

Agricultural Policy Monitoring in Georgia

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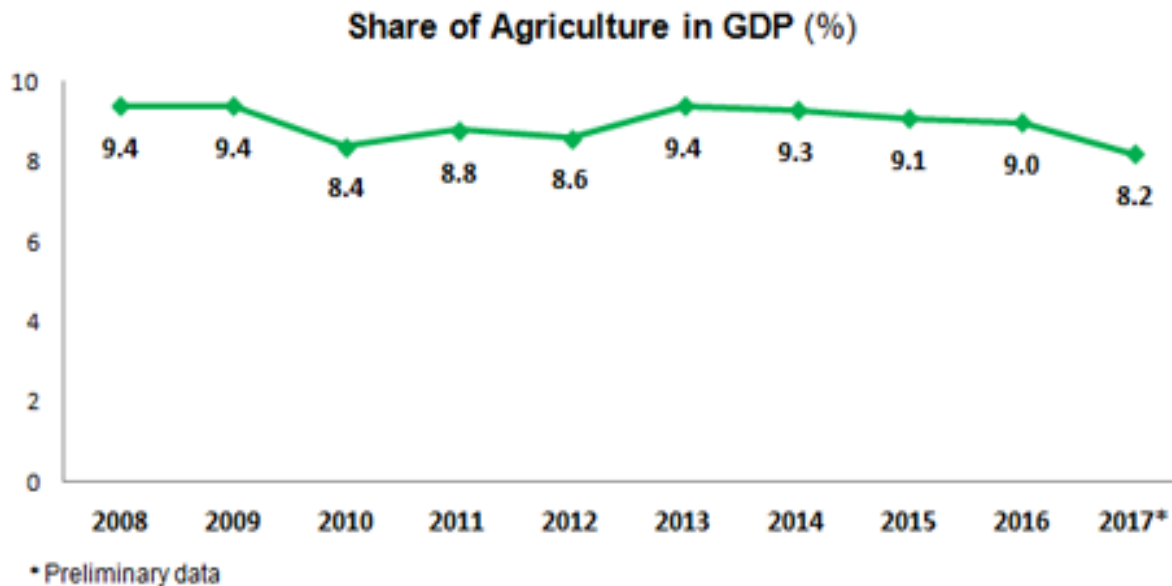
Final Workshop of the Pilot Study on Agricultural Policy Monitoring in six post-Soviet Countries

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Minsk, Republic of Belarus

Agriculture and agri-food trade

- Population: 3,729,600
- Area of the Country: 69,700 sq.km
- Agricultural land: 43.4% (more than 3 mln. ha)
- Employment in Agriculture: 50%
- Climatic Zones: from Subtropical to semi-desert
22 microclimatic zones and 49 soil types

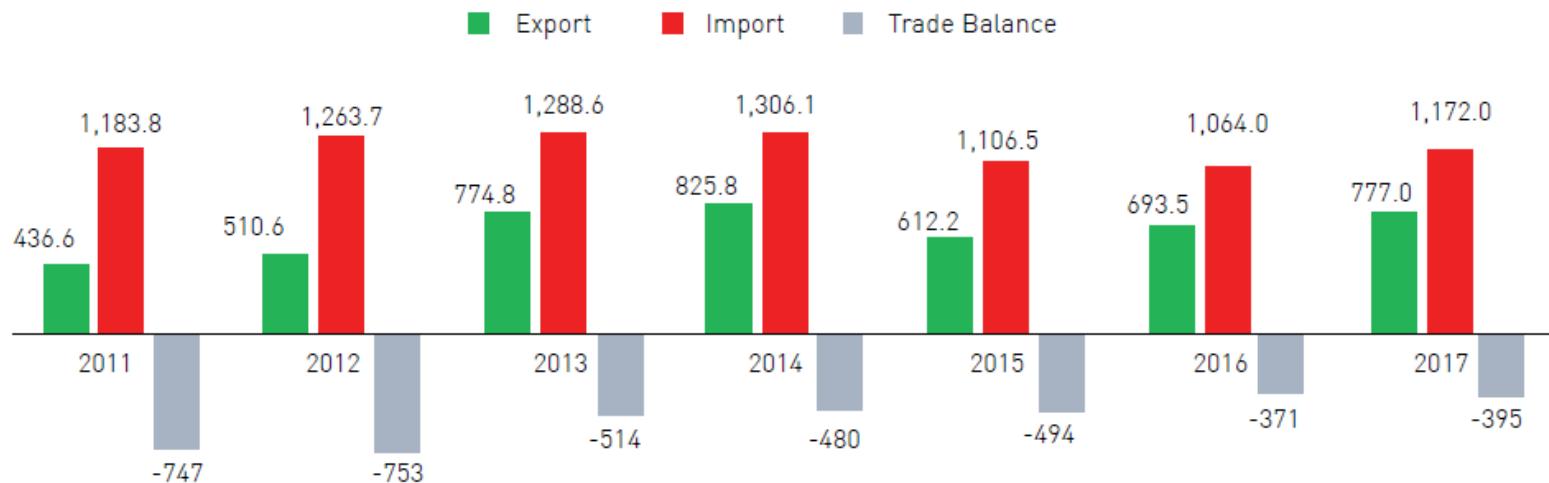
Source: census 2014



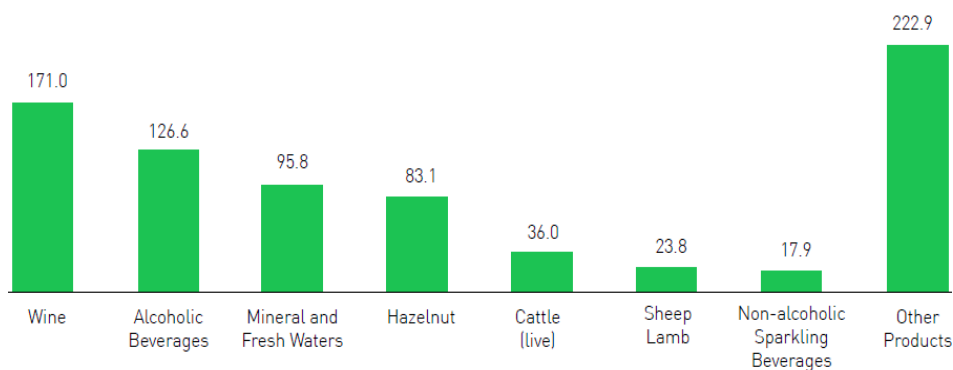
Source: Geostat.ge

Agriculture and agri-food trade

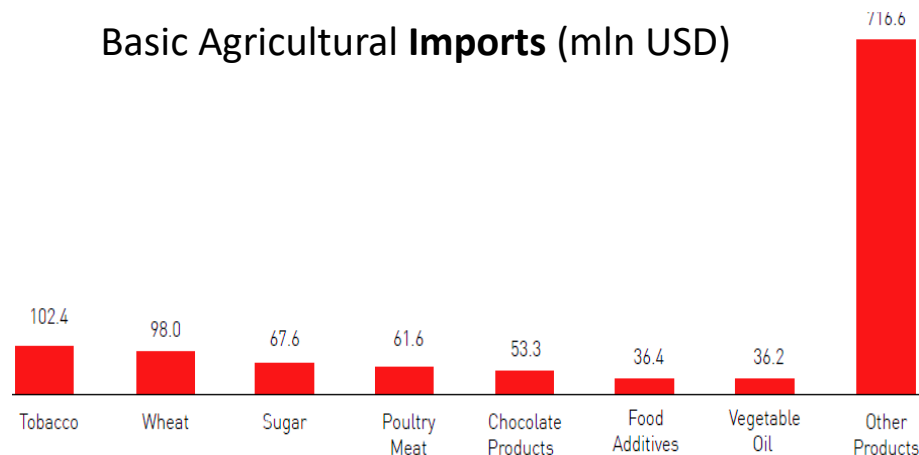
Export/Import of Agri-Food Products (mln USD)



Basic Agricultural **Exports** (mln USD)

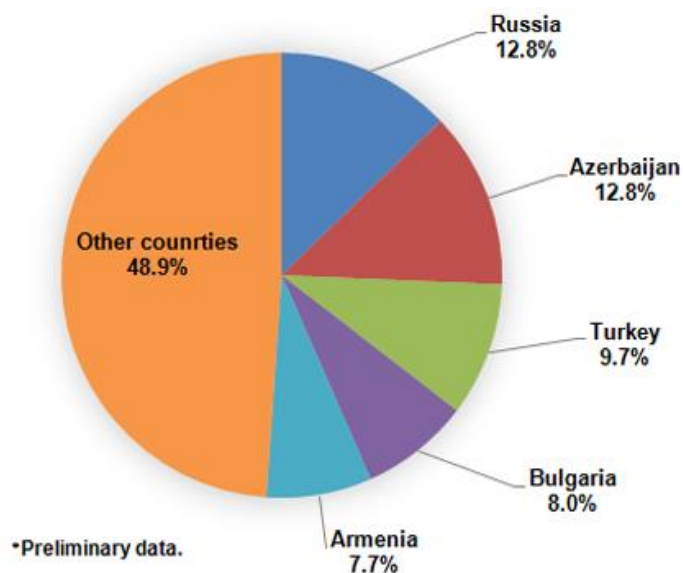
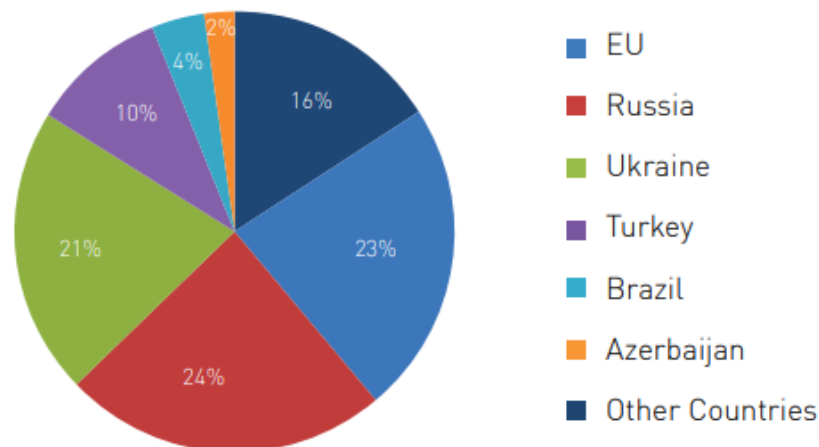
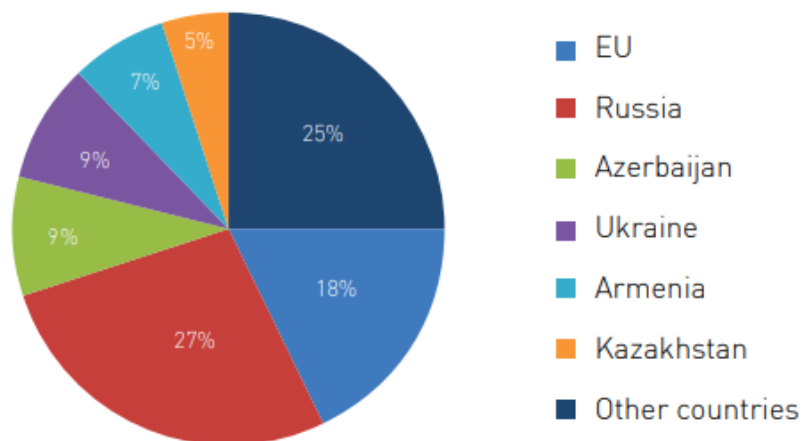


Basic Agricultural **Imports** (mln USD)



Key market development and main trading partners

Georgian **Exports** and **Imports** of Food Products by Countries (%)



Total Export by Countries
Top Trading Partners as of 2018

Trade agreements

- ❑ **Association Agreement (“AA”) - with EU, Deep and Comprehensive Free Trade Area (DCFTA),** signed in September, 2014
- ❑ **Free Trade Agreement** with Peoples Republic of China, Feb. 2016
- ❑ **FTAs with CIS countries:** Ukraine, Belarus, Moldova, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan, as well the neighbors, Turkey, Azerbaijan and Armenia
- ❑ **FTA with EFTA countries,** giving Georgian products duty free access to markets of Iceland, Liechtenstein, Norway and Switzerland.
- ❑ **Most-Favored-Nation Status as a Member of WTO** - WTO member States (164 countries) trade relations are regulated on the basis of MFN principles
- ❑ **Generalized System of Preferences (GSP)** - beneficiary of GSP regime of the following countries: US, Canada, and Japan. Having lower tariffs on 3,400 goods exported from Georgia
- ❑ **Georgian Border Control** - almost no custom duty, with 90 % of goods being exempt from import tariffs, with no quantitative restrictions. The average time for customs clearance is currently about 15 minutes – one of the fastest and most efficient in the CIS.

Indicator coverage

Period covered: 2006-2016 years

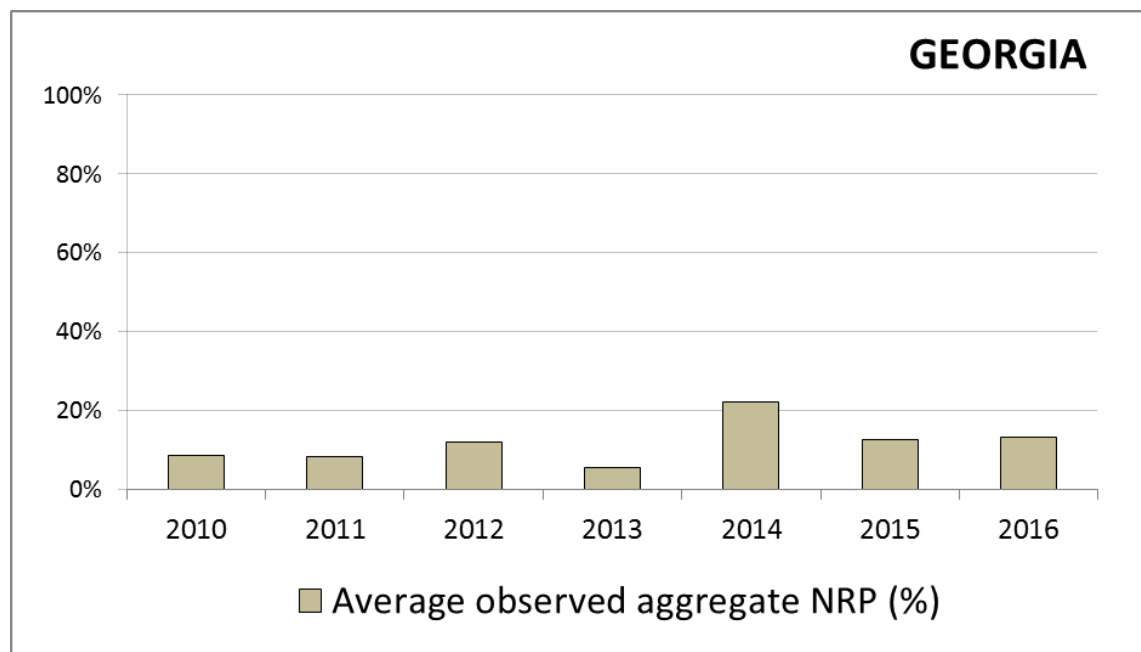
Commodities covered: Maize, Hazelnut, Potatoes, Grape, Cattle Milk, Meat Cattle, Eggs

Sources of data: National Statistics Office of Georgia, Ministry of Environmental Protection and Agriculture of Georgia, Ministry of Finance of Georgia, Customs Service Department

	Units	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CROP OUTPUT	mill. GEL	911	1052	918	868	932	1238	1087	1405	1613	1622	1657
Maize	mill. GEL	98	172	158	192	85	173	136	178	152	100	127
Hazelnut	mill. GEL	48	68	33	57	96	99	70	130	212	209	131
Potatoes	mill. GEL	84	117	99	95	135	178	113	166	166	123	107
Grape	mill. GEL	88	86	111	78	81	99	141	236	216	167	146
Other	mill. GEL	593	609	519	445	535	689	626	695	868	1023	1145
ANIMAL OUTPUT	mill. GEL	1165	1139	1228	1140	1240	1337	1610	1666	1613	1837	1984
Cattle Milk	mill. GEL	311	375	329	380	341	466	413	429	518	459	432
Meat Cattle	mill. GEL	152	147	125	175	145	176	154	199	200	234	225
Eggs	mill. GEL	52	88	88	86	93	111	104	109	116	139	124
Other	mill. GEL	649	529	686	499	661	584	940	929	780	1006	1203
AGRICULTURAL GOODS OUTPUT	mill. GEL	2077	2190	2146	2009	2172	2575	2697	3071	3227	3459	3641

Nominal Rate of Protection

Average aggregate nominal rate of protection (%) at farm gate, percent, 2010-2016



INTERPRETATION/COMMENTS

- Very modest price incentives
- Implies liberal markets with (analyzed key) agricultural commodities, no special incentives for producers

Nominal Rate of Protection: driving factors

Policy:

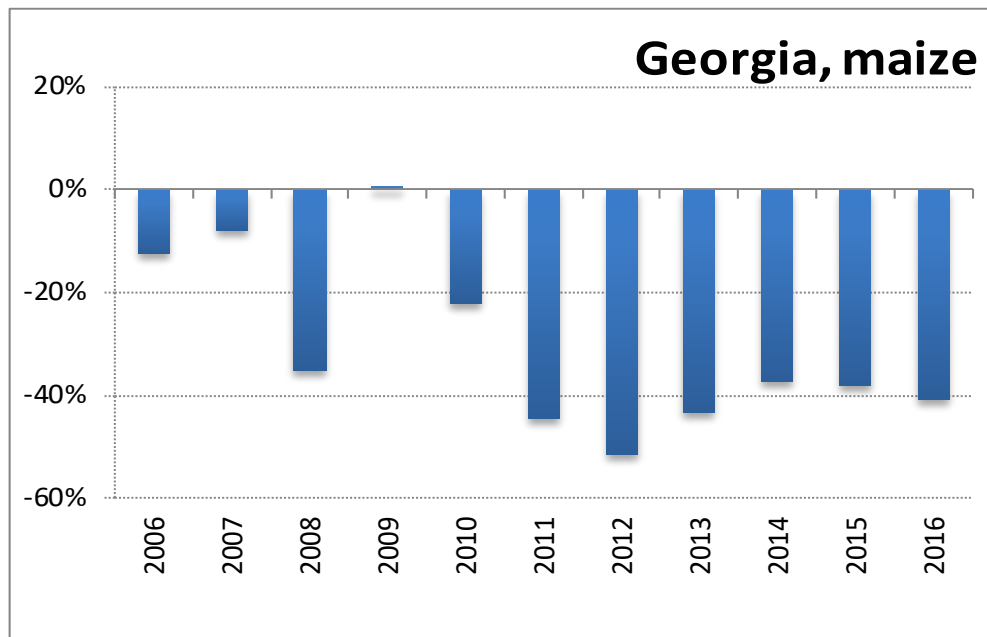
- ☐ Ineffective/no legislation of land distribution
- ☐ No damping law for imported products
- ☐ VAT taxes on secondary production
- ☐ Ineffective coordination of the value chain

Sector performance:

- ☐ Fragmented Production
- ☐ Inefficient market functioning
- ☐ Limited market integration
- ☐ Asymmetric distribution of market power
- ☐ Lack of market institutions

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Maize**, 2006-2016



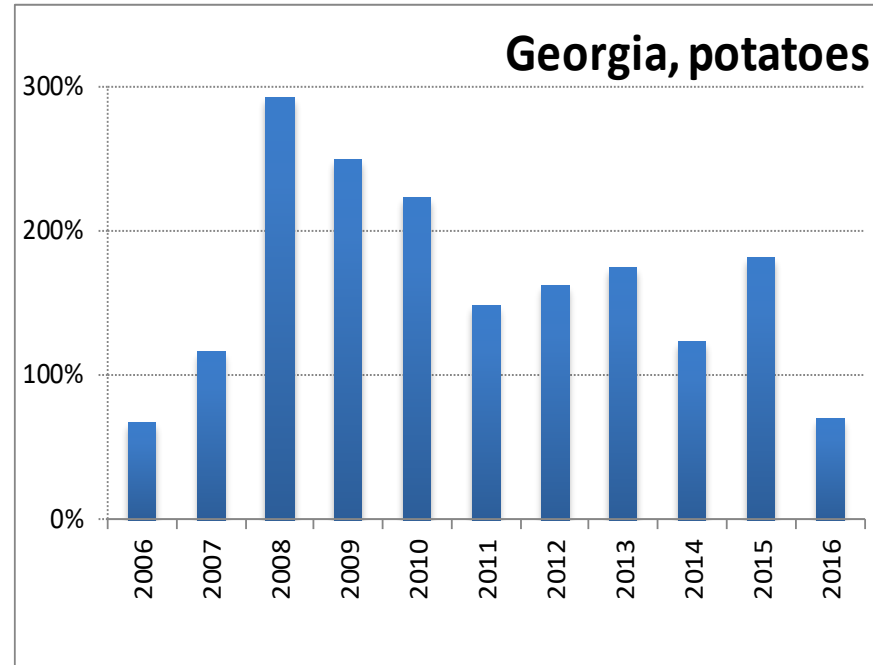
INTERPRETATION/COMMENTS

Two factors:

1. Primary production is free from VAT, though processing is not. Therefore processing entities prefer to import and count the VAT cost
2. Producers are small farmers with fragmented land plots, no irrigation and ag. insurance

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Potatoes**, 2006-2016

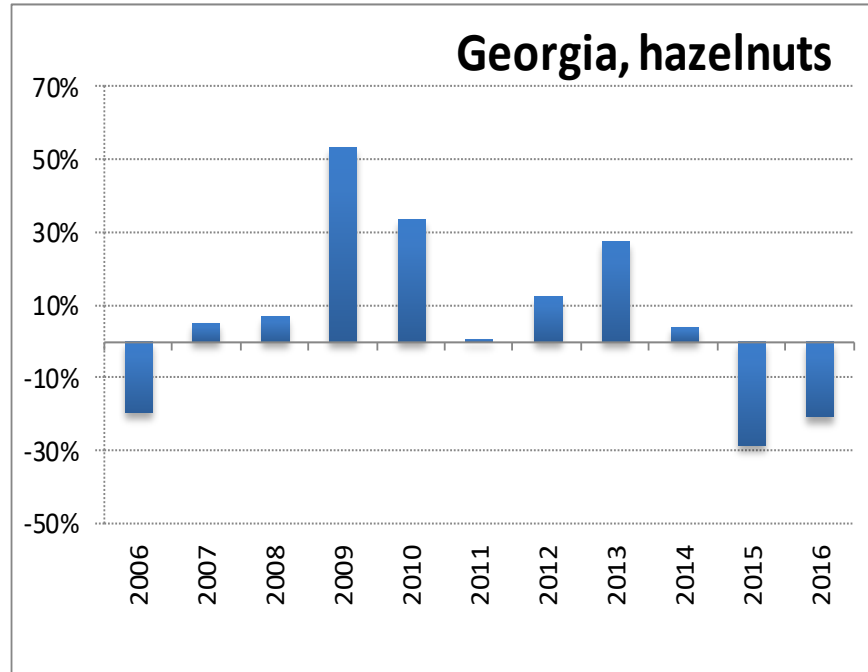


INTERPRETATION/COMMENTS

The market is very unstable, mostly regulated by the middle persons. Because of no anti dumping law, lower quality product is imported from Turkey on seasons and the price of it is very low, since Turkish production is subsidized by the government

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Hazelnuts**, 2006-2016

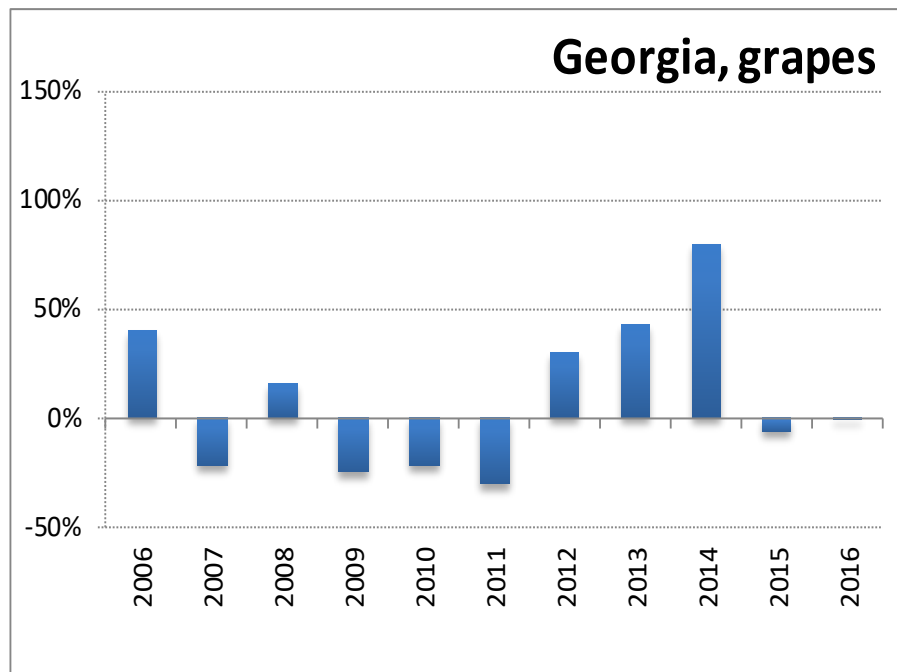


INTERPRETATION/COMMENTS

The hazelnut market is heavily dependent on global market demands and prices, which are influenced by other large exporters, such as Turkey and Azerbaijan. Related to this, monetary policies influencing the exchange rates of domestic currencies play a major role

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Grapes**, 2006-2016

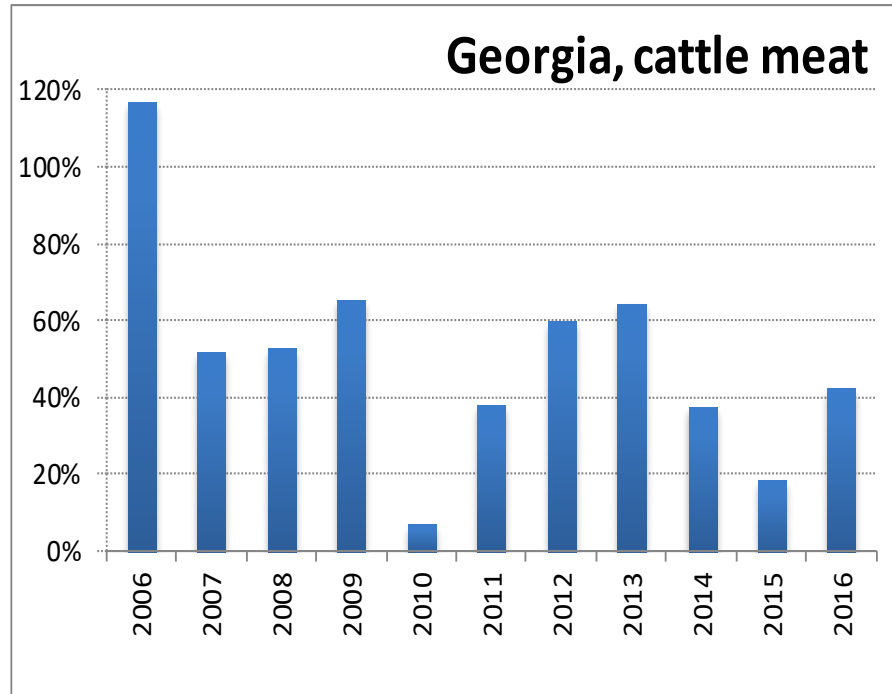


INTERPRETATION/COMMENTS

In some of the analysed years (2012-2014), payments per kg of harvested grapes sold to companies were granted. Funds were also granted to purchase, process and provide other necessary support for the grape harvesting process

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Cattle Meat**, 2006-2016

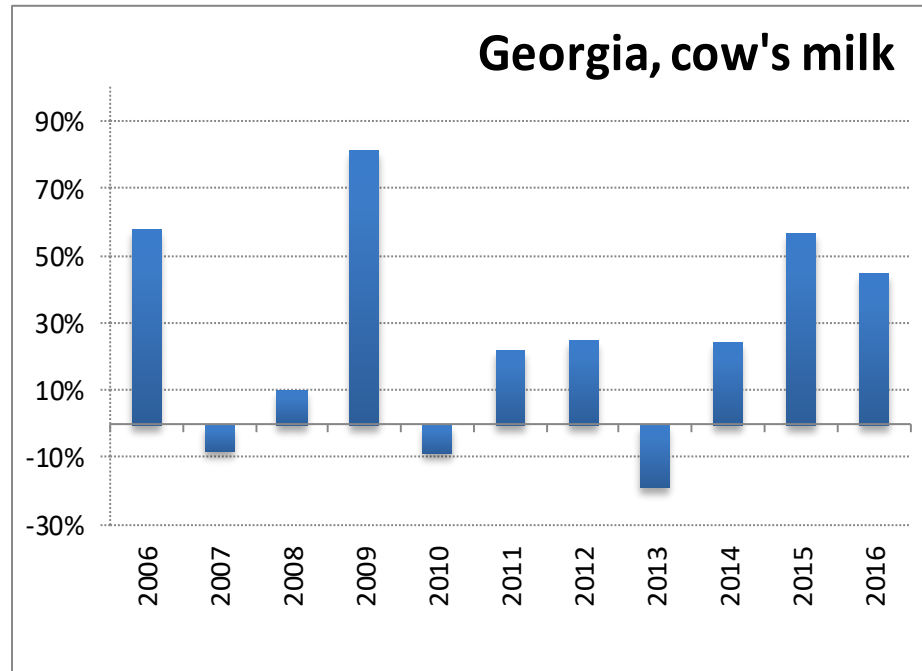


INTERPRETATION/COMMENTS

Domestic prices higher, because the cost of producing 1 kg meat is very high. Problem: lack of pastures, no new technologies are used, nutrition problems. Local Breeds are expensive to keep and cheap to realize.

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Cow's Milk**, 2006-2016

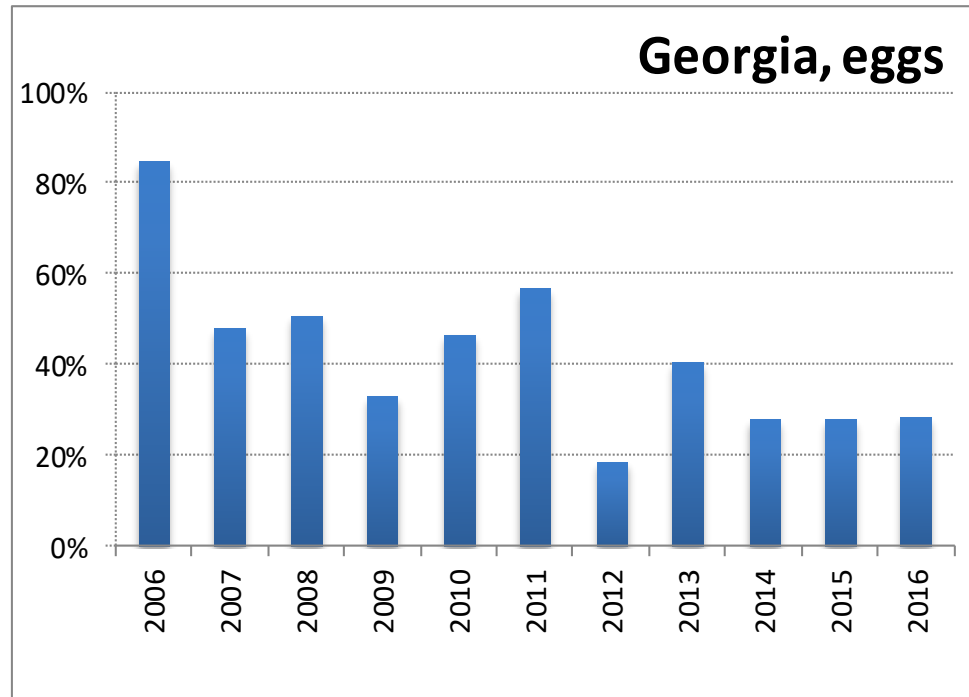


INTERPRETATION/COMMENTS

Fragmented and low productive agriculture and weak market integration. Primary production is free from VAT, processing is not. Therefore processing factories prefer to import and count the VAT cost

Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **Eggs**, 2006-2016



INTERPRETATION/COMMENTS

Domestic prices of eggs are substantially above the comparable international prices because of its high production cost (problem: knowledge of new technologies, using quality food supplements). Majority of retailers import eggs from Turkey because of the lower price and package them on place.

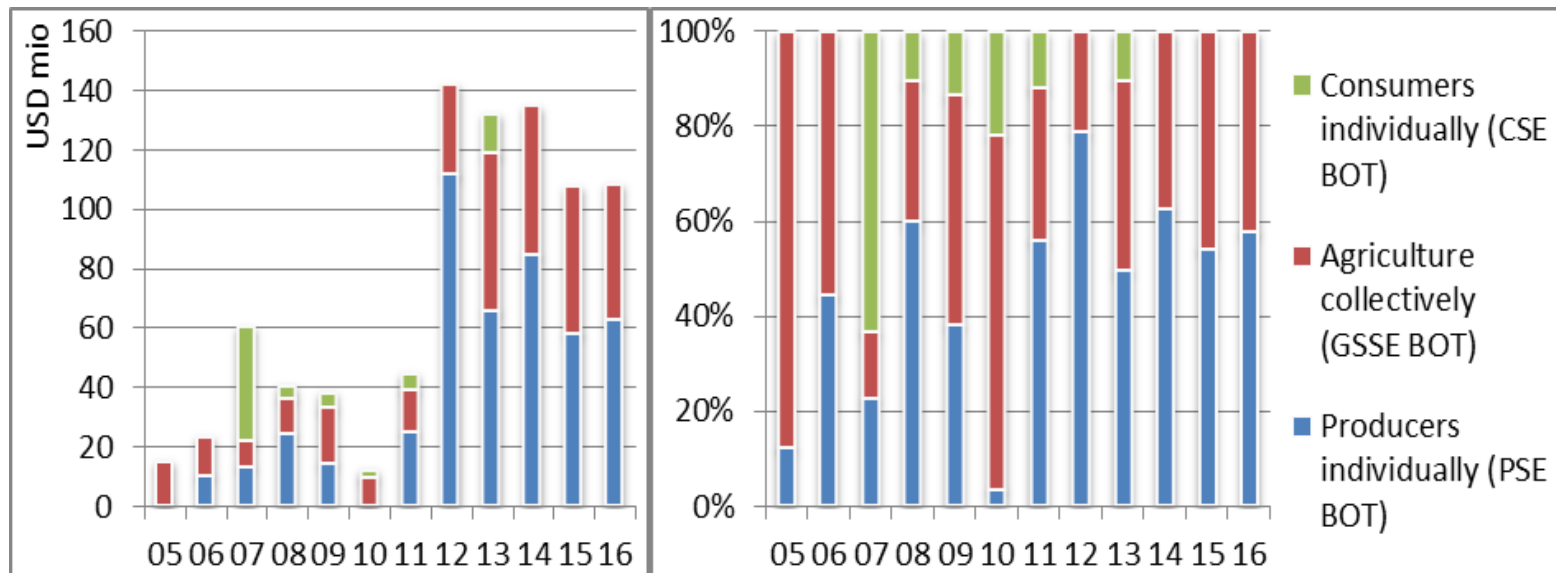
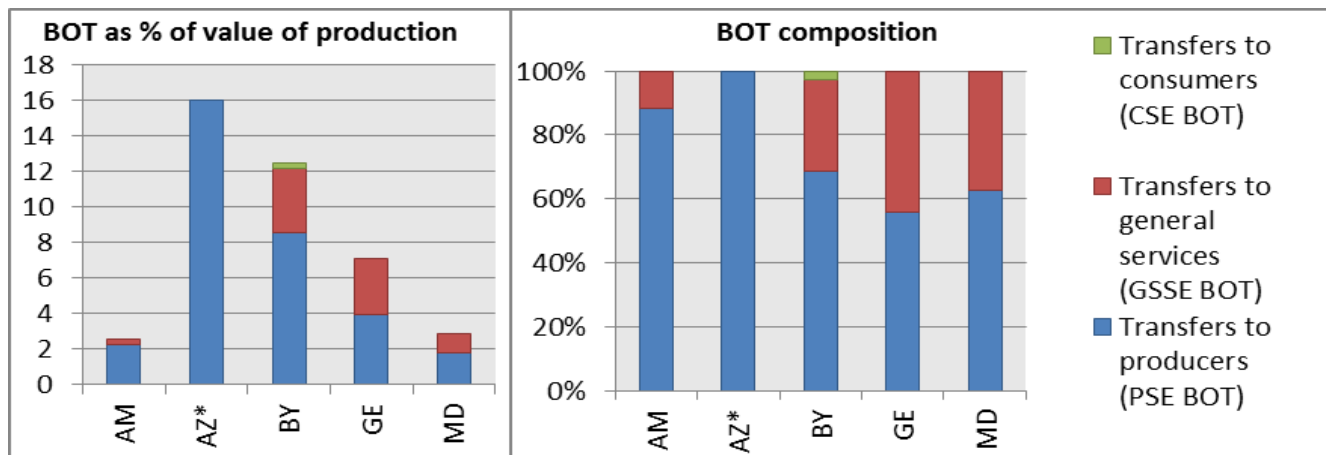
Budgetary transfers to agriculture

Code	Description	2010	2011	2012	2013	2014	2015	2016
A2	A.2. Payments based on output	0.25	0.00	24.23	19.27	31.14	10.82	8.42
B	B. Payments based on input use	0.09	25.20	87.93	46.55	53.63	47.69	54.57
C	C. Payments based on current A/An/R/I, production required	0.11	0.00	0.00	0.00	0.00	0.00	0.00
GSSE	IV. General Services Support Estimate (GSSE)	9.29	14.40	30.08	53.16	50.14	49.40	45.79
H	H. Agricultural knowledge and innovations system	0.00	1.20	2.18	1.38	1.76	3.65	3.95
I	I. Inspection and control	1.73	1.06	5.61	10.41	14.13	13.24	11.29
J	J. Development and maintenance of infrastructure	1.70	6.44	10.47	39.07	33.64	30.98	29.09
K	K. Marketing and promotion	0.95	0.39	11.82	2.29	0.62	1.53	1.47
M	M. Miscellaneous	4.91	5.32	0.00	0.00	0.00	0.00	0.00
P	P. Transfers to consumers from taxpayers	2.70	5.24	0.00	13.47	0.00	0.00	0.00
PSE	Transfers to producers (PSE BOT)	0.46	25.20	112.16	65.82	84.77	58.51	62.99
CSE	Transfers to consumers (CSE BOT)	4.91	5.32	0.00	0.00	0.00	0.00	0.00
%TSE	Total BOT as a share of value of production at producer prices (%)	12.44	44.84	142.24	132.44	134.91	107.91	108.78

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Armenia	na	na	na	41%	36%	18%	29%	31%	19%	23%	29%	21%
Azerbaijan	-17%	19%	24%	43%	80%	69%	44%	55%	39%	54%	47%	-4%
Belarus	-9%	na	na	0%	-13%	-14%	-26%	-5%	-18%	-7%	-8%	-10%
Georgia	na	44%	7%	13%	44%	9%	8%	12%	6%	22%	13%	13%
Kyrgyzstan	na	na	na	na	na	48%	39%	44%	24%	48%	59%	53%
Republic of Moldova	3%	-5%	-16%	-13%	-14%	-18%	-19%	-7%	-23%	-14%	-11%	-14%

Budgetary transfers to agriculture

Budgetary transfers to agriculture by economic group to which the transfer is provided, 2005-2016



Conclusions

- ❑ To increase productivity/continuous production (*Fragmented production: farmers use low-grade seed, which results in sharp decline of yields and low quality of production*)
- ❑ To put more efforts in promotion of land consolidation (*size of average farm is 1.5 ha*)
- ❑ To improve the legislation in terms of possession and disposal of the land plot/
support rational management of available land assets
- ❑ Improve communication with farmers, support family farming industries
- ❑ Invest more in agricultural extension – to concentrate on development of private
extension services
- ❑ To invest more in modern agricultural equipment
- ❑ Agricultural programs to be properly targeted and monitored
- ❑ To arrange appropriate insurance system against unfavorable weather conditions
- ❑ Support development of agricultural value chains

Thanks for your attention!

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