



Food and Agriculture Organization
of the United Nations

TRADE POLICY REVIEW IN EUROPE AND CENTRAL ASIA

QUARTERLY BULLETIN No.7



JULY-SEPTEMBER 2021

INTERNATIONAL COOPERATION

UZBEKISTAN SHOWS INTEREST IN NEW PROJECTS IN UKRAINE, INCLUDING ONES IN ANIMAL HUSBANDRY

The Deputy Minister of the Economy expressed hope for further strengthening relations between the two countries and stressed that creating comfortable conditions for doing business and implementing new investment projects is an extremely important step to intensify investment cooperation between the two countries.

During the meeting, participants discussed the prospects and possibilities of creating simplified access to the markets of countries, a favourable environment for the implementation of joint projects, and attracting investment. Thus, among the promising industries for cooperation between the two countries is the field of animal husbandry.

9 August 2021: Tridge

AZERBAIJAN AND TURKEY TO EXPAND COOPERATION ON APPLYING E-TIR SYSTEM FOR CARGO FREIGHT

Azerbaijan and Turkey are expanding cooperation in the application of the e-TIR system for cargo transportation.

This is stated in the "Memorandum of Understanding on Cooperation in the Field of Digital Trade between the Government of the Republic of Azerbaijan and the Government of the Republic of Turkey".

The document notes that the use of the e-TIR system will be expanded to facilitate the movement of rail freight between Azerbaijan and Turkey.

In addition, the memorandum indicates that cooperation will be established between Azerbaijan and Turkey in the areas of creating digital infrastructure and simplifying the procedure for interaction on transport corridors.

Note that on 25 August 2021, the President of Turkey approved the "Memorandum of Understanding on Cooperation in the Field of Digital Trade between the Government of the Republic of Azerbaijan and the Government of the Republic of Turkey", signed on 2 April 2021 in Baku.

25 August 2021: Trend.az

**UZBEKISTAN AND
TURKMENISTAN AGREE TO
CREATE A BORDER TRADE ZONE**

Uzbekistan and Turkmenistan have agreed to increase their trade turnover to USD 1 billion and create a border trade zone between the two Central Asian neighbours.

The agreement was reached during a meeting of the bilateral intergovernmental commission held in Tashkent, where officials from the two countries discussed cooperation in industries, trade, and agriculture, as well as joint investment projects and the creation of continuous value chains.

The delegations reached an agreement to develop and adopt a road map for the implementation of industrial cooperation, which includes specific projects. They have also agreed to accelerate the approval of the draft agreement on the establishment and regulation of the activities of the Uzbek-Turkmen border trade zone.

15 September 2021: Business Turkmenistan

TRADE POLICY MEASURES

UZBEKISTAN INTRODUCES SUBSIDIES FOR POULTRY, EGG PRODUCERS

The President of Uzbekistan has approved a bailout package for the domestic poultry industry, subjecting broiler meat and egg producers to new subsidies and tax breaks aimed at curbing the upward price rally on the domestic market.

From June 2021, poultry farms are eligible for a subsidy of 500 soums (USD 0.047) per ten eggs and 1000 soums (USD 0.095) per kilogram of poultry meat sold on the domestic market.

The decree was approved shortly after the Uzbek Government discovered that egg producers were suffering losses, while broiler meat producers experienced a sharp decline in profitability due to unprecedented high costs associated primarily with the expensive grain on the global market.

Currently, producers suffer a net loss of 15 soums (USD 0.0015) from producing and selling one egg while generating a net profit of only 369 soums (USD 0.034) from producing and selling 1 kg of broiler meat, the Government estimated. It is believed that the profitability in the broiler meat segment has more than halved over the past year.

One of the goals of the new subsidies is to curb the domestic prices, which have been rapidly rising since the beginning of the year. In addition, the President of Uzbekistan ordered to halve the tax rate for property tax, land tax, and tax for the use of water resources for all poultry farms in the country up until July 2024.

By 1 July 2022, the government will also subsidize 50 percent of logistics costs for broiler meat and eggs exports, as well as soybeans import by road, rail, and air.

2 July 2021: [Poultryworld.net](https://poultryworld.net)

RUSSIAN FEDERATION EXPANDS THE LIST OF GOODS PROHIBITED FROM IMPORT FROM UKRAINE

The Russian Federation Government has expanded the list of goods prohibited from import from Ukraine. This is stated in government decree No. 1305 of 28 June 2021, which was published on the government information portal on 2 July 2021.

It is noted that the expanded list of prohibited imports covers ice cream and other types of edible ice, mineral water, as well as carbonated water with added sugar or other sweeteners or flavourings, ready-made soups, and broths and semis for their preparation.

In addition, the import of barley, palm oil, and its fractions, finished or canned meat products, meat offal, prepared or canned crustaceans, defatted cocoa mass, pasta, popcorn, Müsli type based on unroasted cereal flakes, as well as tomato ketchup and other tomato sauces, mayonnaise, and products for making sauces is prohibited.

3 July 2021: [Ukraine news](#)

**ROSSELKHOZNADZOR LIFTS
BAN ON IMPORT OF RAW
TOBACCO FROM INDIA**

Rosselkhoznadzor from 30 July 2021 cancelled the ban on the import of raw tobacco from India. Since 28 July 2021, supplies to the Russian Federation of raw tobacco and tobacco waste (EAEU TN VED code 2401) from Brazil were resumed under the guarantees of the country's National Organization for Quarantine and Plant Protection (NPPO) on taking comprehensive phytosanitary measures.

27 July 2021: Tellerreport.com

**AZERBAIJAN TEMPORARILY
LIMITS IMPORT OF PORK
PRODUCTS FROM SEVERAL
COUNTRIES**

Azerbaijan has temporarily limited the import of pork products from several countries.

The appropriate measures are being taken based on information from the World Organization for Animal Health (OIE) on the epizootic situation in the world.

The cases of African swine fever were observed in some administrative-territorial units of Vietnam, Hungary, Romania, Poland, Korea, Philippines, Indonesia, Russia, Germany, Latvia, South Africa, Moldova, China, Laos, Tanzania, Bhutan, Namibia, Myanmar, Côte d'Ivoire, Malaysia and Ukraine.

In this regard, the import of live pigs, pork, pork products, as well as the corresponding genetic material from certain regions of the abovementioned countries to Azerbaijan was temporarily restricted.

28 July 2021: Azernews

**RUSSIAN FEDERATION LIFTS
EMBARGO ON BRAZILIAN
TOBACCO LEAF IMPORTS**

Russian Federation has lifted restrictions on tobacco leaf imports from Brazil, imposed in the middle of July 2021 due to the presence of the humpback fly in supplies.

According to a statement from the regulator, this decision was made following a report from the NPPO of Brazil on adopting "comprehensive phytosanitary measures" for the resumption of tobacco leaf supplies to the Russian Federation.

On 19 July 2021, Rosselkhoznadzor banned tobacco leaf imports from India, South Africa, Brazil, Tanzania, and Malawi.

28 July 2021: Riotimesonline.com

TRADE POLICY MEASURES

UKRAINE RESTORES 20 PERCENT VAT FOR SOME AGRICULTURAL COMMODITIES

The President of Ukraine has signed a law restoring the value added tax (VAT) rate for part of agricultural products from 14 to 20 percent, the specified tax rate reduction was in effect from 1 March to 30 July 2021.

According to data on the website of the Verkhovna Rada, the law on amendments to the Tax Code of Ukraine regarding the rate of value added tax in taxation of transactions for the supply of certain types of agricultural products under No. 1600-IX (bill No. 5425-d) was signed on 29 July 2021.

According to the data on the website of the President's Office, the law is intended to reduce the risks from higher food prices, as well as to create equal conditions for VAT taxation for agricultural producers and processing industry enterprises. The document comes into force on 30 July 2021 and applies to tax periods starting from August 2021.

As reported on 1 July, the parliament returned the VAT rate on livestock products, rye, oats, flax seeds, and sugar beets to 20 percent from the previously reduced rate of 14 percent.

The 20 percent rate will again apply to products with economic activity codes 0102 (live cattle), 0103 (live pigs), 0104 10 (live sheep), 0401 (in terms of whole milk), 1002 (rye), 1004 (oats), 1204 00 (flax seeds), 1207 (seeds and fruits of other oilseeds), 1212 91 (sugar beets).

At the same time, with respect to other grains and oilseeds, the VAT rate is 14 percent. In particular, the matter concerns goods with codes 1001 (wheat and meslin), 1003 (barley), 1005 (corn), 1201 (soybeans), 1205 (rape seeds) and 1206 00 (sunflower seeds).

1 August 2021: [Kyivpost.com](https://www.kyivpost.com)

BELARUS SUSPENDS GRAIN EXPORTS AFTER POOR HARVEST

Belarus has imposed a six-month grain export ban because of a poor, weather-hit harvest.

The country has completed the 2021 harvest, threshing 6.2 million tonnes of grain compared with 7.2 million tonnes in 2020. The government resolution said the ban applies to wheat, rye, corn and other types of grain and cereals.

26 August 2021: [Nasdaq.com](https://www.nasdaq.com)

**RUSSIAN FEDERATION
PARTIALLY LIFTS RESTRICTIONS
ON TOMATOES AND PEPPERS
FROM BELARUS**

Russian Federation’s Rosselkhoznadzor partially lifted temporary restrictions on the supply of tomatoes and peppers from Belarus.

Rosselkhoznadzor has allowed the import of tomatoes made by the Stakhovichi farm (Brest Oblast) and V.G. Denishchik (Grodno Oblast), as well as tomatoes and peppers from five producers: individual entrepreneur S.S. Rudyak (Brest Oblast), V.K. Kirilko (Brest Oblast), D.S. Kirilko (Brest Oblast), G.V. Kozlyak (Brest Oblast), and A.A. Kozlyak (Brest Oblast).

The decision was made because of the study of the data submitted by the Belarusian side on the phytosanitary examination of tomatoes and peppers in the places of production, as well as the guarantees of the Main State Inspectorate for Seed Production, Quarantine and Plant Protection of Belarus.

31 August 2021: Hortidaily.com

**RUSSIAN FEDERATION’S
EXPORT DUTY ON SUNFLOWER
OIL REACHES USD 227.2 PER
TONNE**

The export duty on sunflower oil from the Russian Federation rose to USD 227.2 per tonne from 1 October 2021. It is calculated based on an indicative price of USD 1 324.7 per tonne.

The export duty for September is set at USD 169.9 per tonne, based on the indicative price of USD 1242.8 per tonne.

From 1 September 2021, the Russian Federation introduced a floating duty on the export of sunflower oil. The formula-based export tax on sunflower oil will operate until 31 August 2022.

The size of the export duty will be 70 percent and it will be levied on the difference between the base price (USD 1 000 per tonne) and the indicative price (arithmetic average of market prices per month), reduced by the value of the adjustment factor (USD 50 per tonne).

Russian Federation this season also restricts the export of fat and oil raw materials. The export duty for sunflower seeds is set at 50 percent, but not less than USD 320 per tonne, on the export of rapeseed - 30 percent, but not less than 165 euros per tonne, on the export of soybeans – 20 percent, but not less than USD 100 per tonne. All these duties will be valid until 31 August 2022. They do not apply to the supply of oilseeds to the EAEU countries.

3 September 2021: Business

TRADE POLICY MEASURES

AZERBAIJAN RESTRICTS CATTLE, MEAT IMPORT FROM SEVERAL COUNTRIES

The Azerbaijan Food Safety Agency continues measures to prevent the import of infected animals from other countries.

According to the information from OIE, infectious diseases among animals were detected in Benin, Côte-d'Ivoire, Israel, two provinces of the Russian Federation, and Spain.

In this connection, the temporary restriction is applied to imports of live small cattle, meat products, milk and dairy products, leather, wool, genetic materials from Israel, all types of big live cattle and associated materials, genetic materials, fodder containing animal protein and bone dust from Spain, live small cattle, related materials, and crude, genetic material from the Russian Federation's Yaroslavl, all types of live poultry, poultry meat and eggs from the Komoe Republic of Côte-d'Ivoire, Ouémé Department of Benin and Khanti-Mansiysk Autonomous Okrug of the Russian Federation.

6 September 2021: Azerbaijan24

UZBEKISTAN LIFTS RESTRICTIONS ON EXPORT OF AGRICULTURAL PRODUCTS

Uzbekistan lifted restrictions from 1 October 2021 on the export of millet, as well as flour from fruits, nuts, and legumes.

According to the document, now for the export of millet (TN VED codes 1008 21 000 0, 1008 29 000 0), flour and powder from dried legumes (TN VED code 1106 10 000 0), as well as flour and powder from fruits and nuts (code TN VED 1106 30 900 0) permission from the President of Uzbekistan or the Cabinet of Ministers is not required.

In addition, a system is being introduced for a period of one year to compensate for 50 percent of transport costs when exporting products with high added value to European countries.

At the same time, from 1 October 2021, new measures to support exporters come into force:

- The Export Promotion Agency will provide one-off financial resources of up to USD 5 million for up to one year to businesses with annual exports exceeding USD 20 million for export-related trade credit and pre-export financing through commercial banks;
- A deferral (instalment plan) is provided for 120 days of customs payments without accruing interest and demanding security for payment for them for enterprises that have exported finished textile products in the amount of more than 1 million USD during the last twelve months, when they import components, raw materials and materials for main and auxiliary production.

7 September 2021: Trend

RUSSIAN FEDERATION RESTRICTS BRAZIL BEEF IMPORTS AFTER MAD COW CASES

Russian Federation has banned certain cattle and beef imports from two Brazilian states after confirmation of atypical cases of mad cow disease in the South American country, according to the Russian agriculture regulator, in the latest blow to the meatpacking industry.

The restrictions went into effect on 15 September 2021, Russian Federation's Rosselkhoz nadzor regulator said on its website.

Brazil's Minas Gerais state faces a broad ban on exporting live cattle, beef on the bone, offal, and other products to the Russian Federation.

Both Mato Grosso and Minas Gerais states will be prohibited from exporting boneless beef from cattle older than 30 months.

In addition, starting on 15 September 2021, any boneless beef shipped from either state must be accompanied by an appropriate veterinary certificate and guarantee that it comes from cattle less than 30 months old.

Russian Federation may clear boneless products shipped before then from the two states, but safety and laboratory tests will be required.

The latest move comes after Saudi Arabia suspended beef imports from five Brazilian meatpackers located in Minas Gerais.

Brazil - the world's largest beef exporter - had also suspended its shipments to its No. 1 customer China, in line with a health protocol signed between the two countries.

17 September 2021: [Nasdaq.com](https://www.nasdaq.com)

RUSSIAN FEDERATION RENEWS IMPORT BAN

Russian Federation has renewed until 31 December 2022 its import ban on agricultural products, raw materials, and food, (including beef, pork, fruit, vegetables, fish, and dairy products) from the United States of America, European Union, United Kingdom of Great Britain and Northern Ireland, Canada, Australia, Norway, Ukraine, Albania, Montenegro, Iceland, and Lichtenstein, pursuant to Decree No. 534.

23 September 2021: [Europeansanctions](https://www.europeansanctions.com)

TRADE POLICY MEASURES

AZERBAIJAN TEMPORARILY RESTRICTS IMPORT OF ANIMAL PRODUCTS FROM UK'S SOMERSET

Azerbaijan has temporarily restricted the import of products of animal origin from Somerset County in the United Kingdom of Great Britain and Northern Ireland.

The restriction was imposed due to detecting spongiform encephalopathy in farm animals from Somerset.

A temporary ban on the import of genetic materials, products from it, as well as feed containing animal protein and bone meal was introduced.

To strengthen control measures, Financial Services Authority (FSA) sent an appeal to the Azerbaijani State Customs Committee with the aim of taking measures in connection with vehicles entering Azerbaijan from the United Kingdom of Great Britain and Northern Ireland.

24 September 2021: Azernews

REPORT OF THE SEVENTH ANNUAL MEETING OF THE AGRICULTURAL TRADE EXPERT NETWORK IN EUROPE AND CENTRAL ASIA

Background

The Seventh Annual Meeting of the Agricultural Trade Expert Network in Europe and Central Asia was held online on 24-25 June, 2021. **The Agricultural Trade Expert Network (ATEN)** was established under the FAO *Regional Initiative on Transforming Food Systems and Facilitating Market Access in Europe and Central Asia*. This network was established to facilitate the generation and exchange of knowledge, and to ensure that appropriate capacity building solutions to issues related to agricultural trade are identified and applied in the countries of Europe and Central Asia. **ATEN** brings together professionals who conduct research in economics, carry out training programs, and advise governments and the private sector on issues related to agricultural trade and trade policy, including regional and multilateral trade agreements. ATEN's outputs include seminars, e-learning courses, conferences and forums, research, bulletins and publications on current trade and economic topics.

One of the outputs is the biannual joint publication "Review of Agricultural Trade Policies in the post-Soviet countries", whose preparation was discussed during the Seventh Annual Meeting. The 2021 publication of this review covers the policy changes in 2019-2020. The ATEN members discussed the impact of the COVID-19 pandemic on agricultural trade, changes in agri-food trade policies, as well as trade and economic measures and ways to overcome the negative impact of the pandemic on the economies and agriculture of countries of Eastern Europe and Central Asia. Country experts presented and discussed the main changes that had taken place in their countries.

Overall, the Seventh Meeting facilitated an exchange of information among participants regarding the trade and economic measures adopted by different countries to overcome the negative economic consequences caused by the COVID-19 pandemic, as well as providing an opportunity to exchange expert opinions on the effectiveness of the measures adopted to support agricultural producers and consumers during the crisis. The further development of agri-food trade policies in the countries of Eastern Europe and Central Asia was also canvassed.

Trade flows and the impact of COVID-19 on markets and trade and countries' policy responses

The meeting started with an opening address by FAO,

which was followed by presentations on major trends in agri-food trade flows in the region in 2019-2020, as well as explanations of the impact of COVID-19 on trade and trade policies in the post-Soviet countries. It was noted that in 2020 countries of the region were severely affected by the spread of COVID-19, with substantial GDP decrease across the countries. The largest decline of GDP compared to the previous year was recorded in Kyrgyzstan (-13 percent), followed by Armenia (-12 percent), Georgia (-10 percent) and the Republic of Moldova (-10 percent).

The agricultural GDP was less affected, with some notable improvement in some countries when compared to the year earlier, e.g. in Tajikistan (+5 percent) and Turkmenistan (+6 percent). It was reported that the agricultural sector was less affected by COVID-19 in all countries of the region in comparison with other sectors affected by the pandemic. Overall, the smaller and more open economies of the region were more affected by the pandemic, compared to the rest of the region. At the same time, the agricultural production in some countries, such as the Republic of Moldova, and to a lesser extent Ukraine, was significantly impacted by a continuing drought.

The key trends in agri-food trade in the region were presented. In 2020, after stable growth in previous years, there was a significant decline in total exports and imports in the post-Soviet region. However, when regional agri-food exports were isolated for analysis, the data demonstrated that food exports had increased, while imports slightly declined.

There was notable improvement in agri-food exports in the Russian Federation because of the stimulus to export supported by the growth of global prices. However, the other major agri-food exporters of the region were unable to use this pricing momentum and increase their exports as well. Experts suggest that this could be due to the production shortage caused by drought, e.g., the case of the Republic of Moldova, or due to the regional scope of trade in the key agri-food commodities, e.g., Kazakhstan's wheat is predominantly traded among the Central Asian countries.

Nevertheless, some countries in the post-Soviet region experienced a decline in agri-food trade due to global trends, such as lockdowns, a drop of demand due to the decrease in income, and other ad hoc policies

implemented across the world and regionally. For example, the expert from Kyrgyzstan commented that Kyrgyzstan's agri-food trade was significantly impacted by the closure of borders with China.

An expert who made a presentation on the impacts of the COVID-19 pandemic pointed out that a sharp fall in the number of air flights, and hence a drop in oil prices due to low demand for fuel, has triggered currency devaluation and high inflation rates in post-Soviet countries. Global market performance, coupled with currency devaluation in the region led to an increase of price indexes, with a higher growth rate for food prices.

The expert also reported that most post-Soviet countries provided substantial support to address the impact of the pandemic on their economies, including specific measures in the agri-food sector. To address the shocks related to the pandemic, and to maintain food security, the countries of the region undertook different agri-food trade-related measures, including imports support, export regulation measures, and consumer and producer support. Nevertheless, it was highlighted that in 2020 post-Soviet countries were severely impacted by COVID-19, with substantial GDP decrease across the countries, whereas the agricultural sector was affected to a lesser extent across the region.

Changes in agricultural trade policies in post-Soviet countries in 2019-2020

During the country experts' presentations various policy changes in 2019-2020 were highlighted. Overall, in 2019-2020, all countries in the region, to varying degrees, continued to develop and implement export promotion programs, those aimed at stimulating the export of agricultural goods. Most country experts highlighted a continuing process of the digitalization of agri-food trade transactions, e.g. web-platforms for export-import procedures, single window services, remote video-inspections of goods at customs, all of which were particularly beneficial during the COVID-19 restrictions and uncertainty. At the same time, export duties continued to apply on several agricultural goods (e.g., some vegetables and vegetable oils, hide skins, and other) in Azerbaijan, Belarus, Kazakhstan, the Russian Federation, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine. Also, due to the growth of the global demand for oilseeds, wheat, rye and other key staples, export quotas and temporary bans were introduced by the EAEU Member States and Tajikistan. These measures negatively affected the long-term policies aimed to improve exports, according to the opinion of some country experts.

On the import side, most countries reported further liberalization of the trade transactions by introducing lower or zero import tariffs. This was particularly noticeable in Uzbekistan, where, the country expert noted, the country

experienced such a rapid liberalization of its trade policies that some difficulties were experienced in staying up to date with new regulations. There were significant reductions in import tariffs, some of which were set at zero. The expert from Armenia reported that the country continued harmonizing its import tariffs with the unified tariff levels of the Eurasian Economic Union (EAEU).

Trade agreements and their impacts on agri-food trade in post-Soviet countries in 2019-2020

In 2019-2020 Belarus continued its negotiations on WTO accession. In 2020, Turkmenistan and Uzbekistan received WTO observer status. While Uzbekistan is already actively engaged in preparation for WTO accession, Turkmenistan is just about to start the process. In 2020, Georgia, Ukraine, and the Republic of Moldova signed an agreement with the United Kingdom of Great Britain and Northern Ireland based on the EU Association Agreement.

The EAEU has deepened its integration with Asian countries. During 2019-2020, the implementation of the free trade agreements with Vietnam, Singapore and Serbia continued. Negotiations began on the creation of a free trade zone (FTA) with the Islamic Republic of Iran, on the conclusion of FTA agreements with Egypt, Israel, and India. However, it was noted by the meeting participants that the trade among the EAEU members remained not as free as it should be in the common market. For example, the expert from Kyrgyzstan pointed to the fact that the country continuously experienced impediments at the border with Kazakhstan and control-points were introduced at the border of the two countries. Moreover, the meeting participants from Belarus, Kazakhstan and Kyrgyzstan confirmed that additional checks at the border from the Russian Federation that were introduced in 2017 to prevent the movement of sanctioned goods remained place during 2019-2020.

Changes to domestic support to agricultural producers

As a response to the pandemic, most countries in the region reviewed their agricultural support with the goal of improving agricultural productivity. For example, Kazakhstan approved new rules for subsidizing an increase in yield and quality of crop production. In addition, subsidizing in agriculture was transferred to a digital platform. In Belarus, in 2020, several regulatory acts were adopted aimed at increasing the efficiency of the work of organizations in the agri-food sector of Belarus. This led to a decrease in the number of unprofitable agricultural entities.

The expert from Azerbaijan explained a support mechanism unique to the region whereby farmers were provided with bank plastic cards through which 25 percent of the subsidized amount can be cashed by a farmer who has 10 hectares of wheat, while the

remaining 75 percent can be used for mutual settlements in the production process only in non-cash form. The hectares are confirmed using satellites. A challenge with such an approach is that not all farmers are able to lodge the application by the deadline. Thus, training is being provided through the special agricultural centres to eliminate such issues and aid with the application.

In Georgia, to address seasonal cash shortages, a new sub-component for working capital financing “Preferential Agricultural Credit” was added. Also, the agricultural insurance program was introduced to support farmers to insure their perennial crops for three years (premium subsidy: 50 percent for grapevine; 70 percent for other crops).

The expert of the Republic of Moldova reported that, apart from the regular support to agriculture, an additional USD 17 million had been committed to mitigate the impact of the drought on the 2020 crop, whereas there were no specific programs aimed at addressing the negative consequences of the COVID-19 pandemic in the agri-food sector. In Ukraine, in 2020, amendments were made to the legislation. The priority of providing state support to small farms, including family farms, which own or use up to 100 hectares of agricultural land was enshrined in law.

Uzbekistan, with the 2020 harvest, began a phased cancellation of the practice of producing grain crops based on a state order. Also, starting with the 2020 harvest, the practice of setting purchase prices for raw cotton has been cancelled.

ATEN's work plan for 2021

The results and the goals of the Agricultural Trade Expert Network (ATEN) and expected outcomes and further directions of the ATEN work were presented. Moreover, the ATEN experts discussed a work plan for the development of the forthcoming joint publication on agri-food trade policy developments in the post-Soviet countries, thematic chapters for this publication, and the network achievements and its plans for 2021.

Prepared by the ATEN Secretariat.

EXPERT OPINION



Shalva Pippia,

Executive Director of the Rural and Agricultural Policy and Development Institute

COVID-19 AND GEORGIAN AGRICULTURAL SECTOR: GEORGIA'S APPROACH TO SUPPORTING AGRICULTURE IN THE TIMES OF THE PANDEMIC

Background

The first case of COVID-19 in Georgia was identified on 26 February 2020. The Georgian Government's response was quite rapid: closing of borders by 14 March 2020 and following introduction of pandemic-related restrictions, implementing a curfew and full lockdown from 21 March 2020. To protect the population from a wide spread of the virus, the Government has chosen a strategy of severe restrictions¹ of economic, social, and political life, in line with the strategy of most Western countries at a time.

The COVID-19 pandemic has forced the Georgian economy into shutdown and led to a steep economic contraction in 2020. Despite signs of a gradual recovery and start of a full-fledged vaccination process in early 2021, there are still uncertainties on the pathway to a full economic recovery. COVID-19 has affected the Georgian economy mainly via reductions in Foreign Direct Investments (FDI), export of goods and services, and at an earlier stage of the pandemic: remittances. In addition, uncertainties caused by the pandemic and containment measures have impacted consumption and domestic investment. As a result, the reduction in aggregate demand, combined with increased production costs from pandemic-related constraints, have led to Georgia's GDP shrinking by 6.2 percent² in year 2020. The sectors affected the most have been tourism, HORECA, construction, and banking & finance, whereas the other sectors were impacted to a lesser extent.

Impact of the pandemic on the agri-food sector

The COVID-19 crisis and worldwide lockdowns have equally affected Georgian food supply chains and markets. Lockdowns from the COVID-19 pandemic have created logistical issues and posed challenges to the function of food supply chains all over the world. The main challenges posed to the Georgian agricultural sector since the introduction of lockdowns were the following:

- The closure of restaurants, hotels, schools, and disruptions in logistics have resulted in increased amounts of wasted agricultural output. Furthermore, the reduction in number of tourists and temporary closure/restrictions of HORECA have also resulted in a substantial shift in the composition of demand.
- Lockdowns from the COVID-19 pandemic have created substantial logistical issues, both within the country and across borders. This has resulted in increased prices and limited availability of agricultural inputs, as most of these are imported to Georgia.
- As the lockdowns included restrictions on travel within the country, with new, stricter rules on the mobility of people, the cost of labour has been affected, as it has become more expensive for farmers to transport their workers to and from the farms. Since most farmlands are on the outskirts of populated areas (villages and towns), and the start of lockdown coincided with the spring period when the main field works take place, this has resulted in increased expenses for farmers in this period and sometimes an inability to mobilize labourers in a timely manner.

¹ [COVID RESPONSE REPORT ENG.pdf \(stopcov.ge\)](#).

² [Gross Domestic Product \(GDP\) - National Statistics Office of Georgia \(geostat.ge\)](#).

- One of the sectors affected was banking and finance. Since financial institutions become more conservative in times of crisis, and due to high volatility of the exchange rate of the national currency (GEL has devalued in comparison to the USD by 13.9 percent in the first eight months of the pandemic, from the rate 1 USD to 2.77 GEL in early March³ to 1 USD to 3.22 GEL in October 2020). As a result, we have seen an increase in interest rates for bank loans, especially for GEL denominated loans, which comprise the majority of loans in Georgia.
- In addition to the above, another, short-term effect was the threat of potential price increases on or acute deficits of certain imported commodities, especially wheat. Since the start of the pandemic, Georgia's major wheat suppliers in recent years, have introduced or announced readiness to introduce restrictions on the export of wheat. Russian Federation,⁴ Ukraine⁵ and Kazakhstan⁶ have all made such statements in the first half of 2020. These statements, coupled with the exchange rate devaluation process, have created potential risk of deficit of these commodities, as well as the threat of increased prices on bread.

Measures to mitigate impact of COVID-19 pandemic⁷

During early 2020 the Government of Georgia has taken important steps for anti-COVID measures. Several Government ordinances have been adopted in spring and summer 2020. The Government announced an assistance package worth GEL 3.4 billion⁸ (close to 7 percent of GDP) to mitigate the socio-economic impacts of COVID-19 (IMF 2020 and MTI). Assistance included direct government spending, state-sponsored loans, and increased investments.

The assistance package had a substantial component covering agriculture and food sectors. On 12 March 2020 the Ministry of Environmental Protection and Agriculture presented an anti-crisis plan, targeted to address issues concerning farmers and agriculture. The proposal entailed two forms of support for agricultural producers: direct assistance and sectorial support. The following measures have been taken to support farmers and agribusinesses during the pandemic under this plan:

³ [The National Bank of Georgia \(nbg.gov.ge\)](https://nbg.gov.ge/).

⁴ [Russia Wheat Exports – Russia Restricts Wheat Exports Amid Covid-19 \(exportgenius.in\)](https://www.exportgenius.in/news/2020/04/15/russia-restricts-wheat-exports-amid-covid-19/).

⁵ [Exclusive: Ukraine ready to ban wheat exports if necessary - official, Reuters](https://www.reuters.com/article/ukraine-wheat-exports/ukraine-ready-to-ban-wheat-exports-if-necessary-official-reuters-idUKKBN260001).

⁶ [Kazakhstan to introduce quotas on wheat and flour exports, Reuters](https://www.reuters.com/article/kyrgyzstan-wheat-exports/kyrgyzstan-to-introduce-quotas-on-wheat-and-flour-exports-reuters-idKAZ2N260001).

⁷ <https://mepa.gov.ge/En/Files/Download/47200>.

⁸ [World Bank Document \(reliefweb.int\)](https://www.relieffweb.int/).

Measures of state support for the population's demand for food

Given that Georgia is a net importer of certain crops/ food products, and considering the trade restrictions imposed by its major trade partners, food security moved up on Georgia's country agenda. To weaken the adverse impact of the pandemic, keep food prices stable, and reduce input prices for farmers, the state allocated 10 million GEL from the Ministry of Environmental Protection and Agriculture budget to subsidize imports of nine food products: pasta, buckwheat, vegetable oil, sugar, wheat, wheat flour, milk powder, and beans, ensuring that there was no increase in prices on these commodities during the crisis. The program subsidized importers' additional costs resulting from export restrictions and exchange rate fluctuations and was a temporary measure, implemented from 15 March to 15 May of 2020.

Stimulating owners of agricultural land

The program was designed to stimulate the smallholder farmers to continue their activities during the pandemic. Per hectare subsidies of GEL 200 have been allocated to the owners of agricultural land plots ranging from 0.25 hectares to 5 hectares. These subsidies were provided on the bank plastic cards, restricting the beneficiaries to the purchase of fertilizers and chemical/biological plant protection products, seeds, and planting materials as well as agricultural machinery services. Total amount of GEL 38 million has been allocated for this activity.

Program of agro-production promotion

Another program announced was to support the improvement in the quality of primary production. The program aimed to co-finance private investments in the purchase of agricultural equipment/machinery, supporting the establishment of new greenhouses and/or modernizing existing greenhouses as well as co-funding purchase/installation of irrigation systems for annual crops at a co-investment rate of 50 percent. In total GEL 10 million was allocated for this program. In addition, the installation of the irrigation systems in new perennial orchards has also been supported at the same rate, implemented through the ongoing program "Plant the Future".

Amelioration

Concrete measures were also taken with regard to the amelioration services provided by the State. Namely, individuals and legal entities, which had accumulated debts for amelioration services in years 2012-2019 had their debts written off, to ease the financial burden of these companies. Around GEL 8 million was written off for around 42 000 farmers.

In addition, in 2020, individuals and legal entities received amelioration services (irrigation and drainage) on land plots of up to 10 hectares free of charge. In total, GEL 3.85 million was saved by 34 600 farmers; these funds were made available for them to direct to covering working capital shortages.

Affordable diesel fuel for farmers

Another support measure was to ensure a low diesel fuel price for farmers. Even though the Government did not allocate any funds for this, the procurement of fuel for farmers was conducted under the terms negotiated by the GoG with private companies. Since the GoG is a major user of fuel, they procure it through State tender process and usually get a much better rate as compared to market price. Under this program, the Government has opened an opportunity for the farmers to buy fuel at the price defined by this tender, which was around 30 percent lower than the market price. The beneficiaries of this measure were all farmers with 0.25 hectares or more of agricultural land and received a limit of 150 litres of diesel fuel at the negotiated price terms per hectare of their land.

Preferential Garo Credit and Agro-Insurance programs

To better mitigate the impact of the COVID-19 pandemic, several changes have been applied to the ongoing state supported programs, such as the Preferential Agro-Credit program and Agro-Insurance program. Working capital financing component was reintroduced in the preferential agro-credit program, allowing the beneficiaries to borrow short term funds for working capital financing at supported interest rates. The Agro-Insurance terms also were revisited and coverage increased, with the aim of not increasing the expenditure of the insured farms, and to continue to provide them with the opportunity to insure against natural disasters.

State Program of Technical Assistance

Another state program that aims to increase the export potential of local firms and improve their efficiency was that of technical assistance. With the change in the composition of demand, it is important to put more emphasis on exports and improve the quality and standards of production. Under this program the local firms have the possibility to introduce international food safety management systems/standards at their premises, as well as to receive branding support with 50 percent contribution from the state. In total GEL 1.5 million was allocated for these tasks.

Overall, there has been a tailored support package introduced, aiming to target a complexity of short and medium-term threats posed to the Georgian agricultural sector by the pandemic. The support package aimed to improve the liquidity of Georgian agricultural sector players, improve their cashflow for working capital financing within the pandemic period, address the shift in the demand composition from local consumption to higher exports and reduce the risks related to food security issues. These measures did reach a sizable group of small, highly vulnerable farmers and entrepreneurs engaged in the sector. As a result of these interventions, 2020 has seen an increase agricultural production⁹ by 3 percent, an increase of around 6 percent in agricultural exports,¹⁰ and a decline of 3.5 percent in agricultural imports.¹¹ The negative agricultural trade balance has decreased further by around USD 97 million to USD 265.6 million. However, the longer-term impact of the COVID-19 pandemic on the agricultural sector remains to be seen.

⁹ <https://geostat.ge/media/40517/Real-growth.xlsx>

¹⁰ <https://geostat.ge/media/40588/Export-Product-by-digit-2000-2021.xlsx>

¹¹ <https://geostat.ge/media/40614/Import-Product-by-digit-2000-2021.xlsx>

The monthly bulletin “Trade policy review in Europe and Central Asia” presents developments in agri-food trade policies in the region. It presents current trade measures, agreements, statistics, and expert articles on trade issues in the countries of the region. It is circulated to the members of the Expert Network on Agricultural Trade in Europe and Central Asia, ministry officials, representatives of agribusiness. The bulletin is published in Russian every month and in English on a quarterly basis in 2021. For publication of articles in the Bulletin and regarding the work of the Expert Network, please contact: Iryna Kobuta Iryna.Kobuta@fao.org; Alla Saranina Alla.Saranina@fao.org

Additional information

<http://www.fao.org/europe/regional-initiatives/iatmi/en/>

<http://www.fao.org/economic/est/international-trade/europe-and-central-asia/en>

Required citation:

FAO. 2021. *Trade Policy Review in Europe and Central Asia*. Quarterly Bulletin No.7. Rome.

Dashed lines on maps represent approximate border lines for which there may not yet be full agreement.

The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations (FAO) concerning the legal or development status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The mention of specific companies or products of manufacturers, whether or not these have been patented, does not imply that these have been endorsed or recommended by FAO in preference to others of a similar nature that are not mentioned.

The views expressed in this information product are those of the author(s) and do not necessarily reflect the views or policies of FAO.

© FAO, 2021



Some rights reserved. This work is made available under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 IGO licence (CC BY-NC-SA 3.0 IGO; <https://creativecommons.org/licenses/by-nc-sa/3.0/igo/legalcode>).

Under the terms of this licence, this work may be copied, redistributed and adapted for non-commercial purposes, provided that the work is appropriately cited. In any use of this work, there should be no suggestion that FAO endorses any specific organization, products or services. The use of the FAO logo is not permitted. If the work is adapted, then it must be licensed under the same or equivalent Creative Commons license. If a translation of this work is created, it must include the following disclaimer along with the required citation: "This translation was not created by the Food and Agriculture Organization of the United Nations (FAO).

FAO is not responsible for the content or accuracy of this translation. The original [Language] edition shall be the authoritative edition.

Disputes arising under the licence that cannot be settled amicably will be resolved by mediation and arbitration as described in Article 8 of the licence except as otherwise provided herein. The applicable mediation rules will be the mediation rules of the World Intellectual Property Organization <http://www.wipo.int/amc/en/mediation/rules> and any arbitration will be in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

Third-party materials. Users wishing to reuse material from this work that is attributed to a third party, such as tables, figures or images, are responsible for determining whether permission is needed for that reuse and for obtaining permission from the copyright holder. The risk of claims resulting from infringement of any third-party-owned component in the work rests solely with the user.

Sales, rights and licensing. FAO information products are available on the FAO website (www.fao.org/publications) and can be purchased through publications-sales@fao.org. Requests for commercial use should be submitted via: www.fao.org/contact-us/licence-request. Queries regarding rights and licensing should be submitted to: copyright@fao.org.

CONTACT

For comments and to subscribe, please contact:

Agricultural Trade Expert Network in Europe and in Central Asia.
Trade and Markets Division

Trade-Markets@fao.org

www.fao.org/economic/est/international-trade/europe-and-central-asia/en

www.fao.org/europe/regional-initiatives/iatmi/en/

Food and Agriculture Organization of the United Nations
Rome, Italy

