

SECTOR AT A GLANCE

THE AGRICULTURAL SECTOR IN 2019

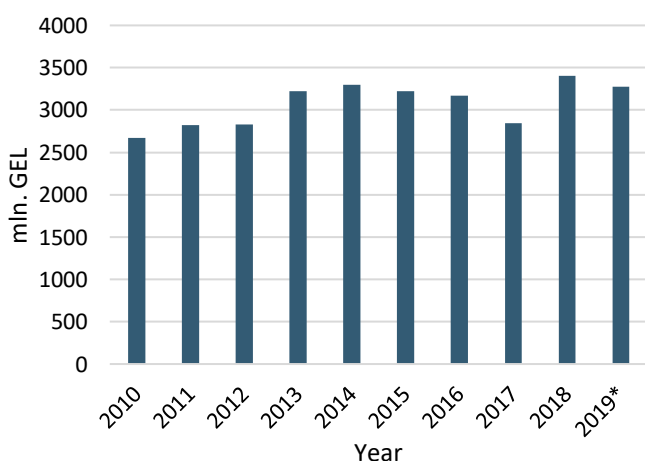
On 15 June 2020, the National Statistics Office of Georgia published its annual publication for the agricultural sector - *Agriculture of Georgia 2019*. The publication shows that agriculture, forestry, and fishing comprised 7.2% of the nominal GDP in 2019, slightly lower than the 7.8% share in 2018, but in line with the general trend over the last five years (on average 7-8% of GDP). In nominal terms, the output of agriculture increased by 4% in 2019 compared to 2018. In real terms agriculture, forestry, and fishing contributed 7.4% to the GDP in 2019, lower than its contribution of 7.9% in 2018. Regarding changes in the output of the sector, the real output declined by 4% in 2019 compared to 2018. Though, the share of income from the sale of agricultural production in the total income of households did not change from 2018; which stood at 5.5% and amounted to a monthly average of 60.3 GEL.

The sown areas of winter and spring crops continued to decline, dropping from 207.1 thousand ha in 2018 to 203.0 thousand ha in 2019.

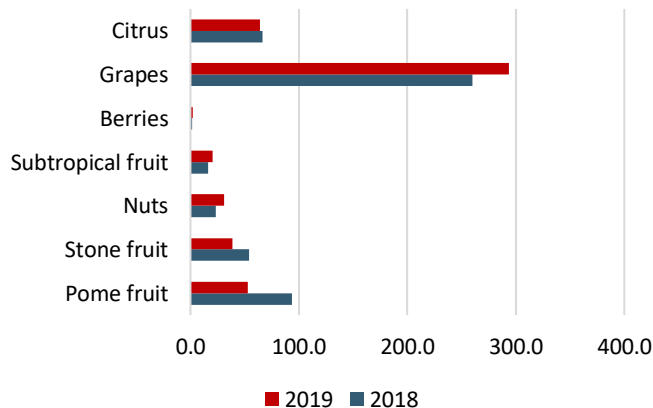
The production of vegetables increased by 13% overall, with the biggest changes in production observed in cabbages, tomatoes, and garlic. The production of cabbages, floral cabbages, and broccoli increased by 58%, while the production of tomatoes increased by 21%. On the other hand, garlic production declined by 58%. Equally, fruit production (including grapes and citruses) declined by 2%. While total fruit production decreased, that of grapes increased by 13%. There was a significant decline in the production of pome (apples, pears) and stone fruits (plums, cherries, peaches) as well as citruses. However, nuts, subtropical fruits, and berries increased.

Overall, plant production in 2019 did not change significantly compared to 2018.

Real Output of Agriculture



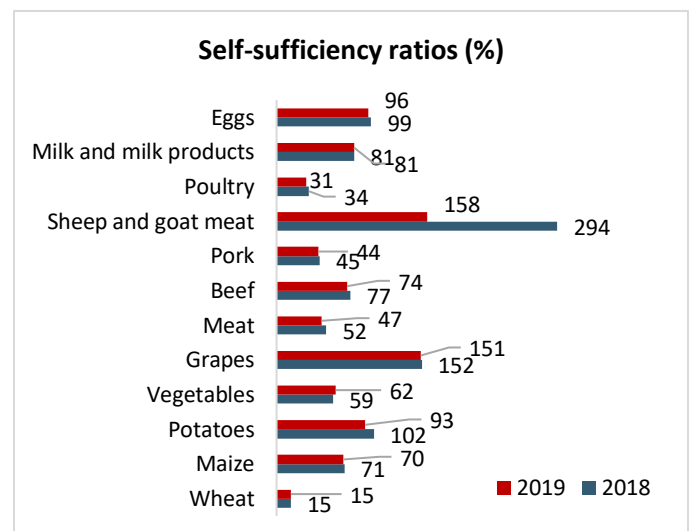
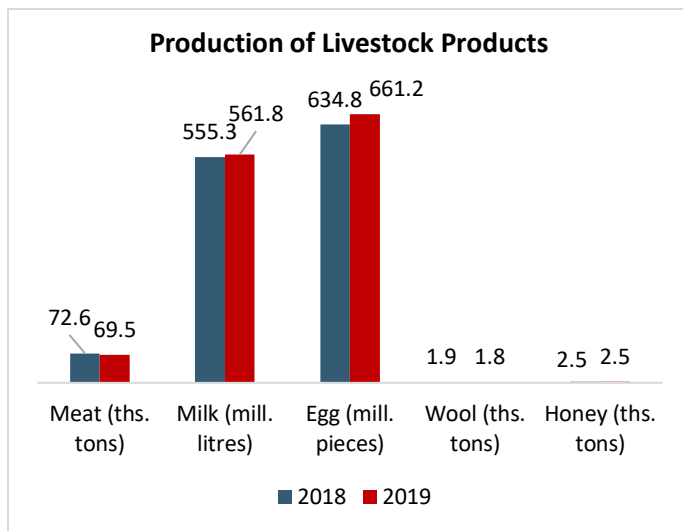
Production of Permanent Crops (ths. tons)



Source: GeoStat, 2020. The real output was calculated by the authors.

Regarding animal husbandry, the number of sheep and poultry increased, while the number of bovine animals, pigs, goats, and of beehives decreased. The production of meat declined by 4%, wool decreased by 5%, while milk and egg production increased by 1% and 4%, respectively. Though, there was no change in honey production. There was, on the whole, no significant change in animal husbandry between 2018 and 2019, either in terms of the amount of livestock or in production.

In terms of self-sufficiency ratios, there was no change for wheat (15%) or milk and milk products (81%). However, self-sufficiency ratios decreased for most agricultural products in 2019 compared to 2018. The biggest reduction was observed with sheep and goat meat, where the self-sufficiency ratio declined from 294% to 158%. The only product that experienced self-sufficiency ratio growth was vegetables; increasing from 59% in 2018 to 62% in 2019.



Source: GeoStat, 2020. The real output was calculated by the authors.

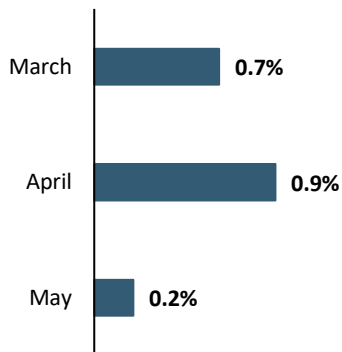
PRICE HIGHLIGHTS

DOMESTIC PRICES

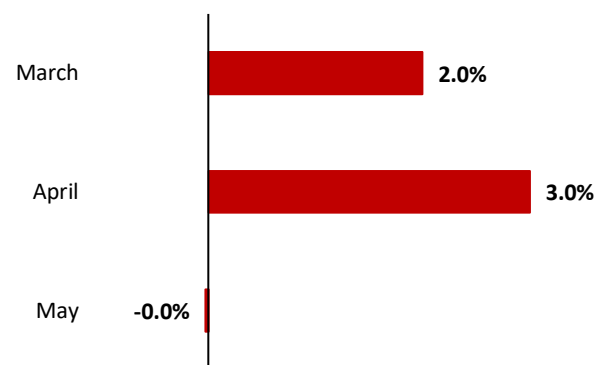
On a monthly basis, the country's price levels increased between March-May 2020. The Consumer Price Index (CPI) in May 2020 slightly increased, by 0.2%, compared to April 2020. In April, prices increased by 0.9% from March 2020. While in March, the corresponding month-over-month price increase was 0.7%.

In March and April, prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also exhibited an upward trend. In April 2020, food prices increased by 3% compared to March 2019, while the corresponding month-over-month price change in March was 2%. Whereas, in May, food prices stabilized and the monthly inflation was almost 0%.

MoM % Change in CPI (March-May 2020)



MoM % Change in FPI (March-May 2020)

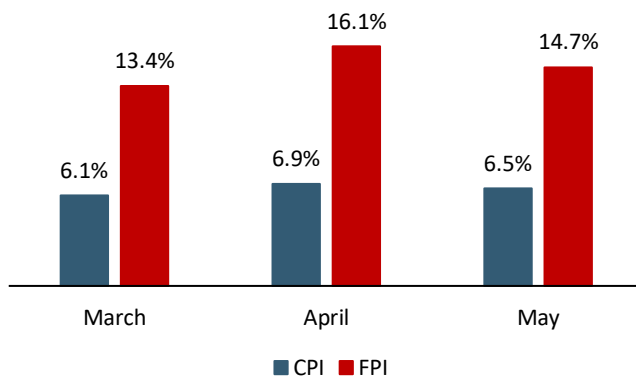


Source: GeoStat, 2020; Note: the index value in the previous month was 100.

From an annual perspective, the CPI continued to increase from March-May 2020. In May 2020, the CPI rose by 6.5% compared to May 2019. Within the period, both the CPI and FPI marked their highest level in April, at 6.9% and 16.1%, respectively.

In May 2020, the year-over-year food and non-alcoholic beverage prices increased dramatically, by 14.7%; contributing 4.58 percentage points to the change in the total CPI. The main drivers were price fluctuations in the following sub-groups:

Annual % Changes in CPI and FPI (March-May 2020)



Fruit and grapes (47.1% ↗)

Milk, cheese, and eggs (24.6% ↗)



Fish (17.1% ↗)

Source: GeoStat, 2020

INTERNATIONAL PRICES

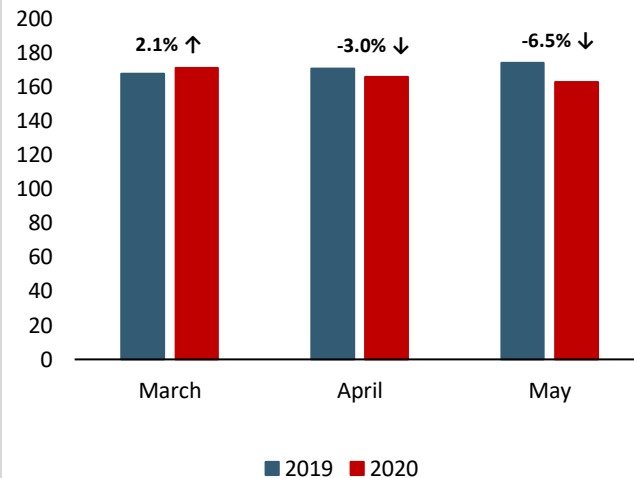
In March 2020, international prices increased on an annual basis by 2.1%. However, from April 2020, international prices were lower than last year. In May 2020, the Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased by 6.5%, compared to the corresponding month of the previous year. The main drivers were the decreasing prices of dairy (-19.6%), sugar (-11.6%), and meat (-3.6%). It is also noteworthy that the month-over-month international prices decreased. The downward trend in international prices is associated with the negative economic effects of COVID-19: due to economic hardships, most countries have diminished import demands.

Unlike international prices, the cost of food in Georgia shows an upward trend both month-over-month and annually. This is largely related to depreciation of the Georgian lari against the US dollar: during March-May 2020, the lari depreciated against the dollar by 15.8% compared to the March-May 2019. As Georgia is a net importer of food commodities, depreciation of the lari has placed upward pressure on food prices.

In addition, disruptions in the supply chains, due to the pandemic, led to food shortages that have further increased Georgian food prices.

Considering the recent relaxation of the COVID-19 restrictions and the resumption of farming activities, Georgian consumers might expect a decrease in prices; fresh, seasonal agricultural products are about to appear on the market, reflecting the increased supply.

**Annual Changes in International Prices
(March-May 2020)**



Source: FAO, 2020

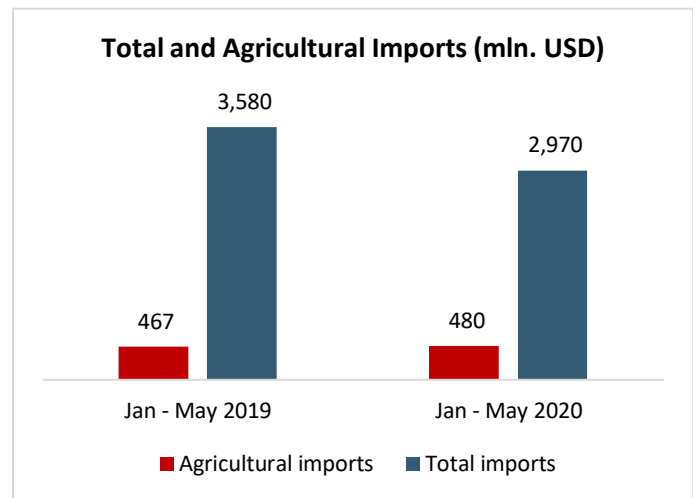
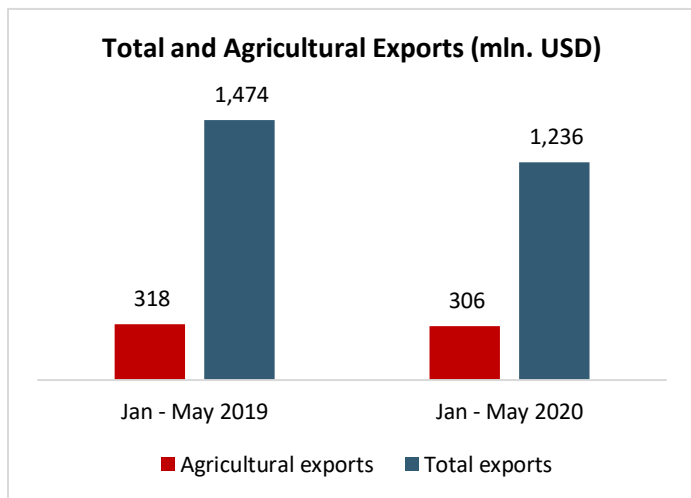
TRADE HIGHLIGHTS

Year-over-year, from January-May 2020, total Georgian exports decreased by 16% compared to the equivalent period of 2019. The same trend is observable with agricultural exports, which dropped by 4%. As to imports, the total in January-May 2020 declined by 17%, from 3,580 mln. USD in 2019 to 2,970 mln. USD in 2020. In spite of local currency depreciation, agricultural imports in this period increased by 3%. These further agricultural imports may be a consequence of the COVID-19 pandemic, causing stockpiling of agricultural and food products; in March 2020 the Georgian government announced an additional 16 mln. GEL would be spent on stocks of sugar (5,000 tons), vegetable oil (1,500 thousand liters), and pasta (500 tons) due to the coronavirus outbreak. Moreover, food importers gained import subsidies from the state and such interventions contributed to the increase in agricultural imports.

The top import agricultural products (by value) in January-May 2020 were:

- wheat and meslin;
- fresh, chilled, or frozen meat and edible poultry offal;
- cigars, cheroots, cigarillos, and cigarettes;
- sugar and chemically pure sucrose.

Although most top product imports increased, cigarettes declined by 34%. The import of sugar grew dramatically, by 152%, while wheat and poultry meat imports maintained relatively small increases, of 1% and 8%, respectively.



Source: GeoStat, 2020

Note: Agricultural exports and imports include food.

POLICY WATCH

The Georgian government attempted to stabilize food prices during the COVID-19 outbreak

On 28 January, the Inter-Agency Coordination Council was established to take preventive measures against COVID-19. In the framework of the council, the Ministry of Environmental Protection and Agriculture (MEPA) became responsible for managing food stocks and supervising food logistics and transportation (MEPA, 2020). In March, the government announced that the state would allocate 10 mln. Georgian lari (GEL) from the MEPA budget to subsidize businesses and insure the prices of nine food products: rice, pasta, buckwheat, vegetable oil, sugar, wheat, wheat flour, milk powder, and beans (Legislative Herald of Georgia, 2020). The program implementation dates were: March 15-May 15 and the state subsidized importers' additional costs due to fluctuations in the exchange rate.

For more information see the following link: <https://mepa.gov.ge/Ge/News/Details/17895>

The government presents the Caring for Farmers and Agriculture anti-crisis plan

On 12 March 2020 the Georgian government presented an anti-crisis plan, *Caring for Farmers and Agriculture*. The proposal entails two forms of aid for agricultural producers: direct assistance and sectorial support. The direct assistance includes supporting smallholders with agricultural cards and cheap diesel fuel, nullifying the cost of land reclamation services, and providing agri credit for working capital. The sectorial support includes grants for greenhouses and cooperatives, new bank concessions for agricultural production, changes in the terms of agri-insurance, support to the dairy sector, and producers' support in adopting international food safety regulations and standards.

For more information see the following link: <https://mepa.gov.ge/Ge/Page/AntiCrisisPlan/>