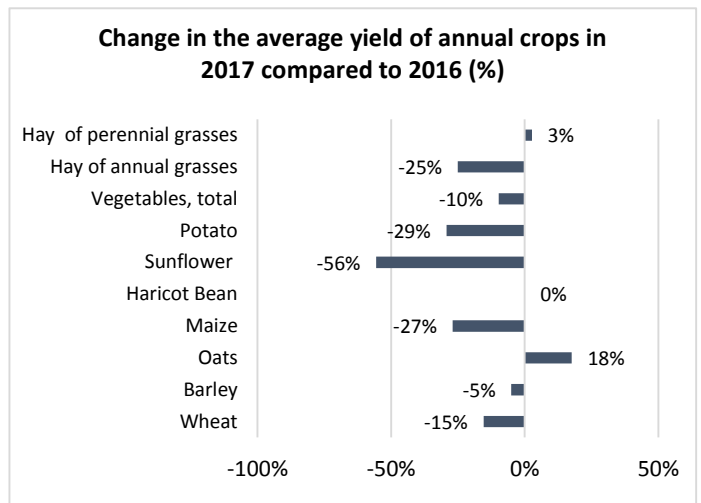
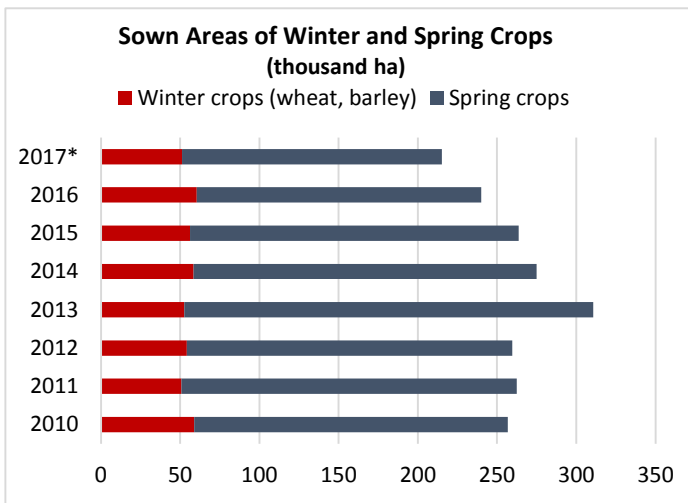


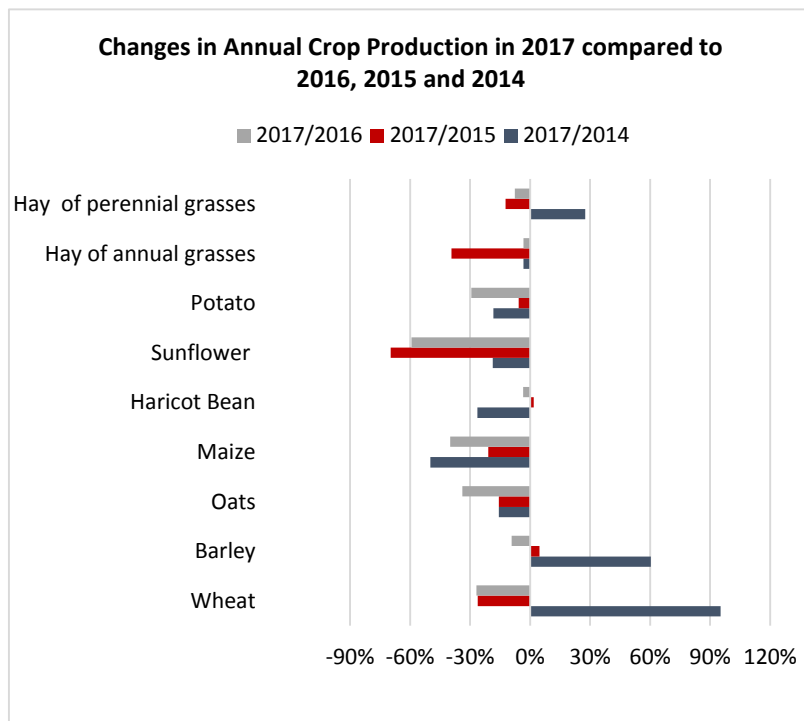
**SECTOR AT A GLANCE**

**PLANT GROWING**

2017 was a challenging year for Georgian agriculture. There is a decline in the level of sown areas, which decreased by 10.5% in 2017 compared to 2016. 214.9 thousand ha in 2017 is the lowest figure for the last four years. There is a decline in sown areas of both winter and spring crops, and both are at a four-year minimum. Average yields decreased for most crops, as well. The largest decreases were observed for sunflower (56%), potatoes (29%), maize (27%) and for the hay of annual grasses (25%), while other crops experienced relatively moderate declines, ranging from 3% to 15%. The only annual crops with increased production are oats (18%) and the hay of perennial grasses (3%).



Source: Geostat, 2018



Source: Geostat, 2018

According to the latest plant production data, in 2017 there was a decline in the production of major crops. The production of oats, maize, sunflower, potatoes and annual grasses in 2017 is lower than in the preceding three years. As to perennial crops, production of fruits other than grapes and citrus decreased by 40% on an annual basis, while grape production increased by 4% and citrus production decreased by 12%.

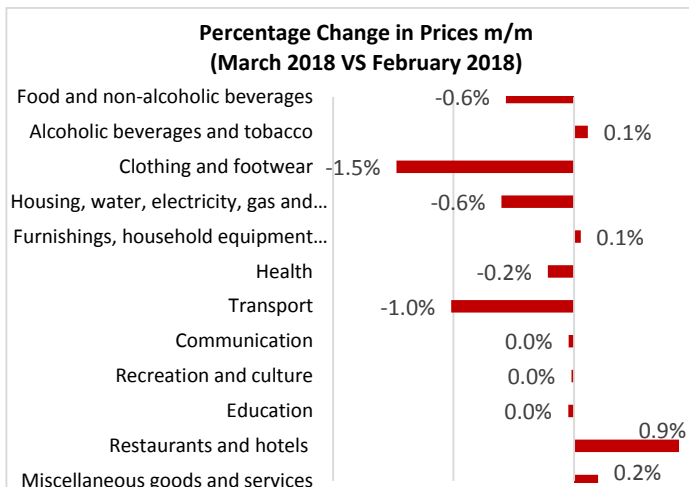
During last four years, production of wheat in 2017 almost doubled compared to 2014 (+95%), but it decreased by 26% compared to 2015, and by 27% compared to 2016. As for barley, the 2017 production amount is higher than in 2015 and 2014 by 5% and 60%, respectively, but lower by 9% compared to 2016.

## PRICE HIGHLIGHTS

### DOMESTIC PRICES

On a monthly basis, the price level in the country has increased; the Consumer Price Index (CPI) in March 2018 was 0.4% lower compared to January 2018. Compared to March 2017, CPI experienced a 2.8% increase.

In the category of food and non-alcoholic beverages, prices decreased by 0.6%, contributing 0.18 percentage points to the overall CPI change. The main drivers were price changes in the following sub-groups:



Source: Geostat, 2018

*Fruit and grapes (4.7%↑)*



*Milk, cheese and eggs (-3.1%↓)*

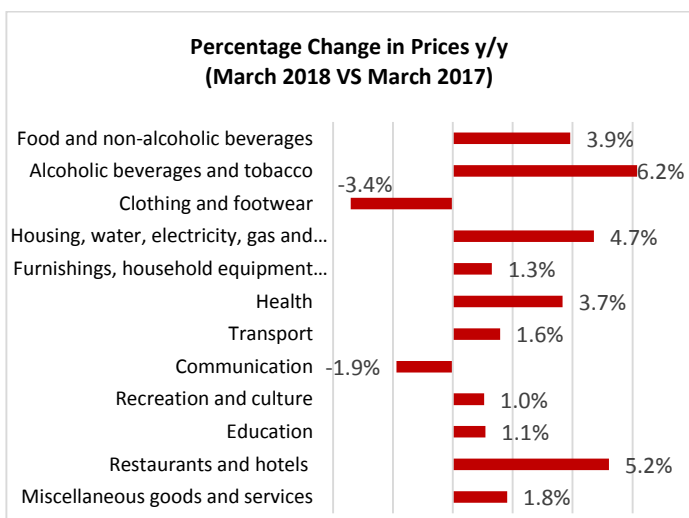


*Vegetables (-2.8%↓)*



From an annual perspective (March 2018 vs. March 2017), the prices of food and non-alcoholic beverages increased by 3.9%, contributing 1.19 percentage points to the annual inflation rate.

The sharpest prices increases were observed for the following subgroups:



Source: Geostat, 2018

*Fruit and grapes (25.6%↑)*



*Vegetables (7.0%↑)*

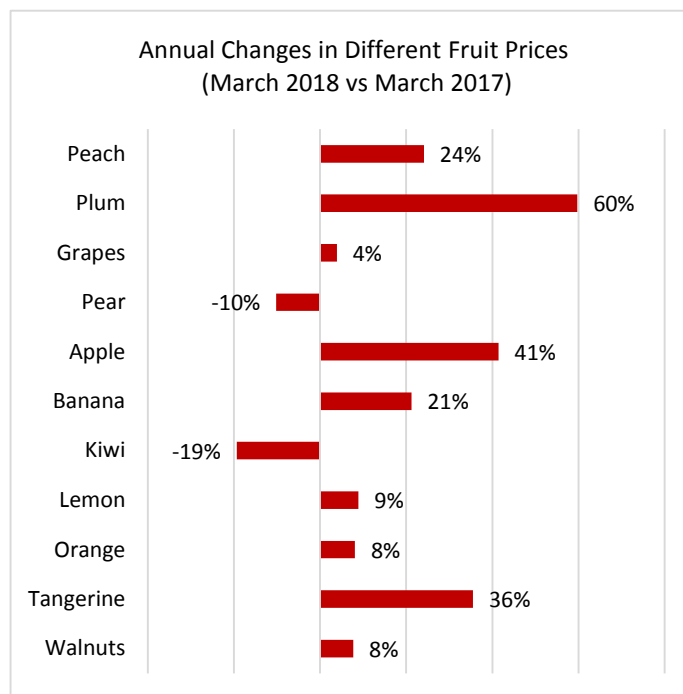


*Milk, cheese and eggs (4.9%↑)*



## FRUIT AND GRAPES IN THE SPOTLIGHT

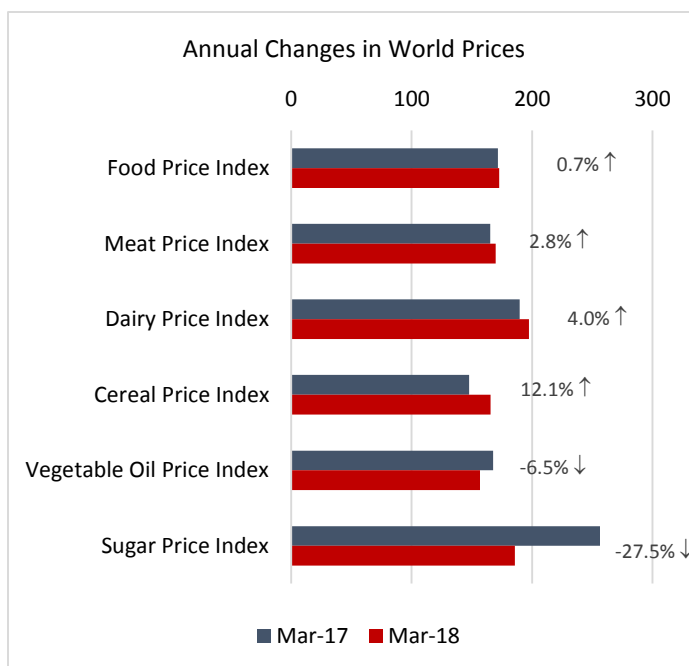
In March 2018, fruit and grapes became more expensive by 25.6% compared to March 2017. According to Geostat data, prices increased mostly for plums (60%), apples (41%), and tangerines (36%). Meanwhile, prices dropped for kiwi (-19%) and pears (-10%). In 2017, a spring frost followed by a summer drought created unfavorable weather conditions for deciduous fruit trees. The high prices of fruit and grapes might therefore be the result of a bad harvest and decreased production. Consequently, Georgia increased its imports of fruits and grapes to meet demand. According to trade data, in March 2018, imports of fruit and grapes sharply increased by 92%, from 5,045.96 tons to 9,692.69 tons compared to the previous year. In contrast, Georgia's exports in this category decreased by 36%, compared to the same period, which also indicates a shortage in supply.



Source: Geostat, 2018

## INTERNATIONAL PRICES

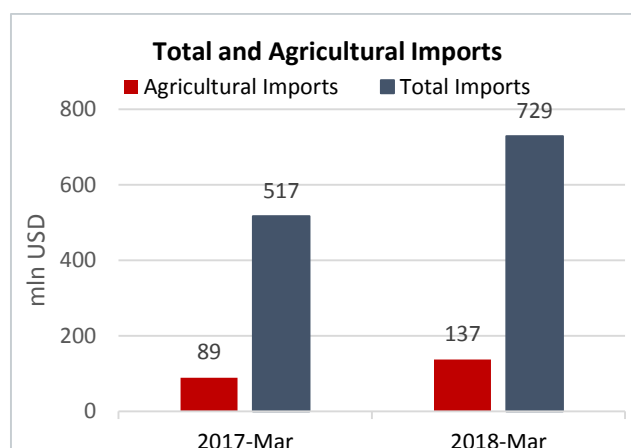
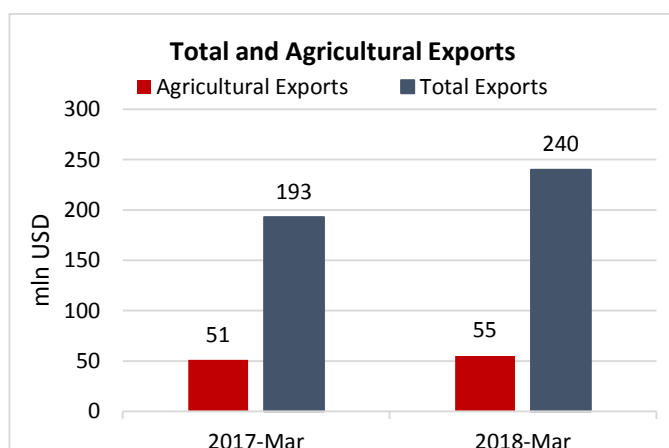
International prices slightly increased in March 2018. The Food Price Index, as measured by the Food and Agriculture Organization (FAO), slightly increased by 0.7% in March 2018, compared to the previous year. The main drivers were cereal and dairy prices. In March 2018, the FAO Cereal Price Index gained 12.1% from March 2017, and the FAO Dairy Price Index increased by 4% during the same period. Meanwhile, the FAO Sugar Price Index showed the sharpest decrease - 27.5%. Given that Georgia is a net importer of sugar, if this downward trend continues, the decreased price is likely to transmit to Georgian market. While sugar prices might decline in the near future, following the same logic, cereal prices might increase.



Source: FAO Statistics, 2018

## TRADE HIGHLIGHTS

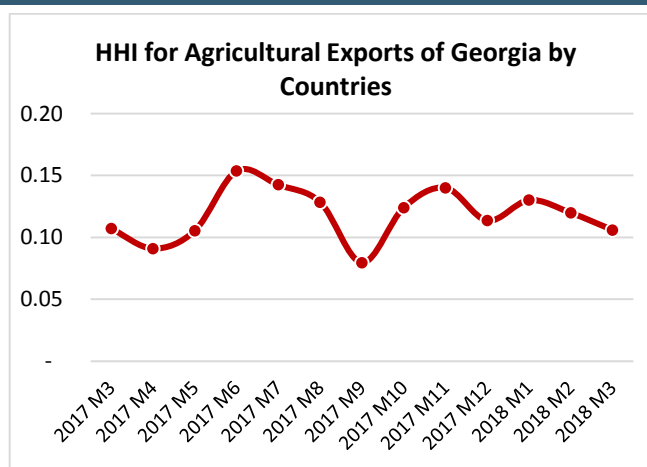
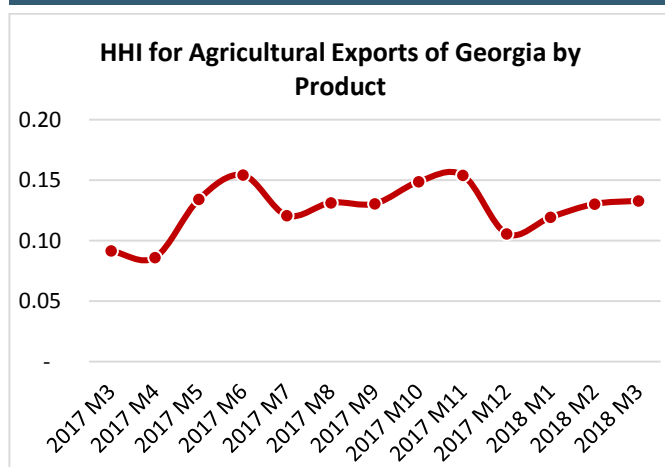
During March 2018, Georgia's agricultural exports (including food) amounted to 55 mln USD, which is around 23% of total Georgian export value. While comparing this indicator to March 2017, it is 7.8% higher. As to imports, in March 2018, Georgia's agro import stood at 137 mln USD, which constitutes 19% of total Georgian imports. Year over year (compared to March 2017), agricultural imports increased by 54%.



Source: MoF, 2018

As to the country's export/import diversification as measured by Herfindahl-Hirschman Index (HHI), which ranges from zero to one, Georgia's agricultural exports by product and countries are diversified. Both indexes are low and range from 0.09 to 0.15. For the given period, the highest HHI for agricultural exports by product was observed in June 2017 (0.154), while the lowest (0.086) was observed in April 2017. HHI for agricultural exports by countries was the highest (0.154) in June 2017, and the lowest (0.08) in September 2017.

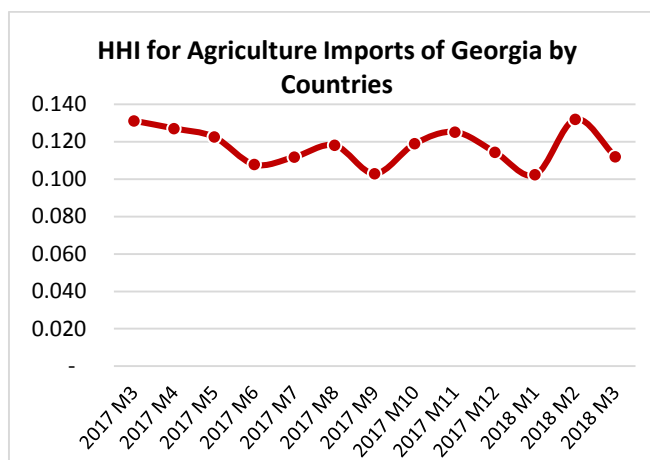
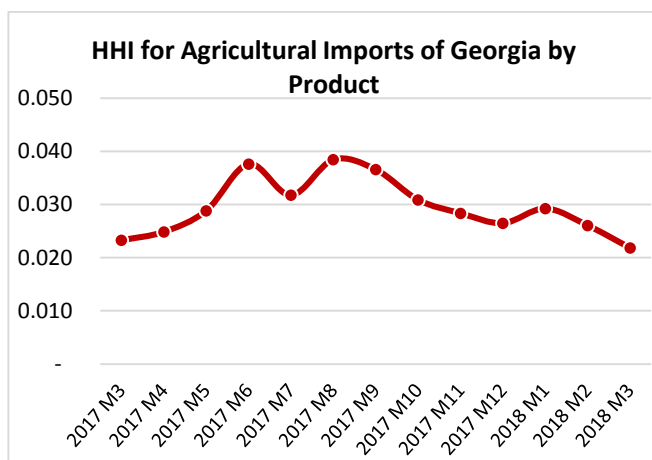
## EXPORT DIVERSIFICATION



Note: 4 digit codes are used in the calculations (based on MoF data); agricultural exports include food exports, 2018

## IMPORT DIVERSIFICATION

As to import diversification, the highest HHI for agricultural imports by product was observed in June and August 2017 (0.038), while the lowest (0.022) was in March 2018. The highest HHI for agricultural imports by countries was observed in February 2018 (0.132), while the lowest (0.102) was in January 2018.



Note: 4 digit codes are used in the calculations (based on MoF data); agricultural imports include food imports, 2018

## POLICY WATCH

### *The Georgian Government has developed strategic plan for fighting the stink bug infestation*

The Ministry of Environment Protection and Agriculture (MEPA) presented their strategic plan for fighting the stink bug infestation to the Academy of Science of Georgia. The Ministry representatives emphasized the importance of a complex approach requiring joint efforts from state, farmers, and academia. According to the Ministry, in 2017, 110 thousand ha were sprayed against stink bugs, and 230 thousand HHs received medical and information brochures for free.

For more information follow this link: <http://nfa.gov.ge/ge/media-centri/axali-ambebi0/siaxle1/aziur-farosanastan-brdzolis-strategiuli-xedva-mecnierebata-akademiashi-ganixiles.page>

### *Georgian wine exports increased by 24%*

One of the major priorities of Georgian agricultural policy is to promote Georgian wine and increase its exports. According to the National Wine Agency, during the first quarter of 2018, Georgian wine exports increased by 24%. In January-March of 2018, Georgia exported 17.7 mln bottles of wine to 43 countries. While most of the wine was exported to Russia, Ukraine, China, Kazakhstan and Poland, exports of Georgian wine to Belarus increased by 429%, Japan – 230%, Great Britain – 98%, France – 71%, etc. Along with the wine, Georgia has also exported 3.5 mln bottles of brandy and 43.8 thousand bottles of chacha. As to the revenue from exports, it amounted to 64.8 mln USD, which is 10% higher compared to the same period of the previous year.

For more information follow the link: <http://agrokavkaz.ge/axali-ambebi/qarthuli-ghvinis-egsporti-24-ith-gaizarda.html>