

THE SECTOR AT A GLANCE

GENERAL TRENDS

The budget for the Ministry of Environment Protection and Agriculture (MEPA) amounted to 698.5 million GEL (an increase of 10.0 million GEL) in 2023. The most of the assigned budget was distributed towards the following areas:

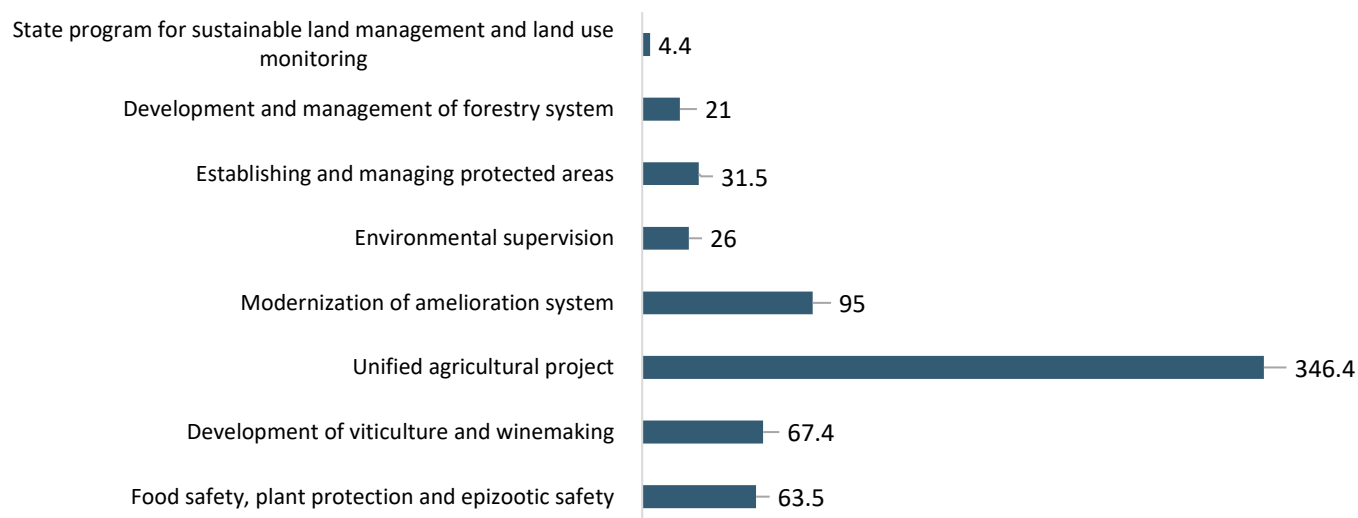
- Food safety, plant protection, and epizootic safety - 63.5 mln. GEL;
- Development of viticulture and winemaking - 67.4 mln. GEL;
- Unified agricultural project - 346.4 mln. GEL.
- Modernization of the amelioration system - 95.0 mln. GEL;
- Environmental supervision - 26.0 mln. GEL;
- Establishment and management of protected areas - up to 31.5 mln. GEL;
- Development and management of the forestry system - up to 21.0 mln. GEL;
- State program for sustainable land management and land use monitoring - 4.4 mln. GEL.

The largest share of MEPA funding has traditionally been directed towards the Rural Development Agency (RDA), Georgian amelioration (GA), and the National Wine Agency (NWA), with respective shares of 53%, 14%, and 10%.

The budget for the unified agricultural project, implemented by the RDA, is distributed among different agricultural development projects, namely: preferential agro-credits - 200.0 mln. GEL; agricultural insurance - 12.0 mln. GEL; the “Plant the Future” project - 35.0 mln. GEL; co-financing projects for processing and storage enterprises - 25.0 mln. GEL; promoting development in the agro sector - 10.0 mln. GEL; co-financing agricultural mechanization - 17.0 mln. GEL; and promoting hazelnut production - 20.0 mln. GEL.

The financing of environmental protection programs within the Ministry’s allocation increased by 10.8 million GEL compared to the first version of the 2023 budget project, and it amounted to 92.7 million GEL.

MEPA's budget distribution in 2023 (mln. GEL)



Source: Ministry of Finance, 2023.

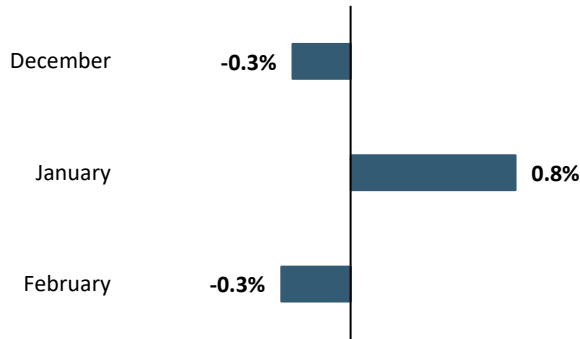
PRICE HIGHLIGHTS

DOMESTIC PRICES

On a monthly basis, the country's price levels fluctuated between December 2022 and February 2023. The Consumer Price Index (CPI) decreased marginally (by 0.3%) in December 2022 in comparison to November 2022. While in January 2023, prices increased by 0.8% over the previous month – the corresponding month-over-month price decrease was 0.3% in February.

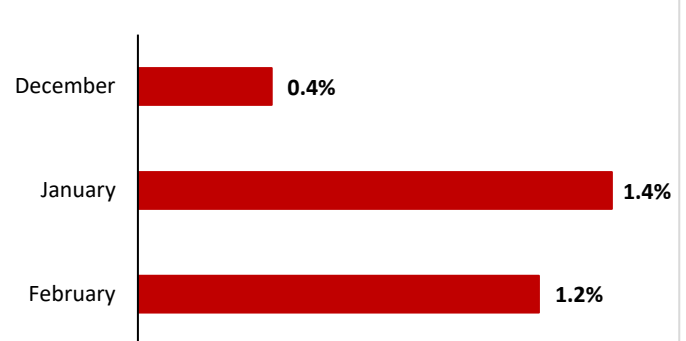
Between December 2022 - February 2023, the price for food and non-alcoholic beverages, measured by the Food Price Index (FPI), exhibited an upward trend. In December, food prices rose slightly (by 0.4%) from the previous month. While in January and February the corresponding month-over-month price changes were 1.4% and 1.2%, respectively.

**MoM % change in CPI
(December 2022 - February 2023)**



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

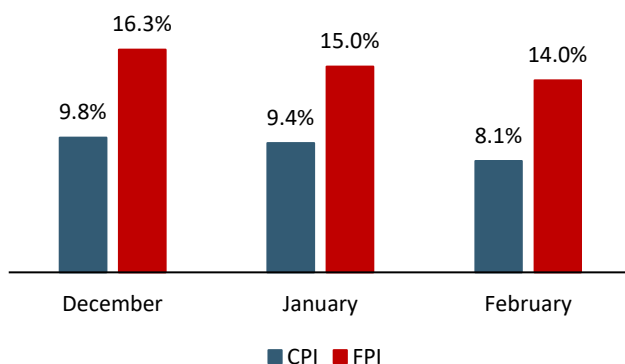
**MoM % change in FPI
(December 2022 - February 2023)**



From an annual perspective, the CPI continued to increase from December 2022 to February 2023. Last December, the CPI grew by 9.8% compared to December 2021; the corresponding YoY changes were 9.4% and 8.1% for January and February 2023.

In February 2023, the year-over-year prices for food and non-alcoholic beverages also grew significantly (by 14%), contributing 4.7 percentage points to the change in total CPI. The main drivers were price increases in the following sub-groups:

Annual % change in CPI and FPI



Vegetables (25.8%↗)

Bread and cereals (21%↗)



Milk, cheese, and eggs (17.2%↗)

Source: Geostat, 2023.

SPOTLIGHT

Over the last two years, food prices in Georgia have maintained an increasing trend. There are various reasons for this – from COVID-19 restrictions and international supply shortages that amplified international prices, to Russia’s full-scale invasion of Ukraine, which placed additional pressure on international food markets. Food prices have continued to increase and show double digit inflation rates. In December 2022, annual changes in food prices stood at 16.3%; 15% in January and finally 14% by February. Prices rose most notably within the following categories:

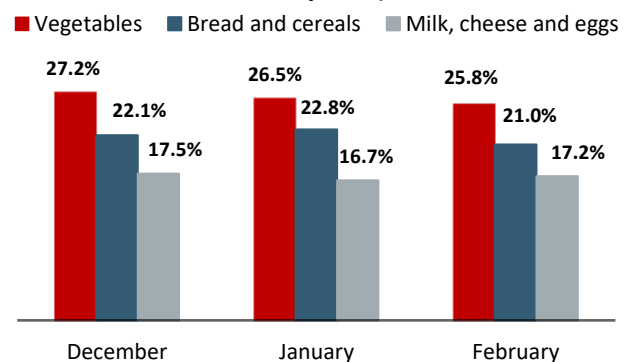
Vegetables – In this category, the most notable rise in prices was found for onions (+119%) and potatoes (+57%). The underlying reason for such a sharp increase in onion prices appears to be the decreased volume of imports into Georgia. Turkey’s ban on exports created a supply shortage on the Georgian market, with Turkey being a key supplier for vegetables for Georgia.

Bread and cereals – In this category, the largest price increases during February 2023 were observed for corn flour (80%) and pasta (24%). According to Geostat, corn production in Georgia declined from 233 ths. tons in 2021 to 153 ths. tons in 2022 (a 35% decrease). Furthermore, the imported volume of corn seed hardly changed in 2022 compared to 2021 – falling from 1,059 to 1,040 tons (a 2% decrease).

As for imported corn flour, the amount grew from 86 tons in 2021 to 268 tons in 2022. Overall, diminished local production coupled with increased imported corn flour throughout 2022 could be creating pressure on the price to rise.

Milk, cheese, and eggs – Prices rose for all products within this sub-category. The greatest increases were observed in condensed milk and milk containing products (31%) and Imeretian cheese (23%). During this time of the year, price increases are typically driven by limited local milk production and its substitution with imported milk powder, milk cream (e.g., butter), and other dairy products which are mainly imported from Ukraine, Russia and Belarus.

Annual price increases (December 2022 - February 2023)

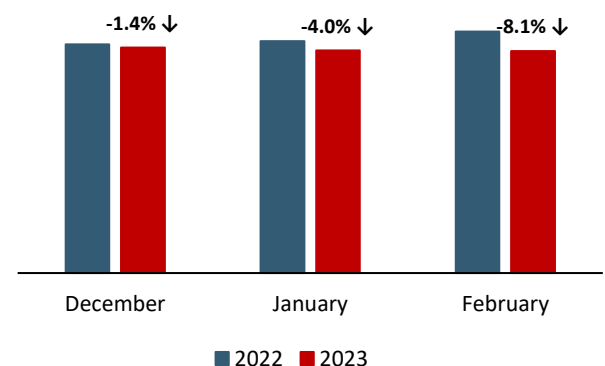


Source: Geostat, 2023.

INTERNATIONAL PRICES

Between December 2022 and February 2023, international prices exhibited a downward trend on an annual basis. In February 2023, the Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased considerably (by 8.1%) compared to February 2022. The largest price decrease was observed within the vegetable oil (32.6%) sub-index. This decline in the price of vegetable oil was driven by lower global prices for palm, soy, rapeseed, and sunflower oils. Additionally, although the overall index experienced a decline, the FAO sugar price index increased by 13.2% YoY in February. This rise is associated with lower-than-expected global supplies in 2022-2023, alongside the combination of shipping delays and intense competition from soybeans and maize arising from Brazil.

Annual changes in international prices (December 2022 - February 2023)



Source: FAO, 2023.

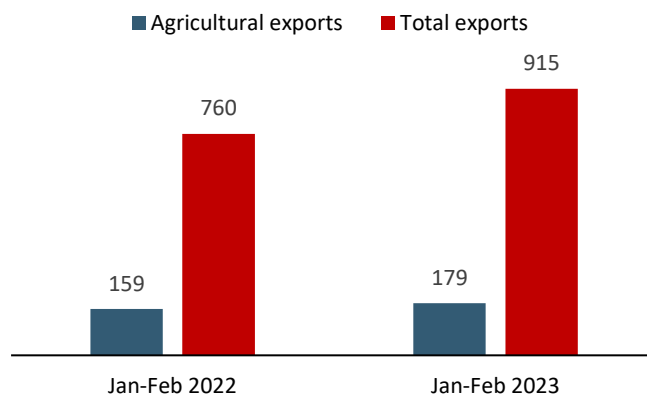
TRADE HIGHLIGHTS

Total Georgian exports from January-February 2023 began with the considerable growth of 20% over the same period in 2022 (from 760 mln. to 915 mln. USD). Agricultural exports did contribute to this overall increase, however, not as notably as other export categories – agri exports rose by 12%, from 159 mln. USD in 2022 to 179 mln. in 2023. Furthermore, the share of agri exports in total exportation experienced a minor decline, from 21% in 2022 to 20% in 2023.

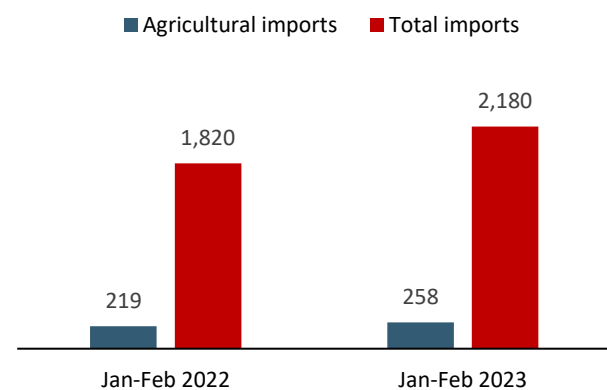
Similarly, total Georgian imports rose by 20% – from 1,820 mln. USD in 2022 to 2,180 mln. USD in 2023. The change in agri imports stands at 18%, as it increased from 219 mln. USD in 2022 to 258 mln. in 2023. Meanwhile, the share of agri imports in total imports remained at the same level – 12%.

Starting from the end of 2022, the local currency started to appreciate against the USD, and across January and February it retained a strong position. This may have further accelerated imports tendencies. In terms of exports, generally it has had a negative impact, however, Georgian exports did still manage to maintain growth.

Total and agricultural exports (mln. USD)



Total and agricultural imports (mln. USD)



Source: Geostat, 2023.

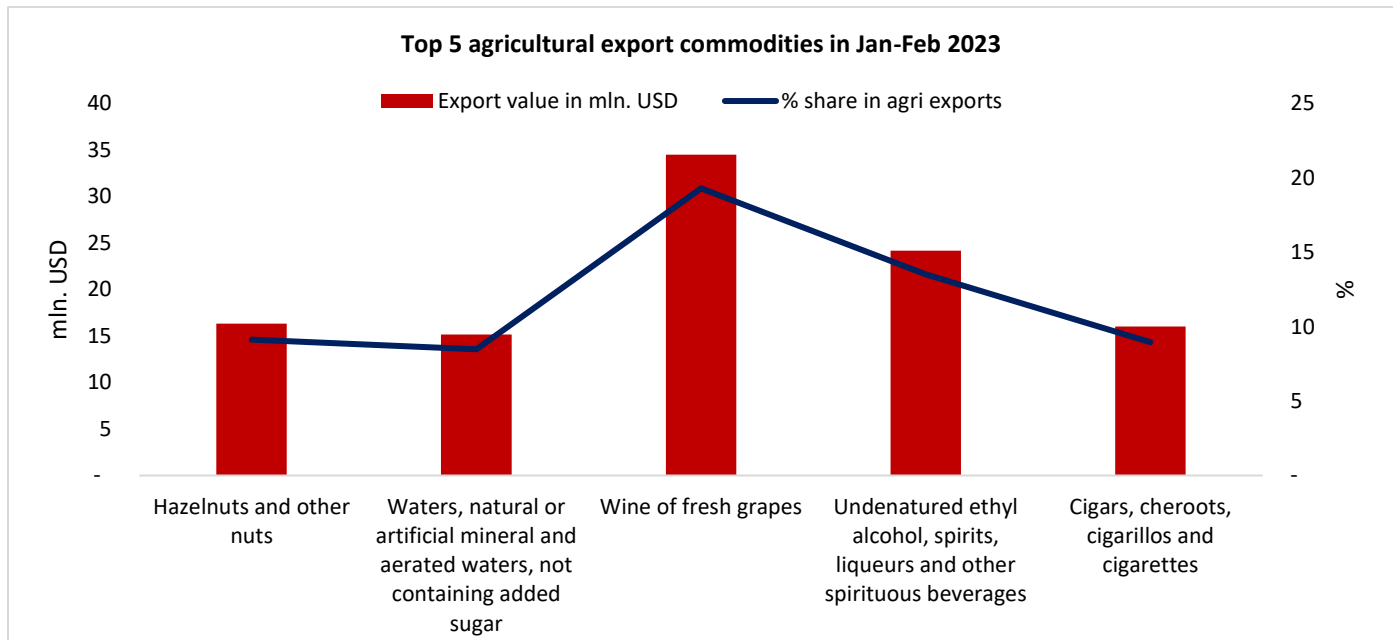
Note: Agricultural exports and imports include food.

Reviewing the top 5 agri export commodities, as usual, **wine from fresh grapes** remains on top with a total of 35 mln. USD in January-February 2023, and amounting to almost one fifth of total agri exports (19%). Compared to the same period last year, wine exports have increased by 15%.

The second highest value export category for the period was **undenatured ethyl alcohol, spirits, liqueurs, and other spirituous beverages** amounting to at 24 mln. USD. From total agri export, the value of spirituous beverages constituted 15%. **Hazelnuts and other nuts** contributed 16 mln. USD to the overall value with a share of 9% for Jan-Feb 2023.

With an almost equivalent value and share, **cigars, cheroots, cigarillos, and cigarettes** experienced significant growth over the same period of last year (62% – from 5 mln. USD in Jan-Feb 2022 to 16 mln. in Jan-Feb of 2023), and unusually appeared within the top 5 agri export commodities.

Finally, **waters, natural or artificial mineral and aerated waters, without added sugar** closely follow the latter two and amounted to 15 mln. USD, with a share of 8%.



Source: Geostat, 2023.

Note: Agricultural exports and imports include food.

POLICY WATCH

Agrarian Issues Committee developed the 2023 Action Plan

Gela Samkharauli, the First Deputy Chairman of the Committee, highlighted that the Committee's work is predominantly focused on achieving four major goals: to promote the stable growth of agricultural production in the country, to increase its competitiveness, to ensure food safety and food security, and to overcome poverty in rural areas. Thus, according to Committee representatives, the 2023 Action Plan was developed under a new format and based on a new methodology.

For more information follow this link: <https://parliament.ge/en/media/news/agrarul-sakitkhta-komitetma-2023-tslis-samokmedo-gegma-daamtkitsa>

The Ministry of Environmental Protection and Agriculture and the Georgian Academy of Agricultural Sciences sign a Memorandum of Cooperation

The respective agreement aims to strengthen cooperation between the Ministry and the Academy, to promote sustainable and safe rural and agricultural development, and to ensure the rational use of resources. The Memorandum also fosters collaboration between the Ministry, its subsidiary agencies, and the scientific departments of the Academy. Such cooperation is expected to address sector-specific tasks and develop recommendations for further development within the agricultural sector.

For more information follow this link: <https://mepa.gov.ge/En/News/Details/21174/>