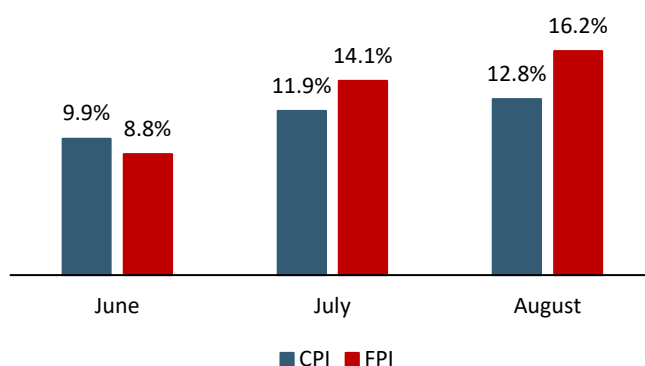


Source: GeoStat, 2021. Note: the index value in the previous month is 100.

From an annual perspective, CPI continued to increase in June-August 2021. In June 2021, the CPI rose by 9.9% compared to June 2020, while corresponding year-over-year changes were 11.9% and 12.8% in July and August 2021, respectively.

In August 2021, the year-over-year prices of food and non-alcoholic beverages also increased significantly, by 16.2%, contributing 5.09 percentage points to the change in total CPI. The main drivers were price increases in the following sub-groups:

Annual % changes in CPI and FPI



Oils and fats (43.9%↑)

Vegetables (42.2%↑)

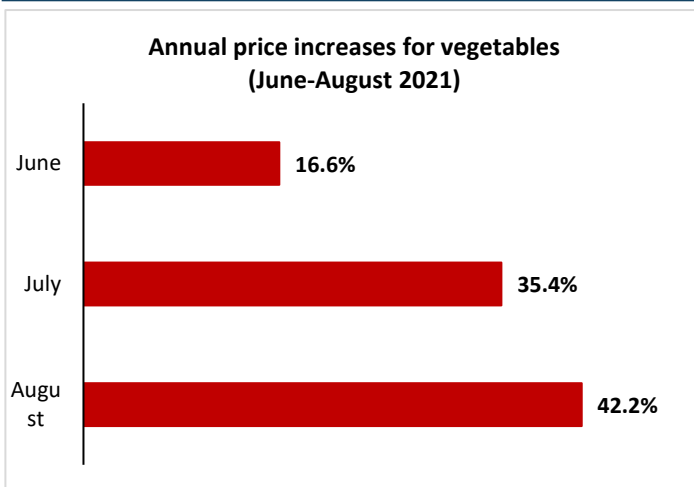


Milk, cheese and eggs (17.3%↑)

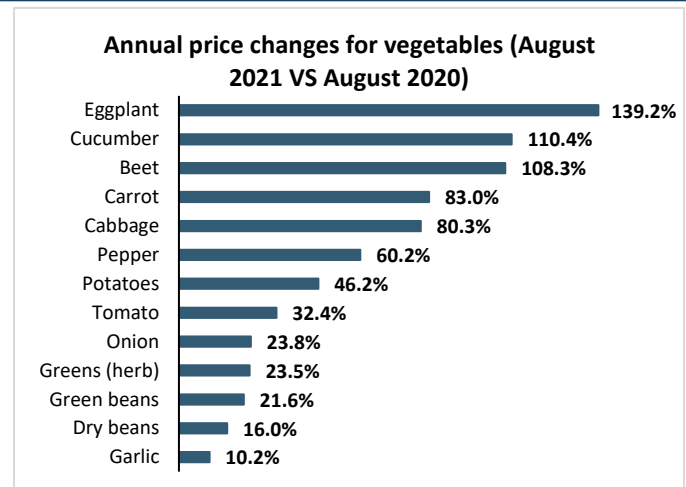
Source: GeoStat, 2021.

## VEGETABLES IN THE SPOTLIGHT

During June-August 2021, annual prices in the sub-category of vegetables exhibited an upward trend. In June 2021, prices for vegetables increased by 16.6% compared to June 2020, while the corresponding price increase was 35.4% in July 2021. Within the indicated period, the annual increase in vegetable prices marked its highest level, 42.2% in August 2021. According to Geostat data, in August 2021, prices have increased for all products in the sub-category of vegetables. The biggest price increases were observed for eggplant (139.2%), cucumber (110.4%), and beet (108.3%). Trade statistics reveal that during January-August 2021, the export value of vegetables amounted to 17.5 mIn USD, which was 2.25 times higher than the same indicator in January-August 2020 (7.9 mIn USD). Meanwhile, the value of imported vegetables in January-August 2021 decreased by 15% from 28.1 mIn USD to 23.7 mIn USD compared to the same period of the previous year. Increase in exports and decrease in imports might have caused a shortage in domestic supply and therefore an increase in price even if domestic production increased. As statistics on domestic production are not yet available, it is difficult to discern the exact reason for the increased prices for vegetables.

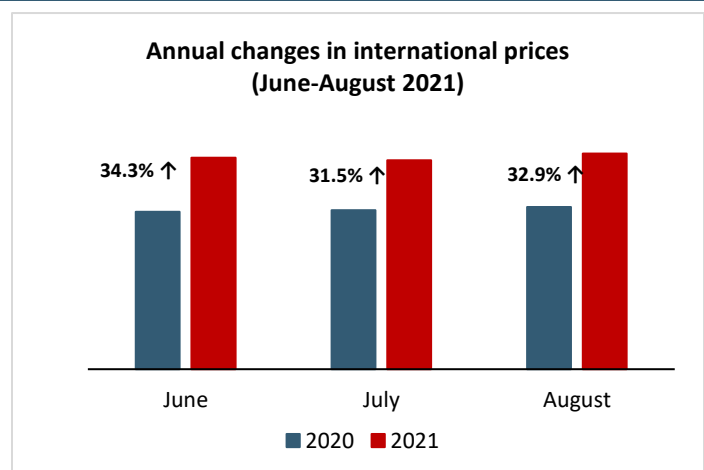


Source: GeoStat, 2021.



## INTERNATIONAL PRICES

During June – August 2021, international prices exhibited an upward trend on an annual basis. In August 2021, the Food Price Index, measured by the Food and Agriculture Organization (FAO), increased drastically, by 32.9% compared to August 2020. The August increase in FPI was driven by strong increases in the vegetable oils (67.9%), sugar (48.2%), and cereal (31.1%) sub-indices. Such a sharp increase in vegetable oil prices was driven by increases in palm, soy and rapeseed oil prices due to concerns over lower production than expected, while sugar prices rose due to harvest delays and concerns over frost damage to crops in Brazil, the world's largest sugar exporter. Reduced harvest expectations in several major exporting countries pushed cereal prices up.



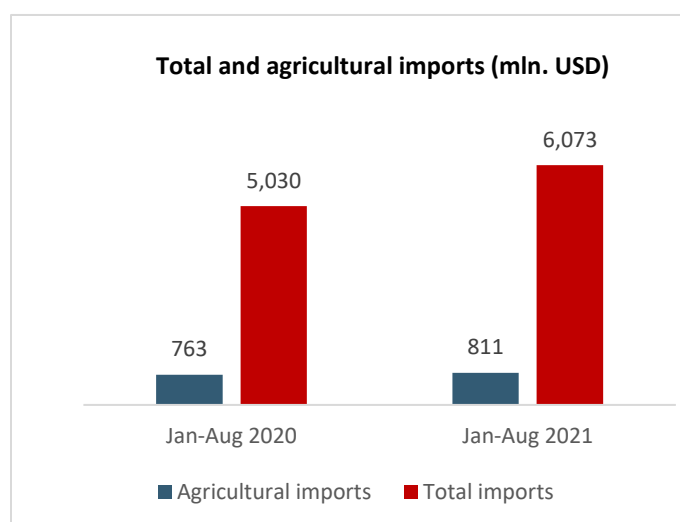
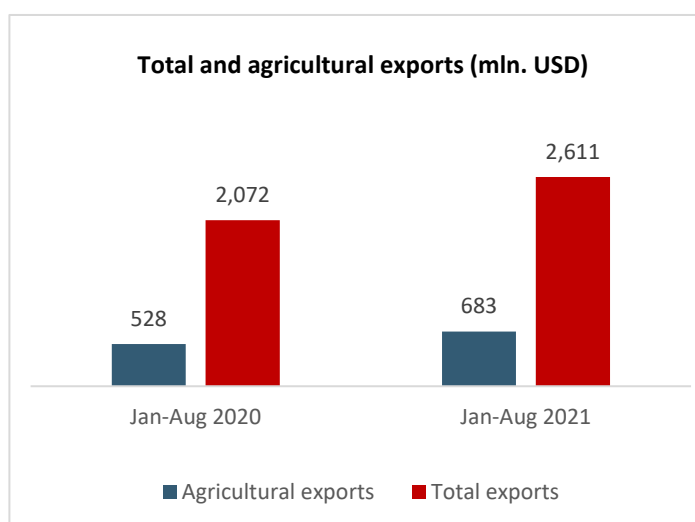
Source: FAO, 2021

## TRADE HIGHLIGHTS

In 2021, total exports from Georgia between January-August amounted to 2,611 mln USD, which is 26% higher than the corresponding figure last year (2,072 mln USD). Likewise, an increase in agricultural exports is observed but with a higher rate - 30%, from 528 mln USD in 2020 to 683 mln in 2021. USD. Overall, the share of agricultural exports in total exports compared to last year increased slightly – from 25% to 26%.

Total Georgian imports have also increased but by a slower rate than exports – 21%, from 5,030 mln USD in 2020 to 6,073 mln USD in 2021. As for the change in agricultural imports, it shows a 6% increase compared to the same period in 2020 (from 763 mln USD to 811 mln USD). However, the share of agricultural imports within the total imports has decreased from 15% to 13%.

As can be concluded from the diagrams, there are no significant changes in either agricultural exports, nor imports. Both exhibited slightly upward trends in 2021 compared to 2020.

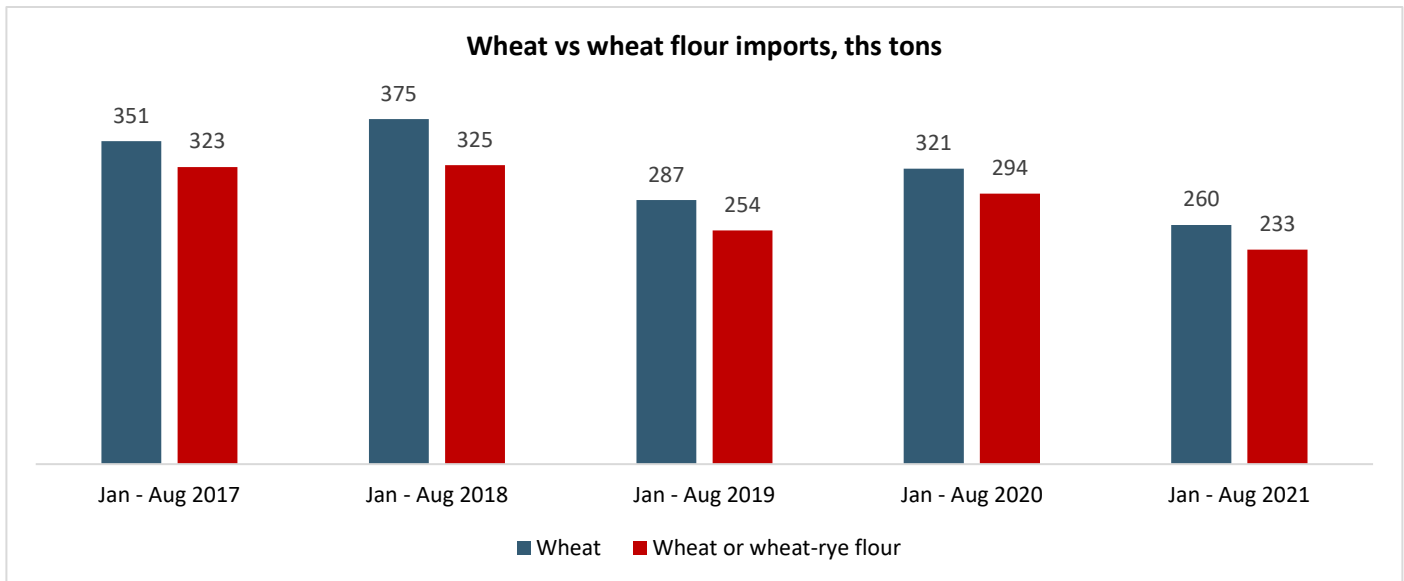


Source: Geostat, 2021.

Note: Agricultural exports and imports include food.

Due to the recent significant increase in wheat prices observed on the global market, it's interesting to look at Georgian imports of wheat and wheat flour to see how the trend translates to the Georgian market. The graph below compares imported amounts of wheat flour and wheat, from 2017 until 2021 for the January-August period. In 2021, wheat imports decreased from 321 to 233 thousand tons (by 19%) compared to the same period of the previous year. Also, wheat flour imports decreased by 21% - from 294 to 233 thousand tons. The increase in wheat prices might have affected the amounts of both wheat and wheat flour imported as both figures are at their lowest in five years.

Prices of wheat increased from 229 USD per ton in 2017 to 263 USD in 2021 (by 15%). Following the trend closely, wheat flour prices increased at the same rate as wheat itself – 15%, from 233 USD per ton in 2017 to 268 USD in 2021. Both of these prices are the highest observed over the last five years, following an almost identical trend. Looking forward, if more export restrictions are introduced by Russia, then wheat prices and therefore wheat flour prices might increase even further.



Source: Geostat, 2021

## POLICY WATCH

### *Alcoholic beverages to be subject to certification from 2023 in Georgia*

On 14 September 2021, the Agrarian Issues Committee of the Parliament of Georgia reviewed the draft laws on vine and wine and the Code of Administrative Offenses, and sent the initiatives to the plenary session for the first hearing. The new regulations envisage a required certification of alcoholic beverages to be implemented on the local market beginning in 2023. While certifications are usually costly for producers, they are vital to ensure food safety and production of high quality wine. Higher quality in turn will contribute to the increased competitiveness of Georgian wine on local and global markets.

**For more information follow the link:** <https://parliament.ge/en/media/news/2023-tslidan-sakartveloshi-alkoholiani-sasmelebis-sertifitsireba-savaldebulo-ikneba>

### *Swiss agricultural vocational school in Dmanisi municipality to receive its first students*

From November 2021, a Swiss agricultural school in the village of Sarkineti, Dmanisi municipality will receive its first students. Swiss Agricultural School Caucasus (SASC) is set up according to Swiss standards, and specializes in cattle breeding, dairy and cheese processing. The project is implemented by the private financial fund “Swiss South Caucasus Foundation” (SSFC) and is carried out with the support of the Embassy of Switzerland in Georgia. The project is expected to contribute to the development of Georgia’s livestock sector which has exhibited downward trends in recent years.

**For more information follow the link:** <https://mepa.gov.ge/Ge/News/Details/20502>

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