

Georgia's agricultural exports: Structures and challenges

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Göttingen/Tbilisi, November 2014

Agriculture a crucial component of the Georgian economy

Agricultural accounts for:

- 9.3% of GDP
- roughly 50% of employment
- food industry accounts for one third of manufacturing

Agricultural plays a key role in:

- poverty reduction
- attracting FDI
- the trade balance

Agriculture is a major component of Georgia's trade balance

Georgia's balance of trade (2013, million USD)

	Total trade	Agricultural trade	Agriculture's share
Exports	2909	774	26.6%
Imports	7874	1292	16.4%
Balance	-4965	-518	10.4%

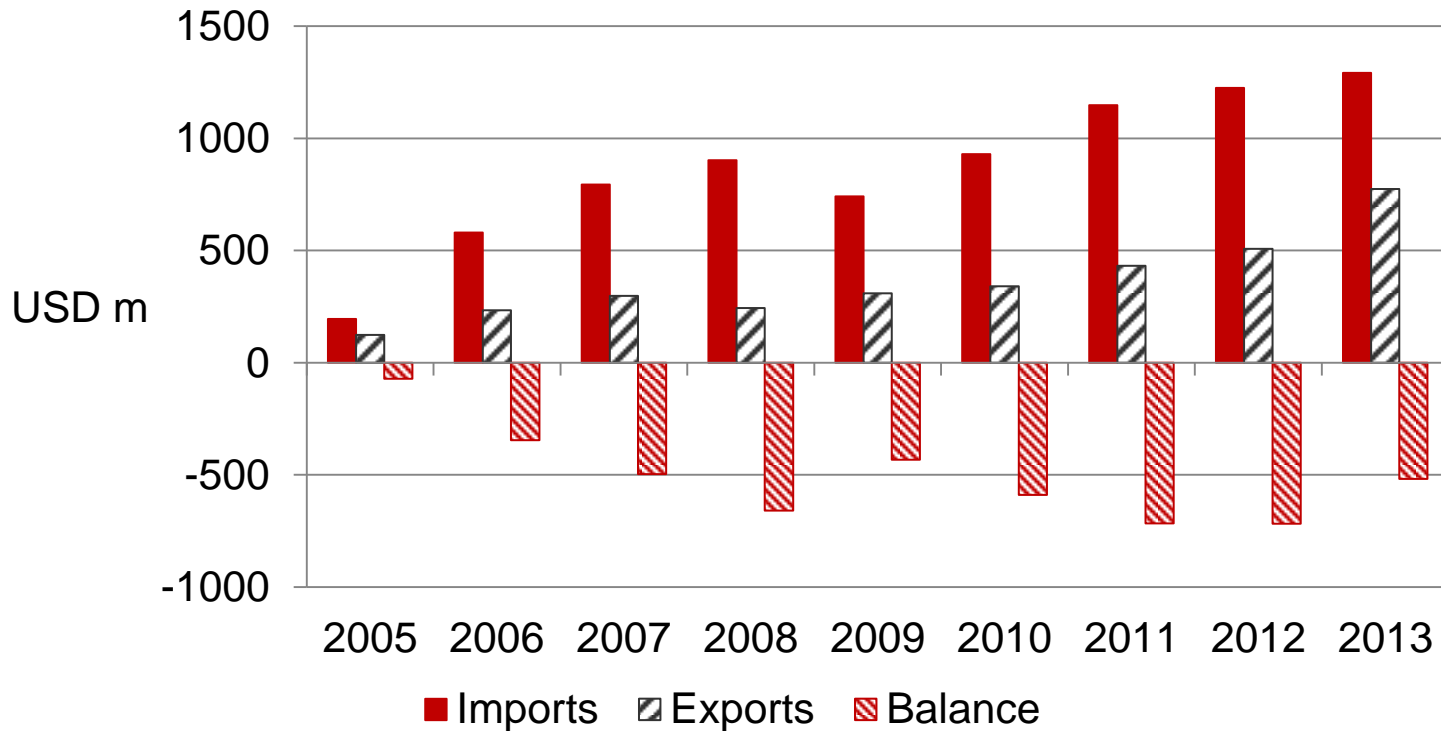
Source: MoESD, (2014)

Agricultural accounts for:

- one-quarter of Georgia's export earnings
- a large share of Georgia's trade deficit

Consistent agricultural trade deficit over the last 10 years

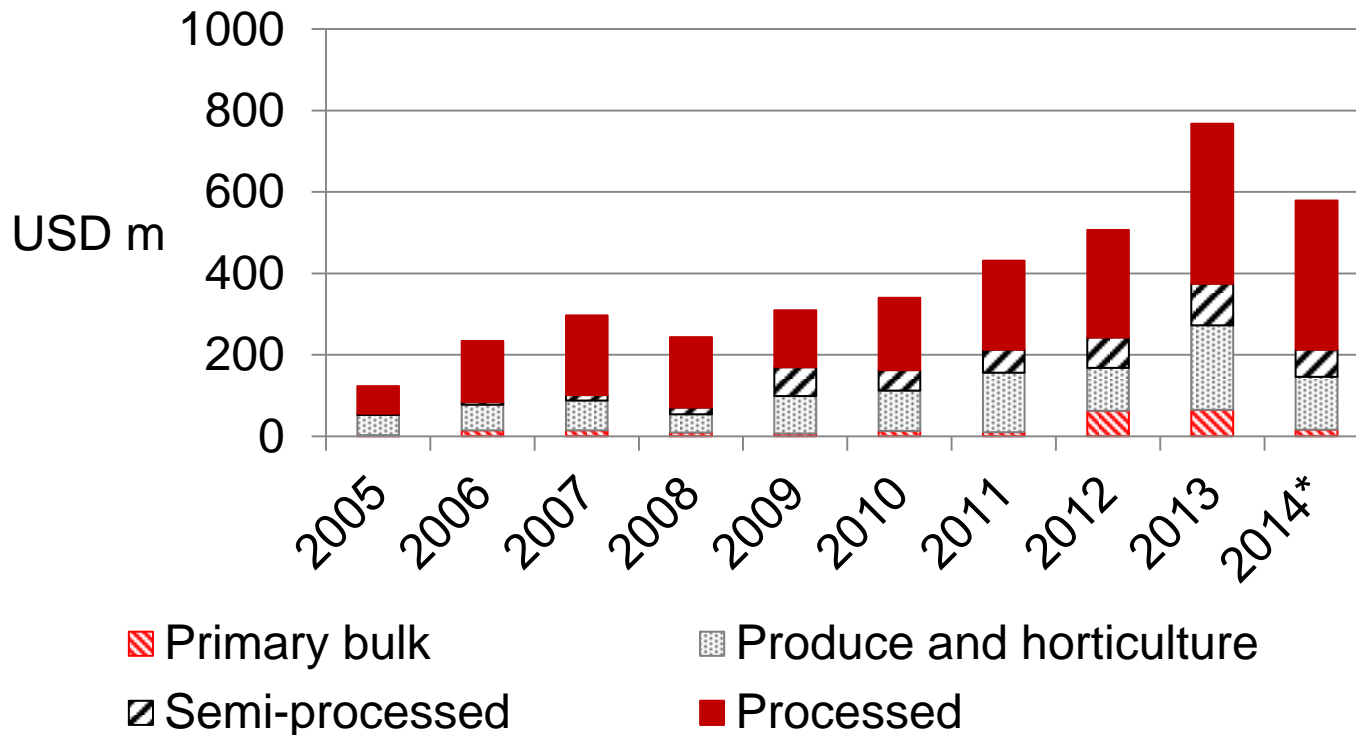
Georgia's agricultural trade (2005-2013, million USD)



Surprising, given Georgia's comparative advantage in agriculture

Agricultural export dominated by processed products

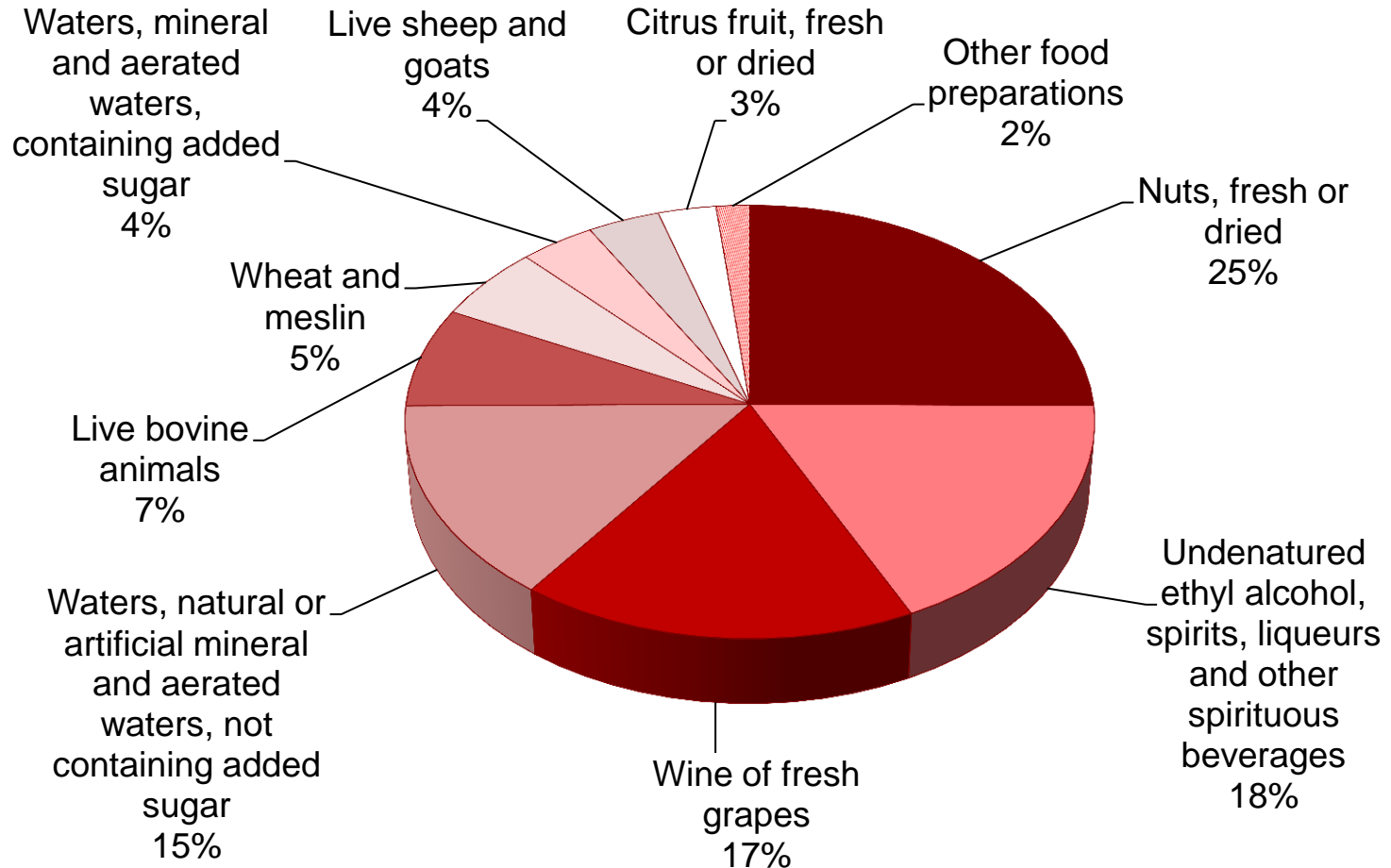
Agricultural exports by degree of processing (2005-2014, mill. USD)



Higher processed export share than most middle/low-income countries

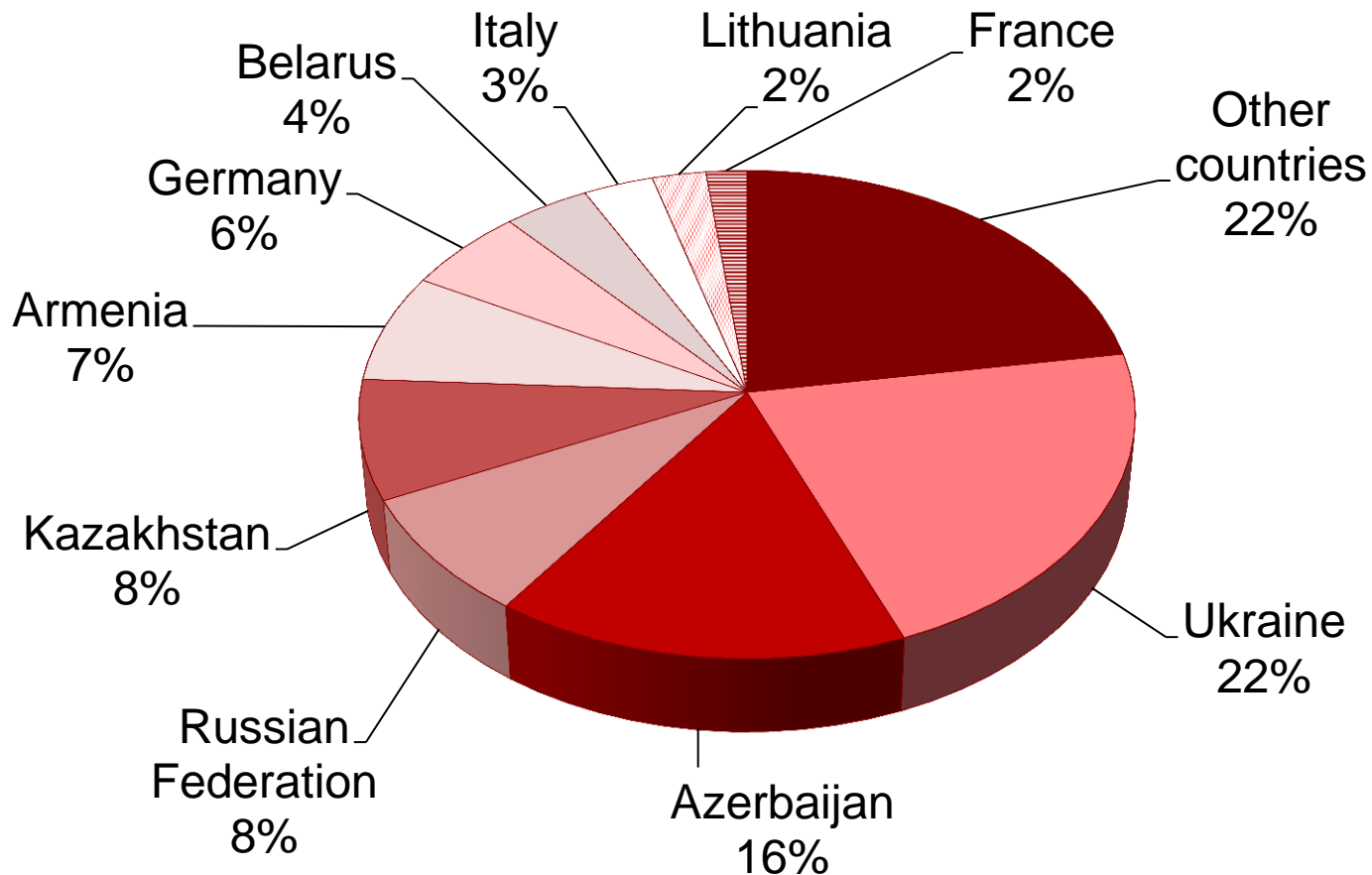
Dependence on a small number of export products

Top ten agricultural exports (2009-2014, %)



Dependence on a small number of (CIS) export destinations

Top ten agricultural exports (2009-2014, %)



Summarising

- Agriculture contributes to export earnings but could contribute more
- ✓ Current export structure characterised by a high share of processed products
- ✗ Current exports concentrated on a few key products ...
- ✗ ... and heavily dependent on CIS destinations
- Exports therefore vulnerable to climatic and political shocks
- The challenge is to diversify and increase Georgian agricultural exports

Key components of export competitiveness (**actions**)

- Terroir – agro-climatic production conditions (**none, given**)
- Tradition – what is produced and how it is perceived by consumers abroad (**generic promotion scheme**)
- Technology – how you produce, getting the most and best products out of given inputs (**R&D, education**)
- Transport – moving your products to consumers in export markets quickly and efficiently (**infrastructure**)
- Transaction costs – other costs of trade such as customs formalities, administration (**Georgia in good shape**)
- Time (**fostering competitive pays off in the long run!**)

Georgia's is already successful on selected EU markets

Georgia's balance of trade with the EU (2013, million USD)

	Total trade	Agricultural trade	Agriculture's share
Exports	888 (2909)	163 (774)	18.4%
Imports	2700 (7874)	205 (1292)	7.6%
Balance	-1812 (-4965)	-41 (-518)	2.3%

Source: European Commission (2014). In brackets total balance of trade (see slide 3).

Importance of food safety standards:

- for accessing the EU market
- for accessing other high-income markets
- for holding the domestic market in Georgia

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