COVID-19 IMPACT ON GEORGIAN FARMERS AND AGRICULTURE
• GFA Statement
• COVID-19 Impact on Agriculture and Food System Globally
• Georgian Agriculture at a Glance
• COVID-19 Impact on Georgian Farmers: Survey Results
• Georgian Government Measures towards Food Industry
• GFA Recommendations
Coronavirus Crisis

“Although, most of the economic sectors have paused or stopped around the world, agriculture and food system cannot be stopped, because they provide the basic essentials for living”

“Us, farmers should consider safety recommendations of WHO against COVID-19 and keep working to produce and supply food to the population of Georgia”

– Nino Zambakhidze, Chairwoman of Georgian Farmers’ Association.
COVID-19 IMPACT ON AGRICULTURE AND FOOD SYSTEM GLOBALLY

IFAD reports...

“COVID-19 is the infectious disease caused by SARS-CoV-2, the most recently discovered coronavirus. The outbreak that began in Wuhan, China, in December 2019, has rapidly spread across the world, profoundly disrupting fundamental activities we all depend on, including agriculture and food systems – and endangering all those who depend on it as their livelihood“.

“Economic growth in agriculture is two to three times more effective at reducing poverty and food insecurity than growth in other sectors. Investments in small-scale agriculture can help revive food production and create jobs following a crisis and enable rural communities to recover”.
COVID-19 IMPACT ON AGRICULTURE AND FOOD SYSTEM GLOBALLY

FAO reports...

“Border closures, quarantines, and market, supply chain and trade disruptions could restrict people’s access to sufficient/diverse and nutritious sources of food, especially in countries hit hard by the virus or already affected by high levels of food insecurity”.

The pandemic will affect the vulnerable people the most: “vulnerable groups also include small-scale farmers, pastoralists, and fishers who might be hindered from working their land, caring for their livestock, or fishing. They will also face challenges accessing markets to sell their products or buy essential inputs, or struggle due to higher food prices and limited purchasing power. Informal labourers will be hard hit by job and income losses in harvesting and processing”.

“Quarantines and panic during the Ebola Virus Disease outbreak in Sierra Leone (2014-2016), for example, led to a spike in hunger and malnutrition. The suffering worsened as restrictions on movement led both to labour shortages at harvest time even as other farmers were unable to bring their produce to market. The systemic effect was akin to that of an earthquake, highlighting how prevention and risk reduction strategies now are paramount”.

www.gfa.org.ge
Importance of Agriculture for Georgia

- Share of Employment in Agriculture is approx. 40% (Geostat, 2018)
- Share of Primary Production of Agriculture (7.2% in 2019) and Processing of Agricultural Goods (~8%) makes about 15% of GDP (Geostat, 2018)
- Share of Food Consumption Expenditure in Total Household Consumption Expenditure is 43% (Geostat, 2018)
- Although Global Food Security Index is not calculated for Georgia, the country depends on food-imports:
  - Self-sufficiency ratios are low for many necessary agri-food products
GEORGIAN AGRICULTURE AT A GLANCE

Self-Sufficiency Ratios (SSR)

- The higher the SSR, the greater the ability of a country to sustain its own population. Conversely, a lower SSR indicates a higher dependence on food resources from outside the world;
- Geostat calculates SSRs for only 12 agri-food categories:
- Out of those categories, Georgia has lowest self-sufficiency ratios, therefore, is highly dependent on imports for:
  - Wheat
  - Poultry meat
  - Pork
  - Meat (in general).
- Out of these 12 products, Georgia produces

<table>
<thead>
<tr>
<th>Product</th>
<th>SSR (average of three years 2012-2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>19%</td>
</tr>
<tr>
<td>Maize</td>
<td>71%</td>
</tr>
<tr>
<td>Potato</td>
<td>101%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>63%</td>
</tr>
<tr>
<td>Grapes</td>
<td>182%</td>
</tr>
<tr>
<td>Meat (in general)</td>
<td>49%</td>
</tr>
<tr>
<td>Beef</td>
<td>77%</td>
</tr>
<tr>
<td>Pork</td>
<td>42%</td>
</tr>
<tr>
<td>Sheep meat</td>
<td>206%</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>34%</td>
</tr>
<tr>
<td>Milk and Dairy Products</td>
<td>82%</td>
</tr>
<tr>
<td>Eggs</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: www.geostat.ge
COVID-19 IMPACT ON GEORGIAN FARMERS

SURVEY

- COVID-19 has been declared a *global pandemic* and is spreading fast.

- In Georgia, the first confirmed case was announced by the end of February 2020. The government of Georgia declared a *national emergency on March 21st* and quite strict measures were taken to hinder further spreading of COVID-19.

- In order to analyze the **impact of COVID-19 on farming**, the Georgian Farmers’ Association conducted an **online and telephone survey** at the end of March 2020.

- In total, **175 farmers and agribusinesses** were interviewed.
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

Survey covered all regions of Georgia and all major value chains of the agriculture sector

 Majority of respondents were from Kakheti

 Livestock is the most common activity among surveyed farmers and agri businesses
INPUTS

Surveyed farmers and agribusinesses perceive that COVID-19 has a negative impact on access to agricultural inputs.

- **“Price of Imported agro Inputs Increased”** (due to the GEL depreciation against the US dollar)
  - Agree: 61%
  - Partially agree: 18%
  - Do not agree: 6%
  - N/A: 15%

- **“There is limited access to agro Inputs”** (shops are closed, difficulty importing goods, etc.)
  - Agree: 30%
  - Partially agree: 28%
  - Do not agree: 30%
  - N/A: 13%

- **“There is limited access to other necessary inputs”** (e.g. building materials, agro machinery, etc.)
  - Agree: 42%
  - Partially agree: 23%
  - Do not agree: 18%
  - N/A: 17%
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

CREDITS

- Loan payments in USD increased for approximately 30% of farmers and agribusinesses;
- 40% of respondents postponed payments for their credits;
- 35% agree that taking a new loan is a problem.

“I pay more for an existing loan in USD”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>5%</td>
<td>19%</td>
<td>50%</td>
</tr>
</tbody>
</table>

“I postponed payments for my loan”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>10%</td>
<td>22%</td>
<td>38%</td>
</tr>
</tbody>
</table>

“I cannot acquire a new loan”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td>6%</td>
<td>17%</td>
<td>48%</td>
</tr>
</tbody>
</table>
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

WORKFORCE

- Challenges related to labor force are common for all regions and value chains;
- The more important issue is transportation of labor force rather than workers’ fear on COVID-19;
- COVID-19 does not have significant effect on wages.

"Workers are afraid and do not go to work" | "Price of labor force is increased due to virus risks" | "Transportation of labor force is difficult, because of imposed restrictions"

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td>24%</td>
<td>32%</td>
<td>15%</td>
<td>18%</td>
<td>22%</td>
<td>43%</td>
<td>17%</td>
<td>55%</td>
<td>14%</td>
<td>14%</td>
<td>17%</td>
</tr>
</tbody>
</table>
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

SALES

- 80% of surveyed farmers and agribusinesses agree that they cannot sell the products because HoReCa sector is closed;
  > Closing HoReCa sector has most significant impact on livestock, viticulture, greenhouse production and beekeeping.
- 85% responded that sales did not increase;
- 75% do not agree that they sell product at a higher price due to an increased demand caused by panic;

"Sales decreased because HoReCa sector is closed"

Agree: 47%  
Partially agree: 13%  
Do not agree: 29%  
N/A: 11%

"Sales increased"

Agree: 7%  
Partially agree: 9%  
Do not agree: 18%  
N/A: 65%

"Selling price of product increased"

Agree: 3%  
Partially agree: 6%  
Do not agree: 15%  
N/A: 75%
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

SALES (cont.)

- 62% of surveyed farmers and agribusinesses are dealing with only the local market and do not export their products;
- Only 17% use existing, as well as new sales channels;
  ➢ 14 respondents started using new sales channels, which they have not used before. These are soplidan.ge, Facebook, shops located in the neighborhood, Glovo, etc.;
- 49% is interested in working with existing online sales platforms and at the same time is ready to take care of distribution by itself;

“I cannot export my product”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>17%</td>
<td>7%</td>
<td>15%</td>
<td>62%</td>
</tr>
</tbody>
</table>

“I use existing as well as new sales channels which I did not use before”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>13%</td>
<td>53%</td>
<td>31%</td>
</tr>
</tbody>
</table>

“I am interested to work with existing online sales platforms and at the same time I am ready to take care of distribution myself”

<table>
<thead>
<tr>
<th>Agree</th>
<th>Partially agree</th>
<th>Do not agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
<td>16%</td>
<td>18%</td>
<td>17%</td>
</tr>
</tbody>
</table>
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

OTHER CHALLENGES

- 55% of surveyed farmers and agribusinesses face challenges related to transportation of their products

"I face challenges during transportation of my products because of the current restrictive measures on movement"

34% Agree
21% Partially agree
26% Do not agree
19% N/A

Other challenges:

- Because of the GEL depreciation, the price of imported agro inputs increased;
- Limited access to equipment, spare parts needed for agricultural machinery;
- Access to finance is more complicated;
- Unclear forecast complicates to plan business activities;
- Lack of skills in online sales;
- complicated negotiations with chain supermarkets;
- Transportation of labor force or distribution of products has become a problem;
- Lack of storage facilities to temporarily store goods;
- Etc.
COVID-19 IMPACT ON GEORGIAN FARMERS: SURVEY RESULTS

SOURCES OF INFORMATION & ONLINE SHOPPING

Source of Information

- 59 surveyed farmers and businesses received information about COVID-19 and other news from Government agencies;
- Important sources of Information are also associations, friends, relatives and social media.

![Bar Chart](chart.png)

Online Shopping

www.soplidan.ge

- Soplidan.ge purchases agricultural goods from 300 GFA member farmers from all around Georgia;
- Orders at Soplidan.ge increased 5-times because of “social distancing” caused by COVID-19;
PANDEMIC AFFECT ON FOOD SUPPLY CHAIN IN GEORGIA

What We Know

Demand Side

- At the beginning of the disease outbreak, Georgia experienced increase in food demand;
- Increased demand on food and GEL depreciation put pressure on prices, as a result inflation on Food and non-alcoholic Beverages in March was 2% compared to the previous month, and 13.4% compared to March 2019 (Geostat, 2020);
- Food demand is generally inelastic (but in poorer countries it is more income elastic), its effect on overall consumption will be likely limited, although dietary patterns may alter;
- Shift in purchasing modalities: no HoReCa traffic, increased e-commerce deliveries, and rise in consumption at home;
- Increased challenge with import-dependent countries (especially in terms of depreciation of the GEL increased prices of imported foods and agro inputs);

Supply Side

- Transport restrictions and quarantine measures impede farmers’ access to input and output markets;
  ➢ GEL depreciation increased prices of imported inputs;
  ➢ Closure of HoReCa sector (some Agrarian markets) decreased sales of products;
- There is some crop stocks in Georgia; global cereal prospects for 2020 are overall favorable;
- Access to finance is a challenge, while farmers need working capital for their production;
- Lack of storage facilities especially for fresh food supply chains and may result in increased levels of food loss and waste;
- Unlike many developed countries, Georgia does not expect a significant labor shortage, due to high level of unemployment as well as borders closures for seasonal migrant workers (especially in Turkey).

Source: updated from fao, 2020
What We Observe

- Many citizens moved to the villages and it is expected that they will cultivate their plots of land to produce food for their own consumption;

- “Safety Net” is strong in Georgia and various campaigns are active to provide the most vulnerable population (elderly, persons with chronic diseases and the poor) with food and medicines by not only the government, but also by donations from individuals (e.g. www.1anoba.ge), solidarity networks, non-governmental organizations, etc.

- Banks announced to postpone loan interest rates for three months;

- Government announced to cover utility bills (electricity, water and cleaning) for the households consuming less than 200 kW per month.
## Price Subsidy for Imported Products

On March 23rd, the Government of Georgia approved decree #185 that state allocates 10 million GEL to subsidize prices of imported products to insure price stabilization of 9 agri-food products:

<table>
<thead>
<tr>
<th>Product</th>
<th>Subsidy Amount (GEL)</th>
<th>Share In the Total Budget of Program</th>
<th>Total Volume (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>268,000</td>
<td>2.68%</td>
<td>2,464.93</td>
</tr>
<tr>
<td>Macaroni</td>
<td>717,000</td>
<td>7.17%</td>
<td>5,727.02</td>
</tr>
<tr>
<td>Buckwheat</td>
<td>113,000</td>
<td>1.13%</td>
<td>1,138.01</td>
</tr>
<tr>
<td>Sunflower Oil</td>
<td>1,810,000</td>
<td>18.10%</td>
<td>10,109.51</td>
</tr>
<tr>
<td>Sugar</td>
<td>972,000</td>
<td>9.72%</td>
<td>11,882.84</td>
</tr>
<tr>
<td>Wheat</td>
<td>4,878,000</td>
<td>48.78%</td>
<td>100,179.43</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>259,000</td>
<td>2.59%</td>
<td>4,193.88</td>
</tr>
<tr>
<td>Milk Powder</td>
<td>762,000</td>
<td>7.62%</td>
<td>1,691.90</td>
</tr>
<tr>
<td>Beans</td>
<td>221,000</td>
<td>2.21%</td>
<td>2,207.30</td>
</tr>
</tbody>
</table>

Stocks for Food Security

The Georgian government announced a tender of 16 million GEL budget to purchase:

- 5 000 tons of **Sugar**;
- 1 500 000 liters of **Sunflower Oil**;
- 500 tons of **Macaroni**.

**ARDA** will make stocks of those products.
Supporting Agriculture

In addition, the Georgian Government announced that 2 billion GEL will be mobilized for the economic measures in the face of the virus, including the agri-food sector (details are not yet announced).

➢ Within this research, GFA has prepared recommendations to support policy makers in designing a crisis, as well as a post-crisis, agricultural policy.

➢ Along with the social protection programs for the most vulnerable population in rural areas, GFA recommends to take into consideration the following for the agriculture’s short-run response to the crisis, as well as the sector’s systemic development in the medium and long-term.
RECOMMENDATIONS

Short-term

➤ Cheap (or interest-free) loans for farmers (incl. financing working capital);
➤ Ensure access to agricultural services, including the supply of seeds, plant protection and fertilizers to avoid impact on agricultural production;
➤ Grant projects for the annual crop production (crops and vegetables with a high potential of import substitution);
➤ Train the workforce, including people under the poverty line, to employ them into the agri-food sector;
➤ Grant projects for livestock development (both meat and dairy);
➤ Support schemes to family poultry farms;
➤ Tax relief and rebates (including income, property and import tax);
➤ Develop logistical projects for agro-food system:
   • collection centers; storage facilities; distribution channels.
➤ Preference should be given to local products, including in state procurements (army, kindergartens, penitentiary system, etc.); promote “Made in Georgia”;
➤ Promote digitalization, including online consultation and shopping;
Medium-term

- Promote rural innovations especially in agri-food supply chain;
- Promote agritourism (including legislative package);
- Special programs for purchasing farm equipment (tractors, etc.);
- Ease export procedures, restrictions while supporting exporters in:
  - online promotion and marketing (online advertisement and shopping, etc.);
  - cheap credits for exporters;
  - support in logistics (storage, transportation, etc.);
- Ease import procedures, abolish/rebate import taxes on agro inputs and products;
- Diversify the import markets to minimize risks of possible food shortage in Georgia;
- Support cooperative development (especially second-level/service cooperatives);
RECOMMENDATIONS

Medium-term (cont.)

➢ Develop Agricultural Knowledge and Innovation System:
  • promote agriculture knowledge among youth;
  • promote student apprenticeship (work-based learning inside Georgia, and exchange programs abroad).
  • promote modern & innovative technologies;
  • promote research;
➢ Aquaculture development programs;
➢ Cheap (or premium-free) and flexible (incl. insuring new risks) insurance for farmers;
➢ Complete farm registry and improve agriculture data;
➢ Develop land market:
  • land registration
  • bringing state-owned land up for auction
  • tax/fine on uncultivated land
  • land consolidation
➢ Develop laboratories and improve food safety to comply standards.
RECOMMENDATIONS

Long-term

➤ Diversify the export markets;
➤ Agro-food related infrastructure development:
  • irrigation channels
  • collection centers
  • storage and processing facilities
  • rural roads, etc.
➤ Special programs for organic and climate-smart agriculture development;
➤ Support biodiversity.
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