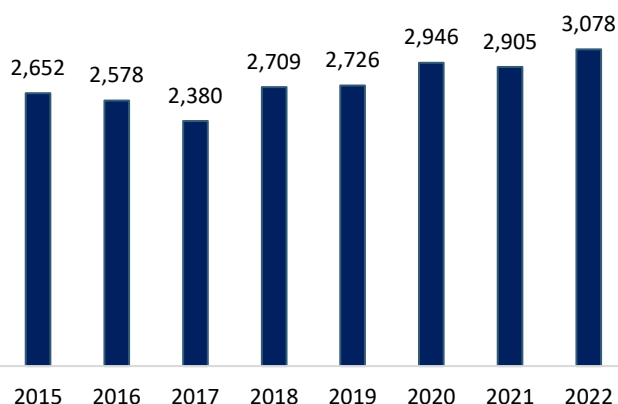


THE SECTOR AT A GLANCE

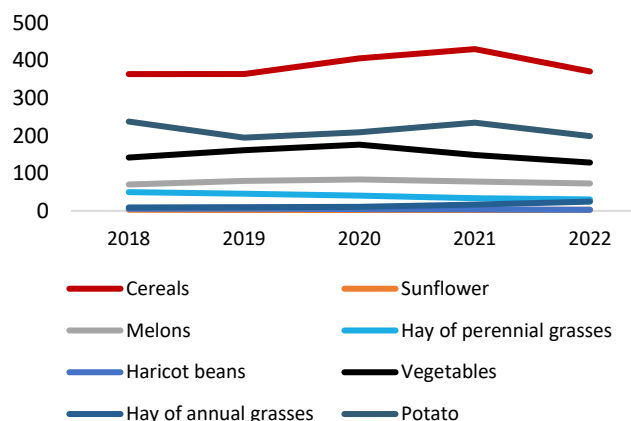
AGRICULTURAL SECTOR IN 2022

In June 2023, the National Statistics Office of Georgia issued its annual publication on the agricultural sector – *Agriculture of Georgia 2022*. The publication estimates that agriculture, forestry, and fishing comprised 7.5% of the GDP (constant prices) in 2022, which is lower than the 8% share in 2021, but in line with general trends over the last few years (agricultural GDP being 7-8% of GDP on average). Furthermore, compared to 2021, agricultural GDP grew by 2.9% in real terms, reaching **its highest mark within the last decade**. While GDP showed major improvement, the production of most annual crops declined – the greatest fall can be found in the production of haricot beans (a 31% decrease compared to 2021), while cereals, potatoes, vegetables, and melons declined by 14%, 15%, 14%, and 7%, respectively. Whereas an increase is observable in the production of sunflowers (33%) and hay from annual grasses (50%).

Agricultural GDP in 2015 prices (mln. GEL)

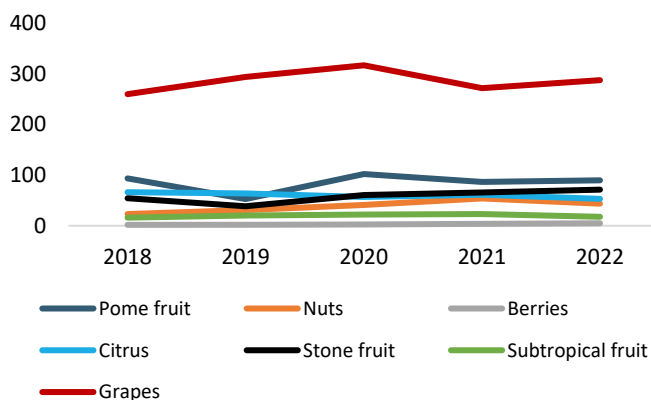


Production of annual crops (ths. tons)

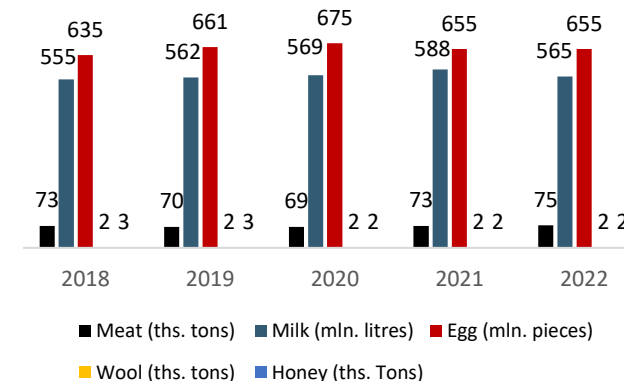


Regarding the production of permanent crops, berries rose the most on an annual basis (23%), followed by stone fruits (8%), grapes (6%), and pome fruits (4%). At the same time, the production of subtropical fruits declined by 23%, moreover nuts fell by 19% and citrus by 14%. There were no significant changes in livestock production.

Production of permanent crops (ths. tons)

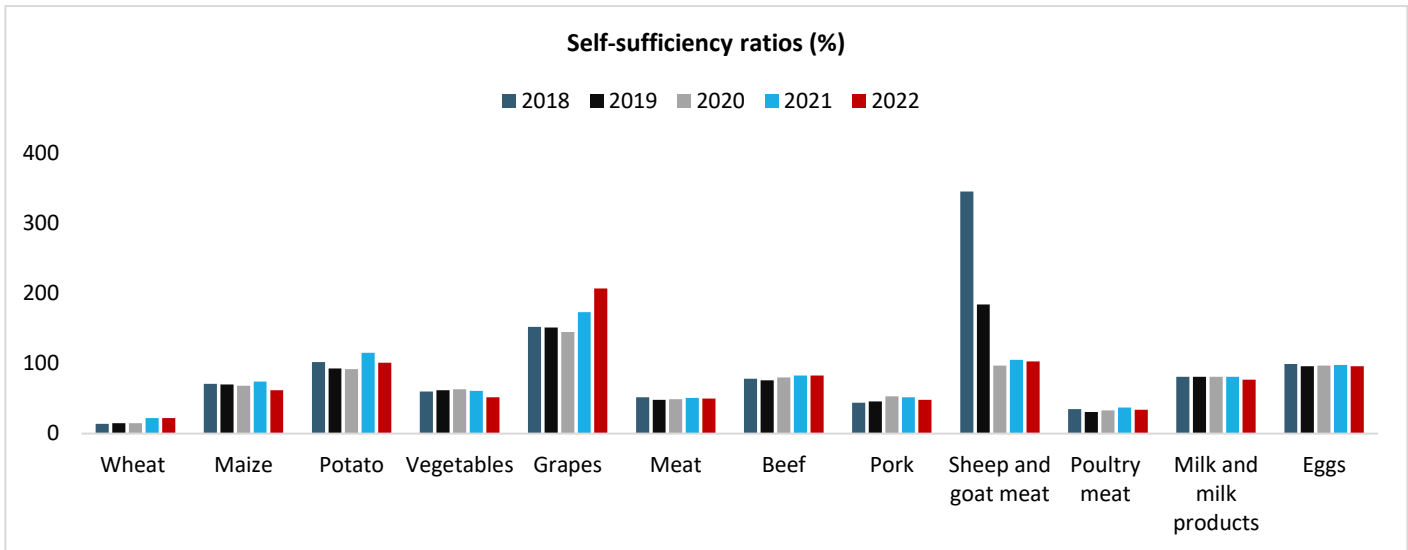


Production of livestock products



Source: Geostat, 2022.

In terms of self-sufficiency ratios, over the last five years there has been a rise for wheat, starting from 15% and reaching 22% by 2022. Additionally, the self-sufficiency of grapes increased significantly, by 34 percentage points compared to 2021. The biggest declines can be observed for potatoes and maize – the self-sufficiency ratio for potatoes fell by 14 percentage points, and by 12 points for maize. Notably, most products showed a slight decrease of 3-4 percentage points in self-sufficiency ratios.



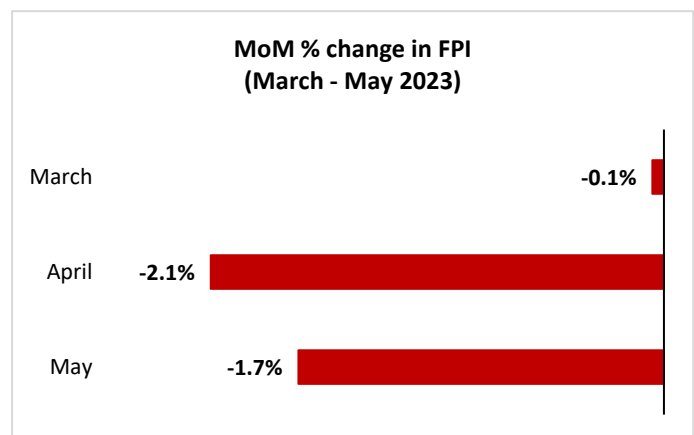
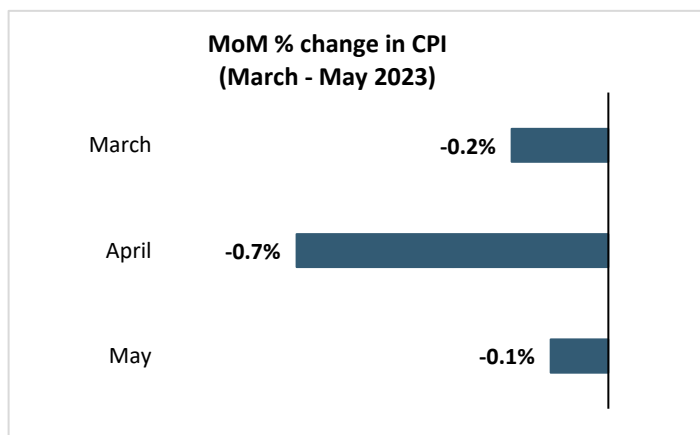
Source: Geostat, 2022.

PRICE HIGHLIGHTS

DOMESTIC PRICES

On a monthly basis, the country's price levels decreased between March and May 2023. The Consumer Price Index (CPI) fell by 0.2% in March 2023 compared to February. The corresponding month-over-month price decrease was 0.7% in April. While in May, consumer prices fell marginally (by 0.13%) over the previous month.

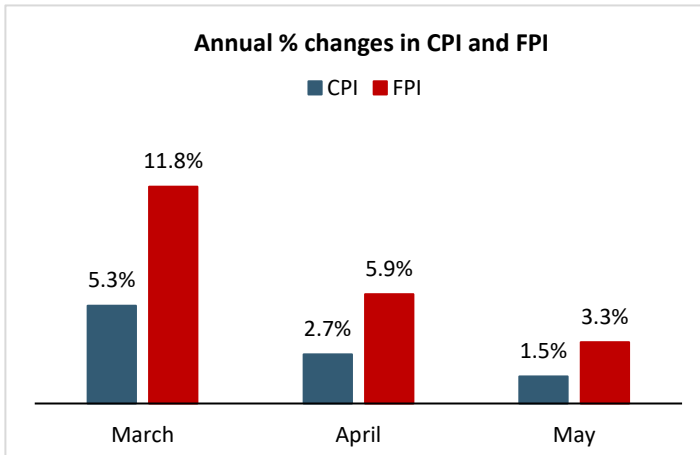
Between March and May 2023, the price of food and non-alcoholic beverages, measured by the Food Price Index (FPI), also exhibited a downward trend. In March, food prices declined by 0.1% over the previous month. Whereas in January and February, the corresponding month-over-month price changes were -2.1% and -1.7%, respectively.



Source: Geostat, 2023. Note: the index value in the previous month was 100.

From an annual perspective, the CPI continued to increase between March and May 2023. This March, the CPI grew by 11.8% compared to March of 2022; the corresponding YoY changes were 5.9% and 3.3%, respectively, for April and May 2023.

In May 2023, the year-over-year prices for food and non-alcoholic beverages also rose moderately, by 3.3%, contributing 1.19 percentage points to the change in total CPI. The main drivers were the price increases in the following sub-groups:



Meat (9.7%↗)

Milk, cheese, and eggs (9.3%↗)



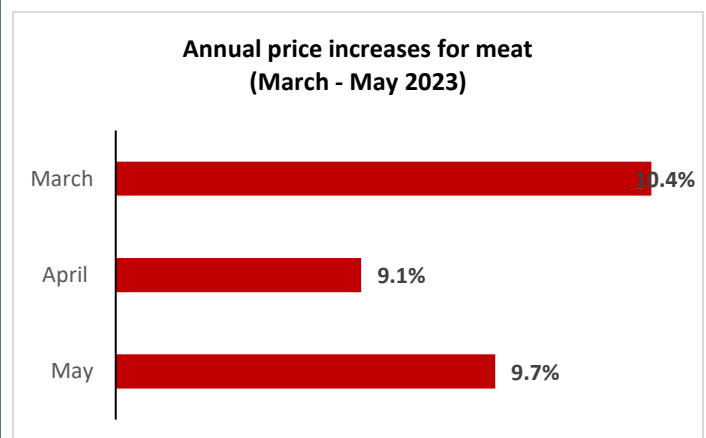
Mineral waters, soft drinks, fruit and vegetable juices (7.1%↗)

IN THE SPOTLIGHT: MEAT

This May, food prices in the meat sub-category still exhibited an upward trend. In March, meat prices had increased by 10.4% over March 2022, while the corresponding price increase was 9.1% in April 2022. The annual increase in meat prices reached 9.7% in May 2023. According to Geostat, prices rose for most products in the meat sub-category in May 2023. The largest upsurges were observed for beef (18%) and ground beef (16%); while the corresponding annual inflation rates for May 2022 were 5% and 6%, respectively. The increase observed in 2023 meat prices might be the result of rising local demand coupled with recent increasing trends in international prices.

Trade statistics reveal that from March-May 2023 the export value of meat amounted to 10 mln. USD, which is 31% higher than the same indicator in March-May 2022 (7.8 mln. USD). Concurrently, there was a decrease in the amount of exported meat (-1.4%) and the price of meat products rose from 1.7 to 2.2 ths. USD per ton. The value of imported meat also increased (by 35%) from 40 mln. USD in comparison to the same period of last year. The imported amount rose as well – by 22% – and the price per ton of imported meat products shifted to 2.3 from 1.8 ths. USD. This therefore indicates the transition of increased international prices.

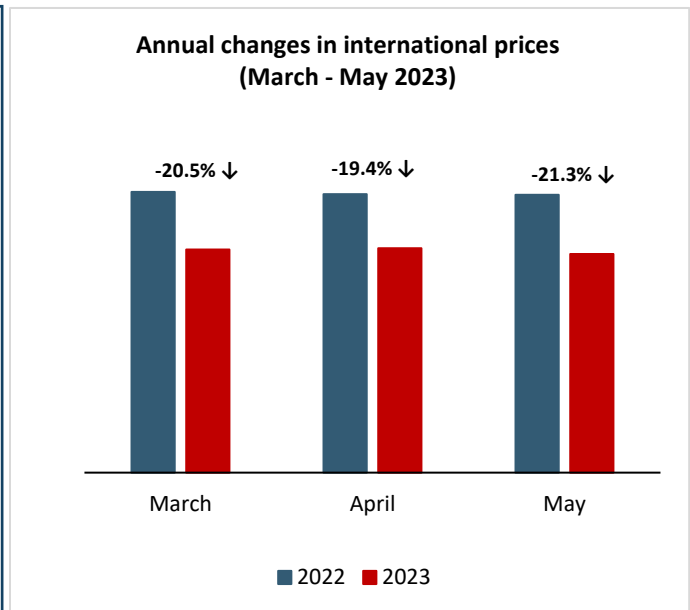
Although statistics for domestic production in the spring season of 2023 are not yet available, Geostat's most recent publication "Agriculture of Georgia 2022" shows that there was no notable difference in meat production (increasing by 3% – from 72.6 ths. to 74.6 ths. tons) in 2022 compared to 2021. Notably, beef production did increase by 16%, while pork and chicken production dropped by 5% and 4%. It appears that local production does not greatly contribute to increasing prices, thus rising international prices probably play a significant role, alongside the demand side with the increased inflow of migrants.



Source: Geostat, 2023.

INTERNATIONAL PRICES

Between March and May 2023, international prices exhibited a downward trend on an annual basis. In March, the Food Price Index, measured by the Food and Agriculture Organization (FAO), declined significantly (by 20.5%) compared to March 2022. In April and May 2023, the corresponding food price decreases were 19.4% and 21.3%. In May, the FPI witnessed the substantial decrease of 35.4 points (equivalent to 22.1%) from its record-breaking peak in March 2022. This decline in May was primarily driven by notable decreases in the price indices for vegetable oils, cereals, and dairy. However, these declines were partially offset by increases in the sugar and meat indices. The FAO Meat Price index has been increasing for the last four months, predominantly from increased global prices for poultry due to high demand and challenges on the supply side.



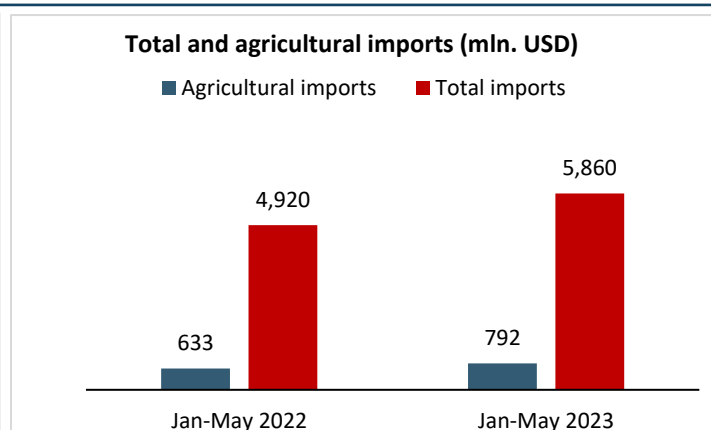
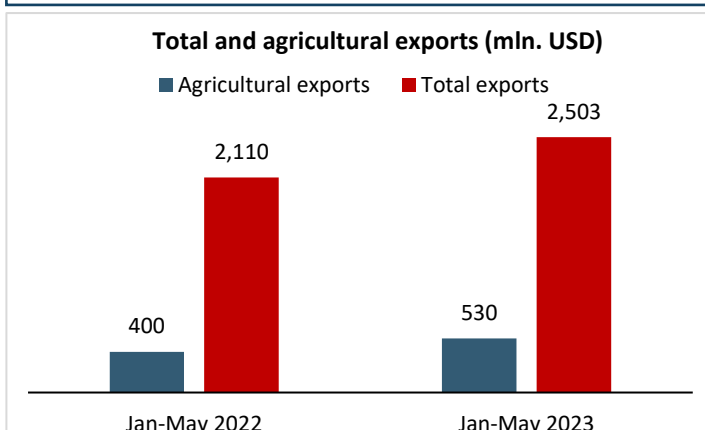
Source: FAO, 2022.

TRADE HIGHLIGHTS

Total Georgian exports in Jan-May 2023 amounted to 2,502 mln. USD, showing a strong improvement and a solid 19% growth from the respective period last year (2,110 mln. USD). As for agri exports, a notable 32% increase can be discerned – from 400 mln. USD in 2022 to 530 mln. in 2023. Furthermore, the share of agricultural exports within total export increased from 19% to 21%.

Total Georgian imports showed the same growth rate as total exports (19%), from 4,920 mln. USD from Jan-May 2022 to 5,860 mln. USD over the corresponding period of 2023. Agri imports rose from 633 mln. USD in 2022 to 792 mln. USD in 2023, which demonstrates a 25% increase that is lower than the agri exports rate, but still significant. While the share of agri imports in total import increased from 13% to 14%.

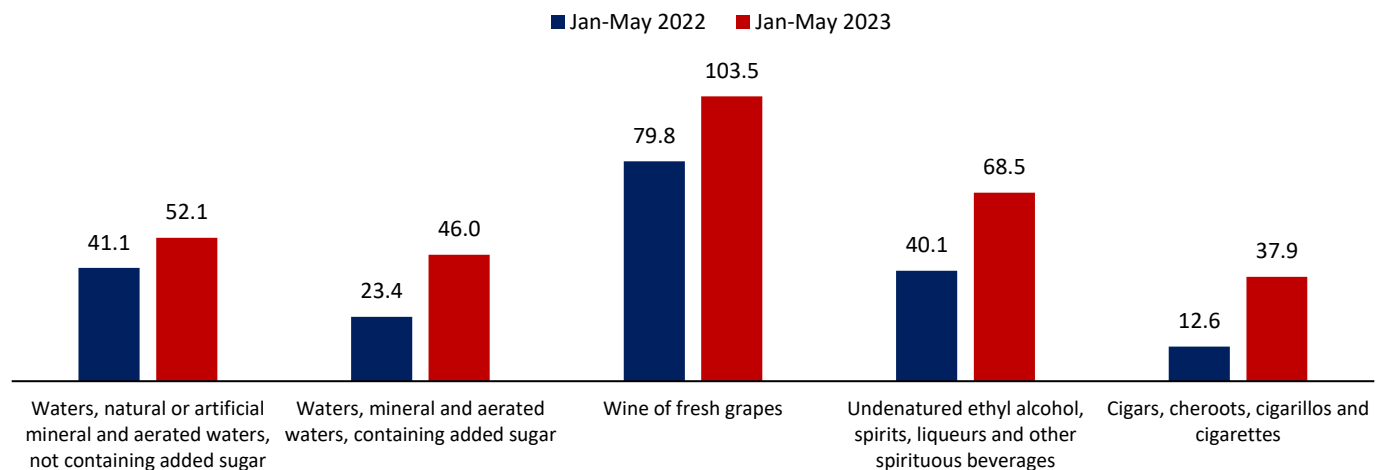
Overall, even though the Georgian lari had been strengthening since the end of 2022 and retained a strong position between Jan-May, which is generally expected to place downward pressure on the demand of Georgian products for foreigners, total Georgian exports still managed to maintain a plausible increasing trend.



Source: Geostat, 2023.

The table below depicts the top five commodities with the largest increase in export value between Jan-May 2022 and Jan-May 2023. Besides the traditional top agri export commodities (wine from fresh grapes, spirituous beverages, mineral and natural waters), now cigarettes and certain tobacco products appear on the list. The exports of cigarettes increased by 201% compared to 2022, with the main destination markets in 2023 being Kyrgyzstan (40%) and Kazakhstan (50%). As local production of cigarettes is relatively low, the given value mainly derives from re-export.

Top five export commodities by increase in export value (mln. USD)



Source: Geostat, 2023.

Note: Agricultural exports and imports include food.

POLICY WATCH

The Parliament of Georgia adopted the Draft Law "On Industrial Emissions" in its first reading

The First Deputy Minister of Environmental Protection and Agriculture, Mrs. Nino Tandilashvili, presented the Draft Law "On Industrial Emissions", which aims to fulfill one of the most important obligations set forth in the EU-Georgia Association Agreement; specifically, the transposition of the Directive of the European Parliament and of the Council on industrial emissions. This Draft Law envisages the gradual imposition of a wide spectrum of new obligations for industrial enterprises from 2026. Critically, such enterprises must introduce cutting-edge technology and equipment into their manufacturing processes to reduce air, water, and soil pollution.

For more information follow this link: <https://mepa.gov.ge/En/News/Details/21276/>

The state will repay interest on loans for growing annual crops

By governmental decision, a sub-component of the Preferential Agro Credit project has been launched, in which the Rural Development Agency will co-finance the interest to cover the current costs of growing annual crops. As soon as a beneficiary confirms their loan has been appropriately spent, the Rural Development Agency will co-finance interest at an annual rate of nine percent for a maximum of 12 months, and for no more than 14 months after the loan was issued. The maximum annual interest rate of loans is set at 18%. Under the project, the loan amount per beneficiary is set from 5,000 to 100,000 GEL.

For more information follow this link: <https://mepa.gov.ge/En/News/Details/21240/>