

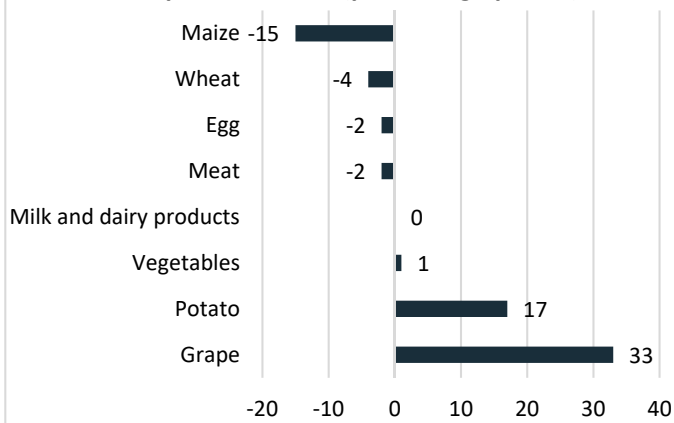
SECTOR AT A GLANCE

PLANT GROWING

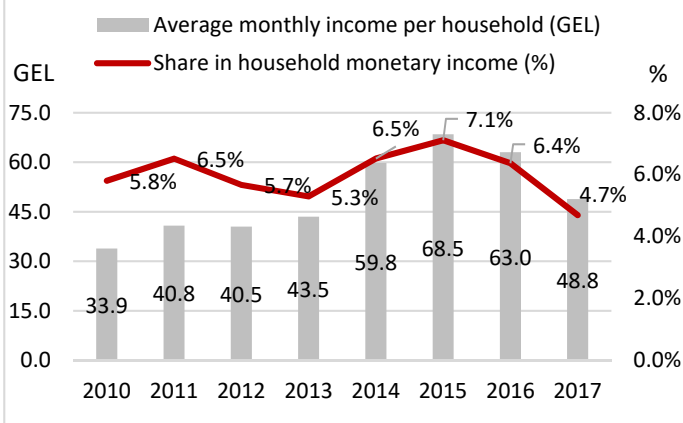
Between 2015 and 2018, the share of the rural population in total population decreased slightly, from to 42.6% to 41.7%. The share of agriculture in total GDP has also declined, from 9.3% in 2014 to 8.2% in 2017. Production figures have gone down, as well, and there was 2.1% decrease in agricultural production in 2017 compared to the previous year. Production in the plant-growing sector declined by 0.4%, while animal production experienced a decrease of 3.8%. Lower production resulted in lower self-sufficiency ratios for most agricultural products.

Revenue from the sale of agricultural products in 2017 has also decreased compared to the period 2014-2017, both in percentage and absolute terms. Reduced production is the most likely reason for this result. Another possible explanation would be that other sources of income aside from selling agricultural products contributed to households' income, but since there were no significant structural changes observed in recent years in the country, decreased production is most likely responsible for the decreased sale revenue.

Change in the self-sufficiency ratios in 2017 compared to 2016 (percentage points)



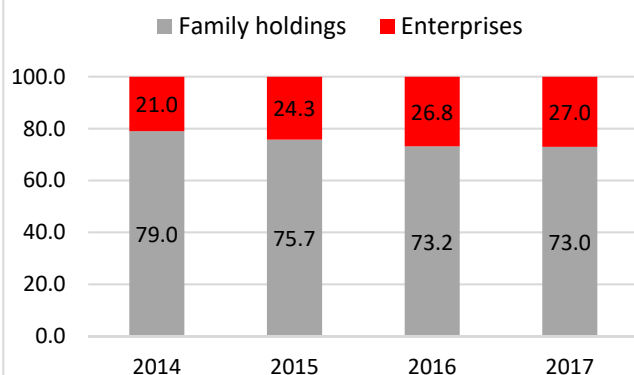
Revenue from selling agricultural products



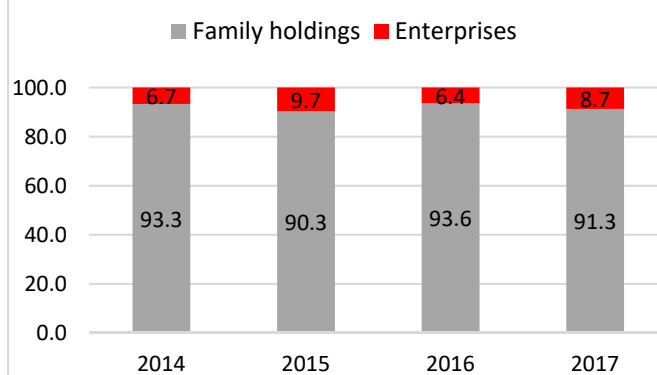
Source: Geostat, 2018

While revenue from selling agricultural products decreased in 2017, the level of commercialization in the sector has increased. The share of family holdings in agricultural production has decreased and share of agricultural enterprises is steadily increasing in recent years. This trend is particularly persistent in animal production, where its share in enterprises increased from 21% to 27%. Since in light of DCFTA, more food safety regulations will be adopted in the future, it is expected that the share of enterprises will grow even faster. As to plant growing, the share of enterprises in 2017 has increased as well, but there are no increasing trends observed in general, since the share keeps changing its direction from year to year.

The share of family holdings and enterprises in animal production (%)



The share of family holdings and enterprises in plant growing (%)



Source: Geostat, 2018

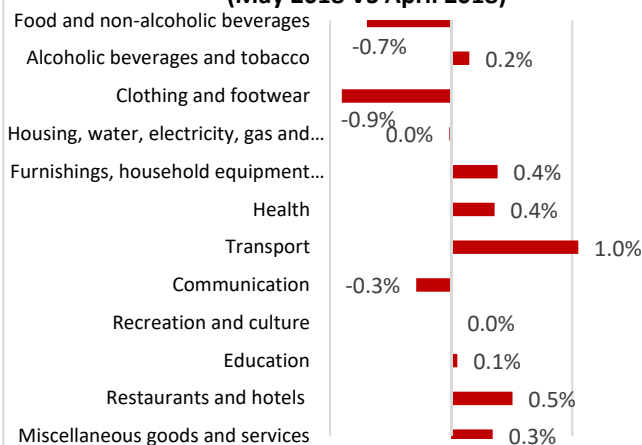
PRICE HIGHLIGHTS

DOMESTIC PRICES

On a monthly basis, the price level in the country held relatively steady; the Consumer Price Index (CPI) in May 2018 remained unchanged compared to April 2018. Compared to May 2017, CPI experienced a 2.5% increase.

In the category of food and non-alcoholic beverages, prices decreased by 0.7%, contributing -0.22 percentage points to the overall CPI change. The main drivers were price changes in the following sub-groups:

**Percentage Change in Prices m/m
(May 2018 VS April 2018)**



Source: Geostat, 2018

Milk, cheese and eggs (-6.6% ↘)



Fruit and grapes (4.0% ↗)



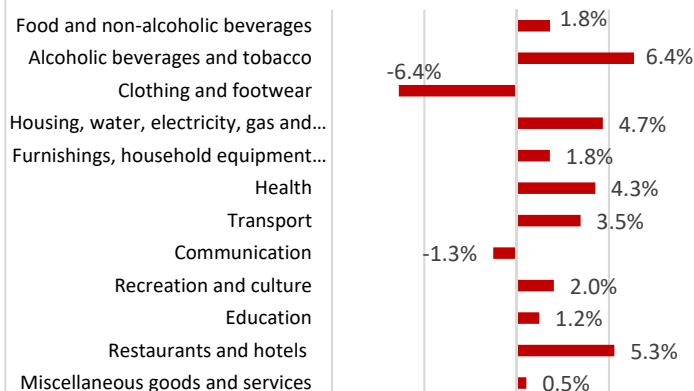
Vegetables (1.7% ↗)



From an annual perspective (May 2018 vs. May 2017), the prices of food and non-alcoholic beverages increased by 1.8%, contributing 0.56 percentage points to the annual inflation rate

The sharpest price changes were observed for the following sub-groups:

**Percentage Change in Prices y/y
(May 2018 VS May 2017)**



Fruit and grapes (21.6%↑)



Oils and fats (4.6%↑)



Fish (4.2%↑)

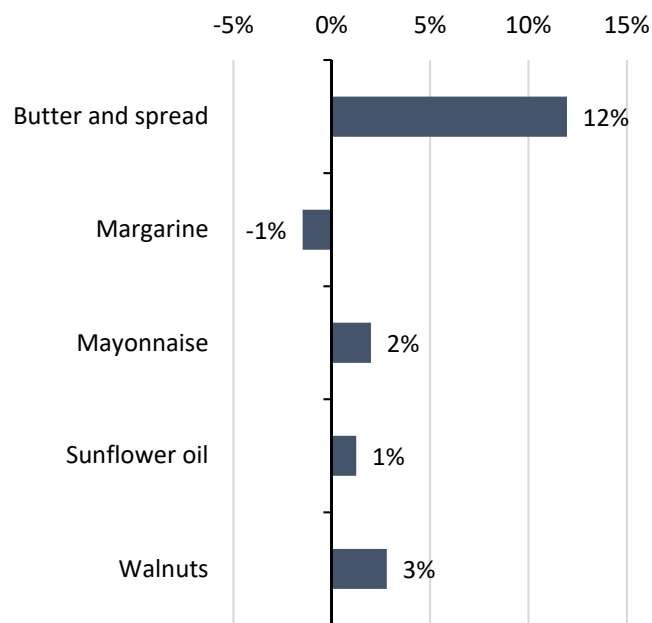


Source: Geostat, 2018

BUTTER IN THE SPOTLIGHT

In May 2018, prices in the group of oil and fats increased by 4.6%, compared to May 2017. According to Geostat data, the main drivers were butter and spread prices, which went up by 12%. As shown in the diagram, there were slight price hikes for walnuts (3%), mayonnaise (2%), and sunflower oil (1%). Meanwhile, prices slightly decreased for margarine (-1%). One explanation for increased butter prices might be the recent spike in international prices; according to [the Global Trade Info](#), starting in January 2018, butter prices have been increasing compared to the previous year. The structural changes in the dairy sector might be putting additional upward pressure on butter prices. On July 1, 2017, changes in [technical regulations for the dairy sector](#) came into force, which probably increased the production costs of butter as producers must comply with stricter food safety regulations and standards. More specifically, producers are not allowed to label product as “butter” if it contains vegetable or other kinds of oil.

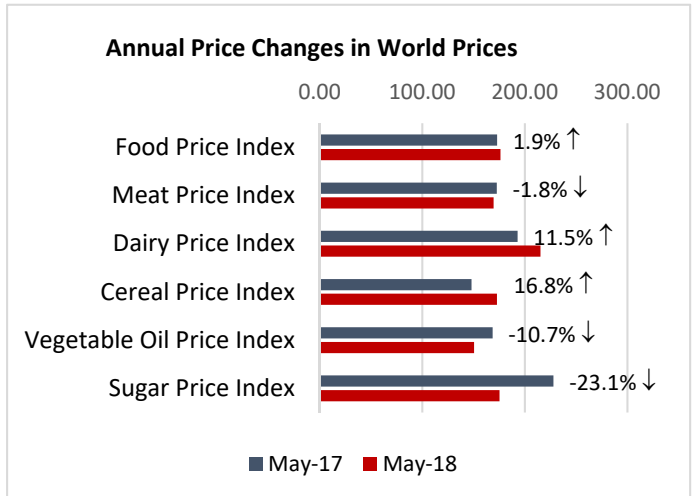
Annual Changes in Oils and Fats Prices



Source: Geostat, 2018

INTERNATIONAL PRICES

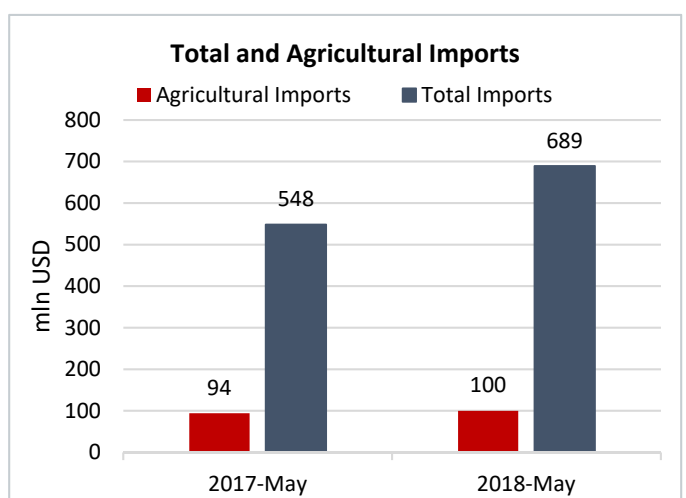
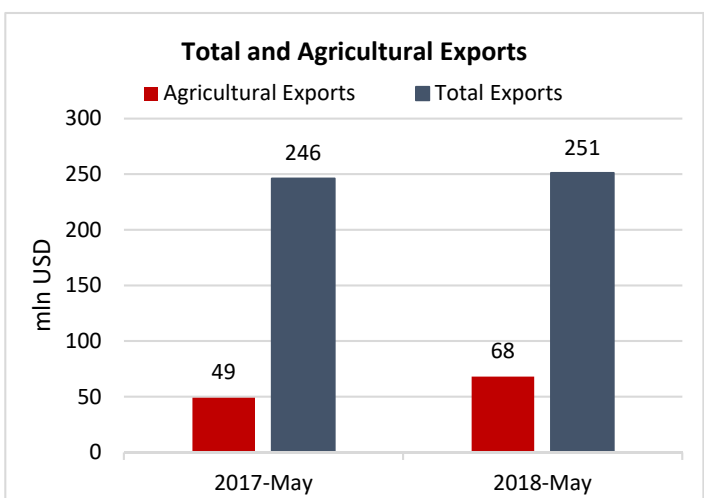
International prices increased in May 2018. The Food Price Index, measured by the Food and Agriculture Organization (FAO), increased by 1.9% in May 2018, compared to the previous year. The main drivers were sugar, cereal and dairy prices. In May 2018, the FAO Sugar Price Index continued to decline; sugar prices showed the sharpest decrease at 23.1%, reflecting expectations of a large sugarcane output in Brazil. Meanwhile, the FAO Cereal Price Index gained 16.8% from May 2017, and the FAO Dairy Price Index increased by 11.5% during the same period.



Source: Faostat, 2018

TRADE HIGHLIGHTS

In May 2018, Georgia’s agricultural exports (including food) amounted to 68 mln USD, which is around 27% of total Georgian export value. This indicator is 39% higher than in May 2017. As to imports, in May 2018, Georgia’s agro imports stood at 100 mln USD, which constitutes 27% of total Georgian imports. Year over year (compared to May 2017), agricultural imports increased by 6%.

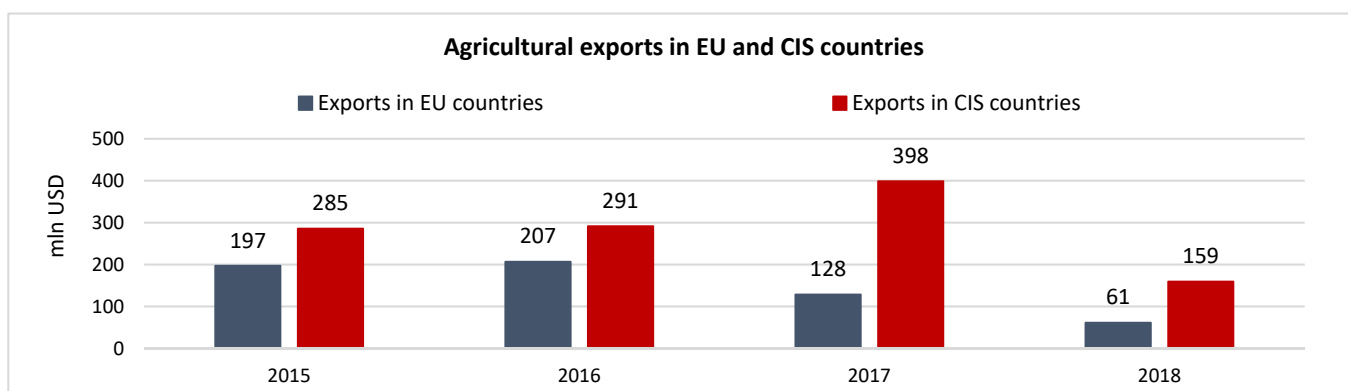


Source: MoF data
Note: Agricultural exports/imports include food exports/imports

EXPORTS IN EU AND CIS COUNTRIES

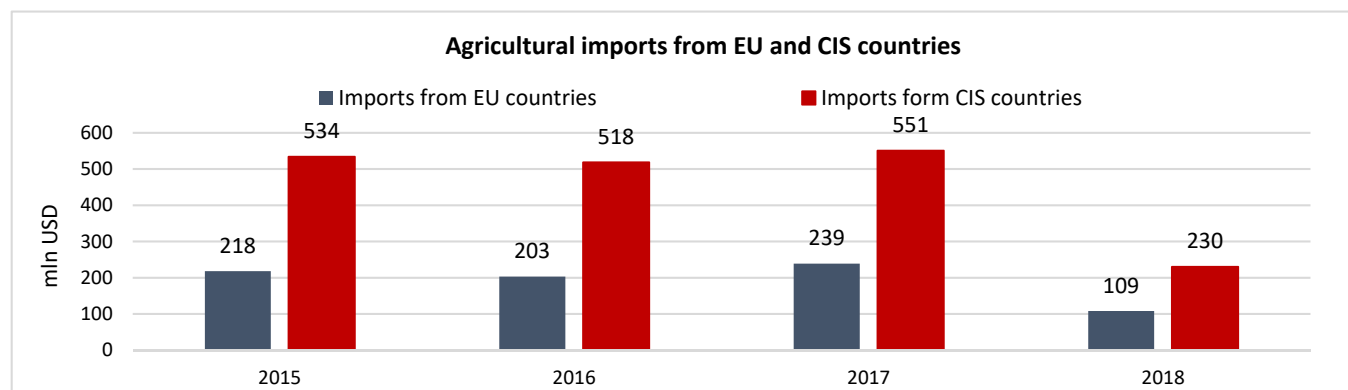
In 2016, Georgia's agricultural exports in EU countries (including Great Britain) increased by 5% compared to the previous year, while during 2017, a 38% decrease was observed compared to 2016. This change is mainly caused by a significant decrease (64%) in hazelnut exports. It is worth mentioning that main hazelnut export market is the EU countries. As of June 2018, agricultural exports in the EU amounts to 61 mln USD.

In the last couple of years, Georgia's agricultural exports to CIS countries are increasing; there was 2% increase in agro exports in 2016 compared to 2015, but a 37% increase in 2017 compared to 2016. This was mainly caused by increased exports of alcoholic and non-alcoholic beverages (wine by 61%, spirits by 28%, mineral and aerated waters by 22%). As of June 2018, agricultural exports to CIS countries amount to 159 mln USD.



IMPORTS FROM EU AND CIS COUNTRIES

As for imports from EU and CIS countries, there are no significant changes on an annual basis and steady trends have not been observed for either EU or CIS countries. Imports from both regions decreased in 2016 compared to 2015, and increased in 2017. As of June 2018, agricultural imports from EU and CIS countries amounted to 109 and 230 mln USD, respectively.



Source: MoF data

Note: Agricultural exports include food exports

POLICY WATCH

Government continues to fight the Asian stink bug

Various measures are being used by the Government in municipalities located in Samegrelo, Guria, Imereti and Ajara. Two types of cold spraying are being applied. In total, 205,200 ha have been sprayed against the bug in 382 villages located in 22 municipalities.

For more information follow the link: <https://abasha.com.ge/pid=440/lang=ka>

Beekeeping cooperatives can register in a state support program

The state has launched yet another program to support beekeeper cooperatives. The program aims to support nomadic pastoralism in the sector. If a beekeeping cooperative satisfies criteria defined by the program, it can obtain a 40% state co-investment for purchasing a vehicle for food transportation for bees.

For more information follow the link: <http://agrokavkaz.ge/axali-ambebi/mephutkreobis-kooperativebis-mkhardatcheris-programashi-registratsia-daitsqho.html>

ISET Policy Institute – Agricultural Policy Research Center
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