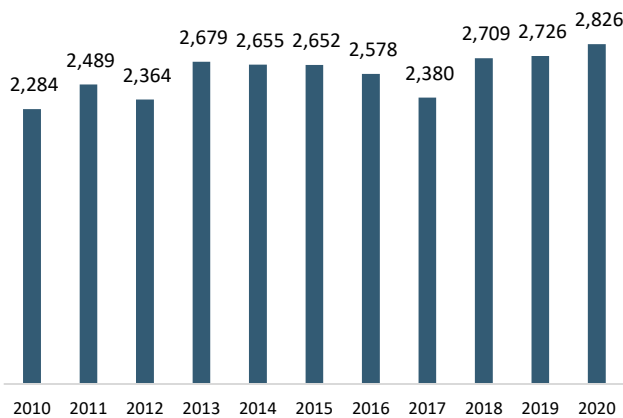


SECTOR AT A GLANCE

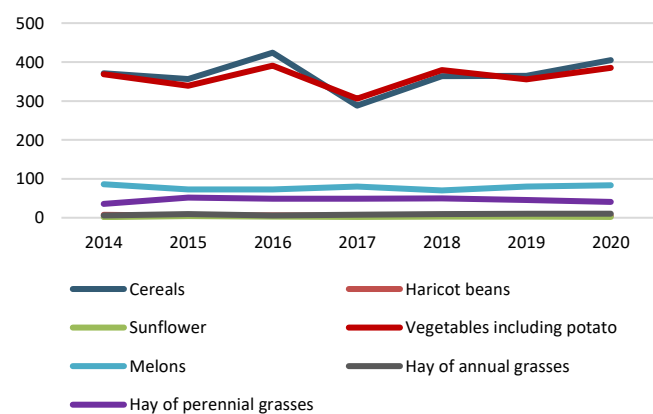
THE AGRICULTURAL SECTOR IN 2020

On 15 June 2021, the National Statistics Office of Georgia published its annual publication for the agricultural sector - *Agriculture of Georgia 2020*. According to the publication, agriculture, forestry, and fishing comprised 8.4% of GDP in 2020, higher than the 7.2% share in 2019, but in line with the general trend over the last five years (agricultural GDP comprising on average 7-8% of GDP). Agricultural GDP in nominal terms increased by 13% on an annual basis. While nominally there is quite a significant increase, in real terms, the change amounted to 4%. Compared to 2019, in 2020 the production of cereals increased by 11%, vegetables – by 8%, melons and hay of annual grasses - by 5% and 4% respectively. As for sunflower, haricot beans, and hay of perennial grasses, their production decreased by 27%, 12%, and 10% respectively.

Agricultural GDP at 2015 prices (mln. GEL)

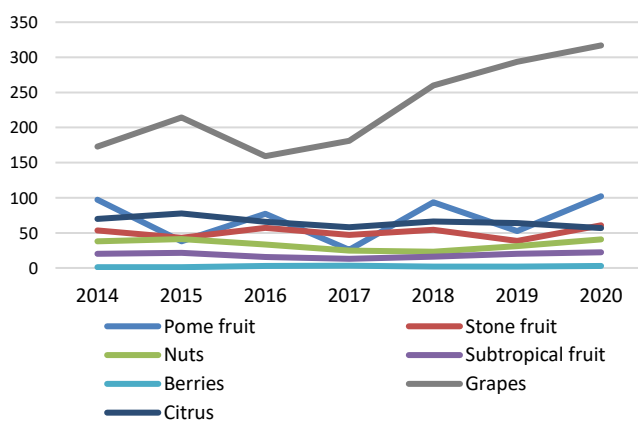


Production of annual crops (ths. tons)

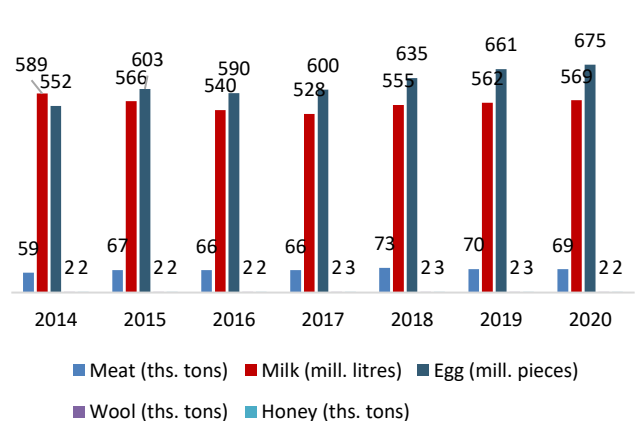


Production of all permanent crops except citrus increased annually by 8%-94% in 2020 compared to 2019. The biggest increase of 94% was observed in the case of pome fruit (apple, pear, quince), while production of citrus declined by 11%. As for livestock production, wool production increased by 6%, egg and milk production increased by 2% and 1% respectively, while meat production remained unchanged.

Production of permanent crops (ths. tons)

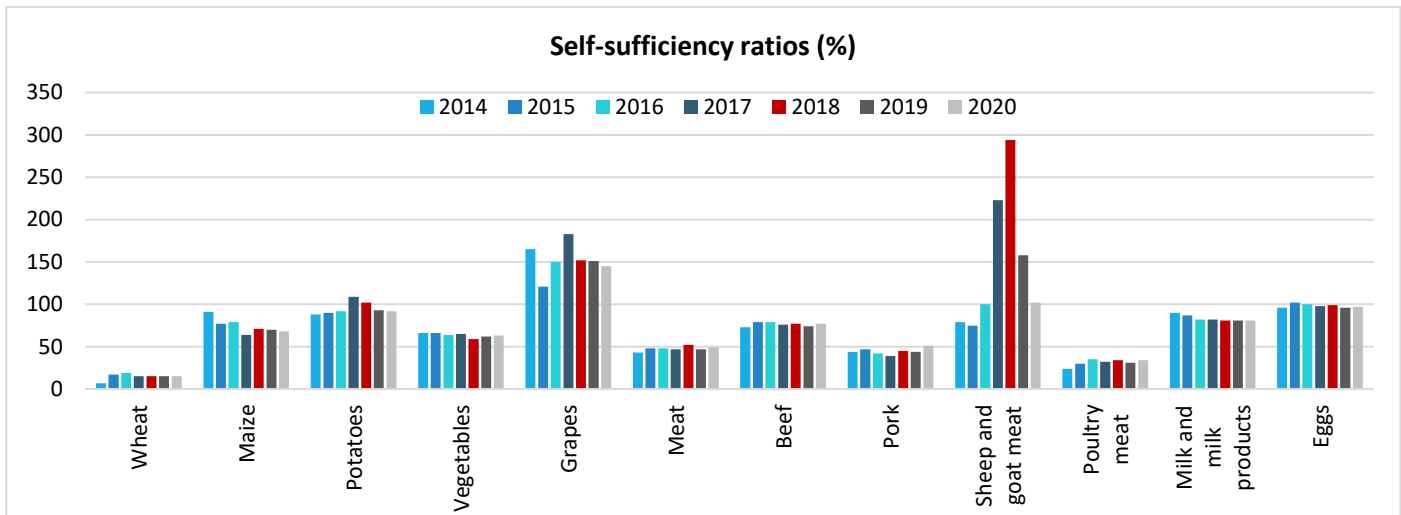


Production of livestock products



Source: Geostat, 2021.

In terms of self-sufficiency ratios, there was no change for wheat which has stayed at the 15% mark for the last 4 years. There is a declining trend for maize, as its production is decreasing. The same is true for milk and milk products and vegetables. There has been a slight increase for meat and potatoes over the last 7 years and a slight reduction for eggs. The self-sufficiency rates for grapes and sheep and goat meat exhibit high volatility.



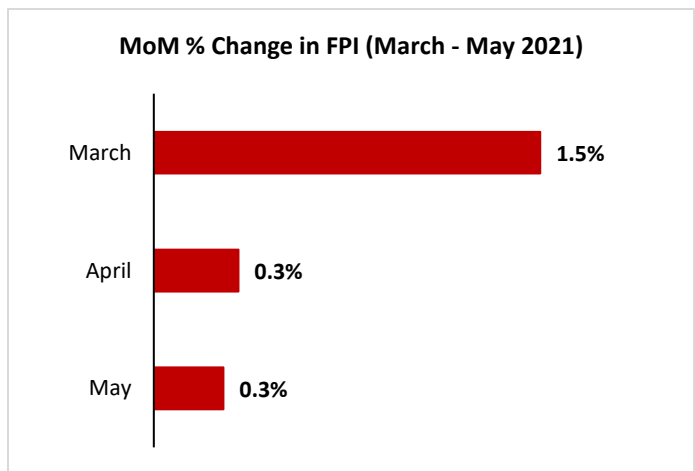
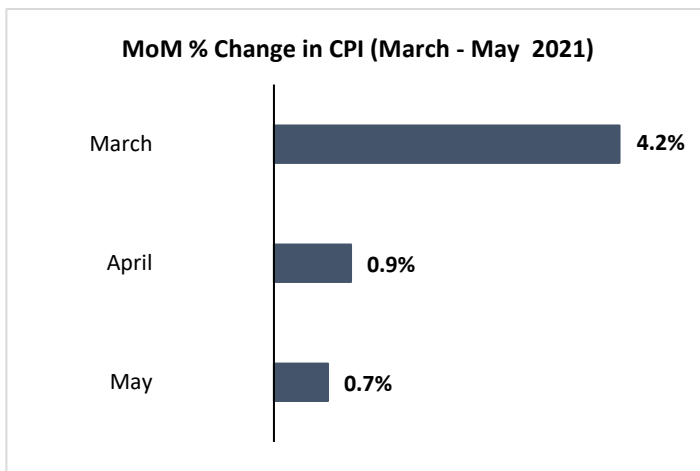
Source: Geostat, 2021.

PRICE HIGHLIGHTS

DOMESTIC PRICES

In March 2021, the Consumer Price Index (CPI) increased by 4.2% compared to February 2021. In the following months, the country's price levels stabilized on a monthly basis. In April 2021, prices increased by 0.9% from March 2021, while the corresponding month-over-month price change in May 2021 was 0.7%.

During March-May 2021, the monthly food price inflation rate also exhibited a downward trend. In March 2021, food prices measured by the Food Price Index (FPI) increased by 1.5% from February 2021, while in April and May 2021, the month-over-month food inflation rate decreased and remained at 0.3%.

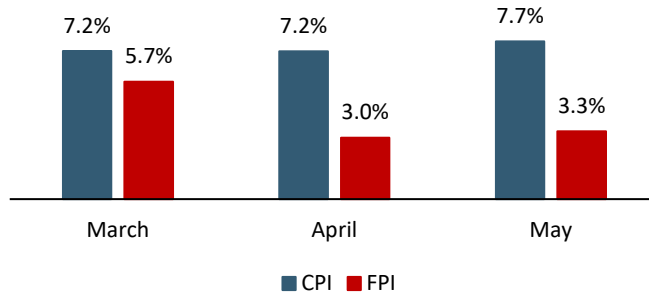


Source: GeoStat, 2021; Note: the index value in the previous month was 100.

From an annual perspective, the CPI continued to increase between March – May 2021. In March and April 2021, the CPI rose by 7.2% on an annual basis. In May 2021, annual inflation marked its highest level and reached 7.7%.

In May 2021, year-over-year prices for food and non-alcoholic beverages increased by 3.3%, contributing 1.07 percentage points to the change in total CPI. The main drivers were price fluctuations in the following sub-groups:

Annual % changes in CPI and FPI



Source: GeoStat, 2021



Oils and fats (42.7%↗)

Vegetables (-23.3%↘)



Fruit and grapes (-20.9%↘)

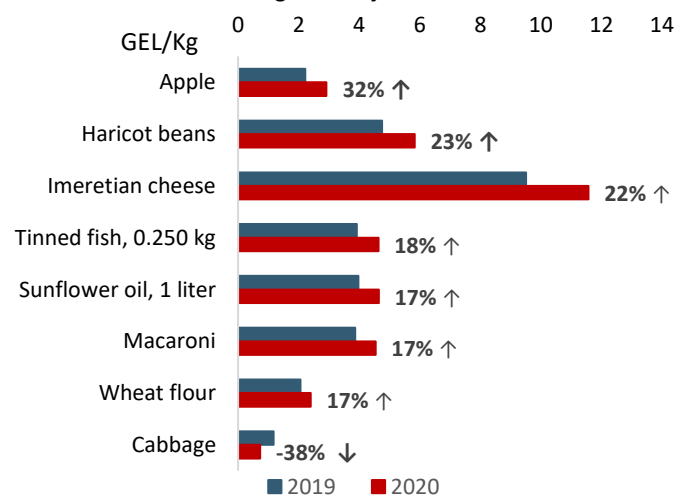
FOOD PRICE HIGHLIGHTS OF 2020

In 2020, prices for food and non-alcoholic beverages increased by 10% on average. According to GeoStat’s recent publication “Agriculture of Georgia 2020”, annual prices increased for almost every major food commodity in 2020. Prices increased most for apples (32%), haricot beans (23%), Imeretian cheese (22%), tinned fish (18%), sunflower oil (17%), macaroni (17%), and wheat flour (17%). Meanwhile, price decreases were observed for cabbage (-38%) and onions (-9%). The main driver of price increases was the depreciation of the Georgian lari against the US dollar as Georgia is a net importer of food commodities. During 2020, the Georgian lari depreciated against the US dollar by 10.3% from 2.82 to 3.11 compared to 2019 (National Bank of Georgia, 2021).

The lockdowns and disruptions in supply chains associated with the COVID-19 pandemic further increased food prices. In addition, countries took precautionary and restrictive measures on food trade as the pandemic posed significant risks to food security; for example Russia, which is the major import partner of Georgia in terms of food, restricted exports of wheat, grains, and sunflower oil.

The upward trend of food prices in import countries was transmitted to Georgia’s local prices. It should be mentioned that in terms of harvest, 2020 was a good year for Georgian agriculture. The output of agriculture and food production also increased. However, these positive trends in production were not enough to balance the effects of exchange rate and COVID-19 related restrictions on food prices.

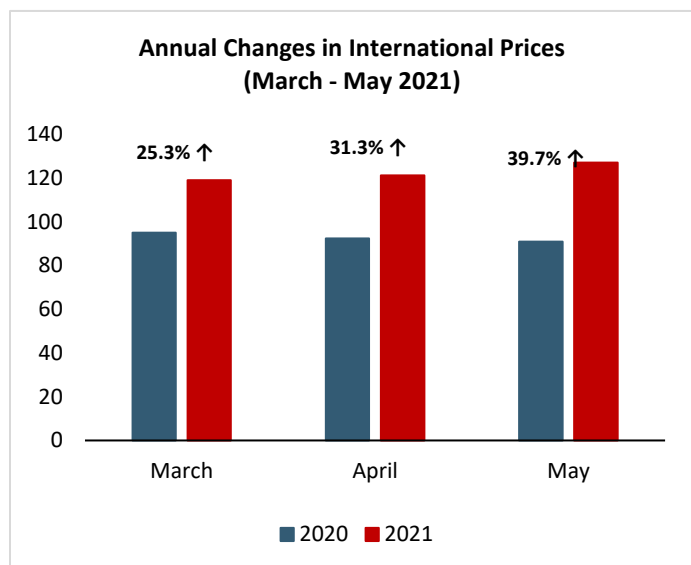
Annual Price Changes of Major Food Commodities



Source: GeoStat, 2021

INTERNATIONAL PRICES

During March – May 2021, international prices exhibited an upward trend on both a monthly and annual basis. In May 2021, the Food Price Index, measured by the Food and Agriculture Organization (FAO), increased drastically, by 39.7% compared to May 2020, and marked the highest level since September 2011. The May increase in the FPI was driven by strong gains in vegetable oils (124%), sugar (57%) and cereals (37%) along with firmer dairy (28%) and meat (10%) prices. Such a sharp increase in vegetable oil prices was driven by increases in palm, soy, and rapeseed oil values due to rising global import demand, while sugar prices rose due to harvest delays and concerns over reduced crop yields in Brazil, the world's largest sugar exporter.

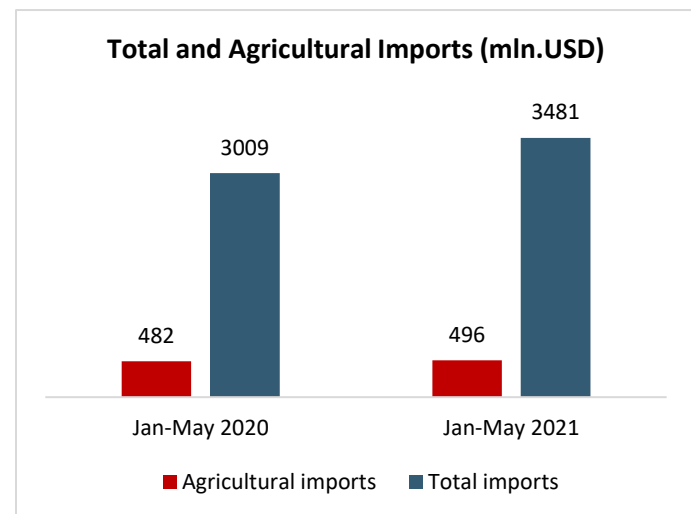
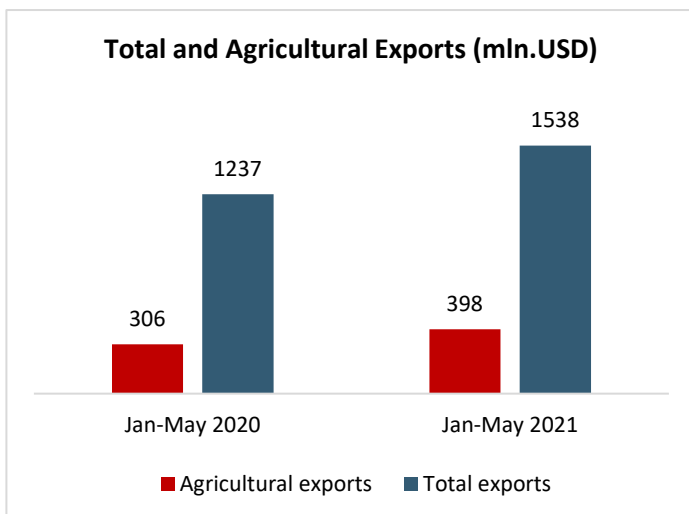


Source: FAO, 2021

TRADE HIGHLIGHTS

On an annual basis, in Jan-May of 2021 total exports increased by 24%. The change in agricultural exports was even higher and amounted to 30%. Agricultural exports comprised 26% of total exports in 2021.

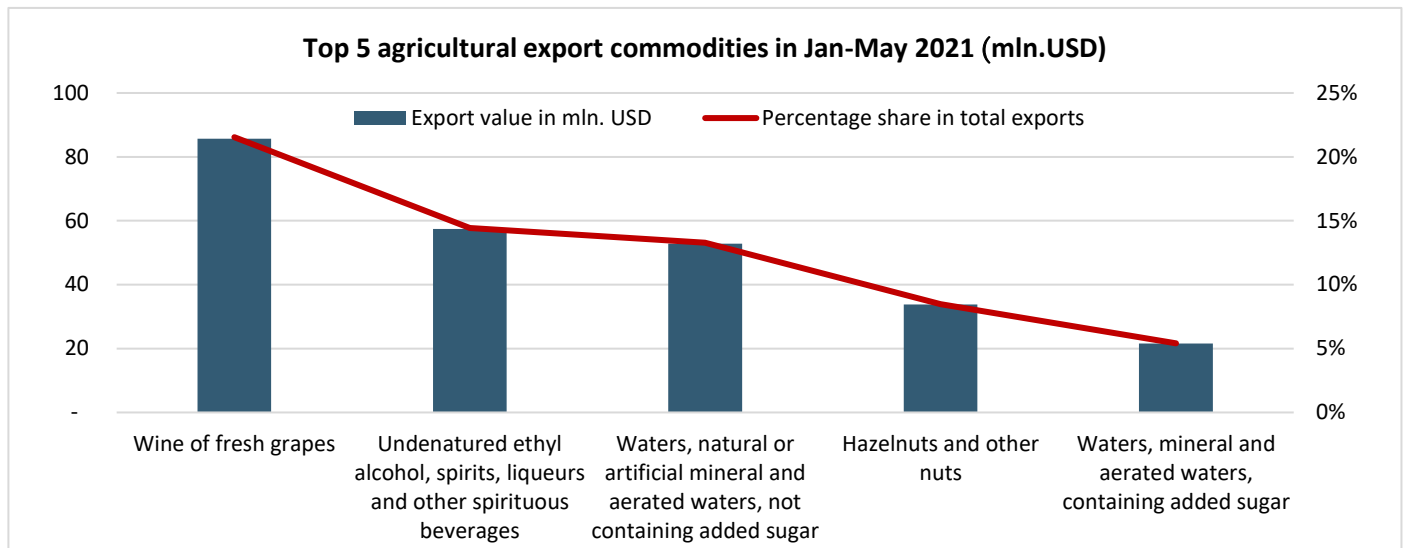
As for imports, total imports increased by 16% from 3,009 mln. USD in Jan-May 2020 to 3,481 mln. USD in Jan-May 2021. Agricultural imports also increased, but slightly by 3% and comprised 14% of total imports in 2021.



Source: Geostat, 2021

Note: Agricultural exports and imports include food.

Traditionally the top export agricultural commodity is wine of fresh grapes. Its exports amounted to 86 mln. USD in Jan-May 2021, comprising 22% of total agricultural exports. The exports of other spirituous beverages amounted to 57 mln. USD and 14% of total agricultural exports. The exports of mineral waters equaled 53 mln. USD (share of 13%), hazelnuts and other nuts - 34 mln. USD (share of 8%) and waters containing sugar - 22 mln. USD (share of 5%).



Source: Geostat, 2021

POLICY WATCH

The Government has approved changes to the Preferential Agro Credit project

The Government of Georgia has approved amendments to the Preferential Agro Credit project. At the initiative of the Ministry of Environmental Protection and Agriculture, a new target has been added to the Preferential Agro Credit project. Within the framework of the project, it became possible to purchase, install, and arrange renewable energy sources, which will help reduce the impact on the environment. At the same time, it will increase the introduction of the practice of using renewable energy sources in agricultural activities.

For more information see the following link: <https://mepa.gov.ge/Ge/News/Details/20407>

GEL 7 billion will be spent on agriculture - the government's 10-year plan

On the first of July, the Prime Minister of the country, Irakli Gharibashvili, presented the Ministry of Environmental Protection and Agriculture of Georgia's ten-year plan. According to the plan, the government and the private sector will invest 7 billion GEL in agriculture in the coming years.

For more information see the following link: https://tabula.ge/ge/news/669461-soplis-meurneobashi-7-miliardi-lari-daikharjeba?fbclid=IwAR081OR5bYD9YkjIWYw-ur_wSk3P0hcw3BFAhT7Z7DyQK8SbpkyWqptQ4mQ