

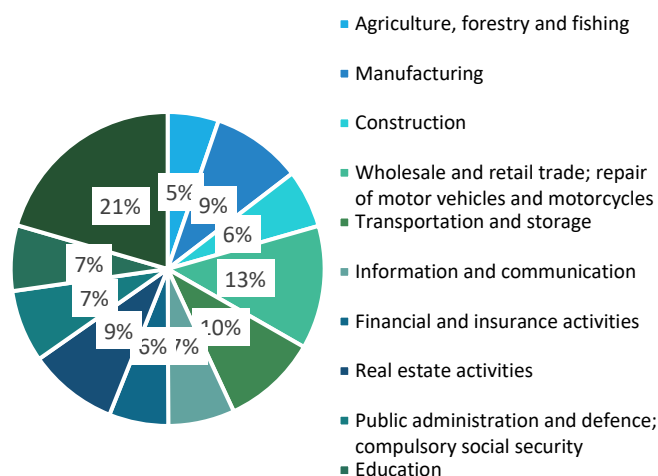
THE SECTOR AT A GLANCE

GENERAL TRENDS

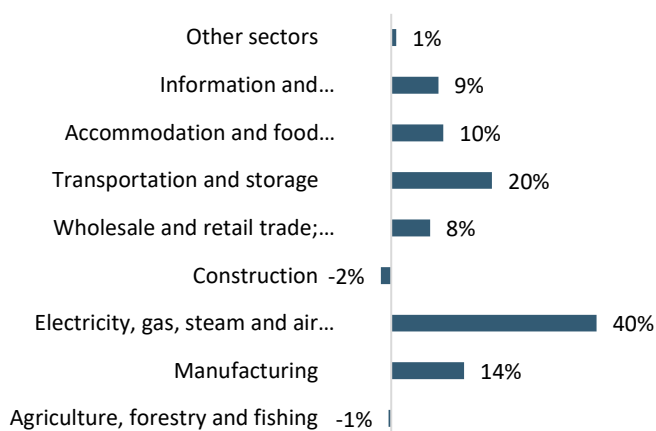
The National Statistics Office of Georgia (GeoStat) has published its second quarterly bulletin for 2024. The publication highlights that the real GDP in agriculture, forestry, and fishing increased by 0.7% compared to the first quarter of 2023. Furthermore, agriculture contributed to 5.3% of the country's total GDP during the first quarter of 2024.

FDI trends within the sector were rather negative. In the first quarter of 2024, FDI in agriculture accounted for -0.9 mln. USD, which indicates outflow of capital within the sector. At the same time, FDI in agriculture remains low compared to other economic sectors – accounting for only -1% of the total FDI in the first quarter of 2024.

GDP structure, quarter I, 2024



FDI by economic sector, quarter I, 2024



Source: GeoStat, 2024.

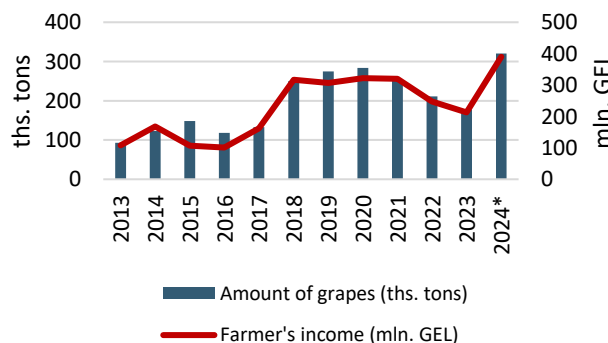
Rtveli 2024 commenced in August. Like previous years, the Government of Georgia (GoG) is subsidizing the grape harvest to support farmers who have suffered from worsening climate conditions. Based on information from MEPA representatives, the subsidy's primary aim is to guarantee that producers with lower-quality grapes can still sell their products.

In the region of Kakheti, companies paying winegrowers at least 1.00 GEL for Rkatsiteli grapes are eligible for state subsidies. Starting on 13 September, the government will compensate any prior sales below the rate of 1.50 GEL on purchases by Harvest Management Company Ltd for each 1 kg of Saperavi grapes.

In Racha, companies paying at least 8 GEL per kilogram for Aleksandrouli and Mujuretuli grapes from the

Khvanchkara microzone qualify for a 4 GEL/kilogram state subsidy. As of October this year, around 320 ths. tons of grapes have been sold, with a corresponding sales revenue of 390 mln. GEL for farmers.

Amount of processed grapes and farmers' income



Source: National Wine Agency, 2024; the Ministry of Environment Protection and Agriculture.

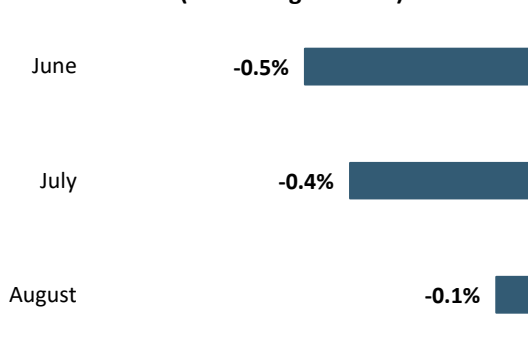
Note: * the data for 2024 was retrieved in October 2024.

PRICE HIGHLIGHTS

DOMESTIC PRICES

Starting from June, on a monthly basis, the country's price levels changed from an increase during the spring to a decline. Specifically, the Consumer Price Index (CPI) decreased, by 0.5%, in June 2024 compared to May. In July and August, this decreasing trend continued, and consumer prices decreased by 0.4% and 0.1%, respectively, over the previous month.

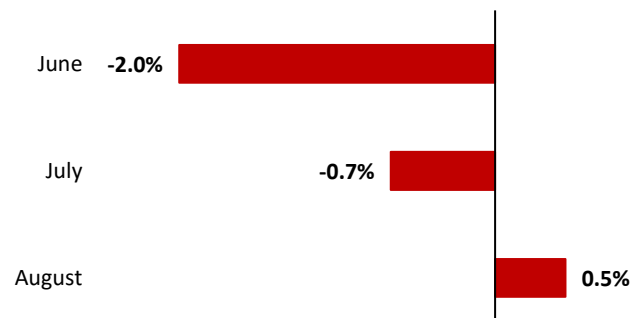
**MoM % change in CPI
(June - August 2024)**



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

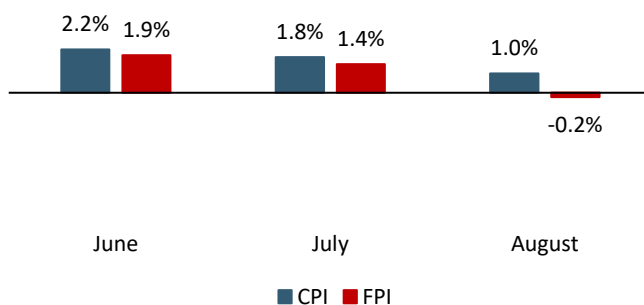
Between June-August 2024, monthly prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also shifted direction. In June and July 2024, food prices decreased by 2.0% and 0.7% compared to the previous month. While the corresponding month-over-month price change was positive by 0.5% in August.

**MoM % change in FPI
(June - August 2024)**



From an annual perspective, the CPI increased between June and August 2024. In June, the CPI rose by 2.2% compared to June 2023, meanwhile the equivalent year-over-year changes were 1.8% and 1.0% in July and August 2024, respectively.

Annual % changes in CPI and FPI



In August 2024, the year-over-year prices of food and non-alcoholic beverages decreased slightly, by 0.2%, contributing -0.05 percentage points to changes in the total CPI. The largest decreases were seen in following food products:



Cabbages (44%↓)

Greens (43%↓)



Watermelons (33%↓)

Source: GeoStat, 2024.

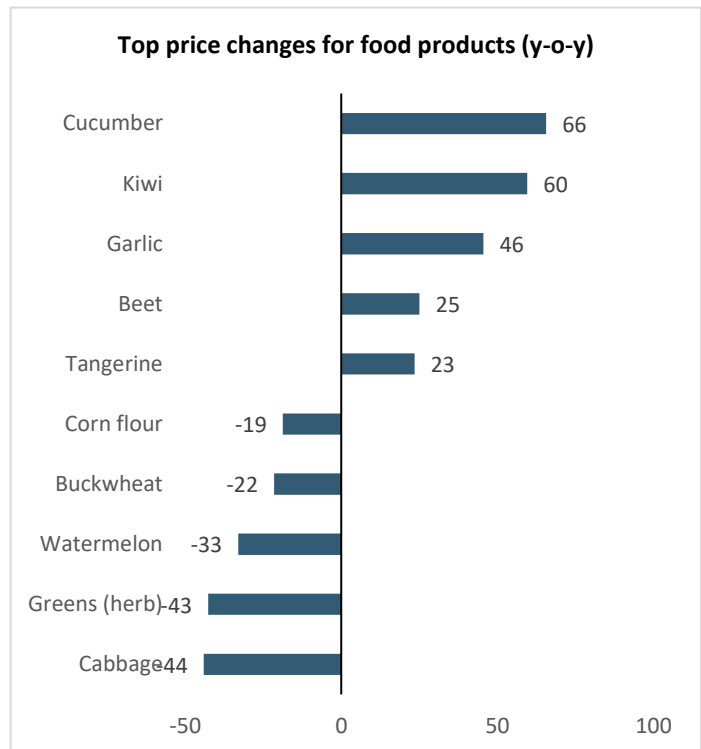
IN THE SPOTLIGHT: TOP PRICE CHANGES FOR FOOD PRODUCTS

In annual terms, the highest decrease was seen in the following food categories: cabbage (44%), greens (43%), watermelon (33%), buckwheat (22%), and corn flour (19%). A Y-o-Y increase was observed in cabbage prices from the start of 2024 until June, however the trend reversed in July and continued with an even stronger decline in August. Regarding greens, the prices have been oscillating since the start of 2024, reached the highest yearly increase in May and the lowest in August. In terms of watermelon prices, there was a declining trend from the start of 2024 until June and July when the prices increased significantly, right before the decline in August. Buckwheat prices have been steadily decreasing throughout the year, and this was even more prominent in the previous month compared to August. For corn flour, the Y-o-Y price decline started from January and reached its highest level in August 2024.

Although some food products experienced significant decreases, there were also notable increases in prices for other products. The top five products to experience a rise in prices were: cucumber (66%), kiwi (60%), garlic (46%), beet (25%), and tangerine (23%).

The significant reliance on imports, driven by limited local production and marked by high seasonality,

remains a major factor contributing to food price volatility in Georgia. It is thus important to study how specific food prices are determined, and how they are transmitted across agri-food markets in Georgia.

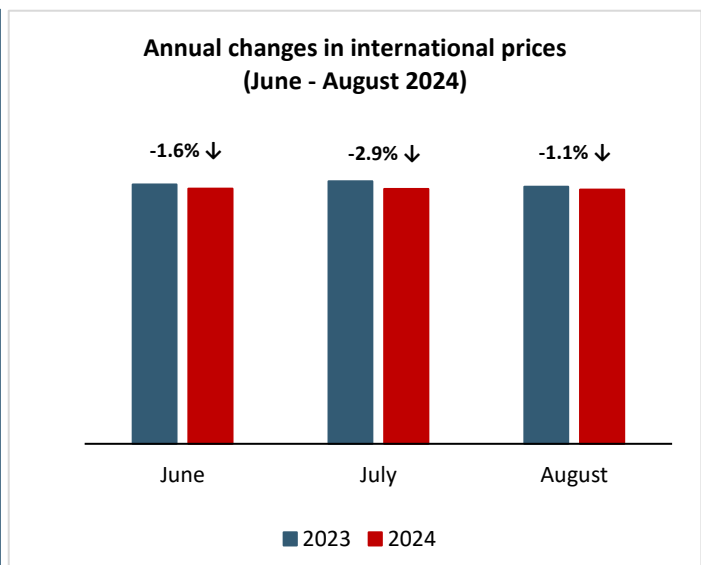


Source: GeoStat, 2024.

INTERNATIONAL PRICES

Between June and August 2024, international prices continued along their declining trend. In August 2024, the Food Price Index, as measured by the Food and Agriculture Organization (FAO), decreased marginally, by 1.1% compared to August 2023. Prices fell for both the sugar (23.2%) and cereal (11.9%) sub-indices. Meanwhile, prices increased for dairy (14.2%), vegetable oils (8.2%), and meat (3.7%) on a Y-o-Y basis.

Additionally, the FAO Sugar Price Index fell to its lowest since October 2022 – due to improved production prospects in Thailand and India for the 2024/25 season, following favorable rainfall that benefited sugarcane crops and lower crude oil prices. However, concerns over fires within Brazil's sugarcane fields led to a late-month price increase, moderating the overall decline.



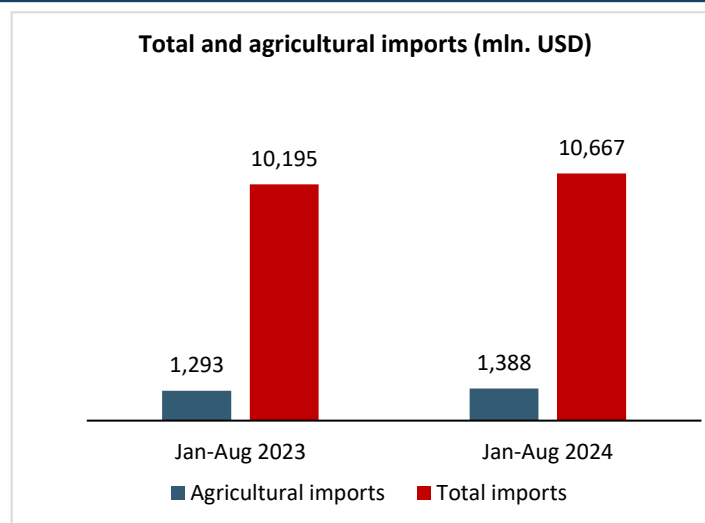
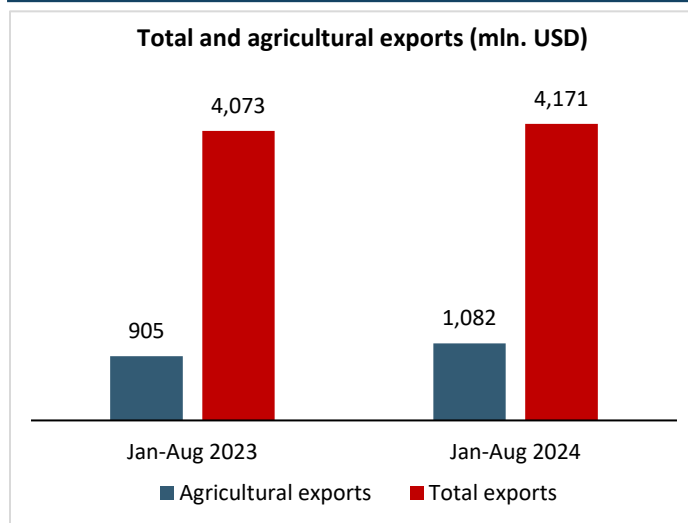
Source: FAO, 2024.

TRADE HIGHLIGHTS

Total Georgian exports from Jan-Aug 2024 reached 4,171 mln. USD, in comparison to the 4,073 mln. in Jan-Aug of 2023, thus corresponding to a 2.4% annual increase. Moreover, agricultural exports displayed the relatively high increase of 19.6% (from 905 mln. USD in Jan-Aug 2023 to 1,082 mln. in 2024). Overall, the share of agricultural exports in total exports rose from 22% in 2023 to 26% in 2024.

Total Georgian imports demonstrated a slightly higher degree of increase than total exports – from 10,195 mln. USD in 2023 to 10,667 mln. in 2024 (4.6%). Agricultural imports followed this trend and increased by 7.4% – from 1,293 mln. in 2023 to 1,388 mln. USD in 2024. Correspondingly, the share of agricultural imports in total imports have not changed and have remained at 13% in both years.

Overall, the growth of both agricultural exports and imports continued over the summer period. When comparing June-August of 2024 to the corresponding period of 2023, agricultural exports and imports increased by 23.7% and 8.5%, respectively.



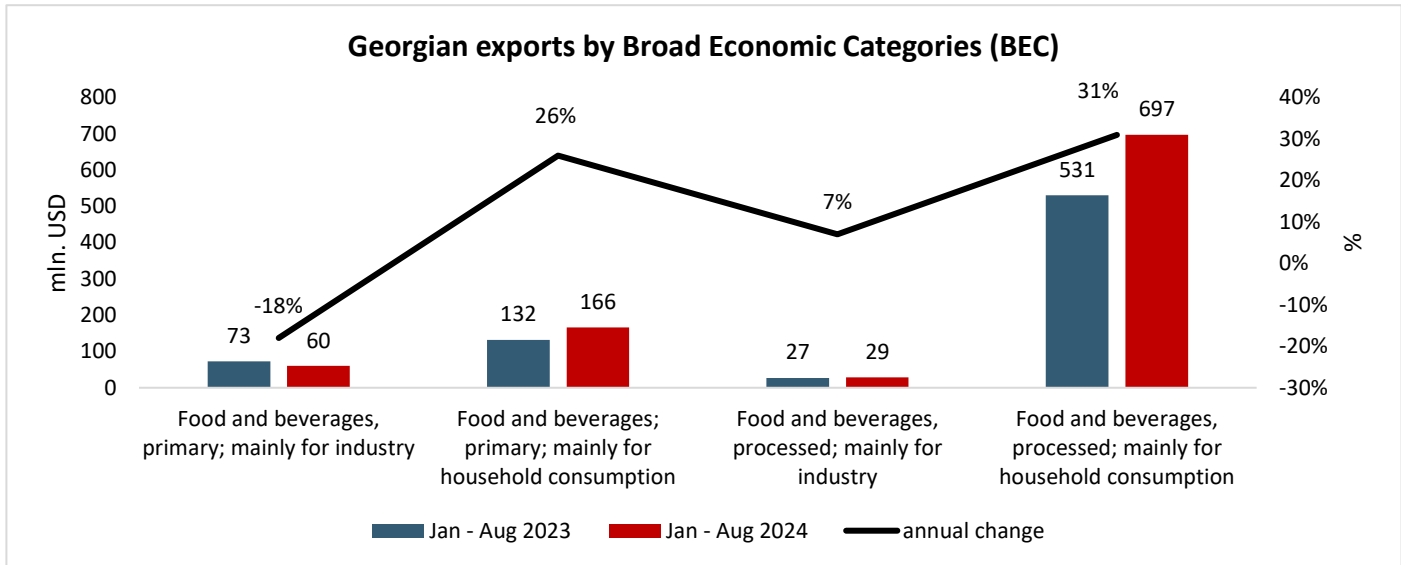
Source: GeoStat, 2024.

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 export value of processed food and beverages (amounting to a 168 mln. USD rise), rather than primary goods, which rose in absolute value by a relatively moderate 21 mln. USD.

To differentiate further in terms of end user, the highest increase, 31%, was observed in the export of processed food and beverages for household consumption (the increase reached 166 mln. USD in absolute value). This was followed by 26% growth in the export of primary food and beverages for household consumption (however, in absolute value the increase was 34 mln. USD). Furthermore, the export of processed food and beverages mainly for industry use constituted a 7% rise, and lastly there was a 18% fall in the export of primary food and beverages for industry use.

It is noteworthy that processed export goods decreased and that the majority of Georgian exports cater to household consumption. From the total agricultural export, 91% is directed towards household consumption, while only 9% is intended for industrial use.



Source: GeoStat, 2024.

Note: Agricultural exports and imports include food.

POLICY WATCH

MEPA SIGNS 12 MLN. USD AGREEMENT WITH A KOREAN COMPANY FOR DESIGNING IRRIGATION SYSTEMS

Under the World Bank’s “Georgia Resilient Agriculture, Irrigation and Land (GRAIL)” project, the Ministry of Environmental Protection and Agriculture has signed two international agreements with the South Korean Yoshin Engineering Corporation for designing irrigation systems. The respective agreements include the preparation of detailed engineering projects/designs, and technical supervision for the rehabilitation works of Tashiskari, the Tirifoni Upper Canal, Zemo Alazani Irrigation Systems, the Shavghele Massif Drainage System, and the Narekavi Reservoir. The total value of the two contracts amounts to 11,936,845 USD.

For more information follow the link: <https://mepa.gov.ge/En/News/Details/22769/>

MINISTER ANNOUNCES TIGHTENING REGULATIONS ON ILLEGAL TIMBER USE

The Minister of Environmental Protection and Agriculture, Mr. Otar Shamugia, spoke to media representatives following a government session, and stated that changes in the criminal law and administrative offences codes drafted by the Ministry intend to tighten the current accountability measures on illegal timber use. The Minister claims that this change was initiated by the Prime Minister and MEPA has already prepared a draft law proposing amendments to the criminal and administrative codes.

For more information follow the link: <https://mepa.gov.ge/En/News/Details/22780/>