

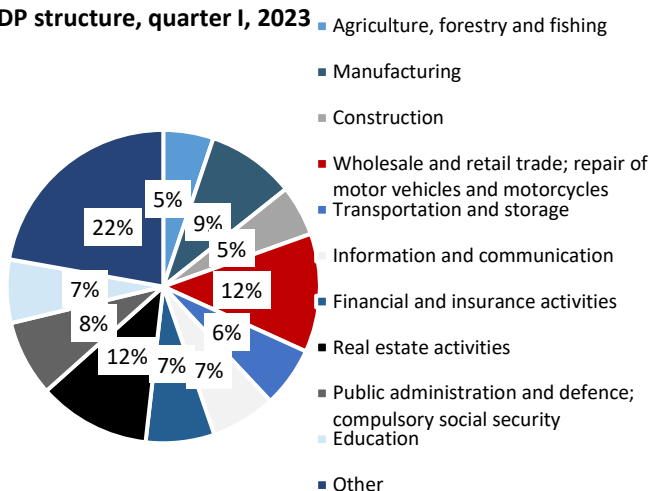
THE SECTOR AT A GLANCE

GENERAL TRENDS

The National Statistics Office of Georgia (GeoStat) recently published its second quarterly bulletin for 2023. The publication highlights that real GDP in agriculture, forestry, and fishing declined by 2.3% compared to the first quarter of 2022. Furthermore, agriculture contributed to 5.2% of the country's total GDP during the first quarter of 2023.

There were also positive trends in FDI within the sector. In the first quarter of 2023, FDI in agriculture accounted for 1.9 mln. USD which is 84% higher than in the first quarter of 2022. Nevertheless, FDI in agriculture remains low compared to other economic sectors – accounting for only 0.3% of the total FDI in the first quarter of 2023.

GDP structure, quarter I, 2023



FDI by economic sectors, quarter I, 2023



Source: GeoStat, 2023.

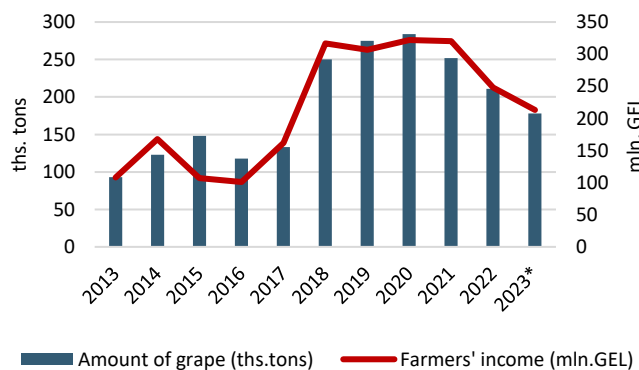
Rtveli 2023 commenced this August. Similar to previous years, the Government of Georgia (GoG) is subsidizing the grape harvest again to support farmers who have suffered from worsening climate conditions. Based on information from MEPA representatives, the subsidy's primary aim is to guarantee that even producers with lower-quality grapes can still sell their products.

During Rtveli 2023, a wine company will receive a subsidy if it purchases and processes at least 100 tons of Rkatsiteli or Kakhuri green grapes grown in the region of Kakheti, and if it pays at least 0.90 GEL per kg for the grapes purchased (0.20 GEL will be subsidized from a total of 0.90 GEL per kg).

As of 29 September, this year, around 178 ths. tons of grapes have been sold, with a corresponding sales revenue of 213 mln. GEL for farmers.

It is expected that the current harvest will amount to 200 ths. tons. The final figures will be available once Rtveli is over in October.

Amount of processed grapes and farmers' income



Source: National Wine Agency, 2023; the Ministry of Environment Protection and Agriculture.

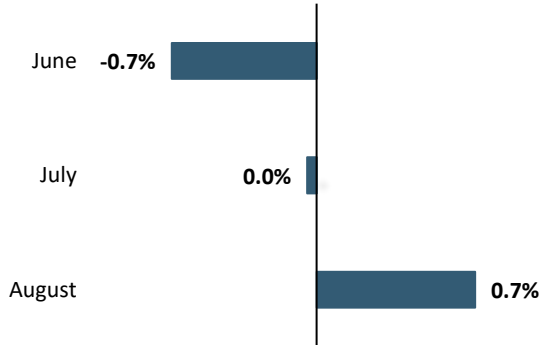
Note: * the data for 2023 was retrieved on 29 September 2023.

PRICE HIGHLIGHTS

DOMESTIC PRICES

Starting from spring, on a monthly basis, the country's price levels held a decreasing trend, which then reversed in August. The Consumer Price Index (CPI) in June 2023 slightly decreased, by 0.7%, compared to May 2023. In July, it remained unchanged, and in August, consumer prices increased marginally (by 0.7%) over the previous month.

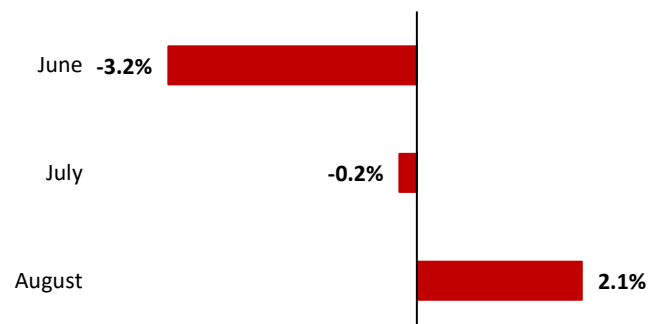
**MoM % change in CPI
(June - August 2023)**



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

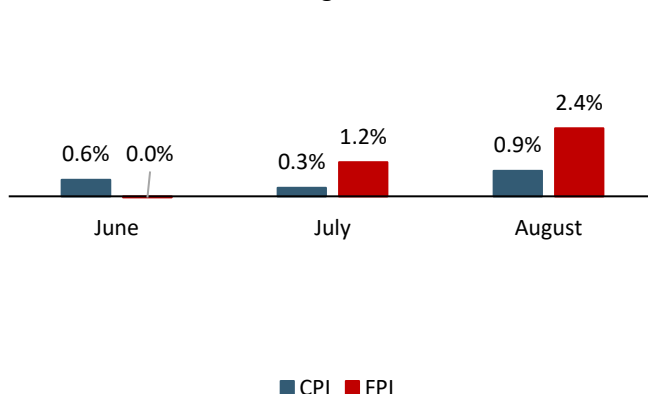
Between June-August 2023, monthly prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also shifted direction. In June 2023, food prices decreased by 3.2% compared to May 2023. While the corresponding month-over-month price changes were -0.2% and -2.1% in July and August, respectively.

**MoM % change in FPI
(June - August 2023)**



From an annual perspective, the CPI marginally increased between June and August 2023. In June, the CPI rose by 0.6% compared to June 2022, meanwhile the equivalent year-over-year changes were 0.3% and 0.9% in July and August 2023, respectively.

Annual % changes in CPI and FPI



In August 2023, the year-over-year prices of food and non-alcoholic beverages increased slightly, by 2.4%, contributing 0.69 percentage points to the change in total CPI. The main drivers were price increases in the following sub-groups:



Vegetables (46.4% ↗)

Fruit and grapes (12.9% ↗)



Fish (9.7% ↗)

Source: GeoStat, 2023.

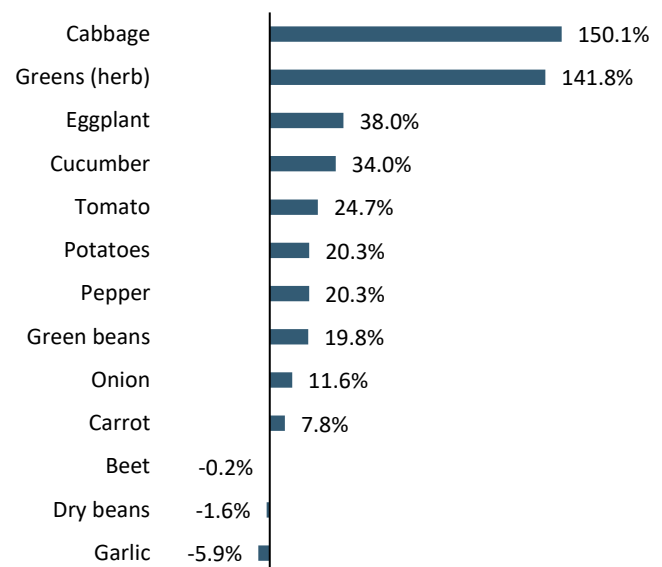
IN THE SPOTLIGHT: VEGETABLES

On annual terms, food prices in the vegetable sub-category remained high throughout 2023. In August, the year-over-year price of vegetables increased by 46.4%, and the month-over-month price by 19.3%. According to GeoStat data, in August 2023, annual price decreases were only observed for certain foods, namely garlic (-5.9%), dry beans (-1.6%), and beets (-0.2%). Meanwhile, upsurges in price were observed for most vegetables, including cabbages (150.1%), greens (141.8%), eggplants (38.0%), cucumbers (34.0%), tomatoes (24.8%), potatoes (20.3%), peppers (20.3%), green beans (19.8%), onions (11.6%), and carrots (7.8%).

This increase in vegetable prices might be the result of diminished local production in 2022. Although the average yield of vegetables increased by 6% in 2022 (from 10.3 tons per ha. to 10.9 tons per ha.), vegetable production dropped by 13.8% (from 149 ths. tons to 128.5 ths. tons). Such a decline in domestic production levels likely increased the upward pressure on vegetable prices in 2022, and increased imports across the first half of 2023. Between January-August 2023, the import values of vegetables in each month became higher compared to the same month in 2022 (aside from in June, when it decreased by a marginal 1.6%).

During the same period, the export value of vegetables decreased by 18.7%. The statistics for 2023 domestic production are not yet available, though a rise in import and a fall in export might be a sign of the decreasing domestic production of vegetables.

Annual price change for vegetables (August 2023 vs. August 2022)



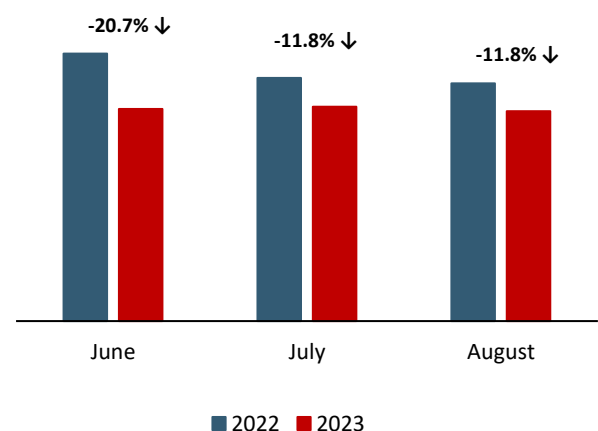
Source: GeoStat, 2023.

INTERNATIONAL PRICES

Between June and August 2023, international prices continued their declining trend. In August 2023, the Food Price Index, as measured by the Food and Agriculture Organization (FAO), decreased significantly, by 11.8% compared to August 2022. Prices decreased for the vegetable oils (-23.0%), dairy (-22.4%), cereals (-14.1%), and the meat (-5.4%) sub-indices. Meanwhile, prices increased within the sugar category (34.1%).

Concern for future production levels was the underlying reason behind increased world sugar prices. The main source being the El Niño weather phenomenon, which could greatly affect harvests. Weather conditions in India, Thailand, and Brazil caused limiting development of the sugarcane crop, and this is expected to affect 2023/2024 sugar production.

Annual change in international prices (June - August 2023)



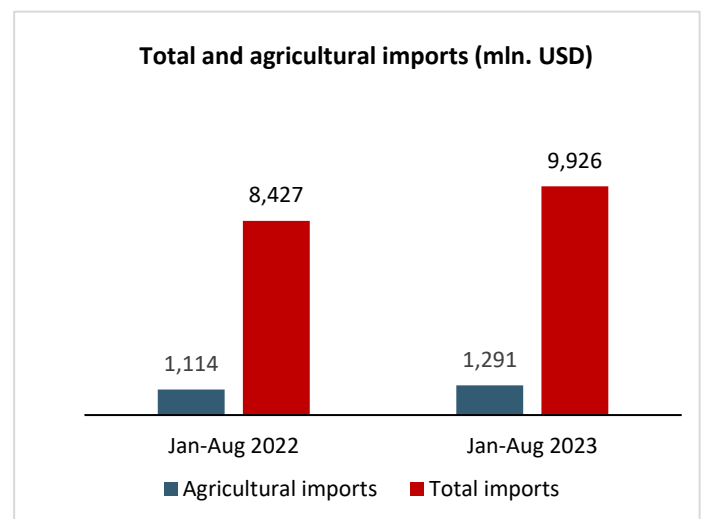
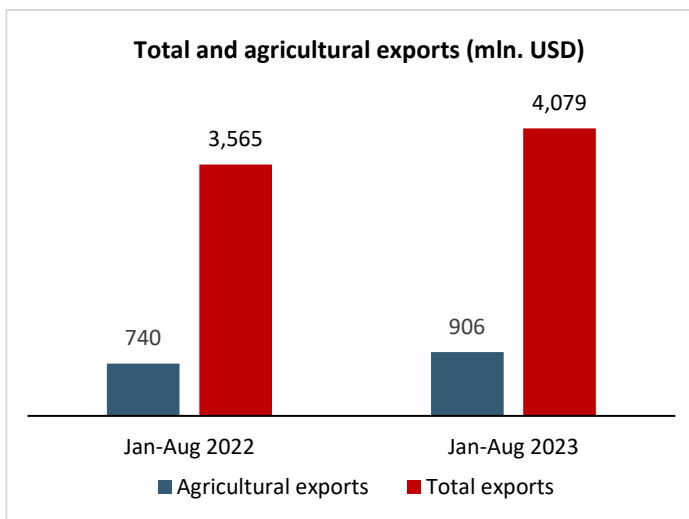
Source: FAO, 2023.

TRADE HIGHLIGHTS

Total Georgian exports in Jan-Aug 2023 reached 4,079 mln. USD compared to 3,565 mln. in Jan-Aug of 2022, thus corresponding to a 14% annual increase. Moreover, agricultural exports displayed a relatively higher increase of 22% (from 740 mln. USD in Jan-Aug 2022 to 906 mln. in 2023). Overall, the share of agricultural exports in total exports rose from 21% in 2022 to 22% in 2023.

Total Georgian imports demonstrated a slightly higher degree of increase than total exports – from 8,427 mln. USD in 2022 to 9,926 mln. in 2023 (18%). Agricultural imports followed this trend and increased by 16% – from 1,114 mln. in 2022 to 1,291 mln. USD in 2023. Correspondingly, the share of agricultural imports in total imports have not changed and remained at 13% in both years.

Overall, the solid growth of both agricultural exports and imports slowed over the summer period. To compare June-August of 2023 to the corresponding period of 2022, agricultural exports and imports increased by 6.8% and 8.6%, respectively.



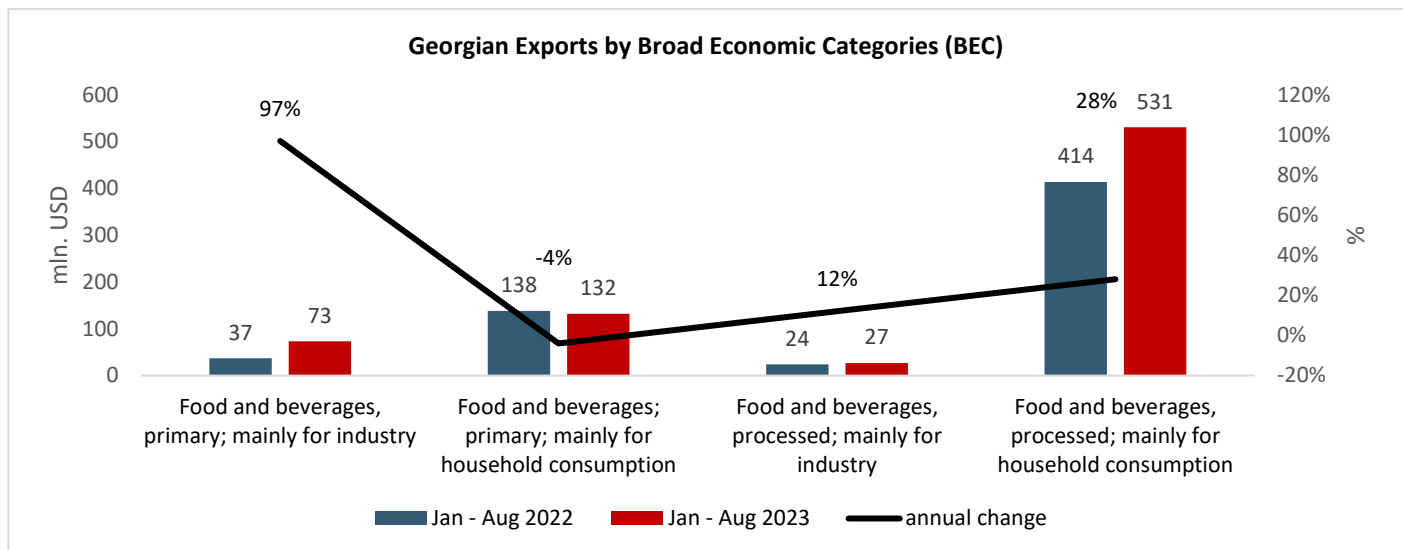
Source: GeoStat, 2023.

Note: Agricultural exports and imports include food.

Considering total export through the perspective of Broad Economic Categories, the net increase, as usual, is derived from the rise in the absolute value of processed food and beverages exports (amounting to a 120 mln. USD rise), rather than primary goods that increased in absolute value by a relatively moderate 30 mln. USD.

To differentiate further in terms of end user, the highest increase, 97%, was observed in the export of primary food and beverages principally for industry use (however, in absolute value the increase was 36 mln. USD). This was followed by 28% growth in the export of processed food and beverages for household consumption (117 mln. USD in absolute value). Furthermore, the export of processed food and beverages mainly for industry use constituted a 12% rise, and lastly there was a 4% fall in the export of primary food and beverages for household consumption.

While it is encouraging to see an increase in the growth rate of processed export goods, the majority of Georgian export still caters to household consumption. Overall, from total agricultural export, 87% is directed towards household consumption, while 13% is intended for industrial use.



Source: GeoStat, 2023.

Note: Agricultural exports and imports include food.

POLICY WATCH

MEPA and USAID representatives discuss cooperation in the solid waste management sector

The respective parties addressed the Solid Waste Management component alongside future collaboration issues within the direction specified under the USAID Economic Security Program. According to MEPA, the main goal of governmental policy is to remove waste from the environment. However, developing a local waste processing/recycling industry is necessary to ensure sustainable waste management. It was additionally emphasized that proper waste collection and processing systems would facilitate the development of a circular economy.

For more information follow the link: <https://mepa.gov.ge/En/News/Details/21302>

A new project – the Reduction of Industrial Persistent Organic Pollutants Chemicals in Manufacturing and Recycling Sectors through Circular Economy and Lifecycle Approaches in Georgia – will be launched in the country

This project aims to strengthen the policy and existing legal framework for preventing persistent organic pollutants in the manufacturing and recycling sectors. Implementation of the project is expected to strengthen the capacities of the state agencies involved in environmental protection and in the production and recycling sectors, and it will thus contribute to the gradual reduction of industrial persistent organic pollutants.

For more information follow the link: <https://mepa.gov.ge/En/News/Details/21303>

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