



## Georgia

### Bilateral relations in agriculture



#### Main Country Indicators 2013

	Georgia	EU28
Total area (km <sup>2</sup> )	69 700	4 385 992
Population (million)	4.5	506.7
Population density (per km <sup>2</sup> )	78.3	120
GDP (current USD)	16.1 billion	17.3 trillion
GDP per capita (current USD)	3 602	34 240
GDP growth (% change with previous year)	3.2	0.1

Sources: Eurostat, World Bank

#### Economic importance of agriculture (2011)

	Georgia	EU28
Agricultural land (km <sup>2</sup> )	24 690	1 878 817
Agricultural land as proportion of land area (%)	35.5	44.3
Arable land as % of land area	5.9	25.6
Permanent cropland (% of land area)	1.6	2.8
Employment in agriculture (% of total employment)	53.4 **	5 *
Agriculture, value added (% of GDP)	9.3 ***	1.6 *

Sources: World Bank \* year 2012, \*\*year 2007, \*\*\* year 2013

#### Trade Statistics

EU28 **exports** of agricultural products to Georgia (2013): EUR 153 million

EU28 **imports** of agricultural products from Georgia (2013): EUR 123 million

More statistical information

[http://ec.europa.eu/agriculture/trade-analysis/statistics/outside-eu/georgia\\_en.pdf](http://ec.europa.eu/agriculture/trade-analysis/statistics/outside-eu/georgia_en.pdf)

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## **Agriculture sector**

Georgian agriculture plays an important part for the country's population providing an important safety net for the rural population. Almost half of Georgian inhabitants are living in rural areas and this proportion has not changed over the last decade.

Main indicators of the sector are shrinking - declining agriculture production, share of agriculture in total GDP, land use. The typical farm is small and the rural land is highly fragmented - 95% of farmers are 'small farmers', usually with around 1.2 hectares and 2 cows per family. This fragmentation was intensified by the land privatization process of the 1990's, which resulted in a new class of about half a million 'farmers' categorised as self-employed farmers. The aim of the privatisation - a gradual consolidation of holdings through a lease process has not been reached and the fragmented land holdings (which cannot be used for collateral), where 80% of the plots are hand cultivated with a minimal use of inputs, are considered as the main reason for agricultural decline. As a consequence, the country is highly dependent on imports.

Milk and meat are the highest value agriculture products overall. However, dairy cattle ownership remains highly fragmented with surplus milk being sold off when and if available. As a result, milk supply is highly seasonal. Livestock keepers provide animals with very little high quality feed, relying on free, or extremely cheap, grazing and hay in the winter. This not only ensures low milk yields, but it makes competitive meat production extremely difficult. Most farming activity is concentrated in the fertile river valley flood plains, with the main produce being citrus fruits, grapes and nuts. The Kakheti district, in eastern Georgia, is the main wine-producing region.

At the same time, Georgia's geography is favourable for agricultural production; diverse terrain provides a number of micro-climates and rainfall patterns, which is the basis for the production of a wide variety of agricultural products. The agriculture potential is high and estimates indicate that both farm production and agro-industrial production could increase fivefold from current levels.

## **EU agricultural trade with Georgia**

Over the last years, the European Union-Georgia total bilateral trade has been growing fast and the European Union (EU) has progressively become Georgia's main trade partner. Concerning agriculture products, the trade balance is positive for Georgia, with the main export product being nuts (74% of agri export), followed by mineral waters, wine and fruit juices. EU exports to Georgia mainly processed agriculture products (food preparations, alcohol), as well as meat preparations and dairy products.

## **EU – Georgia relations**

Relations between the EU and the Republic of Georgia have been guided by the Partnership and Cooperation Agreement (PCA). Now, they will be replaced by the EU-Georgia Association Agreement (AA) signed on 27 June 2014, including a Deep and Comprehensive Free Trade Area (DCFTA). Some



provisions - including most of the DCFTA section – have been provisionally applied from 1 September 2014. The AA not only sets a new political framework for bilateral relations but it will also be of crucial importance to both sides as it will provide new opportunities for trade and gradual economic integration.

As regards trade in agricultural products, ambitious concessions have been made in the DCFTA. The import of EU agricultural products into the Republic of Georgia is fully liberalized from the date of the provisional application of the agreement. At the same time, the agreement allows a fully liberalized market access for Georgia's agricultural exports to the EU, with the exception of garlic, which is covered by duty free TRQs of 220 t. Fruit and vegetables covered by the Entry Price system will be imported ad valorem free. Furthermore, the EU will monitor import volumes of some agricultural products.

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General information about EU-trade with Georgia can be found here:

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/>