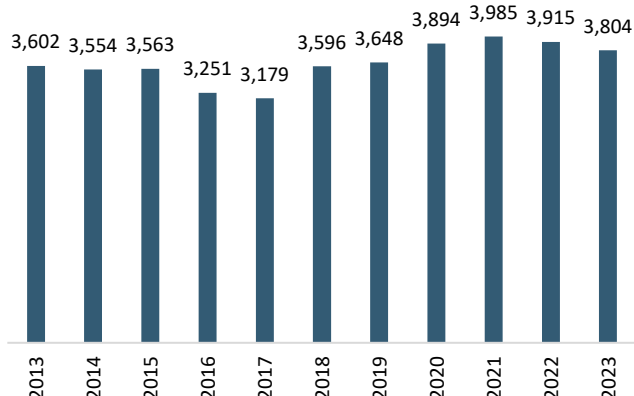


THE SECTOR AT A GLANCE

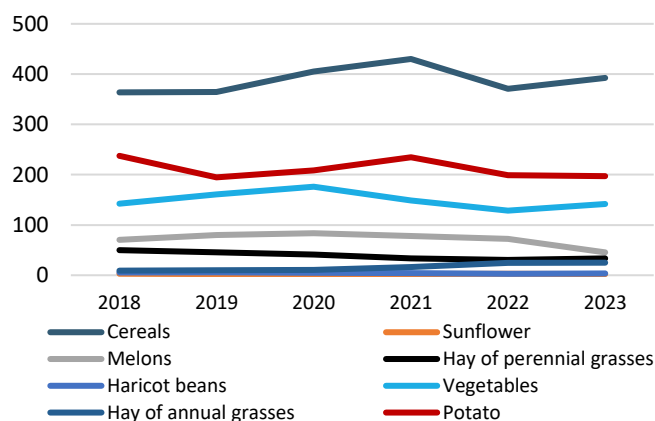
AGRICULTURAL SECTOR IN 2024

In June 2024, the National Statistics Office of Georgia issued its annual publication on the agricultural sector – *Agriculture of Georgia 2023*. The publication estimates that agriculture, forestry, and fishing comprised 6.9% of the GDP in 2023, which is slightly lower than in previous years, but in line with general trends over the last few years (agricultural GDP being 7-8% of GDP on average). Furthermore, compared to 2022, agricultural GDP declined by 2.9% in real terms. While GDP slightly worsened, the production of most annual crops increased – the greatest increase can be found in the production of haricot beans (a 28% increase compared to 2022), while vegetables, hay of perennial grasses, cereals and hay of annual grasses increased by 11%, 10%, 6%, and 2%, respectively. A decrease is observed in the production of melons (37%), sunflower (7%) and potato (1%).

Agricultural GDP at 2019 prices (mln. GEL)



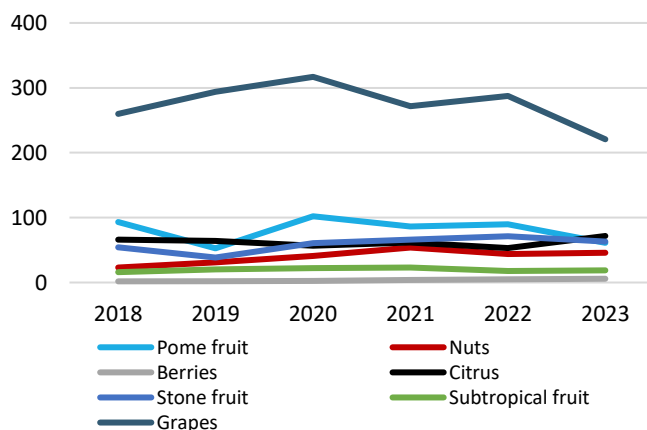
Production of annual crops (ths. tons)



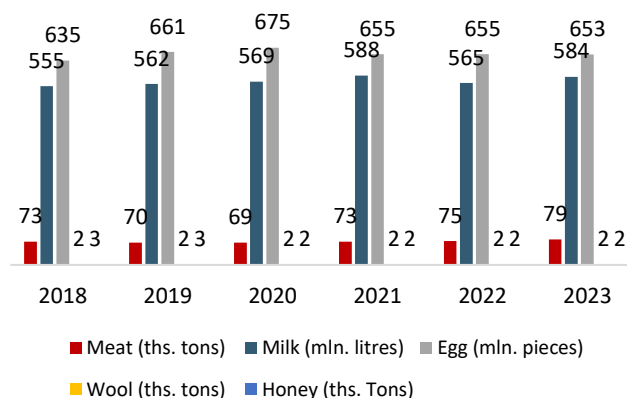
Source: Geostat, 2023.

Regarding the production of permanent crops, citrus rose the most on an annual basis (35%), followed by berries (18%), nuts (5%), and subtropical fruit (5%). At the same time, the production of pome fruit declined by 32%, moreover grapes fell by 23% and stone fruit by 11%. There were no significant changes in livestock production.

Production of permanent crops (ths. tons)

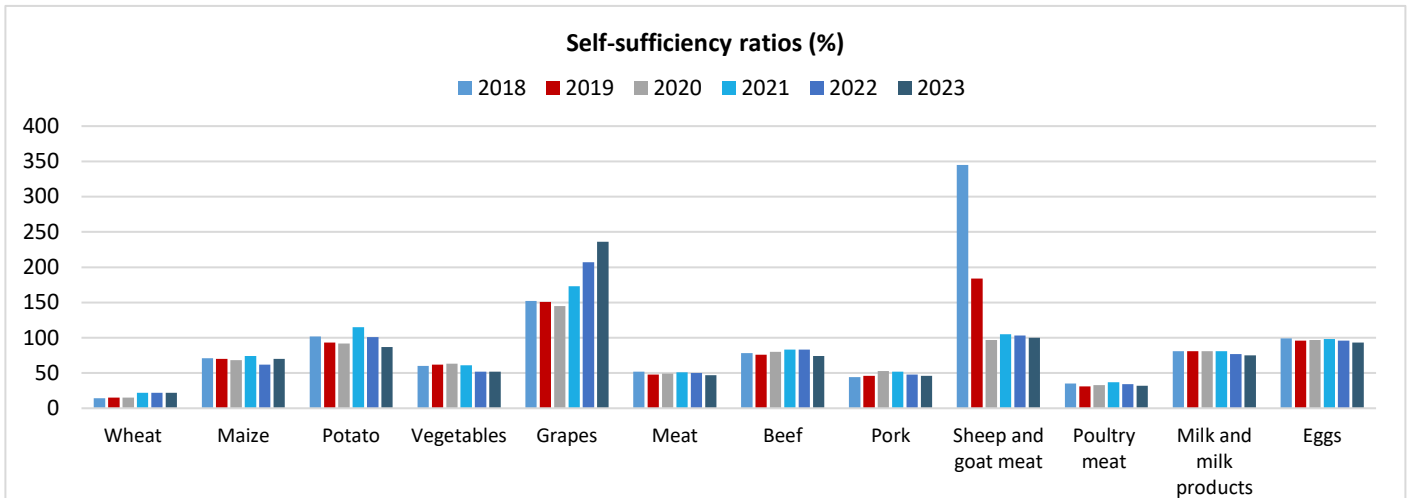


Production of livestock products



Source: Geostat, 2023.

In terms of self-sufficiency ratios, starting from 2021 there has been a rise for wheat from 15% to 22% by 2023. Additionally, the self-sufficiency of grapes further increased, by 28 percentage points compared to 2022. The biggest declines can be observed for potatoes and beef – the self-sufficiency ratio for potatoes fell by 14 percentage points, and by 9 percentage points for beef. Notably, most products showed a slight decrease of 2-3 percentage points in self-sufficiency ratios.



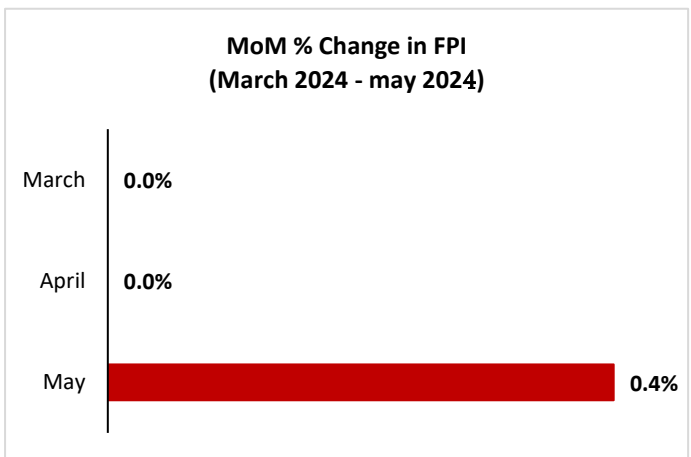
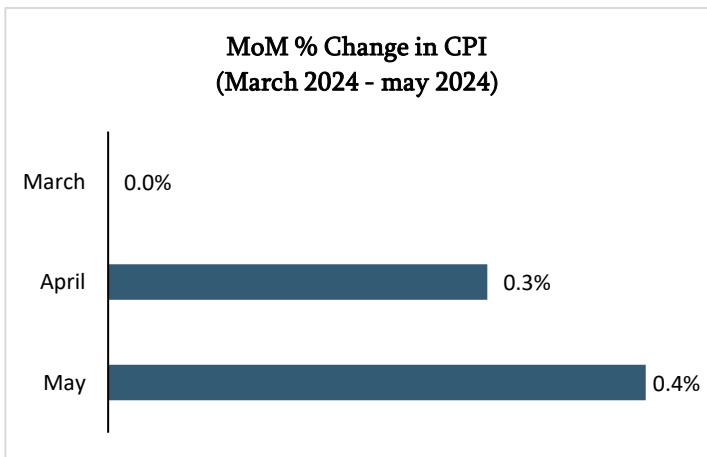
Source: Geostat, 2023.

PRICE HIGHLIGHTS

DOMESTIC PRICES

On a monthly basis, the country's price levels increased between March and May 2024. The Consumer Price Index (CPI) remained unchanged in March 2024 compared to February. The corresponding month-over-month prices increased by 0.3% and 0.4% in April and May, respectively.

Between March and May 2024, the price of food and non-alcoholic beverages, measured by the Food Price Index (FPI), exhibited slight upward trend. While in March and April, food prices remained unchanged compared to previous month, in May, the corresponding month-over-month price increased by

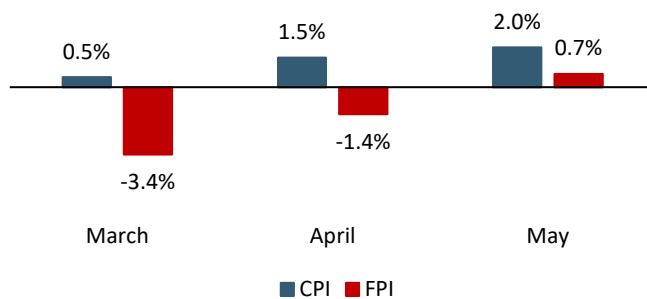


Source: Geostat, 2024. Note: the index value in the previous month was 100.

From an annual perspective, the CPI continued to increase between March and May 2024. This March, the CPI grew by 0.5% compared to March of 2023; the corresponding YoY changes were 1.5% and 2.0%, respectively, for April and May 2024.

In May 2024, the year-over-year prices for food and non-alcoholic beverages also rose moderately, by 0.7%, contributing 0.22 percentage points to the change in total CPI. The main drivers were the price increases in the following sub-groups:

Annual % changes in CPI and FPI



Fruit and Grapes (38.1% ↗)

Vegetables (4.5% ↗)



Mineral waters, soft drinks, fruit and vegetable juices (4.0% ↗)

IN THE SPOTLIGHT: FRUIT AND GRAPES

During spring of 2024, food prices in the Fruit and Grapes sub-category exhibited significant upward trend. Thus, in March, fruit and grapes prices had increased by 25.7% over March 2023, while the corresponding price increases in April and May were 37.9% and 38.1% respectively.

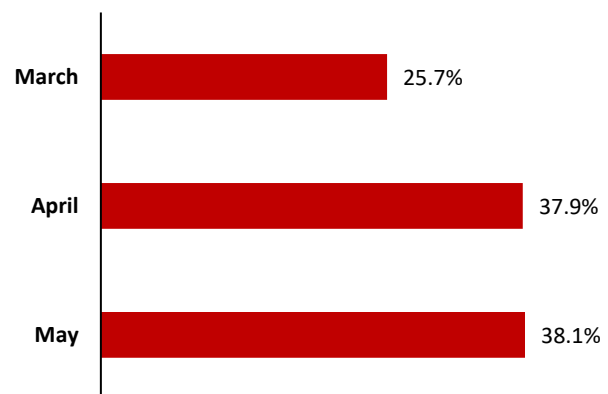
According to Geostat, prices rose for most products in the fruit and grapes sub-category in May 2024. The largest upsurges were observed for peach (66%), apple (65%), plum (57%), pear (32%), grapes (27%); while the corresponding annual inflation rates for May 2023 were negative for all mentioned products.

The increase observed in 2024 fruit and grapes prices might be the result of several reasons. First of all, unfavorable weather conditions - hail and drought - caused declines in local production. Secondly, factors such as disruptions in supply chains and increased costs of production could also contribute to the rising prices. Additionally, global economic conditions and changes in trade policies might have been influencing the prices, making the market more volatile.

Trade statistics reveal that from March-May 2024 the export value of apples, pears and quinces, amounted to 760 thousand. USD, which is 78% less than the same indicator in March-May 2023 (3.5 mln. USD).

This significant decline in export value indicates a substantial drop in the quantity of fruit available for export, likely due to decreased production. During the same period, import value of apples, pears and quinces, amounted to 1.7 mln. USD, which is 39% higher, compared to the same period of previous year (1.2 mln. USD). This increase in import value suggests that local supply was insufficient to meet the demand, necessitating higher imports to fill the gap.

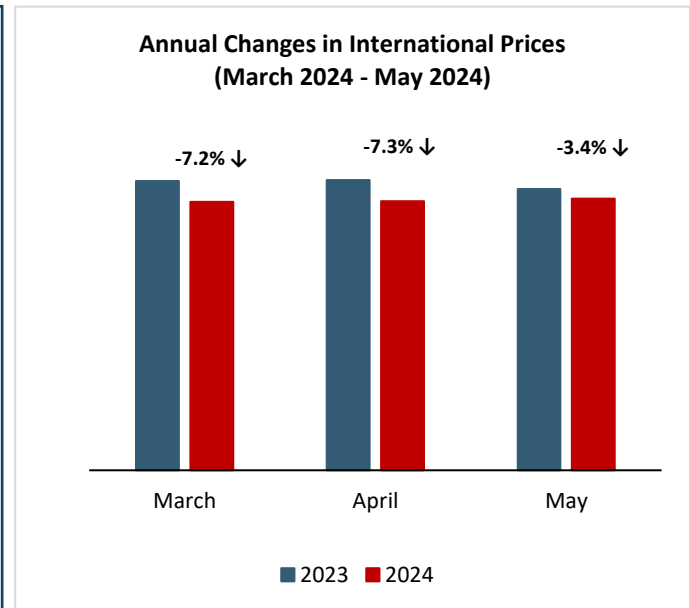
Annual price increases for fruit and grapes (March - May 2024)



Source: Geostat, 2024.

INTERNATIONAL PRICES

Between March and May 2024, 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 (by 7.2%) compared to March 2023. In April and May 2024, the corresponding food price decreases were 7.3% and 3.4%. This decline was primarily driven by notable decreases in the price indices for cereals, sugar, and dairy. In March, April and May Cereal Price Index decreased by 20.0%, 18.0% and 8.2%, compared to the same months of previous year. The drop in wheat prices was primarily due to seasonal pressures from ongoing harvests in the northern hemisphere. Slightly better production forecasts in key exporting nations like Kazakhstan and Ukraine, combined with Turkey's temporary import ban, also played a role in the softer price trend.

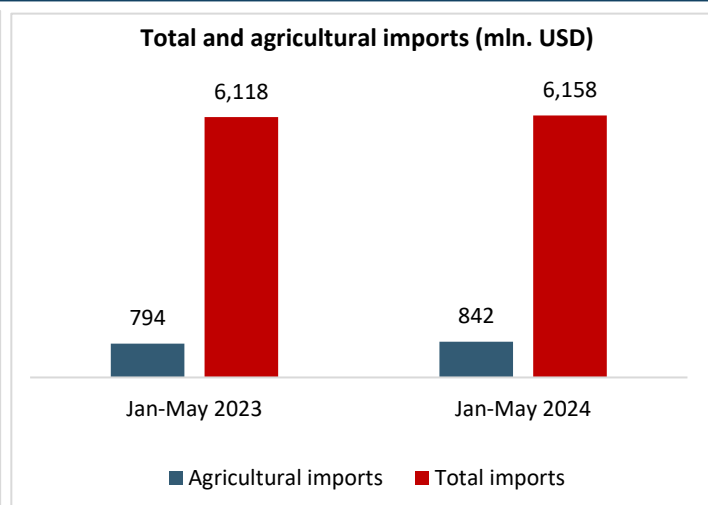
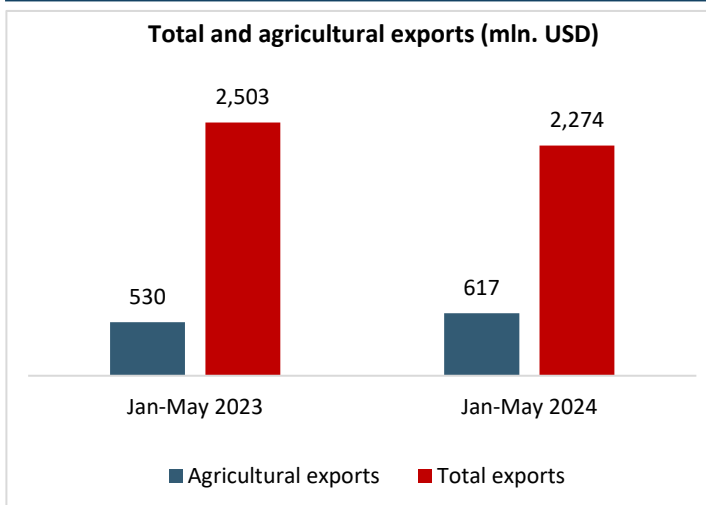


Source: FAO, 2024.

TRADE HIGHLIGHTS

Total Georgian exports in Jan-May 2024 amounted to 2,274 mln. USD, showing a strong deterioration and 9% decrease from the respective period last year (2,503 mln. USD). However, for agri-food exports, a notable 16% increase can be discerned – from 530 mln. USD in 2023 to 617 mln. in 2024. Furthermore, the share of agricultural exports within total export increased from 21% to 27%.

Contrary to total Georgian exports, total Georgian imports increased moderately, by 1%, from 6,118 mln. USD from Jan-May 2023 to 6,158 mln USD over the corresponding period of 2024. Agri-food imports rose from 794 mln. USD in 2023 to 842 mln. USD in 2024, which demonstrates a 6%. The share of agri-food imports in total import increased from 13% to 14%.

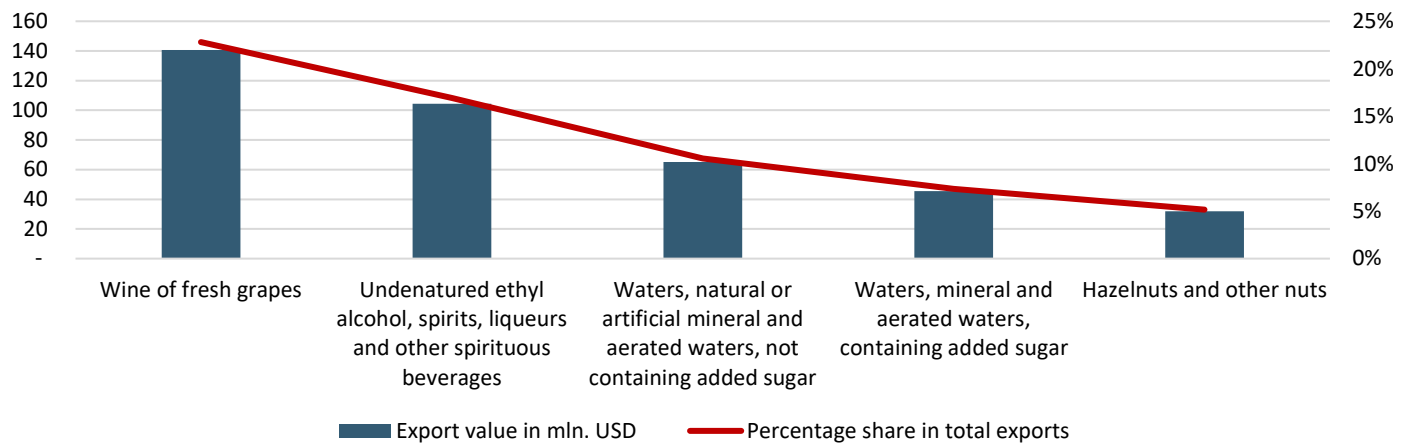


Source: Geostat, 2024.

Note: Agricultural exports and imports include food.

The top agricultural export commodity, traditionally, was wine from fresh grapes. Its export value amounted to 141 mln. USD in Jan-May 2024, and held a share of 23% of total agricultural export. The export of spirit-based beverages amounted to 104 mln. USD with a share of 17% of total agricultural exports. The export of mineral waters amounted to 65 mln. USD holding a share of 11%. While waters containing added sugar equaled 45 mln. USD (a share of 7%), and hazelnut and other nut exports reached 32 mln. USD (5%).

Top 5 agricultural export commodities in Jan-May 2024 (mln.USD)



Source: Geostat, 2024.

Note: Agricultural exports and imports include food.

POLICY WATCH

The Government of Georgia adopts changes in the "Preferential Agrocredit" project.

According to the changes to the financing of dairy, beef and mixed livestock breeding farms, the beneficiary is obliged to provide at least 1 ha of pasture and/or at least 0.5 ha of arable land per head of cattle, during the co-financing period of the loan. As to the hazelnut sector, the amount of loan varies from GEL 5,000 to GEL 300,000 with a co-financing period of 12 months and loan co-financing rate of 8%. The maximum loan amount for the primary production of hazelnuts, calculated per 1 ha, was increased and set at a maximum of GEL 3,000.

For more information follow this link: <https://mepa.gov.ge/En/News/Details/21630/>

Government of Georgia approves the 2024–2027 Action Plan of the Agriculture and Rural Development Strategy of Georgia 2021–2027.

The three primary objectives of the 2024–2027 Action Plan of the Agriculture and Rural Development Strategy of Georgia 2021–2027 include 1) promotion of competitive agricultural and non-agricultural sectors; 2) sustainable use of natural resources, preservation of ecosystems, and climate change adaptation; 3) establishing efficient systems of food products/animal feed safety, veterinary and plant protection.

For more information follow this link: <https://mepa.gov.ge/En/News/Details/21686/>