

**SECTOR AT A GLANCE**

**2020 Budget of the Ministry of Environmental Protection and Agriculture of Georgia**

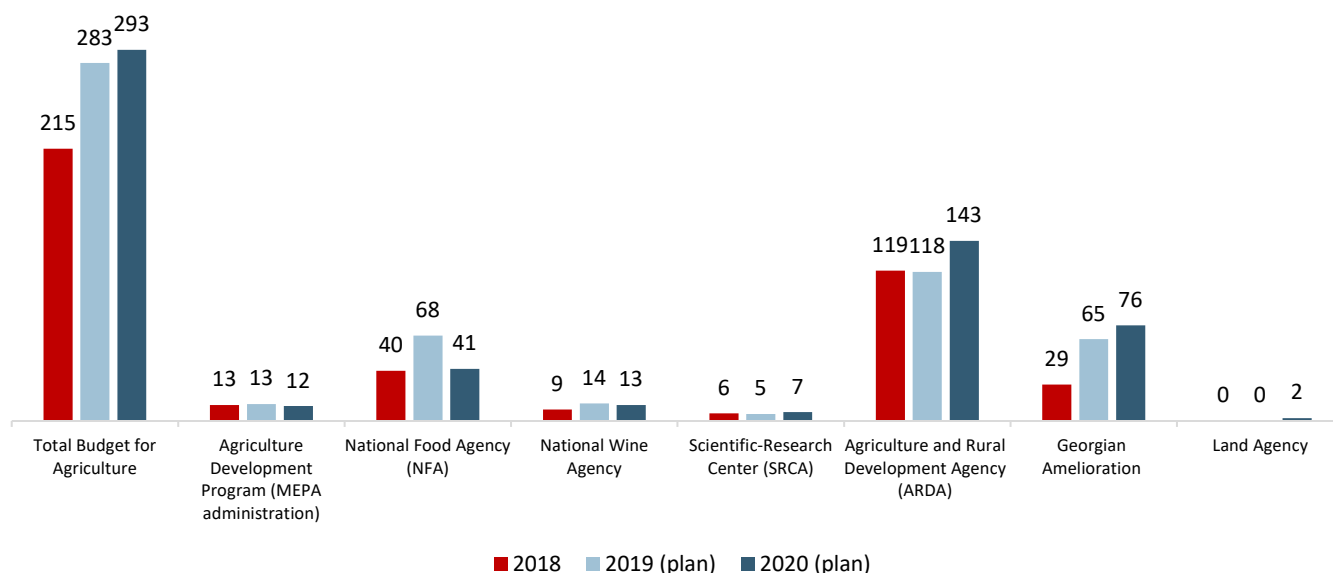
On December 10, the parliament of Georgia approved the state budget for 2020. The budget includes allocations of around 14.4 billion GEL. Out of which, the Ministry of Environmental Protection and Agriculture (MEPA) will receive 353 mln. GEL (2.4% of the total budget allocation). MEPA will direct approximately 293 mln. GEL (2.0% of the total budget allocation) towards agricultural development and 60 mln. GEL (0.4%) will be spent on environmental protection.

Compared to 2019, the budget for agricultural development will increase by around 4%. More state funds will be allocated to the Scientific-Research Center (SRCA), the Agriculture and Rural Development Agency (ARDA) and Georgian Amelioration, while the budget will slightly decrease for the National Food Agency (NFA), the Agriculture Development Program (MEPA administration), and the National Wine Agency.

Although the redistribution of funds has changed slightly, as in previous years, the biggest share of MEPA's funds will further support ARDA (143 mln. GEL), Georgian Amelioration (76 mln. GEL), and the NFA (41 mln. GEL). ARDA will continue financing about ten programs, including a preferential agro credit project with the highest budget of 74 mln. GEL. It should be noted that the Agricultural Cooperative Development Agency (ACDA) is now also under ARDA's umbrella.

MEPA will allocate approximately 2.4 mln. GEL for establishing a new agency focusing on land issues. Specifically, the national agency for sustainable land management and land use monitoring, with 70 employees, will be in charge of developing an agricultural land policy, collecting data on agricultural land use, and establishing a unified database for the land balance in Georgia.

**Total Budget for Agriculture and its priorities  
 (mln. GEL, 2017-2020)**



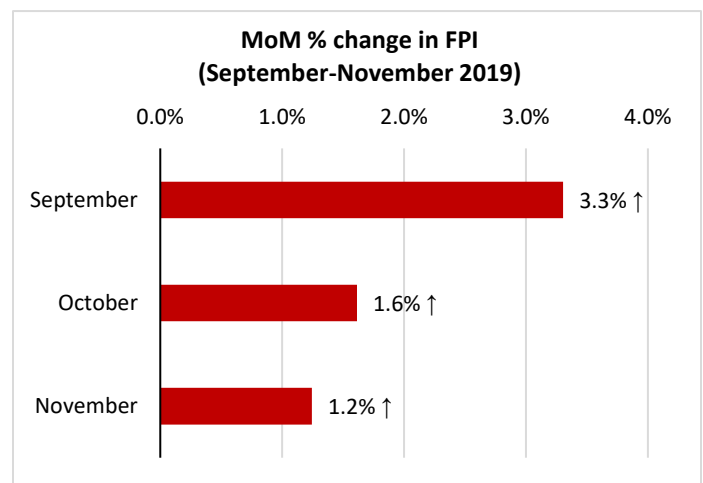
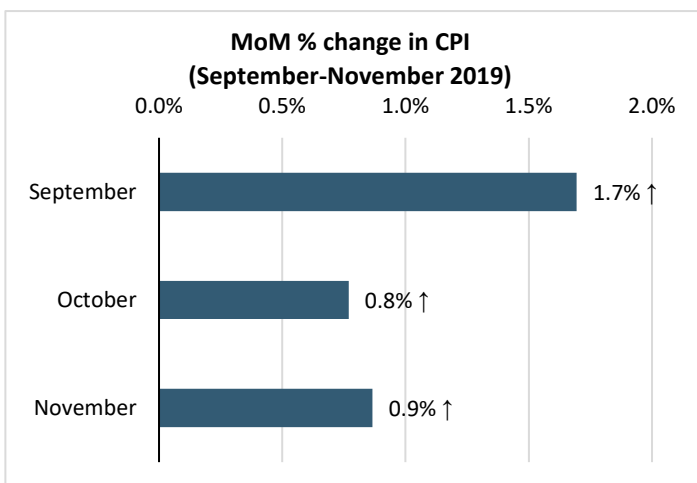
Source: Ministry of Finance. The share of the budget for agriculture has been calculated by the authors.

## PRICE HIGHLIGHTS

### DOMESTIC PRICES

On a monthly basis, the country's price levels increased during September-November 2019. The Consumer Price Index (CPI) in November 2019 was 0.9% higher than in October 2019. While in October 2019, the corresponding price increase was 0.8% from September 2019. During this period, the biggest month-over-month change in CPI was observed in September (1.7%).

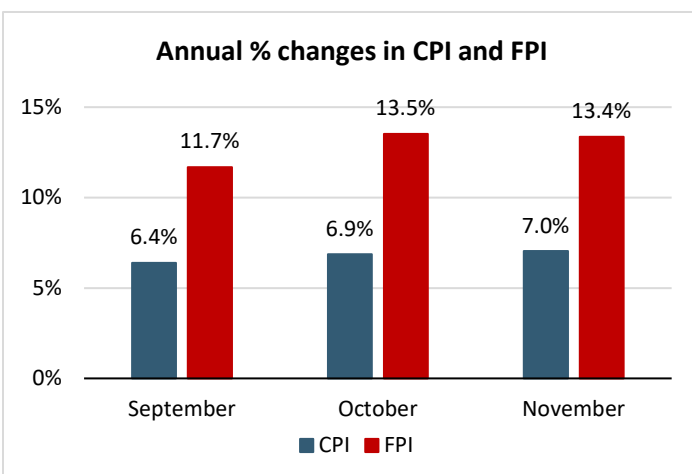
During the same period, prices for food and non-alcoholic beverages, measured by the Food Price Index (FPI), also exhibited an upward trend. In November 2019, food prices increased by 1.2% compared to October 2019, while the corresponding month-over-month price change in October was 1.6% and 3.3% in September 2019.



Source: GeoStat, 2019; Note: the index value in previous month is 100.

From an annual perspective, the CPI continued to increase from September-November 2019. In November 2019, the CPI rose by 7.0% compared to November 2018 and marked its highest level within the indicated period.

In November 2019, the year-over-year prices of food and non-alcoholic beverages increased dramatically, by 13.4%; contributing 4.02 percentage points to the change in the total CPI. The main drivers were price fluctuations in the following sub-groups:



Fruit and grapes (30.2%↗)

Vegetables (16.2%↗)



Milk, cheese, and eggs (15.4%↗)

Fish (14.5%↗)



Source: GeoStat, 2019

## IN THE SPOTLIGHT: FRUIT AND GRAPES

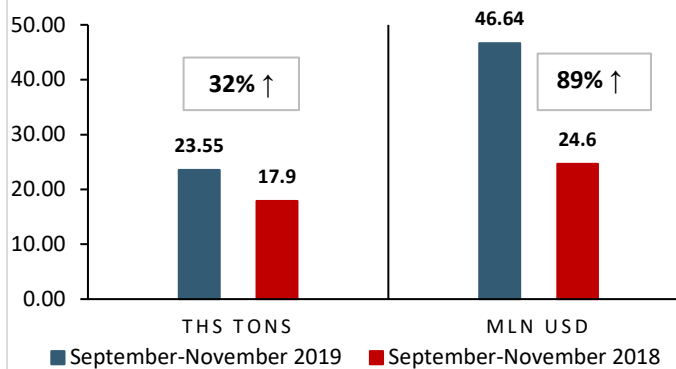
During September-November 2019, the price of fruit and grapes was particularly noticeable. In November 2019, the year-over-year prices for this category increased by 30.2% compared to November 2018.

Such a sharp increase in fruit prices may be the result of a shortage in supply. The depreciation of the Georgian lari improved the competitiveness of domestic fruit in foreign markets, therefore, both the quantity and value of exported fruit and grapes (in USD) increased on an annual basis. From September-November 2019, the quantity of exported fruit and grapes increased by 32%, while the corresponding increase in value was 89% (MoF, 2019).

On the other hand, trade statistics reveal that the import value of fruit and grapes increased by 7% in the September-November 2019 period, whereas the corresponding change in the value of imported fruit, expressed in USD, decreased by 27%.

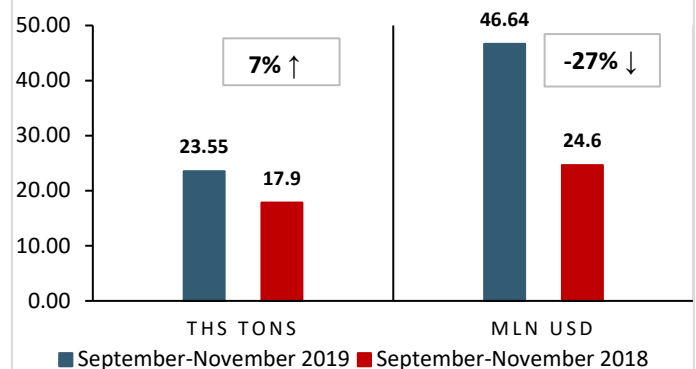
It appears that the depreciation of the lari boosted the exports of fruit, which led to a shortage in supply within local markets. In order to meet the domestic demand, the quantity of more expensive imported fruit increased, reflected in the increased price. Unfortunately, the data on domestic production is not yet available to better understand the recent trends on fruit markets.

**QUANTITY AND VALUE OF EXPORTED FRUIT**



Sources: MoF, 2019;

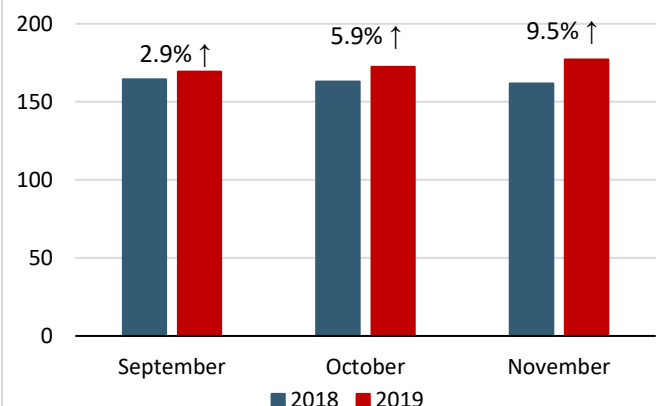
**QUANTITY AND VALUE OF IMPORTED FRUIT**



## INTERNATIONAL PRICES

In September-November 2019, international prices were higher than last year: in November 2019, the Food Price Index, measured by the Food and Agriculture Organization (FAO), increased drastically by 9.5%, compared to the corresponding month of last year. The main drivers were the price increases for vegetable oil (20.2%), meat (17.2%), and dairy (9.5%). Such a sharp hike in the price of vegetable oil was mainly due to slowdowns in the major producing countries that led to a shortage in supply. As for meat, the prices increased due to tight export availabilities against a persistent strong import demand, especially from China.

**Annual changes in world prices**

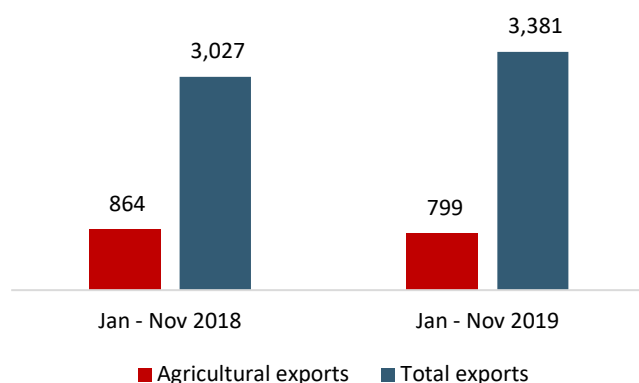


Source: FAO, 2019

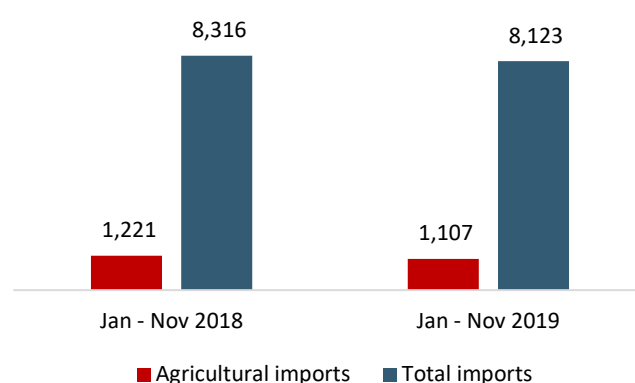
## TRADE HIGHLIGHTS

Year-over-year, total Georgian exports increased between January-November, by 11.7% (from 3,027 mln. USD in 2018 to 3,381 mln. USD in 2019). While total exports increased, agricultural exports decreased by 7.5% for the same period. Considering imports, both total imports and agricultural imports decreased on a yearly basis. Total imports decreased by 2.3%, from 8,316 mln. USD in 2018 to 8,123 mln. USD in 2019, while agricultural imports declined by 9.3%, from 1,221 mln. USD in 2018 to 1,107 mln. USD in 2019. The decrease in agricultural imports can be partially attributed to the depreciation of the Georgian lari against the currencies of the major trading partners, as well as the USD and EUR. The Georgian Lari depreciated against the Turkish lira by 4%, Russian ruble – 17%, US dollar – 11% and EUR – 8%. While a weak national currency usually positively affects exports, agricultural exports did not increase during this period.

**Total and agricultural exports (mln. USD)**



**Total and agricultural imports (mln. USD)**



Source: Geostat, 2019

Note: Agricultural exports and imports include food.

## POLICY WATCH

### ***The Government of Georgia approved the Rural and Agricultural Development Strategy 2021-2027***

The Rural and Agricultural Development Strategy 2021-2027 was based on the analysis of existing strategies, in consideration of the results of programs/reforms implemented, as well as EU experiences. The strategy includes the priorities of the Government of Georgia, as well as sectoral or multisectoral directions and approaches targeted at agricultural and rural development. (A brief analysis of this strategy can be viewed in our previous Agri Review publication: [http://iset-pi.ge/images/AGRIndex/Agri\\_Review/Agri\\_Review\\_October\\_2019\\_ENG\\_Full.pdf](http://iset-pi.ge/images/AGRIndex/Agri_Review/Agri_Review_October_2019_ENG_Full.pdf))

For more information follow the link: <https://mepa.gov.ge/En/News/Details/11792>

### ***USAID supports Georgia in certification of seedlings***

Under the agricultural support program, the United States Agency for International Development (USAID) will assist the Ministry of Environmental Protection and Agriculture in improving the certification procedures for seedlings. At the workshop, the representatives of the relevant agencies of the Ministry of Environmental Protection and Agriculture discussed the steps taken by the Georgian Government to certify seedlings and improve legislation. The USAID program which aims at supporting the harmonization of the legislative base and the retraining of specialists, also includes financial support for nurseries.

For more information follow the link: <https://mepa.gov.ge/En/News/Details/11798>