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AGRICULTURE SECTOR

Bulletin

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Foreword

Dear Friends and Colleagues,

It is my pleasure to present the Summer 2011 edition of the Georgia Agriculture Sector Bulletin, regularly published by the Food and Agriculture Organization of the United Nations (FAO) in collaboration with the Ministry of Agriculture and the Delegation of the European Union to Georgia.

As in previous bulletins, the current edition features the most recent developments and trends within the field of agriculture, including developments by state and private actors, as well as international organizations and the donor community. One of the key themes of the summer edition is the issue of farmer organizations. FAO conducted a comprehensive assessment of such organizations, their current development and needs for future progress, and came up with conclusions and recommendations for future work. This assessment is featured in the current issue of the Bulletin.

FAO continues to work closely with the Government of Georgia and more specifically with the Ministry of Agriculture, and implements interventions focused on the provision of technical expertise and policy-making in the field of agriculture.

FAO also collaborates with the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees to provide internally displaced populations with various opportunities to invest in agricultural production and better adapt to their new living conditions. In particular, this issue of the Bulletin features an article on how FAO helps to rebuild deteriorated water systems and construct new sources of irrigation in support of agricultural activities for internally displaced persons.

I would like to take this opportunity, on behalf of FAO, to thank the Government of Georgia as well as our loyal donors for their constant support and excellent cooperation, which enables us to better serve the needs of the most vulnerable rural households in the country to rebuild their agricultural productive capacity and contribute to strengthening food security in Georgia.

In 2009, as a result of under-investment in the agriculture sector and also the impact of climate change during last decades, the world reached the critical threshold of one billion hungry people. However, FAO's work shows that the planet can feed itself if resolute and targeted actions to increase agricultural production and productivity are taken today. Focus should be placed on small-scale farmers in developing countries where the majority of the food-insecure population lives. Increasing smallholder productivity requires better access to quality inputs, improved technologies, more machinery and implements, improved credit and extension services, and more skilful farmers.

I am pleased to mention the Government's recent strong commitment to develop the country's agriculture sector, recognizing it as one of the main contributors to overall economic development. We believe that with joint and well-coordinated efforts and resources from state, private, civil, United Nations and donor communities, the common goal of ensuring the food security and well-being of the Georgian people will be achieved.

I hope the readers will find this publication a useful source of information. Enjoy reading.

Mamuka Meskhi
Assistant Representative
Food and Agriculture Organization of the United Nations



Statement by the Minister for Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia

The Government of Georgia is working hard to ensure settlement of internally displaced persons (IDPs) and provide them with appropriate accommodation. However, this is not enough, as together with housing, people need sufficient income. For this purpose, the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia works in partnership with various organizations and implements programmes within the agriculture sector – animal husbandry, horticulture, bee-keeping and every other field that has potential to generate income for IDPs. IDP families will be protected only when they become self-reliant and do not need external assistance.



It is important for the IDP population to continue their traditional activities after resettlement, to use their existing skills and experiences, but at the same time, to master new technologies and methods that will help them integrate with their new environment and which they can use when they return to their native lands and homes.

The Ministry plans to provide increased support to the IDPs in terms of agriculture. With support from our donors and partner international and/or local organizations, we would like to continue empowering IDP families living in rural areas. IDPs with experience, skills and the desire to live in rural areas will be able to harvest their own crops, support their families and create surplus products to supply local markets; this would in turn support both the development of local markets and strengthening agriculture to become one Georgia's primary productive sectors. The right of IDPs is to live with dignity in their own houses.

Koba Subeliani

**Minister for Internally Displaced Persons from the Occupied Territories,
Accommodation and Refugees of Georgia**



Agriculture policy and news

Policy

Increased budget for agriculture

The Government of Georgia is planning to spend GEL 150 000 000 on the agriculture sector in 2011. This amount was raised by the Georgian Agriculture Corporation and funded by international financial institutions and private investment funds. One of the priorities of the increased budget is to finance agricultural programmes and local production to reduce dependency on imports. Some of the first plans are to resolve problems related to drought and inundations. More specifically, the plans will support local production of wheat and maize by importing drought-tolerant seeds adapted to the natural environment of Georgia, and rehabilitating irrigation systems. The available budget will also be used for funding programmes for the intensification of production and arranging demonstration stations across the country. The overall goal is to double agricultural production by 2015.

(www.moa.gov.ge, www.radiotavisupleba.ge)

South African farmers are invited to invest in agriculture

The Government of Georgia invited Boers living in South Africa to invest in the agriculture sector of Georgia. Boers are a group of 40 000 farmers descended from Dutch settlers.

Georgia is inviting Boers to purchase land in Georgia and bring their four centuries of farming expertise to the country. The Government believes that importing farming expertise will boost Georgia's agriculture and wine sectors. The State Minister of Georgia has signed a memorandum of cooperation with the Agrarian Union of South Africa, according to which Dutch farmers can share their experience with the local population and implement specific agrarian projects.

Although it may be difficult for Boers to leave their ancestral homeland, some see great potential in Georgia in spite of the challenging language, different climate and farming traditions, and distance from Africa. Groups of Boer farmers have already visited Georgia to study its potential. It is not the first country where Boers are striving to revive agriculture.

(www.independent.co.uk)

Creating a State Commission on Agrarian Policy

The Government of Georgia created a State Commission on Agrarian Policy that reflects Government priorities of assurance for rural residents. It is expected that appropriations from the Ministry of Agriculture will increase. The Commission on Agrarian Policy will work to create an agrarian policy development plan. This plan will be developed in collaboration with experts, governors and members of the parliament. (www.boom.ge)

Agrarian Committee of the Business Association of Georgia

The Business Association of Georgia created an agrarian committee with the participation of representatives from Tbilvino, GPI holding, BorunAgroChemistry, Vimldan Georgia, Ecofood, and Elkana Association. The committee works to support agriculture sector development in Georgia, reforms and their stimulus, refining regulation legislation and collaboration with international organizations to implement specific projects. The committee will also work closely with the European Union (EU) Delegation and the Ministry of Agriculture to support food safety in the country. (www.bag.ge)

Initiative to install drip irrigation

The Government of Georgia considers the promotion of drip irrigation systems in the country a priority in order to help irrigate



areas that are not otherwise irrigated. Initially, the state plans to install drip irrigation systems on 150 hectares of land, both in east and west Georgia. Priority will be given to areas with the least water. (www.ghn.ge)

Tax for cultivation and irrigation of homestead land

According to the recent changes introduced to the tax code of Georgia, the land tax increased up to GEL 1.5–20 for arable lands, and GEL 50–100 for other types of land. The local government is also entitled to raise this tariff from GEL 50 to GEL 150. According to the code, the new tariff is calculated based on the profitability of the land.

The Government is increasing tariffs to promote maximum use of the available land. According to official data, the total arable land in Georgia consists of 810 000 hectares. Each year, up to 3 000 hectares remain uncultivated, while unofficial statistics suggest that more than 50 percent of the arable land remains idle. (www.newslines.ge)

Legalizing land in Tbilisi

On 1 April 2011, Tbilisi started a process to legalize agricultural land purchased illegally before 1 January 2007. An amendment to regulate this matter was made to the Law of Georgia on Asset Legalization and recently approved by the Parliament of Georgia.

According to the amendment, those individuals or organizations that have purchased land in Tbilisi through incorrectly produced documents (including handover statements created by the land reform committee, fellowship certifications and excerpts from the public registrar) can now legalize their assets by paying GEL 15 per square metre, and registering it through the National Registration Agency. Those entities that legalize their land will have no criminal liabilities. The law will first be piloted in Tbilisi, and will cover the rest of Georgia by 1 January 2013. (www.ghn.ge)

Reforming the State Agrarian University

The reformation of the State Agrarian University has begun under the initiative of the Government of Georgia. Such reforms

are designed to reduce the significant lack of agriculture professionals in the country. The reform will be financed through the private Education and Scientific Fund, which will contribute up to USD 12 000 000–15 000 000 to improve the physical infrastructure and facilities of the university, as well as the general level of training offered. The reform includes investments both from the state as well as from private sources, which will guarantee the creation of a university with high standards that will provide young people with skills and knowledge to support current developments in the agriculture sector of the country. Most of the reforms are to be completed by summer 2011. (www.parliament.ge)

Constanta offers assistance to Georgian farmers

Georgian Bank Constanta jointly with BorunAgroChemistry Ltd has begun implementing a project that will support the agricultural development of farmers. This project enables farmers to purchase pesticides, herbicides, fertilizers and other soil treatments through payment in several instalments. The term for the instalments is two years, with an annual interest rate of 15.1 percent. If needed, the project is also offering up to a six-month grace period, which enables farmers to sell their crops before paying for the inputs.

At the moment, Constanta is implementing the above project in Kakheti, Shida Kartli and Imereti, with plans to cover other regions of Georgia where Constanta is present. Together with Constanta branches, customers will also be able to receive the same service through BorunAgroChemistry network in Kakheti villages.

Offering such need-based services with instalment payments is new to the Georgian financial sector. In order to develop quality services, Constanta is working closely with the agriculture sector. In total, agricultural credits equal GEL 19 000 000, or 25 percent of the bank's total credit portfolio. (www.constantage)

Aldagi-BCI offers agriculture insurance products

Insurance company Aldagi-BCI has begun a new business of insuring domestic animals, greenhouses, maize and other crops.



The organization has already signed agreements with international companies that will re-insure the risks of the agricultural insurance.

In spite of the high-risk nature of the given segment, Aldagi-BCI is ready to invest and has consulted the International Finance Corporation (IFC). Aldagi-BCI works closely with the Agricultural Corporation of the Ministry of Agriculture of Georgia and has already insured the wheat harvest of several farmers in November 2010.

The company is also developing insurance products for maize, vegetables and domestic animals to offer farmers. With its insurance policies, the company tries to cover various risks such as drought, frost, hail, fire, storm, sandstorm, heavy rains and avalanches. Owners of the agriculture insurance policies will be able to consult with qualified personnel on the issues of interest.

Aldagi-BCI believes that insuring agricultural products will help local farmers to better access bank products, and will encourage banks to issue credits improving the agricultural development of the country. (www.aldagibci.ge)

Additional funding for microfinance institutions working on agriculture

Over the past several years, the Rural Development Project has been issuing loans to financial institutions and agriculture organizations to support development of poultry and egg production, winemaking, juice production, dairy production and mushroom harvesting. Such investments were made possible through the International Development Agency and the International Fund for Agricultural Development that allocated USD 16 200 000 within a framework agreement signed with Georgia in 2005. USD 10 400 000 of this amount was to be allocated to commercial banks, while the remaining amount is envisaged for microfinance organizations.

Within the framework of the Rural Development Project, during 2007–2008 the banks issued only 24 loans, while during 2009–2010 the banks have not used credit line resources at all. Therefore, the USD 4 000 000 allocated for the banks is still unused, and in 2009 the banks returned USD 3 200 000 to the project account. If it is not used before 1 July 2011, this significant resource will be unavailable to the country. The Rural Development Project is currently holding negotiations with Georgian microfinance or-

ganizations to use up the remaining loan amount.

As of 31 December 2010, the total amount of agriculture loans constitutes 3 percent of the bank sector, and 27.1 percent of loans from microfinance organizations. Banks issued up to USD 47 200 000 for agriculture credits, while microfinance organizations issued USD 62 200 000, in spite of the fact that the capital of microfinance organizations is only 2.9 percent of the capital of the banks.

As of 1 January 2011, microfinance organizations have issued loans to 49 526 clients in rural and urban areas for both start-up and existing activities. Even though microfinance organizations became involved in the Rural Development Project only during the past two years, these organizations managed to use up more credit resources than banks, issuing USD 7 300 000 worth of agricultural loans instead of the planned USD 5 800 000.

(www.ghn.ge)

Production

State programme to support corn production programme

More than 35 000 farmers have already registered to purchase imported hybrid corn seeds from the state, and some have already started seeding. Farmers are provided with opportunities to pay for the seeds either after the harvest and sale of the produced corn, or seven months after the procurement of seeds. Farmers are also able to purchase fertilizers in instalments, while insurance companies are offering insurance policies against drought.

The Ministry of Agriculture believes that corn can be grown on 260 000 hectares of land. Some regions have also rehabilitated irrigation systems to support farmers during the spring agricultural season. (www.ghn.ge)

Expansion of mushroom production creates new products and jobs

The canning factory Kula, located in Gori, has started mushroom production by processing local raw materials. Such business expansion has already created 186 additional jobs in the company, and provided local farmers with the opportunity to sell their pro-



duce. The company is about to start producing diabetic products as well.

Tetri Kudi ("White Hat"), another mushroom production plant, was recently opened in Kvemo Kartli near Rustavi town. It currently produces two types of mushrooms – champignon and royal champignon. At the moment, the company employs 35 local workers and another 50 jobs are to be created soon. The company was created through foreign investment and is equipped with modern technologies. Both types of mushrooms are processed, preserving the highest quality. Initial output of the enterprise will be 35–40 tonnes/month, with hopes of increasing up to 100 tonnes/month by adding imported products.

AG Invest, a renovated mushroom processing plant, has opened in Patardzeuli, Kakheti region with support from Millennium Challenge Georgia and CNFA. An investment of USD 149 800 will enable the company to implement the full cycle of mushroom production, processing and storage, using modern technologies and appropriate infrastructure. The company will purchase cold storage and vacuum packaging equipment, increasing shelf-life and preserving quality. The company has already created 30 new jobs, while an additional 100 farmers will benefit annually from the process. (www.moa.gov.ge, www.ghn.ge)

New mechanization service centre

Alaverdi Ltd opened a new mechanization service centre in Shulaveri, Kvemo Kartli region. The United States Agency for International Development (USAID) granted a USD 179 000 matching contribution for the construction centre and equipment. The mechanization service centre is equipped with over 30 units of various farming machines, enabling appropriate services. With the help of the project, nine new jobs were created, 600 farmers will benefit, and up to 2 000 hectares of agricultural land will be cultivated. (www.amp.ge)

Dairy plant coming back to the market

JSC Amalthea, once a well-known brand for dairy products, is now coming back to the market with five to six types of traditional dairy products (cottage cheese, sour cream, milk, Georgian yoghurt, and cheese). The company hopes to supply 20 percent of the dairy market of the country, and plans to use natural raw ma-

terials. In order to rehabilitate and re-equip the production lines, the company has found an international investor and borrowed an additional GEL 300 000 from the commercial banks.

(www.commersant.ge)

Bio-wine for the local market

Shumi LLC, producer of wine and beverages, is starting production and sales of bio-wine for the local market. The company has worked for three years to provide for the harvest of Saperavi variety bio-grape, produced on 5 hectares of land.

A total of 700 bottles have already been produced, while another 10 tonnes of wine have been stored and will be sold depending on consumer demand. Bio-wine costs 50–60 percent more than regular wine.

Shumi LLC was founded in 2001 and its current capacity is 3 000 000 bottles annually. It offers 54 different types of wines, both to local and international markets. Shumi LLC is also well-known for its wine museum, exhibiting over 250 Georgian and 90 European wines. (www.sarke.ge)

Annual wine festival

For the second time in May, the Wine Club, with support from the Mayor's Office of Tbilisi, has hosted the New Wine Festival with participation of almost all large and many small wine producers.

Over 40 winemaker families participated, presenting Chkhaveri, Sakmiela, Usahelouri, Khikhvi, Kisi, Tsitska, Otskhanuri Sapere,



Chinuri, Takveri and many other wines made from rare Georgian grapes. Together with different types of wines, the festival has introduced a number of clay pot wines. Wine lovers have stated that in comparison with last year's festival, the quality of wine has significantly increased. (www.vinoge.com).

Increased investment for higher market share

JSC Lomisi and its Natakhtari brewery is planning to increase its market share from 62 percent to 70 percent by the end of 2011 by making a GEL 17 000 000 investment. The company is planning to increase its exports of beer, especially to the countries of the Caucasus.

In total, the company produces two types of beer and three sub-brands, along with seven types of lemonade already exported to 14 countries. (www.sarke.ge)

Trade

French seed stock in the Georgian market

Caussade Semences Georgia, a Georgian-French joint-venture seed producer, is planning to import seeds of French varieties and hybrid plants. These imported seeds will be adapted to the specific soil and climate conditions of Georgia. The company is interested in raising the skills and qualifications of Georgian agronomists as well.

Interested farmers will be able to pay for the seed stock in several instalments with the condition of 30 percent advance payment and insurance. Such insurance can be provided by GPIH, which is insuring winegrowing, wheat and corn. (www.sarke.ge)

Increasing potential of Georgian sheep export

Fast-Plus, a company with a sheep farm in the Algeti, Kvemo Kartli region, is now holding negotiations with Germany for the export of Georgian sheep to Europe. Last year the company exported 34 000 sheep to Iran, Iraq and the United Arab Emirates (UAE). Georgian sheep have successfully substituted for Australian, Brazilian and Ukrainian animals on eastern markets. There are about 1 500 000 sheep in Georgia, of which half a million are exported. In 2010, up to 160 560 sheep were exported, and with increasing sheep exports, the country may generate an additional annual GEL 150 000 000–200 000 000. Increasing demand for

Tusheti sheep wool has high potential, as this wool is recognized as the best raw material for carpets. About 1 000–1 200 tonnes of wool are processed in Georgia annually.

(www.banksandfinance.ge)

Increased corn production and increased exports

The Ministry of Agriculture is anticipating that the amount of corn produced in Georgia will be sufficient to meet the demands of the local market, with surplus available for export. In 2011, Georgia will export up to 25 000 tonnes of corn to international markets. As a result of this corn export, the country will be able to attract additional investment. The Ministry estimates that next year the corn export can increase up to 1 000 000 tonnes.

(www.moa.gov.ge)

Exporting Georgian spirits to Baltic countries

During 2011, Gomi Spirit and Vodka Company, producer of alcoholic drinks, is exporting its products to Latvia, Lithuania and Estonia. Initially the company plans to export 10 percent of the total production. At the moment, the company holds 40 percent of the market share of the country, while the price of the products varies from GEL 6 to GEL 18. (www.kveba.ge)

Investment

Danish investment in Georgian agriculture

The Government of Denmark is planning to allocate EUR 9 000 000 for the development of the agriculture sector in Georgia. This investment was allocated within the framework of the donors' conference programme in 2008. The assistance will be directed to the regions of Kvemo Kartli and Samtskhe-Javakheti and will be focused on the value chain concept. (www.boom.ge)

Increasing investment plans for 2011

According to the Ministry of Agriculture, up to GEL 2 379 800 was invested in the sector last year, with the majority of investors coming from Turkey, Ukraine and Kazakhstan. The largest share of investments comes from Luxemburg and the United Kingdom. The Government believes that the existing agriculture business environment, easy land acquisition and trade agreements with various countries are attracting foreign investors.

Up to 100 foreign investors, including small- and medium-sized



businesses, have already purchased land in Georgia. The main direct investment in the agriculture sector is focused on export commodities attractive to investors. Exports have increased by 25 percent in 2010. Mineral water, wine, hazelnuts, fruit and sheep are the top five export commodities and will retain their importance throughout 2011. (www.financial.ge)

Wimm-Bill-Dann invests in the dairy sector of Georgia

Wimm-Bill-Dann, a large Russian company owned by one of the richest Georgians working in Russia, has invested between USD 7 000 000 and USD 8 000 000 in reorganization and technical equipment in Georgian Products Company, now known as Wimm-Bill-Dann Georgia. Its dairy products, including nine types of 'Chudo' and 'Soplis Nobati', are now available throughout the country. In 2011, the company is planning to increase its variety of products. Wimm-Bill-Dann Georgia is planning to become one of the largest dairy producers in the Caucasus, hoping to enter the Armenian and Azeri markets. (www.commersant.ge)

Food safety

Supermarket to be supplied with ready meals from new plant

JSC Populi, the largest supermarket network in Georgia, is now supplied with ready meals from a newly opened plant of the same company. This plant is now processing ready meals using appropriate control measures instead of producing meals in the 44 Populi stores. In total, the company invested up to GEL 5 000 000 in construction and equipment in this new fresh food processing plant located in Tbilisi. (www.sarke.ge)

PMCG helps Agara Sugar Company to obtain HACCP certification

Policy and Management Consulting Group (PMCG) and Agara Sugar Company, the only sugar processing enterprise in Georgia, signed a cooperation agreement. According to the agreement, PMCG's certified auditor-consultants will provide consulting on food safety systems (Hazard Analysis Critical Control Point [HACCP]), train staff and implement the system in the company.

Although the Agara Sugar Company Ltd was established in 2010, the factory has been in operation since 1932. There are more than 500 employees in the factory. The company produces white sugar in accordance with the ISO 9001 international quality management standard.

PMCG is an independent management consulting company established in 2007. The company has already successfully implemented quality insurance systems for more than 50 companies, and also provides public sector consulting. (www.pmcg.ge)



Investing to ensure water quality in Tbilisi

Tbilisi Water Supply and Drainage Company (GWP) has invested up to GEL 500 000 in a technical upgrade of the laboratory used to control and improve the quality of the drinking water. It plans to make a similar investment in 2011 and to further improve the chlorination procedures.

GWP guarantees that the tap water used by the population of Tbilisi is in full compliance with national standards and recommendations of the World Health Organization.

GWP controls the quality of drinking water along all chemical, bacteriological and parasitological parameters. According to the analysis, all parameters are significantly lower than the maximum allowed, and no micro-organisms or parasites are found in the samples. Water quality is checked automatically, whereas the water provision authority conducts quality check every 6 months. Together with the monitoring of drinking water quality in the company's own six laboratories, tests are periodically carried out by independent laboratories. (www.georgianwater.com)



Donor support and aid activities

Feature: Agricultural activities implemented by USAID and CNFA

Over the past few years, USAID has become the largest donor in the agriculture sector in Georgia. USAID supported the Agriculture Mechanization Project and the John Ogonowski and Doug Bereuter Farmer-to-Farmer Program implemented by CNFA, which are the largest agriculture-oriented initiatives providing multisector assistance and aid.

Agriculture Mechanization Project

The Agriculture Mechanization Project is a 30-month-long initiative focused on eliminating the chronic lack of agricultural machinery and equipment through the development of commercially sustainable and market-oriented service providers. The total budget of the project is USD 5 100 000 and it plans to establish up to 25 agricultural-technical centres serving up to 14 000 small-scale farmers.

Each of the service centres will be equipped with 3-5 tractors and numerous implements. In total, the project plans to purchase between 60 and 100 tractors and up to 400 various units of machinery to offer farmers full-scale service. Types of equipment will be defined based on the requirements of the market and regional specifics.

Within the framework of the project, the agro-technical service centres will be able to procure previously unaffordable equipment. Grant recipients are entrepreneurs who are focused on service provision to small-scale farmers. All of the equipment will be procured from local dealers and the project will ensure training of the service centre personnel and long-term maintenance.

By the end of June 2011, 14 service centres have been successfully set up in Kakheti (Dedoplistskaro and Akhmeta districts), Kvemo Kartli (Bolnisi, Tetrtskaro and Marneuli districts), Samtskhe-Javakheti (Akhaltse district), Shida Kartli (Gori and Kareli districts), Samegrelo (Senaki district) and other parts of Georgia.

With the services provided by these centres, farmers will be able to implement agricultural operations in a timely manner and cultivate additional arable land usually idle owing to the lack of appropriate equipment and machinery.

As a result of the new service opportunities, farmers will be able to increase their income and make farming more profitable. At the same time, smooth servicing of agro-equipment will improve the quality and timeliness of the work implemented.

With the help of the programme, more than 250 new jobs will be created; centres will be able to generate a total income of USD 2 500 000–4 000 000 through service provision; up to 9 500-15 000 hectares of additional land will be cultivated; and the additional income of the small-scale farmers is expected to reach USD 10 000 000. Overall, the service centres are expected to benefit up to 14 000 small farmers.

An important component of the project is the training of founders of service centres and their personnel, as well as of the farmers who will directly benefit from the services. Thirty-five training sessions will be held for a period of 18 months, focusing on the development of trade-production, business planning, general management, market analysis, marketing and target market research, financial planning and accounting.



A coalition comprised of the Georgian Institute of Public Affairs, the International Association of Agriculture Development (IAAD) and “Akhali Mamuli-2008” will conduct theoretical and practical training in how to use new technologies in soil fertilization, irrigation, plant protection, crops, horticulture, fruit growing and other fields.

The programme is supported by personnel who will train farmers on how to more easily apply for and obtain credits for the agriculture sector. In parallel, with the support from the Agriculture Mechanization Project, the USAID-funded Farmer-to-Farmer (FTF) Program has conducted training for the mechanization service centre owners and for Ministry of Agriculture specialists on issues such as food safety and modern technologies of land cultivation.

Farmer-to-Farmer (FTF) Program

In October 2008, CNFA was awarded three five-year regional cooperative agreements by USAID to implement the John Ogonowski and Doug Bereuter FTF Program in Southern Africa, East Africa and the Europe, Caucasus and Central Asia (ECCA) region. Georgia became one of the core countries for the ECCA programme, with the responsibility of fielding at least 125 US agricultural experts for technology and business knowledge transfer over the duration of the project.

CNFA provides support to various types of agricultural host organizations, such as primary producers/farmers, value-adding enterprises and input suppliers.

Since the start of the programme, over 65 US volunteers have worked with 44 different host organizations, addressing issues related to food and agriculture.

Food safety has been the focus of much of CNFA's volunteer work. Other issues covered include new product development, marketing and management, and livestock health training for farmers and entrepreneurs. CNFA's FTF volunteers are working to train the next generation of Georgian agricultural professionals.

Food safety

HACCP trainings were conducted with dairy plant Santa LLC and the Ministry of Agriculture of Adjara. The main topics were general food safety and hygiene practices in food processing plants, training and implementing the HACCP standard in small processing plants, and improving skills and practices regarding sanitation and food safety.

New product development

Many of the enterprises have developed new products through the FTF approach. For example, Gurmani LLC now offers to its customers new types of semi-ready-to-eat products, new flavoured products, easily prepared ready-to-eat products, and improved standard products paired with sauce packets and seasonings. Herbia Ltd began production of arugula for salads. I/E David Botkveli KLG Tibaani Cheese Plant, Santa LLC, Agro Invest LLC, Kakhaberi LLC and Mziuri Javakheti Cooperative gained experience in cheese-making for various types of cheese, including Gouda and mozzarella.

Marketing and management trainings

Agribusiness management and marketing trainings have been extremely important for Georgian farmers, entrepreneurs and small and medium enterprises to increase their customer base, income and exports. The following organizations have already benefitted from the marketing and management training with CNFA's FTF volunteers: Noblex LLC, Geoconcentrate LLC, I/E Kakhi Mesablashvili, Georgian Business Zone Ltd, Nektari LLC, I/E Giorgi Mindiasvili, Narinji Fruit Company Ltd, Ministry of Agriculture of Adjara, GBDC “Caucasia”, Metskhoveleobis Bazari LLC, National Youth Development Centre and EP Trading Ltd.

Livestock health

Livestock health is one of the most critical issues facing Georgian farmers today. Several farm managers have requested CNFA's FTF assistance in livestock disease control and management. Since the start of the programme in Georgia, CNFA FTF volunteers have addressed these issues on two farms (Geo Stat Ltd



and Agro Invest Ltd) and one farm service centre (Nektari LLC). CNFA is continuing to provide support in this area to the enterprises Farm Service Centre Metskhoveleobis Bazari LLC and Association “Janmrteloba”, aiming to improve their veterinary consulting services. Throughout the programme, CNFA FTF will continue to work on livestock health issues with farm service centres, as well as individual farmers.

Agricultural education trainings

Since November 2010, CNFA's FTF programme in Georgia has been collaborating with the Georgian Centre for Agricultural Development (GCAD). GCAD trains agricultural students through two-year programmes in the Agribusiness Teaching Centre, funded through the United States Department of Agriculture's Foreign Agricultural Service.

CNFA's cooperation with GCAD entails FTF volunteers providing one-day (one- to three-hour) training seminars on agricultural topics such as: the US livestock industry in comparison with that of Georgia; the US meat processing industry; the role of slaughterhouses and their importance in the Georgian meat processing industry; marketing strategy and its importance for farm service centre operation; US and Georgian-based examples; and greenhouse management and crop production in controlled environments.

This collaboration between CNFA's FTF programme and GCAD has been very productive, and CNFA plans to organize similar events throughout the life of the programme.

Mercy Corps: making markets work for the poor

In 2011, Mercy Corps started implementing a two-year Market Alliances against Poverty Programme in Kvemo Kartli (Alliances-KK) in Tetrtskaro, Tsalka and Dmanisi municipalities of Kvemo Kartli region with financial support from the Swiss Agency for Development and Cooperation. This programme was designed based on Mercy Corps' extensive global experience and knowledge of market development, as well as Alliances' programme already implemented in the Samtskhe-Javakheti region. Alliances'

programmes use the Making Markets Work for the Poor (M4P) approach.

Alliances-KK programme is designed to contribute to poverty alleviation and transition to a durable market economy for the livestock sector in Kvemo Kartli region. Mercy Corps will address the underlying causes of weak market performance in the target areas through strategic interventions in the sheep and cattle sectors. The intervention aims to enable the livestock market system to function more inclusively of small-scale livestock producers in Kvemo Kartli, resulting in improved productivity, incomes and resilience to livelihood shocks.

Alliances-KK focuses on improving the beef, sheep and dairy subsectors in five main areas, with the following objectives:

- improved food-safety: improve compliance with and awareness of food safety and hygiene regulations and best practices in the dairy and meat subsector;
- improved animal nutrition: improve access of small-scale livestock producers to affordable, appropriate cattle nutritional inputs for beef, sheep and dairy production;
- improved breeding: enhance opportunities of small-scale livestock producers to improve the genetic potential of their cattle;
- improved market access: improve market access and terms of trade for small-scale livestock producers; and
- improved resilience to disasters: improve ability of relevant stakeholders to identify, prevent and mitigate environmental risks related to agriculture, livestock and market development.

The programme is implemented in close collaboration with 2 Georgian non-governmental organizations – IAAD and International Centre on Conflict and Negotiation (ICCN) – which bring a wealth of local knowledge and expertise within the fields of agriculture, M4P, gender, good governance and disaster risk reduction.



GRM International: “Cluster” development in Kakheti

GRM International, through its Support to Milk and Dairy Sector Project (SMDSP) is facilitating the establishment of a cluster of enterprises in the Tibaani area of Signaghi district. For over five years, SMDSP has supported the creation of 23 dairy farmer associations in eastern Georgia that operate 21 milk collection centres. These centres are used to bulk up milk supplies in cooling vats, which are either sold as raw milk or used to make cheese. This process is a direct marketing intervention in the value chain.

To provide options for producers and their associations, the project has installed cheese-making equipment in the milk collection centres. As a highly perishable product, milk relegates milk producers to a ‘buyers’ market’ situation for most of the year. One strategy for empowering the associations is to add value through cheese-making. In this way, the dairy farmer associations get a product with a longer shelf-life and are in a better bargaining position. The second objective is to produce milk in winter when the demand is greater and the prices soar.

The secret to winter milk and profitable dairy farming is to have good and cheap feed. The SMDSP has been promoting technology for silage and haylage, which can be produced by the individual associations. Each product is made from agro-industrial by-products or waste found in the immediate vicinity of the dairy farmer association.

A comprehensive winter feeding solution also calls for a bulk feed, a high protein feed and a mineral supplement. To produce both the feed and the supplement, a feed mill has been built in Tibaani and is currently operated and owned by the National Milk Producers’ Association. High protein feed is produced in the form of a pellet called “Kaloebi Baraka”, while the mineral supplement is a multi-nutrient block called “Kaloebi Loki-Bloki” and an associated anthelmintic, “Kaloebi Margebeli”.

The cluster development at Tibaani includes: a feed mill capable of producing enough “Kaloebi Loki-Bloki” and “Kaloebi Margebeli” for 10 000 head of cattle; a cheese factory belonging to the Kakheti Livestock Growers’ Association (KLGa); three milk collection centres also under the KLGa dominion; Caucasus Genetics, a cattle complex and laboratory for the collection, import and storage of bull semen; the head office and Kakheti branch offices of the NMPA; and a cache of fodder conservation machinery. These various organizations have interdependent roles in winter milk production, in which cooperation will spawn growth and economic development.

The cluster will attain sustainable economic development through increased competitiveness and innovation. The winter milk concept is intended to provide products that are better and cheaper than imports. Knowledge-based activities are an integral part of cluster development; knowledge supports innovation. Some of the winter feeds devised are “world firsts”; they are Georgian feeds, designed for Georgia’s environment. These activities also fulfil another tenet of cluster development: an approach to rural development which includes sectoral and non-sectoral initiatives. These successful rural development initiatives are achieved through support from existing sectors, and by the introduction of new and innovative activities.

Tibaani applies an approach to knowledge and innovation in which locality-specific externalities and the unused potential of agro-industry by-products are harnessed for business activity. This creates a unique and ‘place-based’ opportunity in which the by-products constitute the building blocks of increased competitiveness.

IFC: Improvement of food safety

IFC, a member of the World Bank Group, launched its Georgia Food Safety Improvement Project in 2010 in partnership with BP, and its oil and gas co-ventures with the Austrian Ministry of Finance.



This three-year project is aimed at boosting the competitiveness of local food producers and fostering an increase in food exports. The project is designed to improve food safety practices among Georgian food manufacturers, build local food safety capacity and harmonize national food safety legislation with EU requirements.

The project has three integrated components: providing advice to companies on upgrading their food systems; improving public and private awareness of food safety issues and solutions; and harmonizing Georgian food safety regulations with international best practices.

The IFC approach is to facilitate access to markets for Georgian food processors by increasing awareness of food safety issues and solutions. In order to stimulate demand for higher standards of food safety, the project will conduct a series of public events, conferences and seminars aimed at food manufacturers.

IFC also pilots implementation of a food safety management system, building local consultants' food safety capacity. In order to address food safety issues, the project will support pilot companies with development and implementation of a food safety management system in selected food processing subsectors. The organization aims to improve national food safety legislation and build the capacity of Georgian regulators in line with international best practices.

The project will work with the respective state agencies to introduce amendments to the "Law on Quality and Safety" and to develop by-law regulations. The project will also coordinate with the National Food Agency to build inspectors' capacity.

IFC will achieve these goals by leveraging international experience and transferring best practices. IFC food safety advisory service projects have been implemented in the Balkans, Ukraine and Belarus. In Georgia from 2008–2009, the IFC Investment

Climate Project provided training in food safety and quality management. In 2009, the project conducted a food safety survey and revealed that more than 70 percent of companies lack basic knowledge of relevant laws and international food safety standards. This suggested a strong need for further training and consulting aimed at helping companies meet the requirements of the new law and international standards. IFC's study of the Georgian food sector was designed to help the Government implement reforms that will bring national regulations in line with international best practices.

Since 1995, IFC's cumulative investments in Georgia total USD 550 000 000 in 39 projects across a range of sectors. Through its Advisory Services, IFC is working toward reform of Georgia's tax system to benefit small businesses, helping raise food-safety standards and strengthening the risk-management practices of banks. Georgia has been a member of IFC since 1995.

World Vision: Training for economic development

World Vision is assisting community farmers to profit from improved business practices and farming through its capacity building activities. Trainings and formal and informal meetings are held with farmers, dedicated to technologies in husbandry/farming, as well as business planning. These initiatives are supported by the European Commission and World Vision Canada.

In the Samtskhe-Javakheti region, 523 farmers were trained in business planning and project management. Upon successful completion of the training, 11 farmers received small grants to start up or expand their businesses. Another 380 farmers were trained in new technologies of livestock breeding, while up to 1 000 farmers were informed of better crop rotation methods. A total of 623 piglets were also distributed to 128 farmers.

Through intensive trainings, enhanced agricultural activities and the utilization of modern agricultural technologies, the Economic Development for IDPs in Shida Kartli Project creates a solid



ground for increasing income. This two-year project covers ten settlements of internally displaced persons (IDPs) in Kaspi, Gori and Kareli municipalities.

Thousands of IDPs will benefit from the acquired knowledge and demonstrations of yielding large harvests of quality agricultural products, which will lead to increased income generation opportunities.

Trainings in agricultural vocational skills, modern technologies, business and budget management, marketing, value chain operations and human rights will target over 500 farmers and 350 young people. Twenty demonstration plots will be established, with ten demonstration plots for soil farming as well as animal husbandry and bee-keeping. Another ten demonstration plots will be established as food processing facilities. Each of the targeted settlements will have both types of plot. Also, two greenhouses will be established to serve the needs of the settlements.

ACF: Promoting self-reliance and improving welfare

ACF South Caucasus is continuing the longstanding relationship with the United Nations High Commissioner for Refugees in 2011, building upon past projects in Samegrelo-Zemo Svaneti and Abkhazia. The 2011 funding has also enabled activities to be launched in the Imereti region.

In Samegrelo and Imereti, ACF is working in communities with high proportions of IDPs, supporting income generating activities, alongside study visits to support agricultural innovation, on-farm trials and the promotion of smallholders' associations. ACF has a track record of establishing successful associations, granting groups with goods or equipment too expensive for single investors, while providing inexpensive products or services to the wider community. Examples include agricultural extension

services, tractor hire, bulk purchase of inputs, processing equipment, and transportation to market.

In 2011, ACF launched pilot integrated home gardens in several regions of Georgia, within the framework of a programme funded by the Swedish International Development Cooperation Agency, "Promoting Self-Reliance and Improving the Welfare of IDPs and Returnees in Eastern Georgia and Abkhazia". Home gardens are increasingly being seen as a key element in the global fight against hunger, supporting household food security and livelihoods. They can provide essential micronutrients, income opportunities and protection from shocks, and enable increased expenditure on education and health care out of savings on food costs.

These features make home gardens especially useful tools when supporting the most vulnerable groups. ACF is working with residents of IDP settlements in eastern regions, as well as returnees and communities living in similar conditions in Abkhazia.

Building on ACF's experience in other countries, the South Caucasus mission has developed a programme of integrated home gardening based upon the nutritional and economic benefits of domestic production and ACF's work in sustainable agricultural practices. The promotion of sustainable techniques is key: householders require fewer costly inputs such as chemical fertilizers and pesticides, while improving the condition of the soil over time.

Low input/high output techniques such as no tillage, green manure and intercropping also require less labour, which is valuable in communities where much of the gardening is carried out by women with additional responsibilities.

Over the three-year programme, householders will receive trainings and inputs to diversify the range of produce grown, gain



access to high-yielding varieties, improve the quality of soil and produce, and prolong the cropping season. Supporting workshops will be held in communities to deliver further information about nutrition and positive infant and child feeding practices, food safety, and healthy lifestyles.

FAO: Support to irrigation systems for IDPs

Over the past several months, the Food and Agriculture Organization of the United Nations (FAO) in Georgia with support from the European Union has been working to increase irrigation water supply through the improvement of existing water sources and the development of new ones for some of the most vulnerable populations of Georgia – IDP families displaced as a result of the Georgia-Russia conflict in 2008. Part of this population was resettled into newly constructed settlements throughout Georgia with very basic living conditions, while others returned to their original villages along the conflict border.

The villages of Ditsi, Arbo and Dvani along the conflict line were known for their productive fruit orchards. However, after the conflict their irrigation systems were cut off by the authorities of the breakaway region of Ossetia, leaving six- to seven-year-old apple and peach orchards on the brink of destruction.

With generous contribution from the European Union FAO installed 46 kilometres of pipelines and large capacity 70 horsepower portable diesel pumps with 30 litre/second water discharge capacity. Each of the pumps can irrigate 60 hectares of land under proper water management, benefiting up to 60 families. The population plans to use 60 percent of the capacity for irrigating their orchards, while the rest will be used for irrigating their gardens.

FAO also assists the new IDP settlements established soon after the conflict. A medium capacity diesel pump was installed in the Akhalsopeli IDP settlement that grows corn, potato, cucumber, tomato, herbs and other crops. With the new pump, the village population is able to irrigate approximately 24 hectares of arable land and kitchen gardens. The new IDP settlements were

generally built in the areas with old and degraded Soviet water infrastructure, so instead of simply restoring hopelessly damaged infrastructure, FAO is trying to find alternative sources in the proximity of the new settlements.

Together with installation of pipes and diesel pumps, FAO has also finalized the excavation of shallow wells (10–15 metres), benefiting up to 450 households in three IDP settlements. In total, 45 wells were established in three settlements and equipped with pumps and water distribution networks for the kitchen gardens.

Shida Kartli is usually dry during the summer, which means that nothing grows naturally unless the land is irrigated. By restoring the existing irrigation systems and building new ones, FAO helps IDPs to produce food throughout the year and thus contributes to daily food security. FAO has also started a cost-sharing initiative that subsidizes the acquisition of water infrastructure. Up until now, more than 120 families from Karaleti settlement have applied for the construction of 5-metre tubewells, enabling them to irrigate their kitchen gardens.

FAO also supported the rehabilitation of drainage channels in IDP settlements: 300 metres in Teliani and 240 metres in Metekhi for the irrigation of 12 hectares of arable land. In Berbuki settlement, the old, broken irrigation headwork in the channels was rehabilitated, allowing irrigation of 30 hectares of land.

FAO: Anti-locust programme and activities in the Caucasus and Central Asia

FAO is assisting ten countries in Central Asia and the Caucasus to protect up to 25 million hectares of cultivated farmland that are potentially at risk from a recurrent locust crisis. Locusts are a serious threat to agriculture, food security and livelihoods in both regions. A five-year programme to develop national capacity and regional cooperation is about to start, thanks to assistance from USAID and the FAO/Turkey partnership. Support from other donors is expected soon. So far, nearly one-third of the estimated budget has been obtained.



In all, ten countries are regularly concerned by locust outbreaks: Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. There are three locust species in the region – Italian, Moroccan and migratory locusts – which can attack all kinds of crops and plants. These migrant pests, capable of flying up to 100 kilometres a day, are extremely opportunistic, adapting quickly to changing weather patterns, including those associated with climate change.

Central Asian and Caucasian countries made official requests to FAO for assistance in curbing locust outbreaks and their related impact on food security, and in developing transborder cooperation. The FAO Locust Group initiated a process for assessing needs and helping countries to improve national and regional locust management; a two-year project (2009–2011), funded through FAO's Technical Cooperation Programme (TCP), contributed to this effort.

In that framework and together with the concerned countries, FAO prepared a five-year programme for sustainable management of locust issues in Central Asia and the Caucasus that was endorsed by all concerned countries in October 2009. This programme is based on the key concepts of locust preventive control. It promotes preparedness, early warning and early reaction. It also seeks to introduce new techniques for locust control, using less environmentally hazardous pesticides as well as biopesticides.

In Georgia, these regional activities are not the only anti-locust initiatives recently implemented. In 2010, after receiving an official request from the Ministry of Agriculture, FAO successfully addressed the problem of Moroccan and Italian locusts that infested about 50 000 hectares of land in Sagarejo and Marneuli municipalities, exceeding the national capacities in terms of available pesticides and funding. This unusual and critical locust

situation represented a real threat to the livelihoods, economic growth and social conditions of the rural population of Georgia, with a critical risk of spreading towards Azerbaijan, as the main Moroccan locust infestations were located along the common border.

The project was funded through the United Nations Central Emergency Response Fund. It aimed at mitigating the spread of locust populations beyond the outbreak areas within Georgia towards Azerbaijan and to strengthen the response capacity of the National Service of Food Safety, Veterinary and Plant Protection of Georgia.

As a result, the project ensured delivery of inputs in support of survey and control operations, such as sprayers, personal protective equipment, cholinesterase kits and provision of funds for the operations. FAO transferred and airlifted certified conventional pesticides from existing stocks in Mali and Morocco. It fielded two national consultants to ensure the safe use of chemical pesticides and delivered appropriate training for surveying and controlling operations through an international locust expert.

The project outputs were not only satisfactory at a national level but also at regional level. Indeed, no locust swarms have invaded the neighbouring country, which continues to be confirmed by a calm locust situation this year. Through project inputs and training, Georgia was the first country to use the ultra-low volume spraying technology that allows a better spraying quality, more efficiency and lower economical and environmental costs. Since its introduction, the two other Caucasian countries have decided to adopt this technology, as announced during the regional meeting held within the framework of the two-year regional TCP, in Dushanbe, in October 2010.



Theme: Farmer organizations – current picture of Georgia and further recommendations

Farmer organizations are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural poor. Farmer organizations refer to independent, non-governmental, membership-based organizations with part or full-time employees or self-employed smallholders, uniting farmers, pastoralists, artisanal fishers, landless farmers, women, small business entrepreneurs and indigenous peoples. They range from formal company-type groups governed by commercial legislations, such as cooperatives, to national farmer unions and more informal self-help groups and associations.

It is globally recognized that in rural areas, farmer organizations are the nearest and often the only institutions providing essential goods and services to the rural poor, helping them to break from the poverty cycle. Small-scale farmers' income tends to fluctuate seasonally and this can easily tip them into poverty. By providing financial services, farmer organizations reduce the risk to individual farmers during seasonal shocks. They also help with the mobilization of capital and contribute to the growth of the local economy.

Although data is difficult to collect, globally there were about 569 000 agricultural cooperatives in 2002, with more than 800 000 000 farmer members, making it the largest cooperative sector in the world.

In 1994, agricultural cooperatives in Canada and Brazil each produced an output of USD 12 000 000 000, while China's and India's agricultural cooperatives each generated an output of USD 9 000 000 000¹.

Farmer organizations in Georgia

Farmer organizations first appeared in Georgia over a decade

ago. Although there is a significant number of farmer organizations in the country, only a few have managed to establish sizable operations. A brief cross-section of the sector in Georgia is as follows:

- Farmer organizations are usually established as associations (non-entrepreneurial legal entities aimed at various educational/developmental programmes) or cooperatives (labour activity-based entities to increase revenues of members).
- They are mainly established with the purpose of engaging in group-oriented activities, joint services, procurement of inputs and joint marketing of the produce on an individual farmer level rather than for joint production.
- Most frequently, farmer organizations are engaged in dairy, fruit and vegetable production, agriculture mechanization and other similar initiatives.
- Most farmer organizations are established with donor support and many still depend heavily on further assistance.
- Farmer organizations are usually headed by experienced economists, agronomists, zoo-technicians or veterinarians who serve as a driving force in the success of the organization. Most of the management lacks appropriate professional management education.

A good example of a farmer organization is the Fruit Producer Farmer Association in Shida Kartli, established in 2004 with the help of AgVantage. The USAID-funded project helped with an initial investment in saplings and fertilizers needed for setting up the first demonstration orchard.

The association now has 80 members. With further assistance, the head of the association was able to attend various seminars on production marketing and management, and to participate in exchange study visits.

¹ Sustainable Agriculture and Rural Development Policy Brief, FAO, 2007.



Since its inception, the production of the organization has grown significantly. By now, their demonstration orchard holds over 100 types of apples, plums, pears, peaches and cherries, and yields twice the harvest of the neighbouring orchard.

The Fruit Producer Farmer Association uses modern technologies in the production process. It markets products locally and internationally and even struggles to meet the increasing demand.

In general, farmer organizations in Georgia mainly aim to provide group-oriented activities, such as joint services, joint procurement of inputs and joint marketing activities. They tend to be diverse in their approach, set-up and activities, and the prevailing type and orientation mostly depends on available donor support. Such circumstances, while generally supporting the development of the farmer organizations, have been somewhat inhibitive of their maturation and internal structuring process.

Over time, some of the farmer organizations established so-called 'framework organizations', of which individual farmer organizations are now members. These framework organizations are dealing with issues on a regional and even national level.

A good example of a framework organization is the Rural Service Centre in Akhalkalaki, established in 2006 with help from Mercy Corps. The Centre united ten cooperatives and one farmer association. Over time, their membership has grown to 20 cooperatives involved in potato production, animal husbandry, potato associations, fish farming and bee-keeping. The Centre supports the development of cooperatives and brings them together, providing information and advisory services on legislative and financial matters, as well as training in leadership, accounting, marketing and best practices. The Centre provides members with

opportunities to benefit from their shared resources.

Member potato producers in Kumurdo, for example, help each other in production. The men share in the use of equipment and manual labour, while the women are involved in the clean up and storage of produce.

Different types of organizations find different ways to address a wide range of constraints. Input supply groups have tried to address the high cost of retail inputs and equipment by negotiating prices for joint supply and services along with payment conditions, thus decreasing production costs.

Some of the farm machinery service groups have tried to reduce the expense of underused equipment by sharing investment and maintenance costs, thus further increasing productivity and strengthening investment capabilities.

Through sharing costs for contracting advisory services, farmer groups are trying to improve the technical and financial management of their farms.

Joint-product sales and marketing are seen as a way to overcome problems of marketing individual small quantities, gaining better access and presence in the market, and ensuring higher prices and added value to their products.

A significant amount of assistance has been provided over the years to a relatively small number of farmer organizations, which has provided them with a solid base for operations and development. With these accumulated assets, most of the farmer organizations should have no problem engaging in commercial activities and acquiring credit from commercial providers. Few farmer



organizations have developed substantial production or can easily obtain commercial credit for their cooperative purposes. Distribution of credit to their members is yet to be addressed.

To provide alternative credit options, the Akhalkalaki Rural Development Centre actively works with microfinance organization Credo operating in the region and at times serves as a credit guarantor to farmers. Disbursed credit is transferred to the service centre, which provides credited inputs to farmers.

Cooperatives in Georgia tend to have a higher number of members compared to associations, as they are organized around central service provisions. Associations tend to be less commercially oriented and engaged in more diversified activities, reducing the focus and delivery of the whole organization. As such, the potential members have a limited interest to join.

Farmer organizations in general are managed by small groups of people who provide basic guidelines. The management is usually well-educated, but there is an obvious lack of organizational management, strategic planning and financial management skills. Most organizations also operate at best with rudimentary strategies to enhance their growth and development and achieve member satisfaction.

David, head of the Fruit Producer Farmer Association, is the only person in his association who received appropriate training. He is an alumnus of the Cochran Fellowship Program (CFP) that provides US-based agricultural training opportunities for senior and mid-level specialists and administrators from public and private sectors concerned with agricultural trade, agribusiness development, management, policy and marketing. His CFP train-

ing gave him a better understanding of members and production needs, thus making his association one of the most successful in Georgia.

Some organizations procure inputs for their organizational needs but few extend this support to their members. The development level can vary significantly by organization, even in methods of importing agricultural inputs for sale to farmers and members. The Akhalkalaki Rural Service Centre, for example, conducted a needs assessment of their members to determine what kinds of seeds were needed. As a result, it now imports eight types of potato seeds from the Netherlands.

Farmer organizations provide services to their members and other farmers mostly using donated mechanization and equipment for the cultivation of land and storage of products, with limited discounts for members. Fruit- and dairy-oriented cooperatives provide packing, cooling, calibration and other types of services through farmer organization-owned equipment, while livestock sector farmer organizations offer artificial insemination services. Many organizations have complemented the donations with appropriate technical assistance, extending it to members through the management or experts.

David now conducts trainings for his members and other farmers in best approaches to fruit-growing and seedling production. He also conducts trainings on different aspects needed for successfully managing the business.

“Through our work and continuous trainings, we managed to change the approach and trust of people towards agriculture,” says Sergej, head of Akhalkalaki Rural Service Centre. “It is



certainly an achievement that people now understand that it requires investment and that there is good potential to compete with cheap foreign products. By using new and appropriate technologies, better results can be achieved.”

It was also observed that most of the farmer organizations do not perceive any marketing constraints for the limited quantities they produce. However, their limited production quantities keep them out of larger markets and especially exports. In only very few cases, farmer organizations have managed to break this vicious circle.

The “5 Stars” cooperative of Kumurdo, producer of potato seeds, is known not only in Akhalkalaki but in big towns as well. They already have permanent buyers who come to Akhalkalaki to take their potatoes to supermarket chains in Tbilisi. They were only able to produce the required quantity through joint efforts and initiate additional production as an organization.

The Fruit Producer Farmer Association sells its fruits and seedlings locally, as well as to Afghanistan and Azerbaijan. The head of the association says there is a much bigger demand and potential for expansion.

However, expansion of marketing requires significant additional investment and funds. Sergey believes it would be very beneficial to create the brand of Akhalkalaki potatoes, a product famous for its qualities, and open a specialized shop in the capital. However, this venture would require storage capacity, sorting equipment and other inputs in addition to further combined efforts of all of the potato producers involved.

In many aspects, it is clear that donor support is the driving force for the creation and sustainability of farmer organizations. Almost all of the strong organizations have benefited from substantial material grants, often with co-funding or cost-sharing requirements, and technical assistance.

However, donors and implementers working with farmer organizations believe that the simple provision of grants is not sufficient for the development of such organizations. Irakli Kasrashvili, Country Director of Mercy Corps Georgia, believes that in order for farmer organizations to be successful, at least a three-year support intervention is required for development of the management capacity, democracy and successful utilization of business opportunities. This is the timeframe needed for training in order to make farmer organizations sustainable.

Some donor-supported farmer organizations have become examples for others. Many farmer groups in Akhalkalaki tried to replicate the activities of the cooperatives founded and supported by Mercy Corps. Many of them have become clients of the Rural Service Centre, which provides them with much needed information, and advice on legal, economic and other matters. Sergey believes that the help of the Centre and involvement from Mercy Corps have made the farmer organizations of Akhalkalaki better informed and better organized than those of other districts.

Currently, the Ministry of Agriculture is preparing the Georgian Agricultural Strategy. The strategy will focus on farmer organizations and especially on the improvements needed for organizations to grow and expand. The Government is engaged in the further synchronization of sector regulations, facilitating improved functioning of the Georgian farmer organizations in tandem with available donor support.



Trade, agriculture and food



Total trade

Exports during the first three months in 2011 declined by 1 percent relative to the same period in 2010. Imports from January through March 2011 were 45 percent higher compared to the same period in 2010. From January through March 2011, Georgia was a net importer of agricultural products.

Exports

Export of products representing (a) live animals, (b) edible vegetables, (c) edible fruits and nuts and peel of citrus/melon, (d) miscellaneous edible preparations, and (e) beverages, spirits and vinegar accounted for 82 percent of total exports, and their shares were 10, 4, 21, 3 and 44 percent, respectively.

Exports to Azerbaijan, Belarus, Germany, Armenia and Ukraine accounted for 63 percent of total exports, and country-specific shares were 17, 7, 6, 6 and 27 percent, respectively.

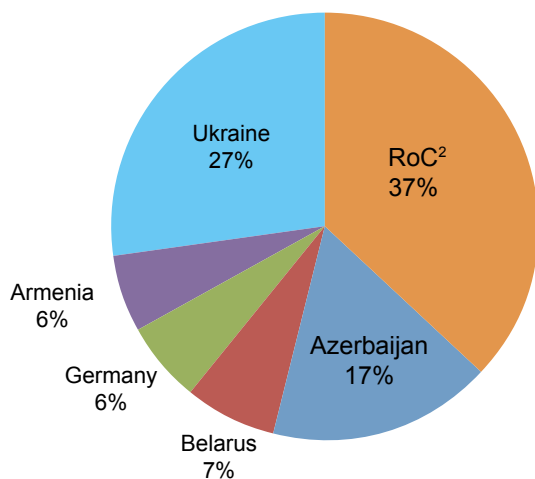
Imports

Import of products representing (a) meat and edible meat offal, (b) edible vegetables, (c) cereals, (d) sugar and sugar confectionary and (e) tobacco and manufactured tobacco substitutes accounted for 53 percent of total imports, and their respective shares were 8, 8, 21, 8 and 8 percent.

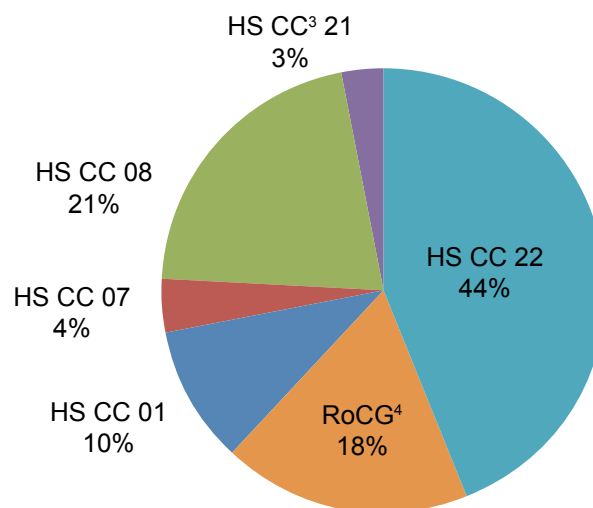
USA, Brazil, Turkey, Russia, and Ukraine accounted for 64 percent of total agriculture imports, and their shares were 5, 8, 13, 7 and 31 percent, respectively.



Major export markets



Major export commodity groups



Agriculture trade January–March 2010 (USD)				
	January	February	March	Total
Imports	47 795 910	60 127 657	75 851 426	183 774 993
Exports	19 443 839	23 569 797	25 077 900	68 091 536

² Rest of the countries

³ Harmonized system commodity code

⁴ Rest of the commodity groups

Source: National statistics office of Georgia



Exports by countries

Export destination	Value (USD)	Rank	Share (%)
UAE	37 505	48	
Australia	144 726	27	
Austria	131 530	32	
Azerbaijan	11 473 151	2	17
USA	726 669	16	
Belgium	585 310	18	
Belarus	4 549 397	3	7
Bulgaria	83 453	36	
Germany	4 159 741	4	6
Honduras	110	58	
Denmark	545 363	19	
UK	279 718	23	
Iraq	1 610 789	10	
Estonia	199 619	25	
Viet Nam	59 742	40	
Turkey	3 517 296	6	
Turkmenistan	362 352	21	
Japan	55 853	42	
Ireland	21 752	53	
Jordan	166	57	
Israel	142 055	28	
Italy	1 972 193	9	
Canada	73 617	37	
Qatar	94 500	35	
Cyprus	30 072	51	
Latvia	1 099 090	12	
Lebanon	2 322 699	8	
Lithuania	478 447	20	
Moldova	150 363	26	
Mongolia	120 387	33	
Niger	42 768	45	
Netherlands	653 257	17	
Poland	1 056 557	13	
Portugal	330 720	22	
Romania	40 762	46	
Russia	60 249	39	
Greece	141 314	29	
South Africa	21 719	54	
France	892 245	15	
Hong Kong	31 263	50	

Source: National statistics office of Georgia

Singapore	50 235	43	
Syria	982 696	14	
Slovakia	139 168	30	
Slovenia	61 022	38	
Armenia	4 142 999	5	6
Taiwan	38 054	47	
Tajikistan	133 135	31	
Trinidad and Tobago	25 245	52	
Uzbekistan	119 959	34	
Ukraine	18 337 787	1	27
Hungary	34 032	49	
Philippines	59 527	41	
Finland	10 380	56	
Kazakhstan	3 436 058	7	
Kyrgyzstan	44 903	44	
Sweden	16 457	55	
Czech Republic	1 249 552	11	
China	254 542	24	
Total	67 434 269		63
Rest of the countries			37

Exports by harmonized system commodity code				
HS CC	Definition	Value (USD)	Rank	Share (%)
1	Live animals	6 444 063	3	10
3	Fish and crustaceans	1 919 194	6	
4	Dairy, eggs, honey and edible products	1 171 901	11	
6	Live trees and other plants	186 860	16	
7	Edible vegetables	2 662 889	4	4
8	Edible fruits and nuts, and peel of citrus/melons	14 408 707	2	21
9	Coffee, tea, mate and spices	1 512 143	10	
10	Cereals	608 859	14	
11	Milling industry products	663 296	13	
12	Oil seeds/misc., grains/medicinal, plants/straw	1 548 979	9	
13	Lac, gums, resins, etc.	926	21	
14	Vegetable planting materials	3 601	19	
15	Animal or vegetable fats, oils and waxes	698 628	12	
17	Sugars and sugar confectionery	261 268	15	
18	Cocoa and cocoa preparations	182 934	17	
19	Preparations of cereals, flour, starch or milk	72 909	18	
20	Preparations of vegetables, fruits, nuts, etc.	1 583 995	7	
21	Miscellaneous edible preparations	2 386 767	5	4
22	Beverages, spirits and vinegar	29 541 412	1	44
23	Residues from food industries and animal feed	1 572 606	8	
24	Tobacco and manufactured tobacco substitutes	2 333	20	
Total		67 434 269		82
Rest of the commodity groups				18

Source: National statistics office of Georgia

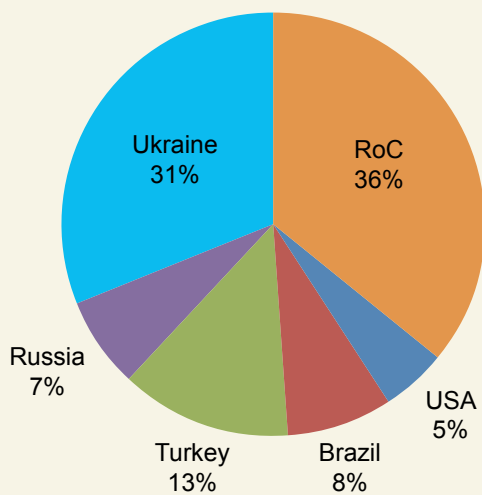
Imports by countries			
Import origin	Value (USD)	Rank	Share (%)
UAE	468 392	46	
British Indian Ocean Territory	28 270	70	
Dominique	5 758	80	
Virgin Islands (UK)	1 165 179	31	
Republic of Korea	111 950	59	
Austria	3 837 364	11	
Azerbaijan	4 824 493	9	
Argentina	490 958	43	
USA	13 954 538	5	5
New Zealand	830 290	34	
Belgium	1 207 712	30	
Belarus	2 705 520	18	
Brazil	21 763 905	3	8
Bulgaria	1 896 464	23	
Germany	5 207 418	8	
Denmark	476 177	45	
UK	307 570	51	
Egypt	163 417	58	
Ethiopia	11,998	75	
Ecuador	3 566 484	15	
Spain	1 354 179	28	
Estonia	297 460	53	
Viet Nam	1 722 483	24	
Virgin Islands (USA)	28 270	69	
Turkey	33 864 247	2	13
Japan	560 960	39	
India	4 003 444	10	
Indonesia	1 137 564	32	
Iran	1 459 689	27	
Ireland	74 780	61	
Iceland	22 308	71	
Israel	170 424	57	
Italy	3 647 704	14	
Canada	3 050 495	17	
Kenya	5 090	81	
Cyprus	49 780	63	
Democratic People's Republic of Korea	17 822	72	
Côte d'Ivoire	6 770	79	
Cuba	16 831	74	
Latvia	1 647 862	25	

Lithuania	590 683	38	
Luxemburg	37 513	66	
Malaysia	373 380	48	
Malta	16 880	73	
Mexico	7 151	78	
Moldova	501 231	40	
Netherlands	3 741 270	12	
Norway	491 725	42	
Pakistan	476 185	44	
Poland	1 897 071	22	
Portugal	33 876	67	
Romania	3 697 988	13	
Russian Federation	17 688 710	4	7
Greece	786 698	35	
Saudi Arabia	11 750	76	
France	2 278 760	20	
Serbia Montenegro	1 901 119	21	
Hong Kong	193 439	56	
Singapore	639 650	37	
Syria	47 898	64	
Slovenia	46 662	65	
Armenia	2 341 108	19	
Taiwan	96 689	60	
Thailand	1 278 801	29	
Tanzania	230 126	54	
Tajikistan	32 136	68	
Uzbekistan	3 242 603	16	
Ukraine	83 118 663	1	31
Hungary	1 604 662	26	
Uruguay	53 775	62	
Philippines	333 630	50	
Finland	386 749	47	
Kazakhstan	10 784 681	6	
Kyrgyzstan	498 714	41	
Sweden	368 776	49	
Switzerland	894 571	33	
Sri Lanka	300 143	52	
Czech Republic	716 981	36	
China	7 654 188	7	
Croatia	205 143	55	
Unknown	7 488	77	
Total	265 771 285		64
Rest of the countries			36

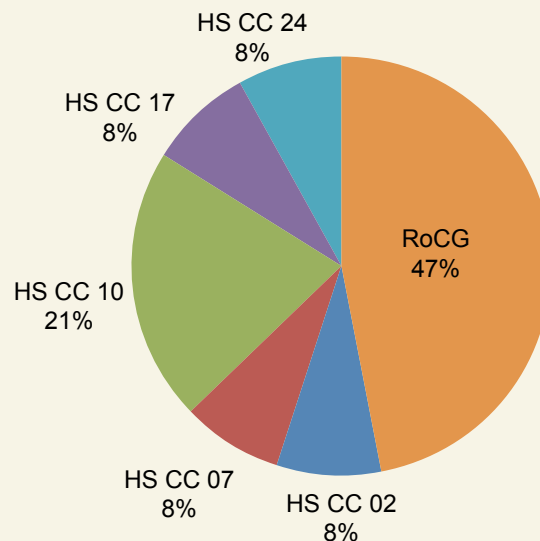
Source: National statistics office of Georgia

Imports by harmonized system commodity code				
HS CC	Definition	Value (USD)	Rank	Share (%)
1	Live animals	1 093 345	21	
2	Meat and edible meat offal	19 952 004	5	8
3	Fish and crustaceans	7 022 346	12	
4	Dairy, eggs, honey and edible products	7 884 183	11	
5	Products of animal origin	294 567	22	
6	Live trees and other plants	2 106 434	20	
7	Edible vegetables	20 270 023	4	8
8	Edible fruits and nuts, and peel of citrus/melons	10 828 086	10	
9	Coffee, tea, mate and spices	4 116 472	18	
10	Cereals	56 973 555	1	21
11	Milling industry products	4 941 601	17	
12	Oil seeds/misc., grains/medicinal, plants/straw	2 240 352	19	
13	Lac, gums, resins, etc.	163 609	23	
14	Vegetable planting materials	50 891	24	
15	Animal or vegetable fats, oils and waxes	18 400 289	6	
16	Edible preparation of meat, fish, crustaceans, etc.	6 328 970	15	
17	Sugars and sugar confectionery	22 406 360	2	8
18	Cocoa and cocoa preparations	11 955 417	9	
19	Preparations of cereals, flour, starch or milk	11 965 732	8	
20	Preparations of vegetables, fruits, nuts, etc.	5 748 591	16	
21	Miscellaneous edible preparations	16 030 465	7	
22	Beverages, spirits and vinegar	6 732 511	14	
23	Residues from food industries and animal feed	6 904 081	13	
24	Tobacco and manufactured tobacco substitutes	21 361 400	3	8
Total		265 771 285		53
Rest of the countries				47

Major importer origin



Major import commodity group



Source: National statistics office of Georgia

Main staple food prices

January 2011 prices relative to December 2010 prices

With the exception of bread, poultry, eggs and butter, prices have increased from December 2010 to January 2011.

January–March 2011 prices vis-à-vis January–March 2009 prices

With the exception of pork and milk, prices were considerably higher during January–March 2011 relative to the same period in 2009. The most significant price rise was observed in potato.

January–March 2011 prices vis-à-vis January–March 2010 prices

With the exception of pork prices (January–February), prices have shown a significant upward surge during January–March 2011 compared to the same period in 2010. The most notable price rise was observed in potato.

Retail Monthly Prices

Product	2009			2010			2010	2011			2011 vis-à-vis 2009			Jan 11 vs Dec 10	2011 vis-à-vis 2010		
	Jan	Feb	Mar	Jan	Feb	Mar	Dec	Jan	Feb	Mar	Jan	Feb	Mar		Jan	Feb	Mar
Bread	1.27	1.26	1.27	1.26	1.24	1.24	1.51	1.49	1.61	1.63	17%	28%	29%	-2%	18%	29%	32%
Flour	1.47	1.45	1.38	1.34	1.29	1.33	1.58	1.60	1.73	1.76	9%	19%	28%	1%	20%	34%	32%
Beef	7.65	7.61	7.60	7.35	7.43	7.74	8.28	8.71	9.81	10.33	14%	29%	36%	5%	18%	32%	33%
Pork	11.31	11.24	10.90	9.82	9.32	8.79	9.08	9.15	9.13	9.66	-19%	-19%	-11%	1%	-7%	-2%	10%
Poultry	6.54	6.41	6.77	6.52	6.07	6.09	6.85	6.40	7.11	7.46	-2%	11%	10%	-7%	-2%	17%	22%
Milk	2.01	1.89	1.74	1.66	1.48	1.39	1.69	1.71	1.77	1.62	-15%	-6%	-7%	1%	3%	20%	16%
Cheese	7.28	6.17	5.24	6.80	6.28	5.61	7.81	8.26	7.75	7.29	14%	26%	39%	6%	22%	23%	30%
Eggs	3.04	2.92	2.86	2.95	2.94	2.96	3.17	3.07	3.08	3.09	1%	5%	8%	-3%	4%	5%	4%
Butter	6.83	6.93	6.80	6.73	6.87	6.81	7.55	7.46	7.83	8.11	9%	13%	19%	-1%	11%	14%	19%
Sunflower oil	3.54	3.26	3.10	2.73	2.82	2.86	4.16	4.20	4.25	4.19	19%	30%	35%	1%	54%	50%	46%
Potato	0.80	0.79	0.78	0.69	0.70	0.71	1.30	1.58	1.58	1.53	96%	100%	95%	21%	127%	124%	115%

Source: National statistics office of Georgia

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