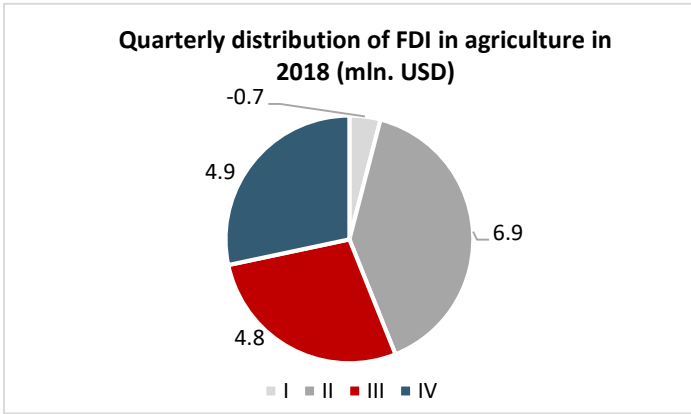
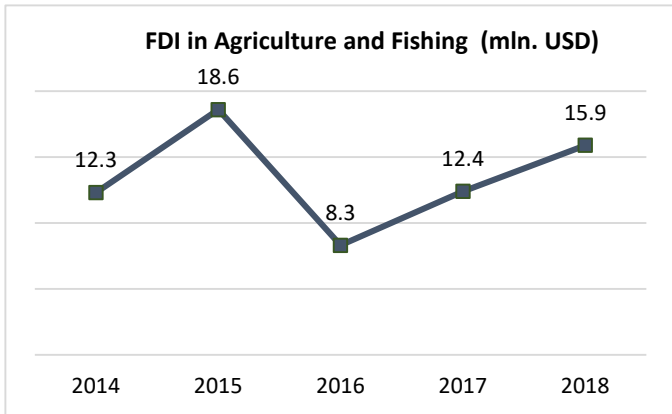


SECTOR AT A GLANCE

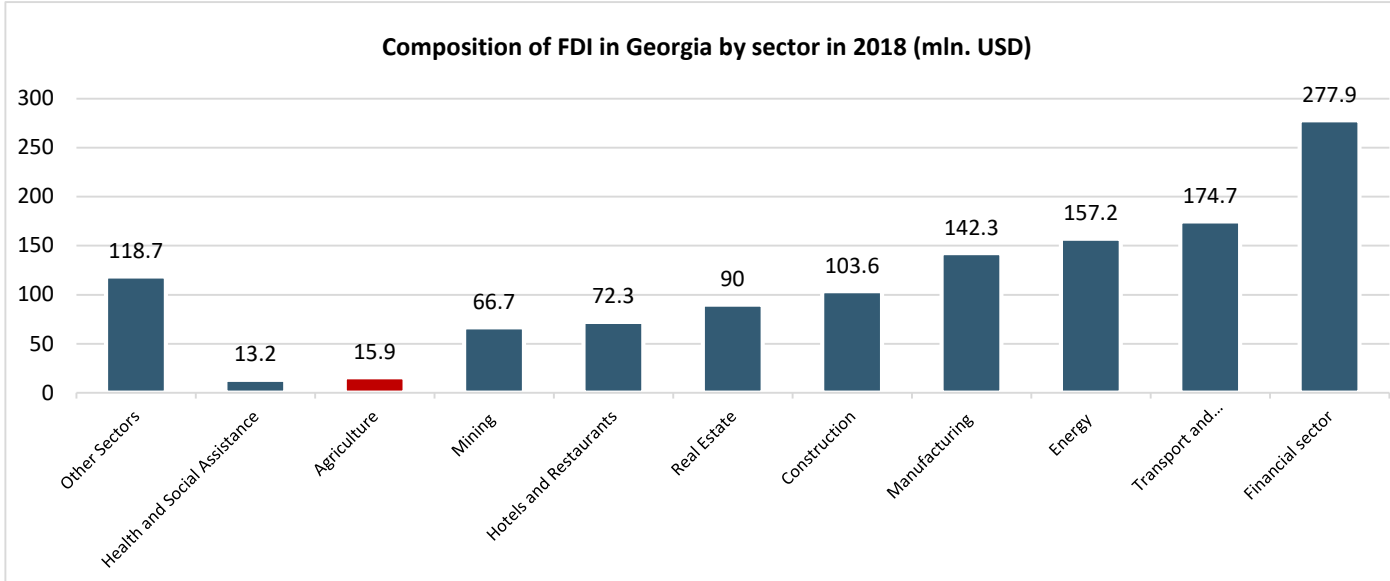
FDI IN AGRICULTURE

In 2018, FDI in agriculture constituted 15.9 mln. USD. While the total FDI in 2018 was lower than in 2017, FDI in agriculture has significantly increased (by 28.2%). The highest FDI in agriculture was observed in the second quarter of 2018, while there was divestment (negative FDI) in the first quarter of 2018. The divestment was quite small and was followed by a significant increase in other quarters. Given that demand for food is likely to increase in the future, FDI in agriculture is critical for the expansion of agricultural output.



Source: GeoStat, 2019

Traditionally, FDI in agriculture is very low compared to FDI in other sectors. During the last decade, the share of FDI in agriculture ranged between 0.5% - 1.5% of total FDI in Georgia. The only year when the share was relatively high was 2009. In 2009, FDI in agriculture constituted 3.4% of total FDI and more than doubled in absolute terms compared to 2008 (10.6 mln. USD in 2008 and 22.3 mln. USD in 2009). In 2018 FDI in agriculture constituted 1.3% of total FDI. The low attractiveness of the sector for FDI is caused by land constraints, outdated technologies, lack of business-oriented producers, and lacking contract farming practices, as well as the lack of specialists in this field.



Source: GeoStat, 2019

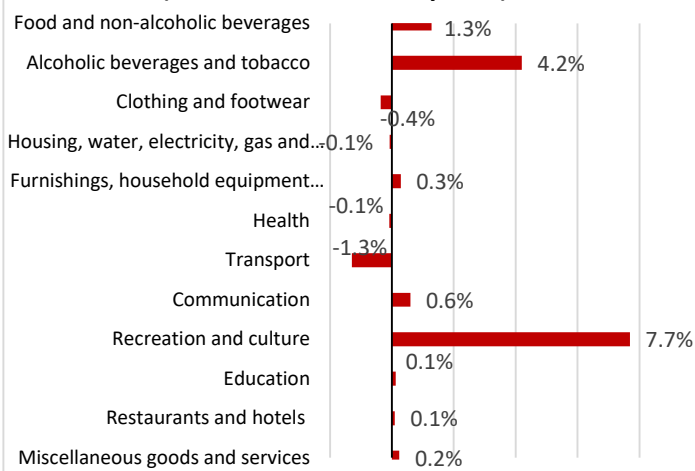
## PRICE HIGHLIGHTS

### DOMESTIC PRICES

On a monthly basis, the country's price levels have increased slightly. The Consumer Price Index (CPI) in March 2019 was 1.0% higher compared to the previous month. While in comparison to March 2018, the CPI experienced a 3.7% increase.

For food and non-alcoholic beverages, the month-over-month prices increased by 1.3%, contributing 0.4 percentage points to the change in total CPI. The main drivers were price fluctuations in the following sub-groups:

**Percentage Change in Prices MoM  
(March 2019 VS February 2019)**



*Vegetables (8.2% ↗)*



*Fruit and grapes (5.1% ↗)*



*Milk, cheese, and eggs (-1.1% ↘)*

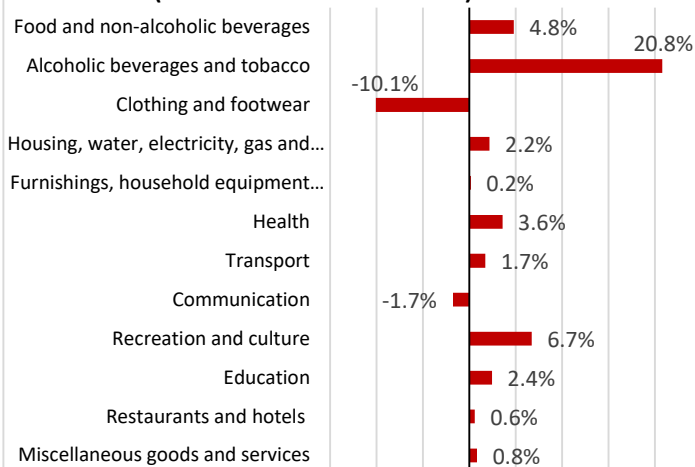


Source: GeoStat, 2019

From an annual perspective (March 2019 vs. March 2018), the prices of food and non-alcoholic beverages increased by 4.8%, contributing 1.5 percentage points to the change in total CPI.

In March 2019, the sharpest price changes on an annual basis were observed within the following subgroups:

**Percentage Change in Prices YoY  
(March 2019 VS March 2018)**



*Vegetables (19.8% ↗)*



*Fish (12.9% ↗)*



*Fruit and grapes (-23.3% ↘)*



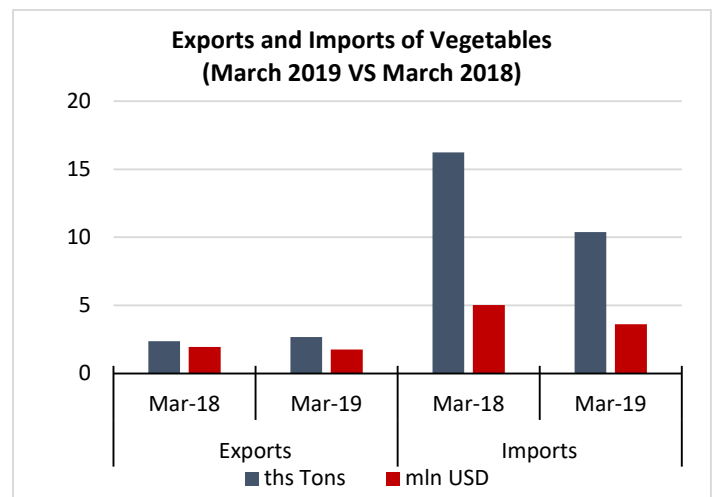
Source: GeoStat, 2019

## VEGETABLES - IN THE SPOTLIGHT

In March 2019, prices in the vegetable category increased by 8.2% compared to the previous month. On an annual basis, prices in this group experienced a significant 19.8% increase. According to GeoStat data, the sharpest annual increases were observed for cabbage (166%), greens (70%), and onion (61%).

The increase in vegetable prices might be the result of a shortage in supply. Trade statistics reveal that both the import value and quantity of vegetable trade flow decreased on an annual basis. In March 2019, the import value amounted to 3.6 mln. USD, 28% lower than the 5.1 mln. USD of March 2018. Within the same period, the quantity of imported vegetables decreased by 36%, from 16.3 thousand tons to 10.4 thousand tons. On the other hand, the quantity of exported vegetables in March 2019 increased by 13% (from 2.4 thousand tons to 2.7 thousand tons) compared to the previous year. Typically, both—a decrease in import as well as an increase in export—could cause a shortage in supply and contribute to an increase in the price of vegetables.

It is worth noting that GeoStat published [the preliminary data on plant growing](#) according to which the domestic production of vegetables in 2018 increased compared to 2017. It appears that the increase in domestic production of vegetables was not enough to balance the effects of trade flows on prices.

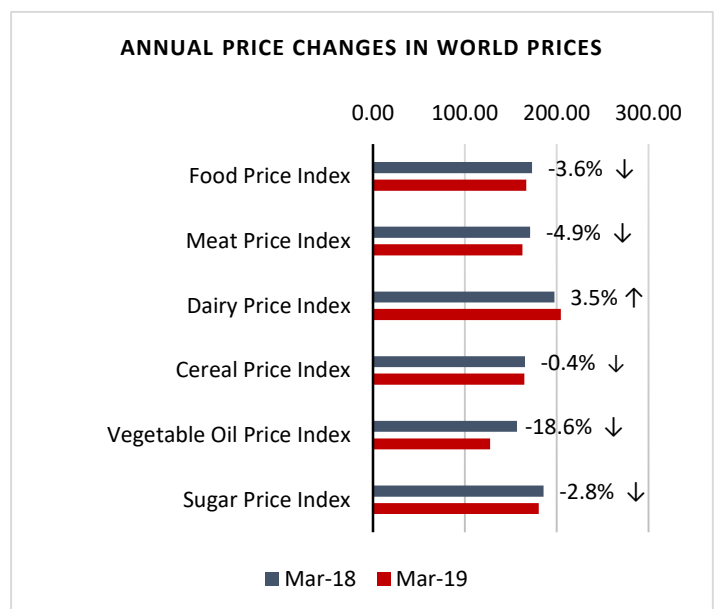


Source: MoF, 2019

## INTERNATIONAL PRICES

In March 2019, international prices maintained a downward trend. The Food Price Index, measured by the Food and Agriculture Organization (FAO), decreased by 3.6%, compared to March 2018. Price decreases were observed for vegetable oil (-18.6%), meat (-4.9%), sugar (-2.8%), and cereal (-0.4%).

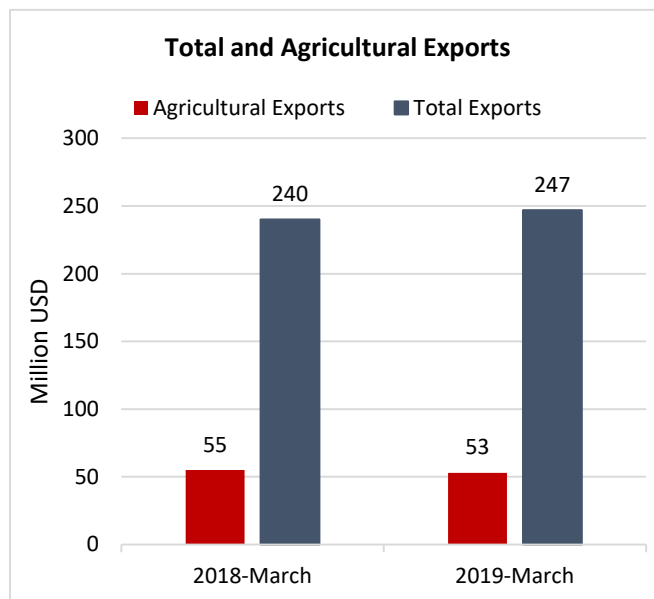
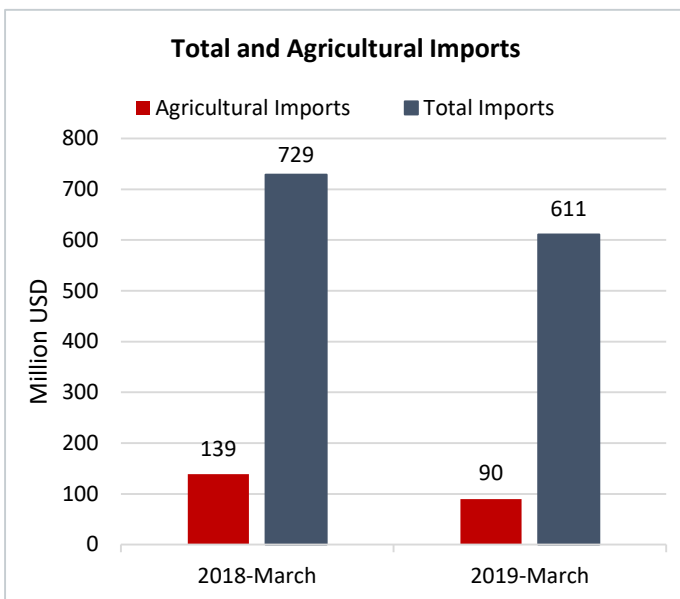
However, the Dairy Price Index experienced a significant 3.5% increase compared to March 2018. The main drivers were increased Whole Milk Powder (WMP) and cheese prices, reflecting increased import demand in anticipation of a tightening in export availability from Oceania due to declined production. A slight decrease in Skim Milk Powder (SMP) prices could not even out the upward pressure on dairy prices.



Source: FAO, 2019

## TRADE HIGHLIGHTS

In March 2019, Georgia’s agricultural exports (including food) equaled approximately 53 mln. USD, roughly 21% of the total Georgian export value. When comparing this indicator to March 2018, the share has decreased by almost 2 percentage points. As for imports in March 2019, Georgia’s agricultural imports equaled 90 mln. USD, which is almost 15% of all Georgian imports. Year-over-year (compared to March 2018), agricultural imports were slashed by one third.



Source: MoF data

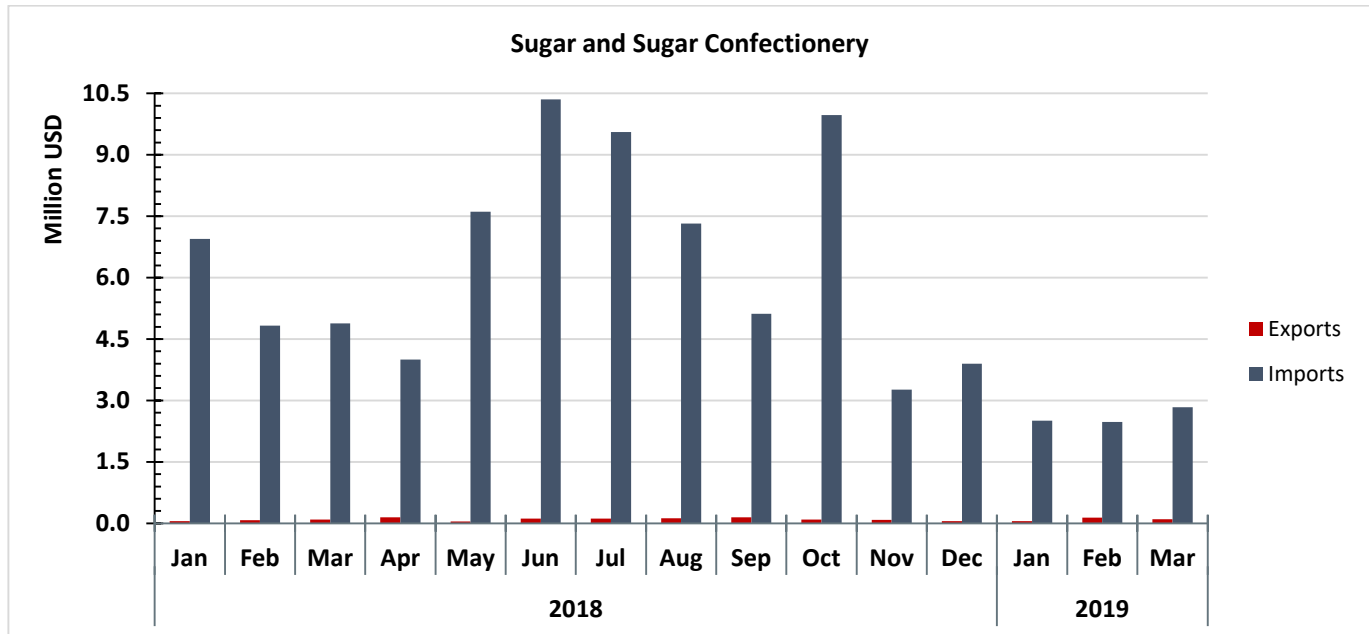
Note: Agricultural exports include food exports.

## SUGAR AND SUGAR CONFECTIONERY TRADE

2019 started with sharply declining imports of *sugar and sugar confectionery* (HS code 17XX), which was accompanied by marginally increased exports (+0.06 mln. USD in Q1 2019 compared to Q1 2018) in the same product group. Consequentially, the trade surplus in the last three months improved from negative 16.4 mln. USD to negative 7.5 mln. USD.

At the sub-group level, from January 2019 through March 2019 *sugar* (HS code 1701) imports amounted to 3.8 mln. USD, which is just one third of the corresponding value in 2018 (11.7 mln. USD). Moreover, *sugar* imports decreased on a month-to-month scale for the first three months of the current year, as well (from 1.5 mln. USD in January 2019 to 1.1 mln. USD in March 2019). Changes were also significant in the *sugar confectionery not containing cocoa, incl. white chocolate* (HS code 1704) sub-group, but imports have dropped only on the year-to-year scale here. In the first three months of 2019, in order to purchase *sugar confectionery not containing cocoa, incl. white chocolate* on the international market, Georgia spent 22% less (3.6 mln. USD) than it did in Q1 2018 (4.6 mln. USD), while on a month-to-month scale the imports had an upward trend (0.9 mln. USD in January 2019 versus 1.5 mln. USD in March 2019).

As for exports, total exports of *sugar and sugar confectionery* from Georgia amounted to approximately 0.3 mln. USD in the last three months. A more detailed breakdown of the monthly trade data is given in the graph below.



Source: GeoStat, 2019

## POLICY WATCH

**The United Nations' Food and Agriculture Organization (FAO), with the support of the MEPA scientific-research center and the European Union, is launching a project to implement a certification system for planting materials.**

The project is comprised of two main components: improvement of the certification system and legislative basis and strengthening nursery opportunities, including supporting the establishment of a seedlings/producers' association, and training representatives of nurseries. It is noteworthy that the qualification of nursery farming, which is the prerequisite for certification in planting materials, began in 2017. Representatives of MEPA's scientific-research center granted 85 nurseries throughout the country the status of qualified nursery as a result of field inspections.

For more information follow the link: <https://commerciant.ge/ge/post/sargavi-masalis-sertificirebis-danergvis-proeqti-iwyeba>

**A memorandum of understanding was signed with Cyprus in the field of agriculture.**

Minister of Environment Protection and Agriculture, Levan Davitashvili and Minister of Foreign Affairs of the Republic of Cyprus Niko Christodoulides signed a Memorandum of Understanding in Agriculture. The aim of the Memorandum of Understanding is to ensure the development of cooperation between the parties and the implementation of joint activities and projects in agriculture.

For more information follow the link: <http://mepa.gov.ge/En/News/Details/9455/>

ISET Policy Institute – Agricultural Policy Research Center  
<http://iset-pi.ge/index.php/en/research/aprc>

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