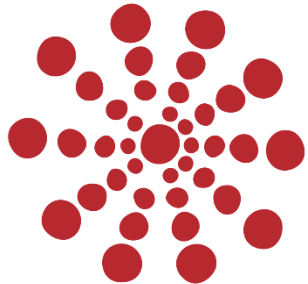


The overview of the current Agricultural Trade Policy in Georgia



RURAL AND
AGRICULTURAL
POLICY AND
DEVELOPMENT
INSTITUTE

Content

- General facts
- Agricultural trade development in 2015-2016
- Measures of agricultural trade policy
- Trade agreements
- Main measures of domestic support
- Influence of macroeconomic factors

General Facts

- 43,4% (more than 3 mln. ha) is agricultural land. Arable land 802 thousand ha, perennials 264 thousand ha, grazing land 1940 thousand ha
- Climatic Zones: from Subtropical to semi-desert
- 49 soil types and 22 microclimatic zones
- Black sea coast line 315 km
- Ample renewable water recourses: total area 63,3 km³ – 860 lakes, 45 water reservoirs
- Long lasting tradition of winemaking, fruit and vegetable growing, producing grapes, citruses, tea, nuts, hazelnuts, greens, etc.
- Long vegetation period, enabling to have early and/or late harvest of different crops

Wide range of high value agricultural crops:



Grapes, more than 500 endemic varieties



Greens



Nuts



Citruses



Wide range of fruits and vegetables



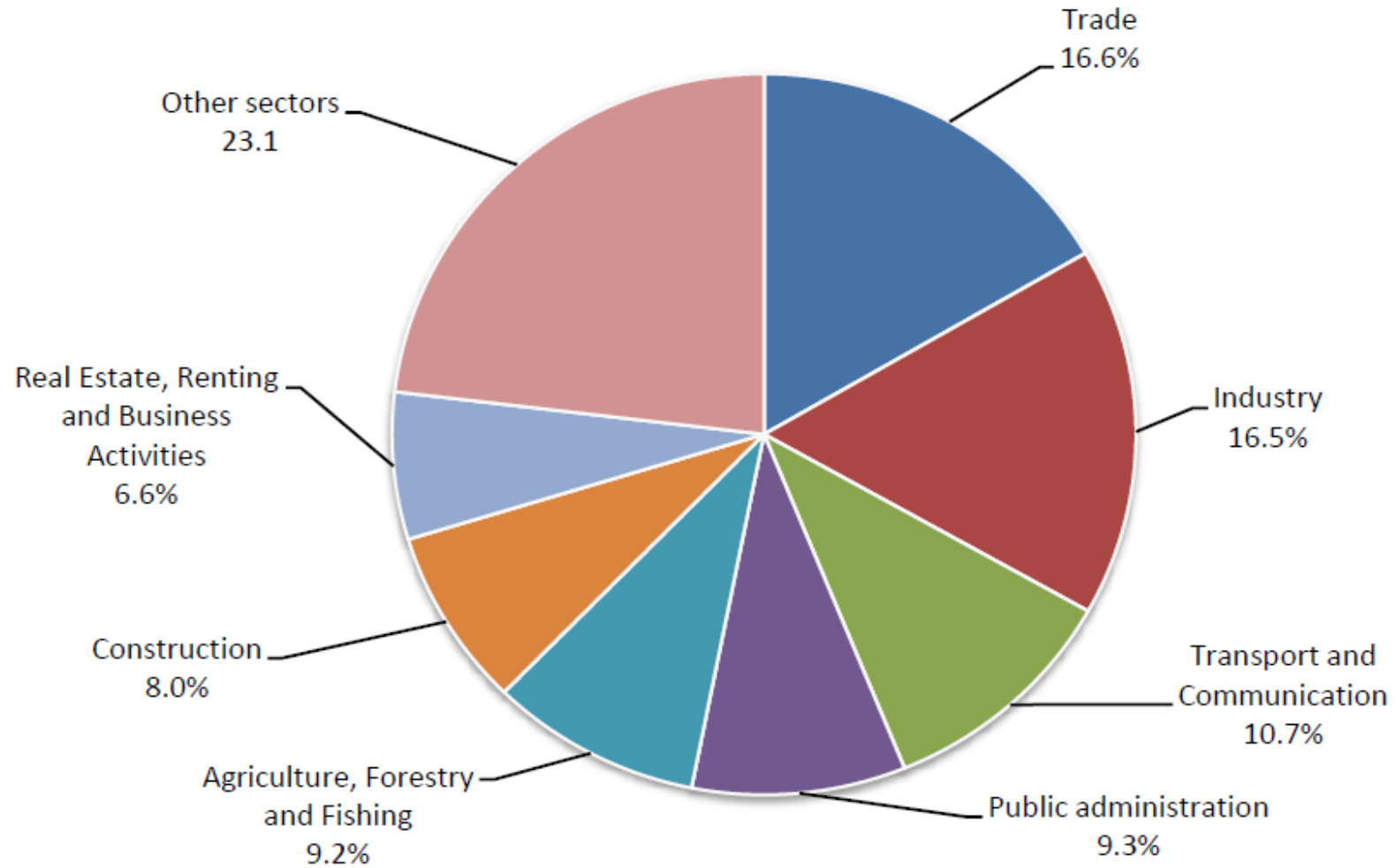
High value tea products



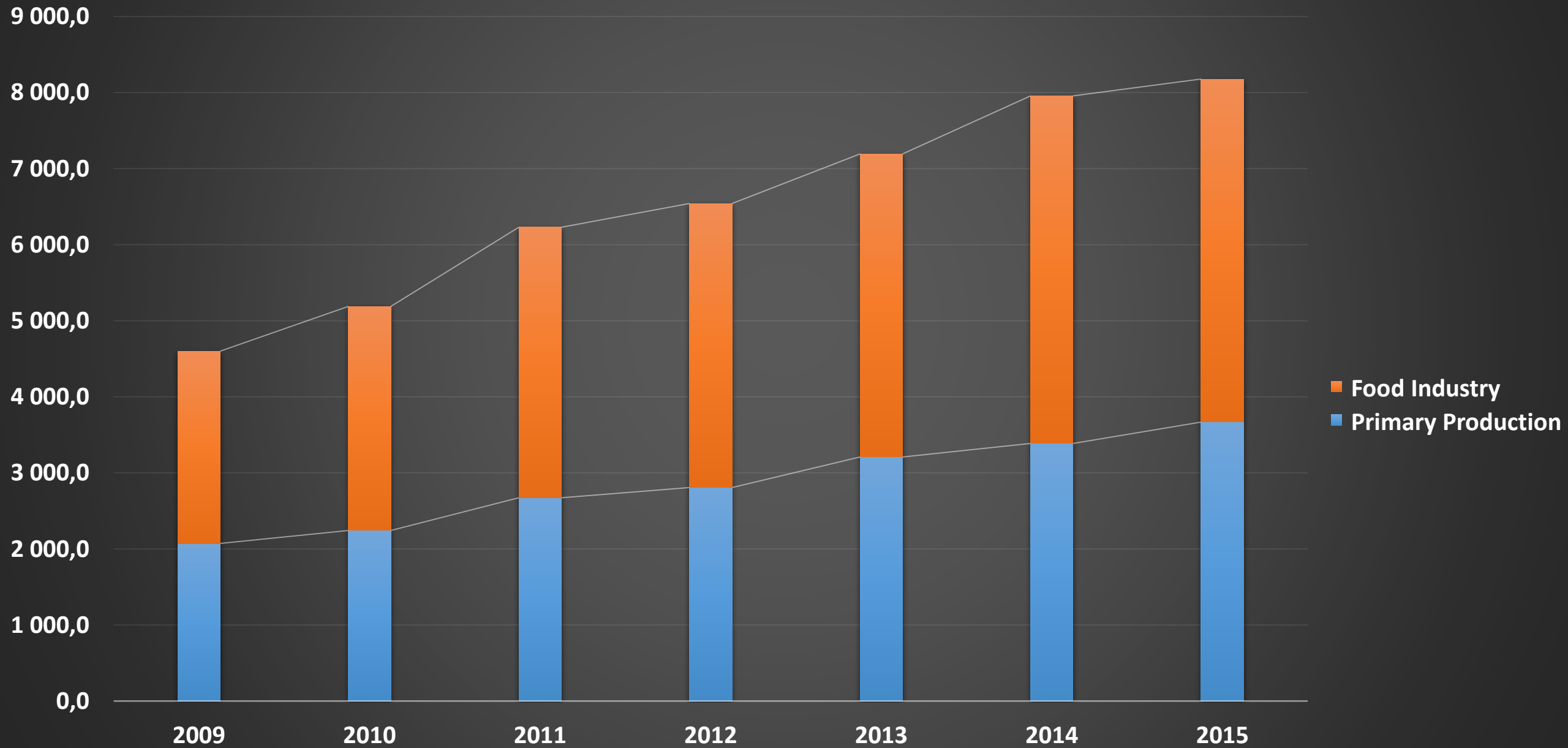
Greenhouses



Agricultural share in GDP



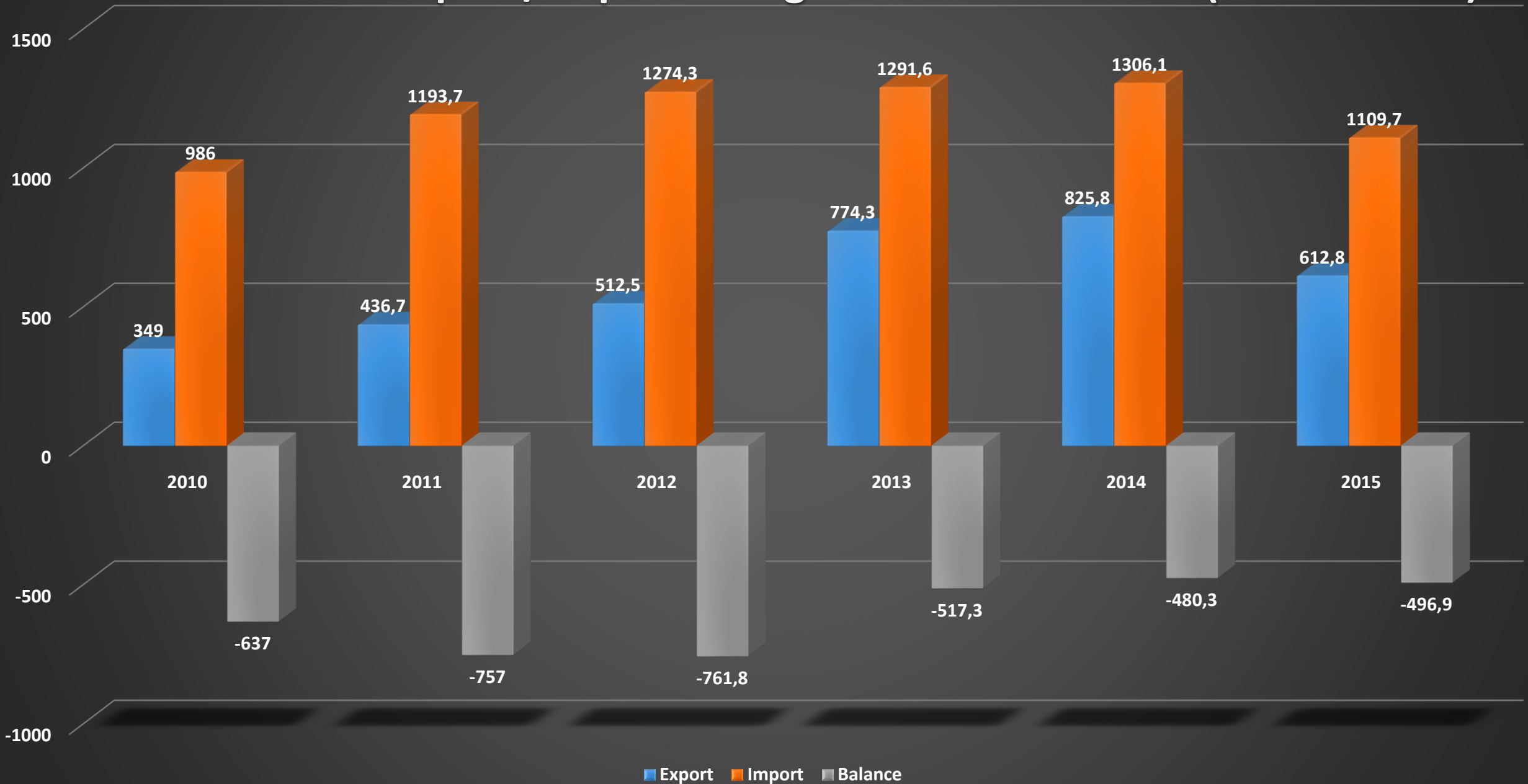
Dynamics of Agribusiness Production (in mln, GEL)



Agricultural trade development in 2015-2016

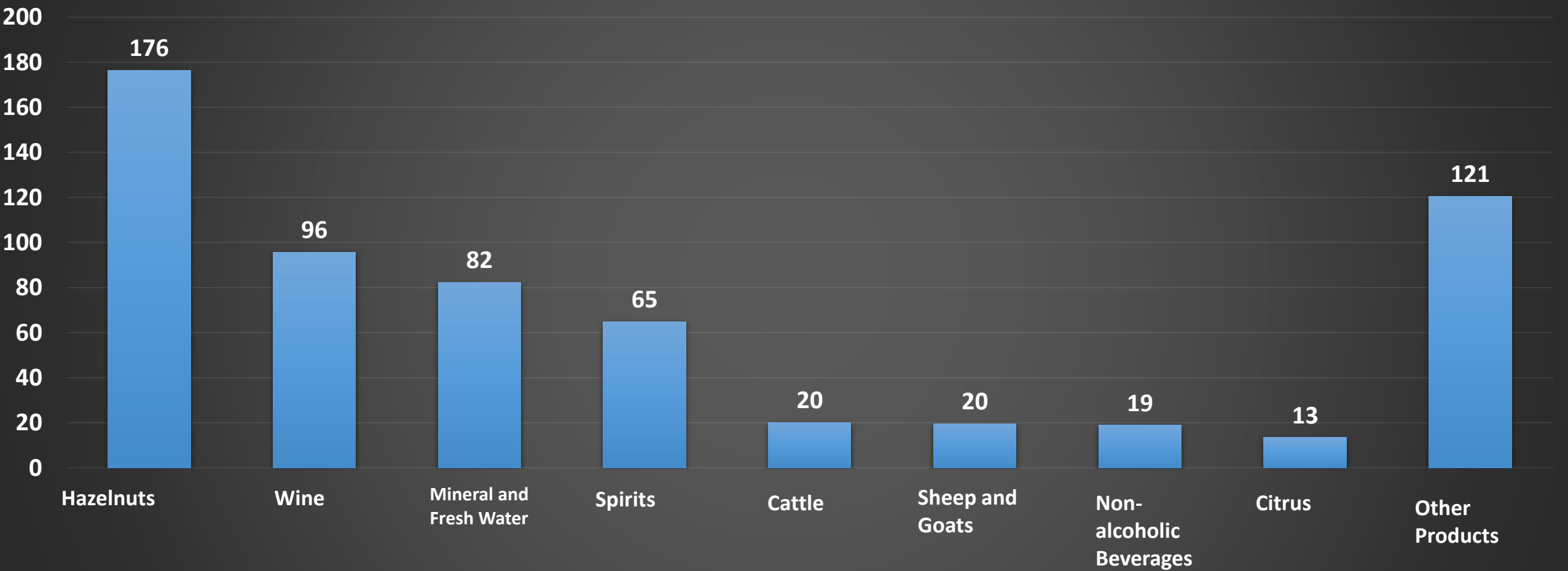
- The agricultural industry is one of the key sectors of the Georgian economy
- Since 2011, the share of agricultural sector in GDP of Georgia began to grow. In 2014 it reached 9,3%; In 2015 it was 9,2%
- The main import partners are the Russian Federation, Ukraine, Turkey, Brazil and Germany
- In 2015-2016 Georgia had downward trend in terms of foreign trade and changes in the geographical structure of exports and imports of agricultural goods
- In 2015, the export volume was 612,8 million USD and of import 1,1 billion USD
- In the first half of 2016 export volume of agricultural goods grew by 8,3%, and import volume reduced by 10%
- The main export partners are the Russian Federation, Ukraine, Azerbaijan, Germany, Italy, Kazakhstan, Armenia and Turkey

Export/Import of Agricultural Products (million.USD)

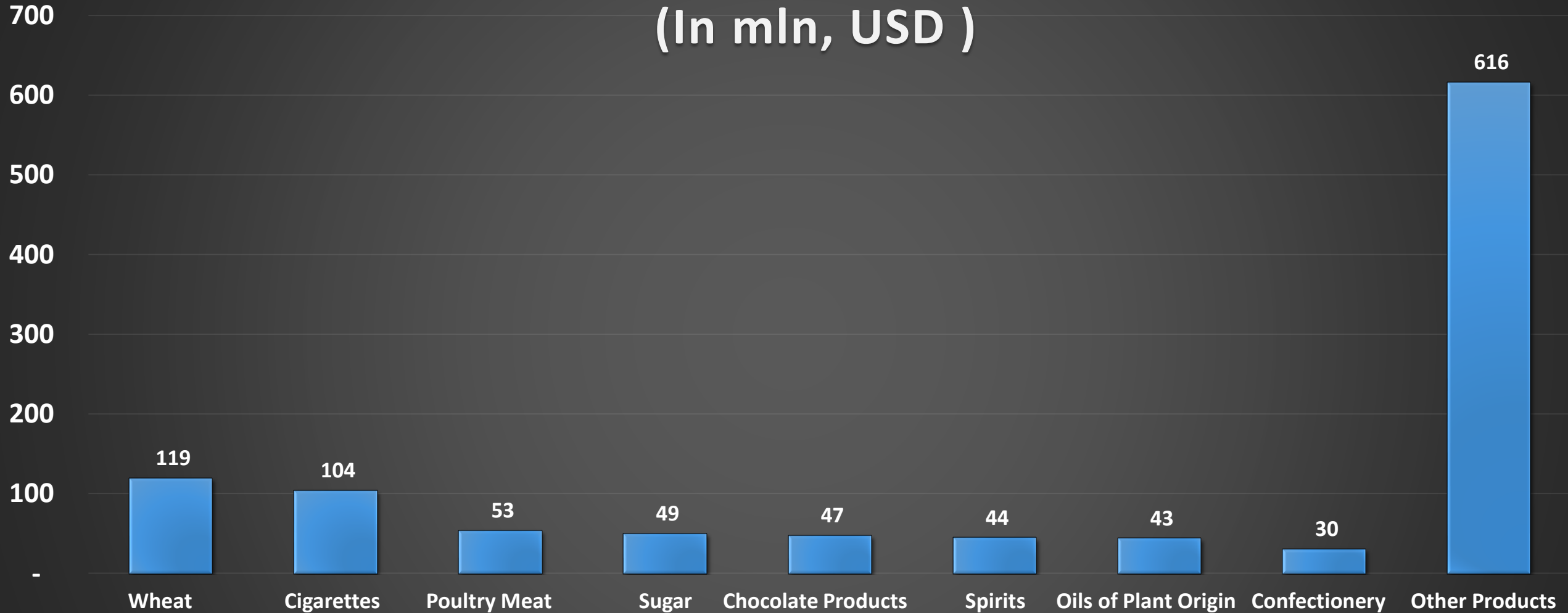


Key Products in Export of Food Products in 2015

(In mln, USD)



Key Products in Import of Food Products in 2015 (In mln, USD)



Agricultural import trade policy measures

- The main instrument regulating the foreign trade of Georgia is the Tax code that has been reviewed/amended in 2011
- "The law of Georgia on entrepreneurs" regulates forms of legal activities and establishes precepts of law for entrepreneurs
- "The food Products/Animal Feed Safety, Veterinary and Plant Protection Code of Georgia" is applied to production, conversion/processing and distribution of plant and animal origin products.
- Georgia's applied tariffs generally fall into three bands: 0%, 5%, and 12%.
- By 2015 the simple average MFN tariffs equal 1.5% and 6.4% for all goods and agricultural goods respectively.
- Georgia exercises no quantitative limitations and quotas on the import of agricultural products.
- Georgia doesn't apply the tariff quotas on agricultural products

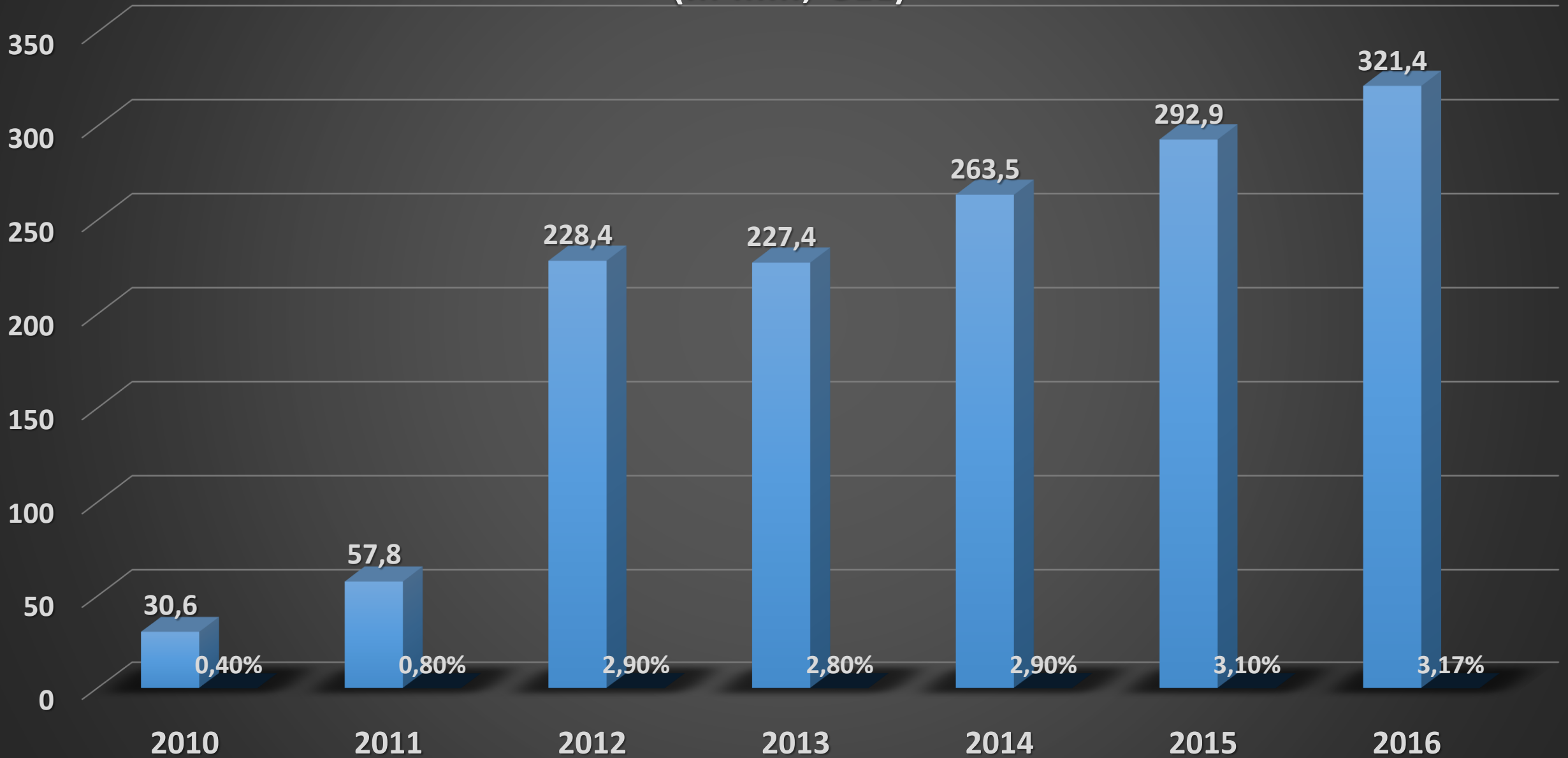
Agricultural export trade policy measures

- There are no export tariffs applied to the agricultural product exports from Georgia. The agricultural exports are free of VAT.
- Georgia exercises no quantitative limitations and quotas on the export of Georgian agricultural products.
- Georgia does not provide export subsidies, and does not have export financing instruments. Export support is mainly in the form of facilitating the participation of exporters in international trade fairs and planning buyer missions.

Bilateral and multilateral trade agreements

- Since June 14, 2000 Georgia is a member of the World Trade Organization (WTO)
- In 2014, Georgia and the EU signed an Association Agreement (AA), including an agreement on the Deep and Comprehensive Free Trade Area (DCFTA)
- On June 27th , 2016 Georgia signed a free trade agreement with the EFTA (European Free Trade Association)
- On October 5th a memorandum of understanding on concluding the free trade agreement negotiations was signed between Georgia and China. The agreement will go into force by mid-2017.
- According to the Free-trade agreement (Free Trade Agreement - FTA) with the CIS member countries, all agricultural goods imported from 11 countries - Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan, Ukraine, Russia - are free from import duties.
- The agreement about free trade (FTA) with Turkey provides trade privileges for number of imported and exported goods with the reduced duty or duty free.
- Georgia has trade preferences granted in the Generalized System of Preferences (GSPs) with a number of major trading partners such as the US, Canada, Switzerland, Norway and Japan

Dynamics of Budgetary Allocations of Ministry of Agriculture (In mln, GEL)



The main measures of domestic support of agriculture

- Program of the agricultural researches
- Program of a Laboratory Research of Wine
- Program for epizootic safety and identification/registration of animals
- Program of phytosanitary safety and protection of plants

The main measures of domestic support of agriculture

- Program of promoting of the Georgian agricultural items, wine items and winemaking
- Program of modernization of ameliorative systems
- Program of agricultural insurance
- Program of preferential agricultural loan

FDI in Agriculture Sector (In thousands, USD)



Influence of macroeconomic factors on export and import

- Georgia has been hit by large and potentially long-lasting external shocks
- Decrease in remittances and capital inflows
- Crisis between Russia and Ukraine
- The devaluation of the national currency
- The devaluation of the national currencies of the main trade partner countries

Influence of macroeconomic factors on export and import

- In 2015, GDP of Georgia constituted 14,0 billion US dollars that is 15,4% lower, than in 2014
- GDP of agricultural industry in US dollars was reduced by 15,9% and constituted 1,1 billion US dollars
- Considerable decrease in export of the main agricultural goods; Export decreased by 25,9% and agricultural production was determined in 612,8 million dollars
- Export of the important exported products, such as wine, mineral waters and alcoholic beverages decreased by 46,9%, 40,0% and 31,8%
- In 2015 agricultural import in comparison with last year decreased by 15,2% and was determined to 1109,7 million dollars
- Considerable decrease on the main import goods, import of wheat and grain crops import of fowl and pork for 27,6%, sugar for 22,3% decreased by 21,8%

Influence of macroeconomic factors on export and import

- The absolute volume of export to Russia decreased from 222,5 million US dollars to 122,6 million US dollars
- The main agricultural goods exported to the Russian market are: wine (43,4 million US dollars), mineral water (33,0 million US dollars), nuts and nut bearing cultures (10,7 million US dollars), alcoholic beverages (10,6 million US dollars)
- The current economic crisis and devaluation of ruble became a basic reason of decrease
- In 2015 agricultural import from Russia decreased by 1,2%, about 273,2 million US dollars to 269,8 million US dollars

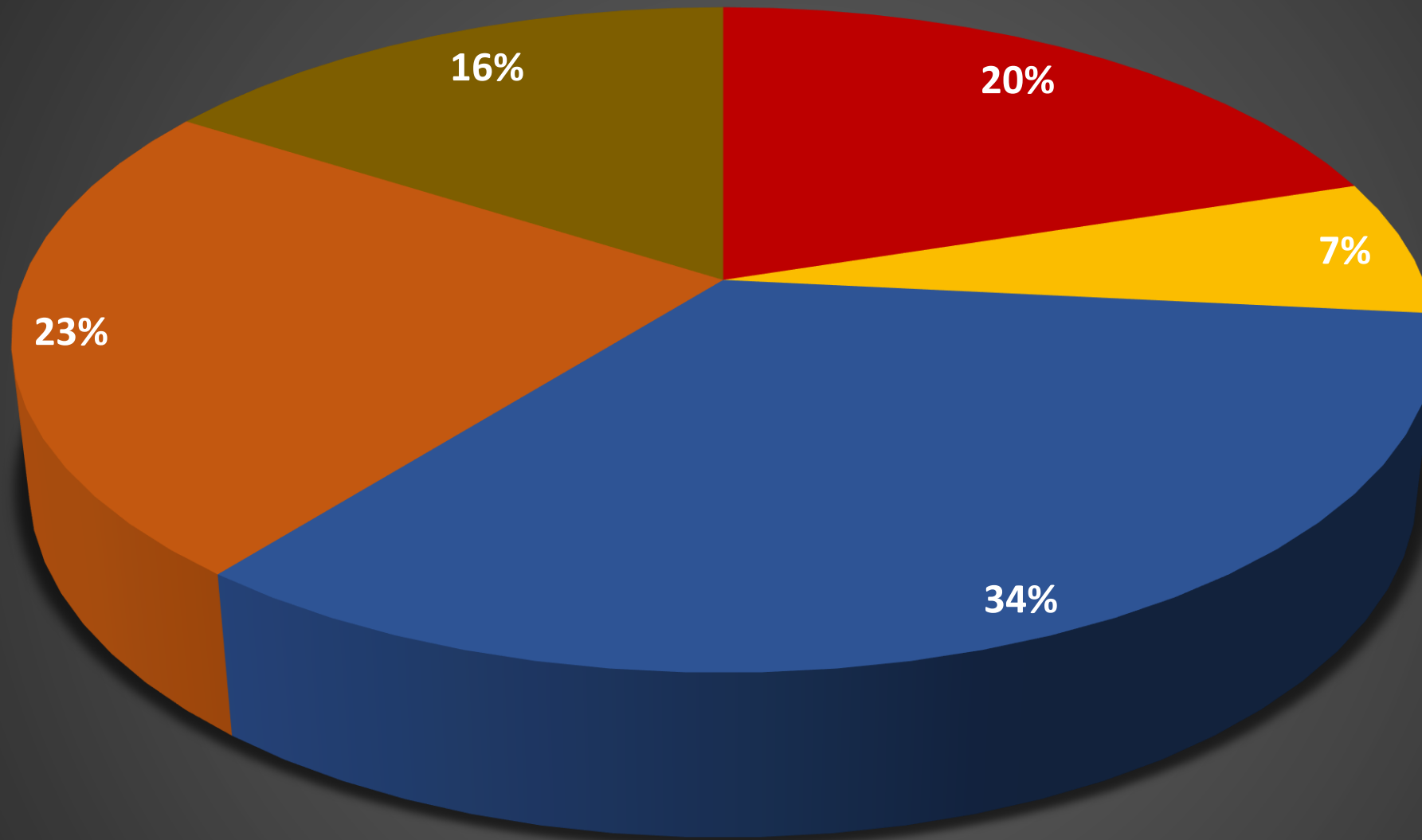
Influence of macroeconomic factors on export and import

- In 2015, agricultural products were exported to Ukraine of amount of 40,5 million dollars
- The main products exported on the Ukrainian market are: wine and alcoholic beverages, citrus and mineral waters
- The main reason of decrease of demand of the Ukrainian market are the economic crisis and devaluation of Hryvna
- Import from Ukraine in 2015 constituted 230,4 million US dollars that is 10,9% less than in 2014

Influence of macroeconomic factors on export and import

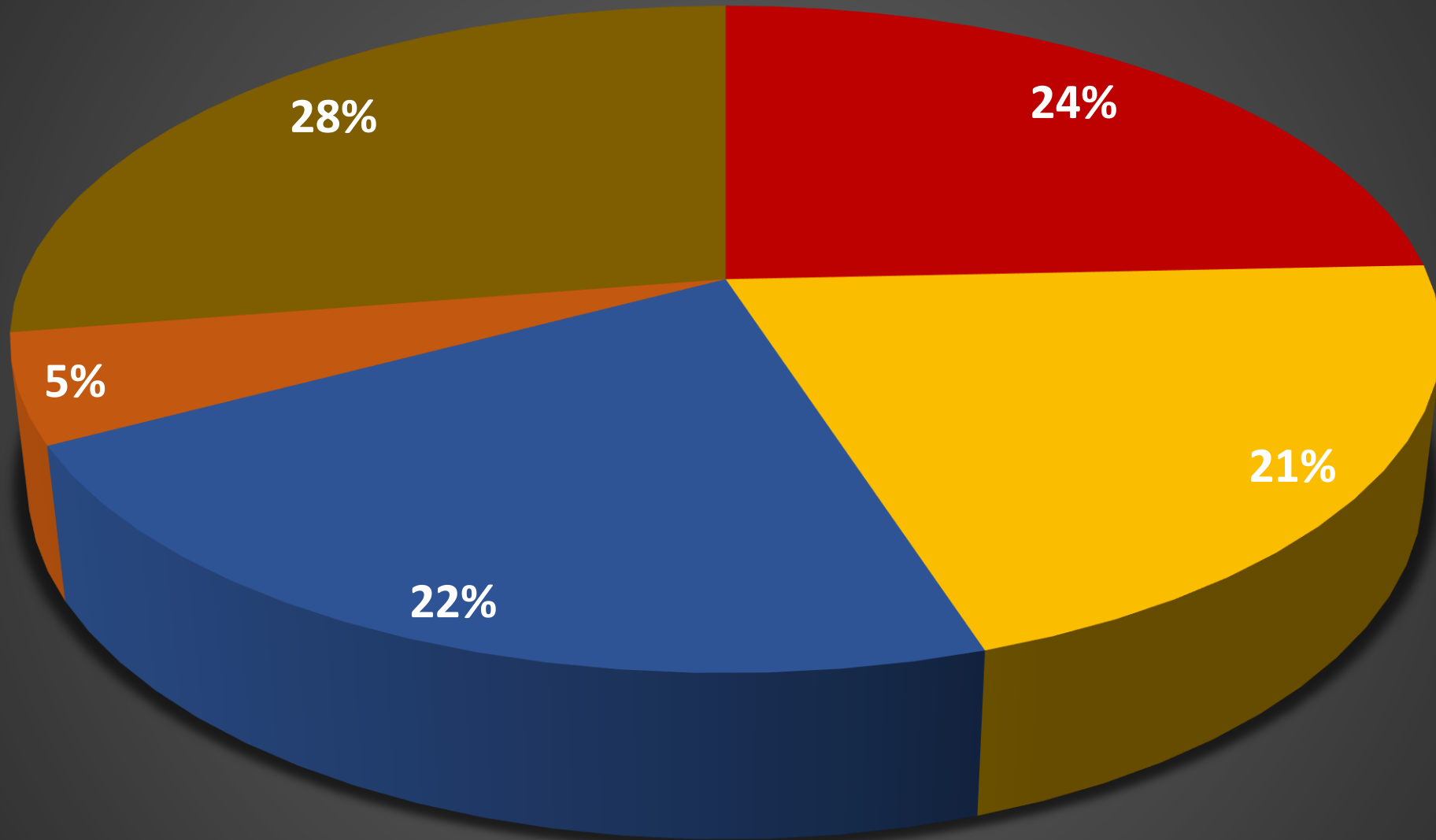
- The total amount of agricultural trade turnover with the EU constituted 26,3%
- In 2015 the export volume to the EU countries constituted 208,4 million US dollars that is 3,7% less, than in 2014
- On the background of rapid decrease of the export volume with other states the trade with the EU decreased slightly. The main reason is the agreement on Deep and Comprehensive Free Trade Area (DCFTA) which provisionally came into force in 2014 (The agreement fully entered into force on 1 July 2016).
- Agricultural export in CIS countries (except Russia and Ukraine) constituted 143,7 million US dollars in 2015, that is 36,6% less than in 2014
- Import from the CIS countries constituted 58,6 million US dollars in 2015 that is 36,1% less, than in 2014
- Devaluation of Georgian Lari and also the fact that Georgia partially has made diversification of a traditional import market makes are the circumstances that make less attractive to import in Georgia

Export Trade Partners in 2015



■ The Russian Federation **■ Ukraine** **■ EU** **■ Other members of CIS** **■ The rest of the world**

Import Trade Partners in 2015



■ The Russian Federation

■ Ukraine

■ EU

■ Other members of CIS

■ The rest of the world

Information about Agricultural trade (1000 \$)

	2014		2015		2016 (6 months)	
	Export	Import	Export	Import	Export	Import
The Russian Federation	222 488,37	273 150,74	122 637,67	269 754,87	62 181,30	116 818,41
Ukraine	85 979,61	258 393,75	40 471,76	230 365,92	21 833,42	81 650,37
EU	216 554,79	251 160,49	208 442,15	245 256,93	87 987,21	109 435,55
Other members of CIS	226 809,52	91 599,20	143 725,46	58 568,61	50 169,97	28 367,97
The rest of the world	73 998,95	431 828,98	97 519,56	305 743,21	68 043,35	160 499,63
In total	825 831,24	1 306 133,16	612 796,60	1 109 689,53	290 215,25	496 771,93

Thank you !