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Statement by the Deputy Minister of Agriculture

2010 has been an interesting year for the agriculture sector in Georgia. The Ministry of Agriculture of Georgia has begun implementing numerous initiatives that will significantly benefit the development of the sector. For instance, the Ministry has introduced new wheat and corn seeds to the country, which have been provided to farmers through favourable payment schemes. These measures will result in an increase of per hectare productivity and the intensification of production. It is also very important that insurance companies became involved in crop insurance that will positively support agricultural production.

Georgia is strongly committed to conclude the Deep and Comprehensive Free Trade Area Agreement with the European Union (EU) in order to enhance trade and foster economic relations with EU Member States. The registration of agribusiness operators began in January 2010. In June 2010, the Georgia Law on Food Safety and Quality was amended, allowing the National Service (NS) to carry out full-fledged inspections of agribusiness operators exporting to the EU.

The NS implemented the state monitoring programme in 2010 and is carrying out food safety control of all food operators with higher-risk production as of January 2011. The NS was transformed into a Legal Entity under the Public Law as of 2011, which will enable it to provide services to the business community and generate additional revenue from delivering these services.

For the first time since independence, slaughterhouses began operating in Georgia in 2010. In 2011, the Ministry plans to launch an animal identification/registration process. Donor-funded projects in support of agriculture, especially post-conflict assistance, have contributed significantly to improving the conditions of people in need. I would like to highlight projects implemented by the Food and Agriculture Organization of the United Nations since 2008, in close cooperation with the donor community, which supported internally displaced people and other conflict-affected populations, and improved their livelihoods.

In early 2011, the Ministry of Agriculture of Georgia will finalize its Agriculture Development Strategy. Development of the private sector, enhancing the capacity of all stakeholders, establishing food production chains, infrastructure development and food security are the priorities of this strategy. After finalizing the initial draft, the Ministry will present the document to the international community, donors and other key stakeholders.

We hope that cooperation between the Government and international actors will continue throughout 2011, making agriculture one of the most productive sectors of Georgia.

Malkhaz Akishbaia
Deputy Minister
Ministry of Agriculture of Georgia

Foreword

Dear Friends and Colleagues,

Georgia became a member of the Food and Agriculture Organization of the United Nations (FAO) in 1995. Since then, the relationship between FAO and Georgia has been steadily growing through initiatives supporting the agriculture sector. Together with the Government of Georgia we have provided technical expertise to improve the lives of rural populations, increase agricultural productivity and contribute to the sustainable growth of the country's economy.

On behalf of FAO, I am proud to present the Winter 2011 edition of our Agriculture Sector Bulletin, summarizing some of last year's main agricultural developments in Georgia. This edition brings together news and major achievements in the agriculture sector, including those implemented by the Government of Georgia, the private sector and international organizations.

One of the key themes of the current issue is the improvement of agricultural livelihoods for rural populations affected by the military conflict of August 2008. Approximately 26 000 internally displaced persons who are still unable to return to their homes live in 36 settlements in the provinces of Kakheti, Kvemo Kartli, Shida Kartli, and Mtskheta-Mtianeti. The Government of Georgia and numerous local and international organizations, including FAO, have been providing sizable support to the settlers to help them adjust to new living conditions and generate income through agriculture-based activities. This article looks at the current situation and presents an assessment conducted by FAO within the framework of its ongoing projects.

I would like to take this opportunity on behalf of FAO to thank the Ministry of Agriculture of Georgia and the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia for their constant support and cooperation. I would also like to express our gratitude to our loyal donors – the Delegation of the European Commission in Georgia, the Government of the Republic of Italy, the United States Agency for International Development, the Swiss Agency for Development Cooperation and others – for their strong financial commitment that enables us to both serve the needs of the most vulnerable population of the country and to contribute to the development of the agriculture sector in Georgia.

We hope readers will find this publication a useful source of information.

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



Agriculture in Georgia

During the period 2006–2009, the contribution of the agriculture sector to the national economy of Georgia was 12.5 percent on average. In 2010, the agriculture sector generated USD 268 000 000 as foreign exchange, 13 percent of total foreign exchange earnings; previously the sector's share of total foreign exchange earnings in the period 2006–2010 was 21 percent on average.

Agriculture in Georgia continues to be mainly of a subsistence nature; however, it provides an important safety net for most of the rural population, and its performance is crucial to poverty reduction. From 2006–2010, the sector employed approximately 47 percent of the total national labour force.

Forty-four percent of Georgia's total area is considered to be agricultural land. The country's agricultural production is diverse, including viticulture, cereal production, and a wide range of vegetables, fruits, nuts, livestock, dairy, citrus and tea. Farming systems vary according to climatic zones. Natural conditions require irrigation in the east of the country, and drainage in the west. Non-irrigated areas are used for livestock and rainfed cereal crops, while irrigated areas are devoted to fruits and vegetables. The subtropical climate in west Georgia favours a wide variety of crops including citrus and tea, while viticulture and fruit production prevail in the east. Livestock are raised throughout the country.

Agriculture is based on a dual system of family holdings and commercial operators. More than 90 percent of the production is concentrated within highly fragmented small-scale family holdings. On average, the size of a family holding is 1.22 hectares, fragmented into two or three land parcels of 0.45 hectares on average. Around 82 percent of family holdings produce mainly for self-consumption, while the remaining 18 percent produce cash crops.

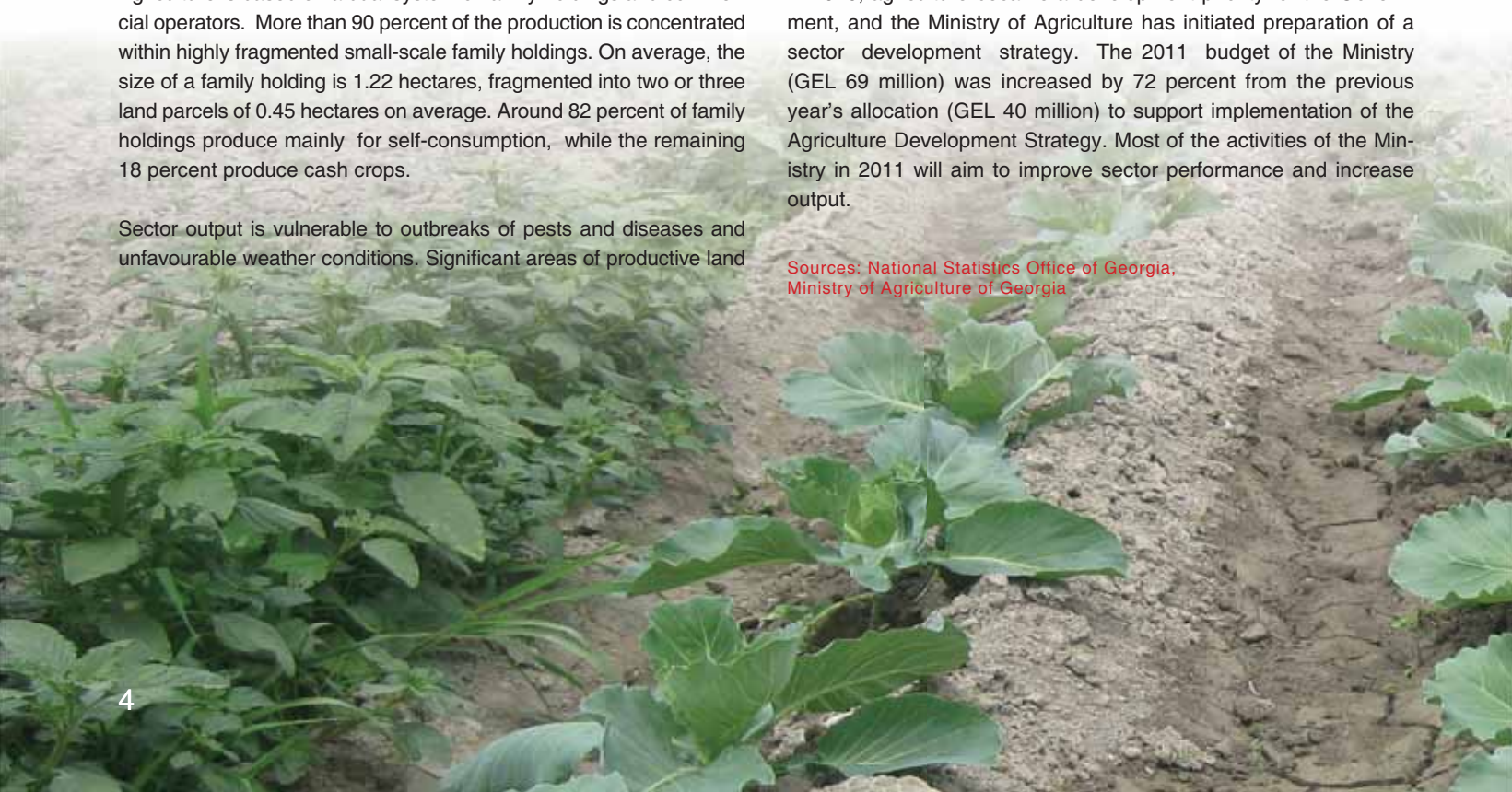
Sector output is vulnerable to outbreaks of pests and diseases and unfavourable weather conditions. Significant areas of productive land

remain idle. The relative contributions of the crop sector and animal husbandry to overall agricultural output have been changing, with the share of crop production declining while livestock production increases. Exclusive of hazelnuts, the performance of the horticulture sector has also been experiencing instabilities. 2010 preliminary estimates indicate that the area of land planted with wheat and maize has contracted by 19 and 21 percent, respectively, from the previous year, while the area planted with barley increased by 2 percent. The food industry – with the exception of wine, mineral water, dairy, poultry/egg and some sorting/packaging – is further retracted. Prices of local produce are normally affected by the following conditions: weather, animal and plant diseases, pest-induced fluctuations in already low levels of production, diseconomies of scale in local production, volatile energy prices, inflation, limited access to adequate storage infrastructure, the political situation in major importing countries, and developments in international commodity markets.

Georgia's diverse climatic conditions and natural resource endowment allow production of a wide variety of agricultural products and favour competitive development of the sector. Thanks to the support of conducive policies and an improving institutional and legal environment, agriculture remains one of the most promising sectors of Georgia's economy in terms of GDP contribution, net foreign exchange earnings, employment generation, and importance for poverty reduction.

In 2010, agriculture became a development priority for the Government, and the Ministry of Agriculture has initiated preparation of a sector development strategy. The 2011 budget of the Ministry (GEL 69 million) was increased by 72 percent from the previous year's allocation (GEL 40 million) to support implementation of the Agriculture Development Strategy. Most of the activities of the Ministry in 2011 will aim to improve sector performance and increase output.

Sources: National Statistics Office of Georgia,
Ministry of Agriculture of Georgia



Interview: Juan Echanove

In this issue, we have asked Mr Juan Echanove, Attaché (Project Manager) of Agriculture, Rural Development and Food Safety, Delegation of the European Union in Georgia, to comment on the Georgian agriculture sector, past developments and future plans of the EU in Georgia. A summary of the interview is provided in question and answer format.

The EU has been a valuable partner of Georgia in providing assistance. Which are the priority sectors for the EU and why is Georgia important to the EU?

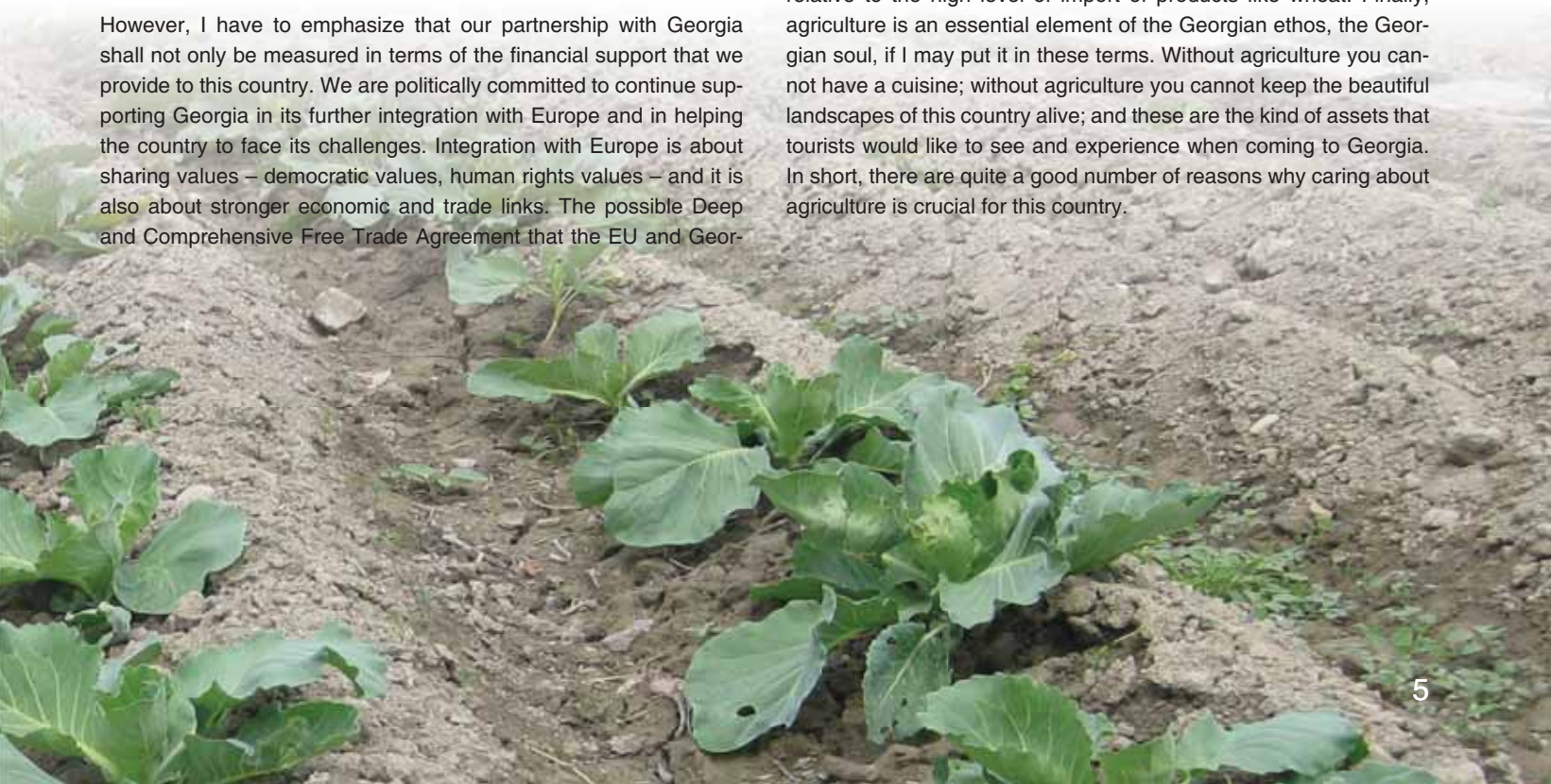
J.E.: This is very true. Georgia is a key partner for the EU. We started assisting the Georgian people upon the independence of the country. During the 1990s, the EU provided essential assistance to the country in a whole range of issues, including, of course, humanitarian aid when Georgia was facing numerous crises. We also provided substantial food security assistance and safety nets. That was the time when Georgia was still a very fragile country, in need of such 'basic' support. After the Rose Revolution, when Georgia decided to move ahead with a very ambitious reform agenda in order to tackle corruption, reform the judiciary and renew the economic system, the EU decided to strongly back up such crucial reforms. And, as it is well known, the EU also played a key role in providing post-conflict assistance after the August 2008 war, particularly to assist the internally displaced persons (IDPs) and other conflict-affected populations.

However, I have to emphasize that our partnership with Georgia shall not only be measured in terms of the financial support that we provide to this country. We are politically committed to continue supporting Georgia in its further integration with Europe and in helping the country to face its challenges. Integration with Europe is about sharing values – democratic values, human rights values – and it is also about stronger economic and trade links. The possible Deep and Comprehensive Free Trade Agreement that the EU and Geor-

gia may start negotiating in the coming future will be a crucial milestone in this process of further integration. Georgia is a strategic ally of Europe, and it will continue to be so.

Which are the most important areas in the Georgian agriculture sector in the view of the EU, and in which sectors is the EU extending support or planning to?

J.E.: I do believe that agriculture should play a critical role in the economic development of Georgia. Still more than 50 percent of the employed population is engaged in agriculture, and the sector still contributes 9 percent to the country's GDP. Given the importance of this sector for the economy of Georgia, the Government should develop a sector strategy (a process that has started already), and it also has to commit further public funds to the Ministry of Agriculture. There is something else I would like to add: agriculture is, indeed, crucial for economic development. But beyond economic growth, the sector is also critical in terms of poverty alleviation, because in Georgia most of the poverty is concentrated in rural areas. Agriculture is also critical in terms of the country's food security, particularly relative to the high level of import of products like wheat. Finally, agriculture is an essential element of the Georgian ethos, the Georgian soul, if I may put it in these terms. Without agriculture you cannot have a cuisine; without agriculture you cannot keep the beautiful landscapes of this country alive; and these are the kind of assets that tourists would like to see and experience when coming to Georgia. In short, there are quite a good number of reasons why caring about agriculture is crucial for this country.



What are the main challenges for the EU in extending support for development of the Georgian agriculture sector?

J.E.: The Ministry of Agriculture has decided to start drafting an agriculture strategy. We very much welcome this step and we are ready to assist the Ministry and the Government in general in moving ahead in this direction.

The EU has never stopped assisting Georgian agriculture, mainly through international organizations like FAO, which is our main partner delivering livelihood support to the IDPs. We also do so through various international non-governmental organizations (NGOs), which are developing an amazing positive role in providing concrete solutions to the various agricultural problems of the farmers in different regions of the country. But all these efforts, as well as those by other donors, although very important and fruitful, are not sufficient to tackle the whole dimension of the problems. Only with a strong commitment by the Government to agriculture, things will start moving ahead in a decisive way.

What, in your view, are the strengths and weaknesses of the Georgian agriculture sector?

J.E.: Despite some weaknesses, I am very optimistic about the future of Georgian agriculture. This country has lots of fertile soils, an astonishingly rich variety of agricultural species, hard working people engaged in the sector ready to move forward provided they have the right incentives, and the country also has a very rich tradition of well-functioning and efficient agriculture. Georgia used to contribute up to 10 percent of the overall food production of the former Soviet Union.

What subsectors from Georgian agriculture, in your view, are in need of most urgent institutional and policy reforms?

J.E.: One of the key issues to tackle is to create such a policy and legal climate that would enable farmers' organizations to flourish. To modernize agriculture, you need economies of scale. Land consolidation does not happen from one day to the next; it requires decades. But the good news is that through farmers' organizations,



individual farmers can actually engage in the wider economy and target the wider markets.

For this to change, there is an urgent need to undertake a peer-review of the existing legal modalities for farmers' organizations and to streamline and simplify the procedures for their creation and function. Fiscal reforms are also needed, as well as an aggressive proactive action by the Government to encourage individual farmers to establish associations of any kind (cooperatives, or SMEs). Unless this happens, it will be difficult to modernize the sector. Private investment will of course be necessary, but it is just not enough. The Government should step in, proactively. And this has nothing to do with disrupting the market. I am not talking about subsidies; I am talking about creating an enabling environment for farmers to become more competitive. And this requires extension, research, trainings, market information and so on.

Establishing proper food safety – a process that the Government has started to undertake with the support of the EU – will also be a catalytic factor in modernizing the sector.

During the last few years, the main direction of promoting agriculture has been in trying to attract investors, mainly foreign investors, to the sector. There is some spillover effect when you have modern

big farms in place and well managed; small farmers in the area can also somehow benefit. But the truth is that currently just 1 percent of all foreign investment to Georgia has been in agriculture. And this is logical because, on the one hand, the land market is not well functioning, and on the other hand, most of the arable land is privately owned, not state-owned. And finally, there are not that many investors out there willing to buy land and do agriculture themselves. What most investors are looking for in the sector is to work on processing, and for that they need regular supplies by the farmers.

It is fine to continue supporting big farming by investors on those lands still to be privatized, but this will not actually tackle the problem of the immense majority of farmers in this country, who are the small ones. The only way out is to help small farmers, or at least those with entrepreneurial skills, to move ahead by providing them incentives to produce better, and by creating a climate that will enable them to cooperate.

In Europe, farming is largely small farming, and still, its agriculture sector is the most efficient in the world, largely because almost all farmers are part of service cooperatives. Georgia is not Argentina or the United States, where you have immense plots. Georgian agriculture is more of the shape of European agriculture. There is no need to reinvent the wheel, but to look at those elements that made European agriculture such a success – despite the fact that most farmers are small.

Where do you see the future of the Georgian agriculture sector: export oriented agriculture or import substitution?

J.E.: I would say both: import substitution and exports. The ideal is not one or the other, but to move in both directions at the same time. Currently, the country is massively importing food products, most of which can be produced in the country. This of course applies to some extent to wheat and corn, but also to vegetables, fruits, and many other items. Georgian consumers, although very sensible to pricing, would in principle prefer buying local production, provided it is of similar price to the imported one.

But, together with import substitution, further export opportunities have to be explored.

Having in mind the location and the level of development of Georgian agriculture, in your view, where do export potentials for Georgian agricultural products lie? In the West, East, North or South?

J.E.: The basic rule when it comes to exports is to start with your immediate neighbour. The natural market for Georgian products is the Former Soviet Union countries. Georgian products still have a very good name in these countries. Thus, a sort of country brand exists. Regarding the European market, what is important is to explore specific niches of non-traditional products that Georgia could provide; organic production and honey are good examples. It would be pointless to try to penetrate the EU market with fruits or vegetables where big scale production and logistics are essential preconditions to success. Finally, on traditional exports to Europe like water or wine, I believe that the market can expand much further. People from the former USSR countries are just mad for these products, they love them so much. Even in western European countries, if Georgia would be ready to undertake an aggressive media campaign, there would be possibilities to find new markets. This would require developing the Georgian food as a brand, through media campaigns, shops to taste Georgian products, and so on. Expanding the current list of geographical indicator products of Georgia beyond wines to include cheese varieties and other products, would also help. In Europe, people are always looking for new products to taste.



Agriculture Policies and News

Food Production in 2010

Geoconcentrate plant reopens

The juice production plant, Geoconcentrate, reopened in Gori town, following its USD 150 000 renovation, funded by a grant from the Millennium Challenge Georgia Fund (MCG). The plant, commonly known as Kula, is one of the largest producers of fruit juices, marinated and canned vegetables and vegetable salads, as well as a variety of jams and fruit preserves. The company is marketing its products both on the domestic and international markets (United States, Germany, Israel, Poland, Ukraine, Czech Republic, etc.). By adding a matching contribution of USD 225 000 to the received grant, the company expanded its existing production and introduced automatic packaging and labeling systems, thereby further reducing production costs and improving the quality of the final products. The company created 45 new jobs, indirectly benefiting 300 farmers. (www.georgiajournal.ge)

Two new shops for poultry products

Poultry Georgia LLC, a poultry farm with production capacity of 220 000 eggs/day, opened two retail shops in Vake and Saburtalo districts of Tbilisi. The shops trade mainly with products from Poultry Georgia LLC (eggs of Koda and dairy products of the newly-established Natural+). The company has already invested USD 600 000 for this initiative and plans to open another 12 facilities in Tbilisi and other regions, with an additional investment of USD 2 000 000. (www.sarke.com)

Start of non-frozen chicken production

Poultry Georgia LLC has produced the trial lot of 7 tonnes of non-frozen chicken, sold at a price of GEL 5.50/kg. The company intends to launch full-scale production of non-frozen chickens with a monthly output of 100–120 tonnes. Total cost of the production will amount

to EUR 3 000 000. In order to fund the production, the company acquired a five-year, USD 2 000 000 credit from Cartu Bank and provided matching funding. (www.sarke.com)

New technologies – new quality standards

The importation of high-quality birds from the Netherlands plus the installation of new machinery in Mukhrani Poultry Enterprise have enabled the company to become more profitable. The company uses a computerized management system comprised of four sectors: microclimate, production, egg collection and waste removal. All processes are controlled by the computer, which also generates all of the required information. The company is the first in Georgia to introduce combined storage and production, enabling production of high-quality diet eggs. (www.agro.ge)

Local enterprise to help local farmers

An enterprise for the production of turkey and goose meat opened in Gori. This enables farmers to engage in production in accordance with the latest world trends. The company incubates hatched birds for 45 days. During this period, the birds are vaccinated against epidemic diseases and provided with the necessary vitamins, microelements and amino acids. The technology enables rapid growth and ensures up to 5 kg of meat per bird. The weight for each gobbler to be marketed is 18–22 kg, while hens reach 8–14 kg. The marketable weight is reached within 12 to 20 weeks from incubation. (www.moa.gov.ge)

Wine Congress in Georgia

On 21–25 June, for the second time, Georgia hosted one of its largest and most prestigious events, the 33rd World Vine



and Wine Congress. The congress is usually hosted by countries with traditional wine production, vine species and varied regional characteristics. More than 300 guests from over 42 countries attended the congress. As part of the congress' cultural agenda, the guests visited different wine factories in Kakheti and participated in technical tours introducing the peculiarities of traditional Georgian wine and winemaking. (www.moa.gov.ge)

Georgia joins Wine World Trade Group

Georgia became a member of the Wine World Trade Group along with Argentina, Australia, Canada, Chile, New Zealand and the United States. The purpose of Wine World Trade Group is to ensure simplified trade between the member countries. The agreement was signed in Mendoza, Argentina by the Ministry of Agriculture of Georgia. With the membership, Georgia will be able to export wine to the most attractive markets, such as the United States and Canada, without additional barriers. (www.moa.gov.ge)

Protection of Georgian wine as intellectual property

Georgia has started taking significant steps to protect Georgian wines as intellectual property of the country. The National Intellectual Property Centre of Georgia signed a memorandum with the Wine Association, promoting the competitive environment of the market and securing Georgian wine from falsification both in the country and abroad. At the initial stage, 18 Georgian wines are given protected geographical indication in EU, including Khvanchkara, Kindzmarauli, Saperavi, Mukuzani and Tvishi. Appellations of the origin of Georgian wine as intellectual property of Georgia within the EU zone have been issued and are being distributed to all Georgian embassies and diasporas abroad. (www.radiotavisupleba.ge)

Launch of bio-wine production

Telavi Wine Cellar JSC, founded in 1995, is planning to launch bio-wine production. It plans to get a certificate from CaucasCert at the beginning of 2011. At the moment, CaucasCert continues to monitor the production process of the company, started two years ago. (www.sarke.com)

Increasing shares

Teliani Valley JSC has increased its authorized capital to 120 million common shares. The nominal value of each of the shares is GEL 0.01. (www.telianivalley.com)

Recognition of Georgian wine

"Alaverdi Tradition" wine of Badagoni Company has received the first prize in the category of Regional Trophy at the prestigious Decanter World Wine Awards in London. In total, only 100 wines out of 11 000 presented were awarded in the same category. (www.badagoni.ge)

New chateau to support wine production and tourism

Schuchmann Wines, producer of Georgian wine and owned by the German investor Burkhard Schuchmann, opened its unique new complex consisting of a wine cellar, hotel and wine bottling factory in Kisiskhevi village of the Kakheti region. The complex allows tourists to participate in the entire process of winemaking. Recently, Schuchmann's Vinoterra Saperavi of 2005 (Kakhetian Dry Red) won the international Wine Prize, Mundus Vini Gold. (www.schuchmann-wines.com)

New service centre and meat processing enterprise

A new service centre for farmers along with a meat processing enterprise were opened in Kakheti, in Gurjaanitown and Telavillage (Lagodekhi district). Both were funded through MCG's agribusiness development programme, which contributed USD 125 000 for the meat-processing enterprise. The beneficiary provided a matching contribution (USD 270 000) for modernization of the enterprise. MCG contributed USD 50 000 against the owner's USD 70 000 matching contribution for the service centre in Gurjaani. (www.mcg.ge)

Opening new slaughterhouses in Georgia

IberMeat Georgia, established in 2010, invested USD 8 000 000 in the recently opened slaughterhouse in the Caucasus region. It is the first slaughterhouse in Natakhtari, built in response to the huge market demand for healthy and fresh meat. The plant occupies more than 90 000 square metres and handles the entire meat production cycle (slaughtering, cutting, packaging and distribution).



The slaughterhouse employs 100 people, including an internally displaced population living in the settlements nearby. This slaughterhouse is the fifth one in the country, following those in Kakheti, Samtskhe-Javakheti, Imereti and KvemoKartli. IberMeat Georgia is planning to open its first branded shop in the near future. (www.ibermeat.com)

Investing in Georgian nuts

New Nuts Works was opened in Zugdidi in the Samegrelo region, constructed by a joint Georgian-Canadian investment, and employing about 200 people (most of them internally displaced). The enterprise is equipped with modern machinery and products are mainly exported to Canada and Egypt with plans for future exports to the United States as well. (www.ghn.ge)



Importance of Nut Cultures and Perspectives on International Markets Conference

On 5 October 2010, the Ministry of Agriculture of Georgia in partnership with the Spanish company Adversa+ held a conference, "The Importance of Nut Cultures and Perspectives on International Markets".

Almonds are one of the most demanded products on the world market, with a continuously rising price. The Spanish

company Adversa+ is planning to start an almond garden of 1 000 hectares and later to increase production up to 10 000 hectares. (www.moa.gov.ge)

Sugar plant reopens

After a few months of reconstruction, the sugar plant Agara reopened. It is planning to supply 80 percent of the local market and to expand into foreign markets in the future.

Agara is the only enterprise producing white sugar in accordance with international standards, importing raw materials for sugar processing from Brazil and producing 600 tonnes of sugar daily. The company employs up to 500 local inhabitants. (www.ghn.ge)

Two new brands of tea for the Georgian market

Geoplant, a tea production company with tea plantations in Guria, Imereti and Samegrelo regions, and two tea-processing plants, is launching two new tea brands in addition to their current eight varieties of Gurieli brand black and green tea.

Since 2008, Geoplant has made an investment of GEL 3 000 000 to develop its plantations and upgrade its factory with new equipment. Part of this investment came from the "cheap credit" governmental programme. (www.sarke.ge)

Investing in tea and introducing new products

AgroExport Ltd. is introducing a new high-quality packaged green and black Georgian tea to the consumer market. Through the support from MSG (USD 49 800) and a matching investment from Agroinvest (USD 116 120), the company procured and renovated the building, purchased a sorting-calibrating line and introduced new equipment. (www.mcg.ge)

GEL 30 million to be allocated for grain seed purchase

The Ministry of Agriculture of Georgia plans to spend about GEL 30 000 000 for procurement of grain seeds during 2011, based on the detailed regional agriculture development programme. Another GEL 10 000 000 are planned for storage of the harvest and provision of relevant post-harvest equipment. (www.interpress-news.ge)

GEL 4.5 million for purchasing hybrid corn seed

The Georgian Agriculture Corporation, created in March 2010 by the Ministry of Agriculture of Georgia, plans to procure hybrid corn seed worth GEL 4 500 000. The procured seeds are to be sown on 25 000 hectares of land. A total of 22 000 hectares will be sown with yellow corn and 3 000 with white corn based on International Seed Testing



Association and Organisation for Economic Co-operation and Development (OECD) standards. Bidding was held on 4 January 2011 and the selected supplier is expected to deliver seeds between 1 February and 1 March 2011. (www.boom.ge)

American wheat seed distribution

Within the framework of a targeted programme, the Ministry of Agriculture of Georgia has started distribution of wheat seed imported from the United States. Farmers and peasants who have already applied for seeds can receive them from the Gachiani and Gori warehouses. The price for 1 kg of seeds is USD 1, and the payment is effectuated following marketing of the subsequent harvest. The wheat seed provided is frost-resistant and of high quality, and can be re-used as seeding material for another four years. In total, 2 000 tonnes of wheat seeds were provided by the United States. (www.moa.gov.ge)

Supporting corn production in Georgia

The Ministry of Agriculture of Georgia initiated a project to support corn production in the country, with the purpose of increasing productivity and yields. High-quality certified hybrid corn seeds are provided to any duly-registered applicant in exchange for direct payment or by installments. This hybrid corn is not genetically modified, but it is a product of cross-breeding of two high-quality varieties. It is characterized by high yields (10–12 tonnes per hectare), high density, frost- and disease-resistance and stability, which together enable better yield forecasting. (www.onlinenews.ge)

Brown tomatoes on the Georgian market

Brown tomatoes, produced in the greenhouses of Icon Group in Ajara, will soon appear on the market. The brown tomatoes have many positive qualities and are already sold in European markets. Icon Group's greenhouses cover 4 hectares and represent a Turkish investment of EUR 5 000 000. The company is currently employing 150 people and plans to plant a variety of vegetables. (www.financial.ge)

Opening machinery service centre in Kareli

A machinery service centre was opened in Breta village of Kareli district (Shida Kartli region) through assistance from the United States Agency for International Development (USAID). The owner of the centre has invested the total amount of USD 197 000, which includes



a USAID grant, to construct the building and purchase equipment. The service centre has six tractors, two grain harvester combines and other agricultural equipment, enabling about 800 farmers to cultivate 1 400 hectares of land. The grant was disbursed within the 30-month mechanization project, funded by USAID and implemented by CNFA. (www.amp.ge)

Shop for bioproducts

Biological Farming Association Elkana has opened BioValley, a shop that sells bioproducts (honey, tea, spices, expeller-pressed oil) produced by Elkana and its partner organizations. Elkana consists of 600 associate members, while its production is sold through approximately 18 retail outlets. (www.cse.ge)

Bio Corners for bioproducts in supermarkets

A new company, BioFood, is producing fruits and vegetables without the use of pesticides, and meat products derived from animals fed exclusively with natural products. These products are currently available for purchase only through the company web site, but soon the company plans to sell them through Bio Corners, which has outlets in the largest supermarkets in Georgia. (www.financial.ge)

Trade

Exporting Georgian wine to different countries

Recently Shumi LLC delivered a pilot batch of wine (600 bottles) to Taiwan. Negotiations for a more permanent supply are underway. Similar negotiations are being held with Kazakhstan, Turkey, Ireland and Hong Kong.



Gomi Spirits and Vodka JSC exported 15 000 bottles of beverages of pilot quantity to Turkey while negotiating for regular exports to China, Turkey and the United States. (www.sarke.com)

Georgian persimmons in neighbouring countries

The export of Georgian persimmons started at the beginning of October and amounted to 608.6 tonnes, including 540.97 tonnes to the Ukraine, 14.3 tonnes to Armenia, 35.7 tonnes to Belarus and another 17.6 tonnes to Moldova. On 18 October 2010, a ferry left for Ukraine, transporting 800 tonnes of subtropical persimmons. (www.commersant.ge)

Georgian Bay oil exported to Austria

Demand for Georgian Bay oil is increasing. The Ethyl Oils Company exported 4 tonnes of bay oil to Austria. Although there is demand in other countries as well, the company cannot meet all the requirements owing to its small production capacity. Production of 1 tonne of oil requires the processing of 200 tonnes of bay leaves, which is supplied by the local population. (www.financial.ge)

Natakhtari lemonade is exported to 14 countries

Georgian company Lomisi JSC and its brewery Natakhtari export lemonade to 14 countries, including Azerbaijan, Greece, Ukraine and the United States, with plans to export to additional destinations. Beer and lemonade sales increased by 30 percent in 2010, owing to an investment of USD 15 000 000 in product development and modern equipment. (www.sarke.ge)

Plant Protection

Plant Protection Centre in Marneuli

A centre for plant protection was opened in the Lomtagora farm of Marneuli district. The purpose of the centre, funded within the framework of development initiatives of the British Global Programme, is to ensure agricultural research and diagnostics of diseased plants. It was opened with the support of the Ministry of Agriculture of Georgia, Institute of Phytopathology, and the National Service for Veterinary and Plant Protection.

Its primary goal is to increase the awareness level of farmers and to improve productivity and yields. (www.moa.gov.ge)



Animal Health

Identification and documentation of animals

Registration and Identification Service, established within the Veterinary Supervision Department of the National Service for Food Safety, Veterinary and Plant Protection, is starting identification and documentation of all animals in Georgia. The purpose of the unit is to further strengthen protection from epizootic, zoonotic, zoono-anthropotic and non-transmittable diseases, veterinary control and timely management of any disease appearances. (www.fvp.ge)

Vaccination and monitoring for animal health

The Government of Georgia is continuing with vaccination and planned inspections against five diseases: foot-and-mouth disease (FMD), rabies, tuberculosis, brucellosis and anthrax. With support from the FAO, vaccination for FMD is implemented twice per year in buffer and high-risk zones. Each year, 1 000 samples from pigs are collected throughout Georgia and tested for African swine fever. In addition, planned serum monitoring for Avian Influenza is ongoing (FAO Georgia).

New lab equipment for Agrarian University

The Georgian State Agrarian University recently received laboratory equipment with a total value of over USD 55 000. The equipment, donated by FAO, will enable students of the veterinary facility to learn how to conduct scientific research in their respective fields of interest (FAO Georgia).

Georgian institutions participate in Avian Influenza research

The National Service for Food Safety, Veterinary and Plant Protection of Georgia, the National Centre for Disease Control, and Ilia Chavchavadze State University have signed a Memorandum of Understanding with the goal of participating in international research on the distribution and development of Avian Influenza research.

The research is funded by the Wellcome Trust, a British scientific research union, while scientists from Erasmus Medical Centre (Netherlands) and Cambridge University (United Kingdom) will also be involved in the process. This initiative will help Georgia to participate in the international influenza-monitoring network and help identify potential disease areas. The scientists will research whether the virus was transmitted from bird to bird in regions with crossing routes of bird migration. (www.fvp.ge)

Food Safety

Food safety strategy created for Georgia

The Office of the Prime Minister of Georgia has adopted a Food Safety Strategy, which is one of the issues described in the European Neighborhood Policy Action Plan and one of the integral parts of the Deep and Comprehensive Free Trade Agreement (DCFTA). The strategy is focused on protecting consumers, aligning the Georgian food safety system with EU legislation, and gradually introducing changes to state and private enterprises. This strategy is a pre-requisite stage before starting negotiations with the EU on DCFTA. (www.fvp.ge)

Control over food safety

A total of 3 000 companies exporting food products have been registered in the National Service of Food Safety, Veterinary and Plant Protection in order to implement food safety controls. Inspection will be carried out once per year in high-risk enterprises, and once every two years in low-risk enterprises. Companies with International Organization for Standardization and Hazard Analysis and Critical Control Points (HACCP) certificates will be inspected less frequently. The project is implemented in cooperation with BP, its partners and the Ministry of Finances of Austria. (www.moa.gov.ge)

The Food Safety Service will replace the National Service for Food Safety, Veterinary and Plant Protection

The National Service for Food Safety, Veterinary and Plant Protection is being reorganized into a Food Safety Service, functioning as a unit within the Ministry of Agriculture.

Offices for the regional units of the service currently are being established in Borjomi, Akhaltsikhe, Poti, Gardabani, Marneuli and Rustavi with funding from the World Bank. Following the completion of construction and start of operations in early 2011, interested parties throughout the country will be able to apply for services in their respective regions. At the same time, local divisions will enable the Food Safety Service to better monitor food safety in the targeted regions. (www.moa.gov.ge)

Stricter terms for the primary processing, transportation and trade of beef

Amendments were made to Georgian veterinary law, further toughening requirements for primary processing, transportation and distribution of animal products. More specifically, the law stipulates that animals used for meat should be slaughtered in slaughterhouses only, under veterinary-sanitary supervision. A certificate will be issued following the slaughter, confirming that the animals were healthy and slaughtered in appropriate sanitary conditions.

Production, storage, processing, transportation and marketing of meat products have to be conducted in line with the veterinary-sanitary safety rules, established by decree of the Ministry for Agriculture of Georgia. (www.ick.ge)

Training

Training agronomists in foreign countries

Georgia has initiated a training programme for agronomists. One hundred agronomists per year will study English and then travel abroad to master modern agricultural technologies. Programme participants will be sent to different countries of Western Europe, the United States, Baltic countries, South Africa and Egypt to improve their professional skills. (www.moa.gov.ge)

Donor Support and Aid Activities

USAID: Economic development and increased access to credit

USAID has become the largest donor to the agriculture sector in Georgia, having recently allocated up to USD 38 000 000 for agriculture and rural development. USAID recently launched the Agricultural Mechanization Project (USD 5 100 000, implemented by CNFA), aimed at providing market-based mechanized services to smallholder farmers. The Economic Prosperity Initiative (implemented by Deloitte Consulting LLP) is focusing on improving Georgia's overall economic competitiveness, through assistance designed to expand and deepen the country's economic governance capacity, improve the agriculture sector's productivity and strengthen targeted non-agricultural value chains with the highest growth potential.

In order to facilitate lending and to increase access to credit for enterprises of various sizes and sectors, USAID provided a total of USD 19 500 000 as loan portfolio guarantees, or Development Credit Authority portable guarantees, to the following local and international financial institutions of Georgia: Basisbank (USD 9 000 000); Bank Republic – Société Générale (USD 3 000 000); Constanta (USD 6 500 000); and Crystal (USD 1 000 000). Combined with technical assistance, these loans enable Georgia's financial institutions to access international credit markets and develop their agricultural lending practices.

SDC: Developing value chains and markets

The Swiss Agency for Development and Cooperation (SDC) has recently launched a new project funded by a CHF grant of USD 2 700 000 (equivalent to EUR 2 100 000), in the region of Kvemo Kartli.

The project will focus on livestock value chain development and will apply the so-called 'making markets work for the poor approach' (M4P). This project will be implemented in sync with similar ongoing projects in Shamtshke-Javakheti and Racha-Lechkhumi, which are funded by SDC and implemented by NGOs. The SDC also plans to launch a similar project in the Kakheti region in 2011.

Supporting agribusiness through matching contributions in Georgia

The Agribusiness Development Activity, funded by Millennium Challenge Georgia (MCG), has supported a total of 283 projects throughout Georgia during the lifetime of the project (2006–2010). The purpose of the initiative is to transform ineffective subsistence farming to commercial, profitable agribusiness that will eventually facilitate agribusiness development and generate new jobs in rural Georgia.

The grant projects were awarded on a competitive basis through matching investments for the development of farm service centres, value-adding enterprises, value chain initiatives and primary production.

The amount granted by MCG totaled USD 15 910 000, while private sector co-funding exceeded USD 20 000 000. Grants of USD 6 740 000 were issued for primary production (co-funding amounted to USD 8 000 000). Funding of small and complete production chains amounted to USD 6 000 000 (co-funding of USD 8 400 000), while funding for 33 farmers' service-centres and ten mechanization centres totaled USD 3 100 000 and USD 3 700 000, respectively.



Of the total projects supported, 21.6 percent (61 projects) support cattle breeding, 9.5 percent (27 projects) support fruit and vegetable production and 9.2 percent (26 projects) support honey production. As a result of these activities, up to 3 000 new jobs were created in rural areas and more than 100 000 people benefited indirectly.

IFAD: Long-term loan for agricultural development

The International Fund for Agricultural Development (IFAD) has signed an agreement with the Government of Georgia, allocating a USD 8 000 000 loan (including a grant amount of USD 195 000) for agricultural development in Georgia. This funding is allocated within the framework of a four-year agriculture assistance programme, focused on supporting leasing operations in villages and investments for the development of small-scale agricultural infrastructure.

The loan repayment term is 20 years (with a grace period of five years), while the contribution of the Georgian Government is USD 2 000 000. This is the fifth financial agreement signed between Georgia and IFAD. Since 1997, IFAD has allocated a total of USD 33 300 000 for funding programmes in Georgia.

FAO: Cost-sharing programming with IDPs

In late 2010, FAO started implementation of a new component within its existing IDPs and Returnees Programme. The purpose of the component is to mobilize IDP households and to invest in agricultural production beyond self-consumption.

The project is supported by EU funding and will assist beneficiaries to purchase dairy cows, horses, beehives, sheep and various agricultural machinery and to invest in food production and processing facilities.

The project provides 50 percent matching assistance to the contribution of IDP populations.

The FAO project also supports the recovery of the conflict-affected returnee population, whose livelihood assets (livestock, orchards, etc.) were stolen, lost or damaged during the 2008 conflict.

NRC: Livelihood assistance to IDPs in West Georgia

In 2010, the Norwegian Refugee Council (NRC), with funds from the Norwegian Ministry of Foreign Affairs, initiated the IDP livelihood component under its Shelter Programme. The target group for the livelihood assistance consists of housing programme beneficiaries who own at least 500 square metres of land and are living in newly constructed houses provided by NRC in the rural areas of Imereti and Samegrelo regions.

In total, 21 households received livelihood grants for activities such as the purchase of milking cows, mini-tractors, equipment for a carpentry workshop, materials for fencing their orchards and support for opening a small grocery.

The assistance is not directly provided for income-generation purposes, but rather for the private use of beneficiaries. The NRC plans to continue livelihood assistance throughout 2011 and assist 20 more IDP families in West Georgia.

WVG: Stabilization of IDP living conditions in Georgia

In order to respond to the income-generation needs of new IDPs in Shida Kartli, World Vision Georgia (WVG) plans to build three demonstration greenhouses.

These greenhouses will be fully furnished with modern equipment. Besides vegetables, they will produce seedlings free of charge for each beneficiary. A total of 900 beneficiaries a year during the next three years will receive a total of 40 500 free seedlings each year. The average harvest from 45 high-quality tomato seedlings is expected to reach 500 kg, which may generate up to GEL 250–500 income for each of the beneficiaries. Each of the greenhouses will employ three IDPs.



In order to improve the basic income for IDPs, WVG will train more than 300 beneficiaries in modern agricultural practices and techniques. With support from the United Nations High Commissioner for Refugees (UNHCR) (USD 96 517) and World Vision Switzerland (USD 15 506), WVG will help establish and train a local NGO to manage the production/operation of the greenhouses, as well as to save part of the income for the development of new greenhouses.

GRM: Developing the milk and dairy sector

GRM International is implementing the Swedish Support to the Milk and Dairy Sector Project (2005–2011), focusing on empowering the value chain of milk and dairy production. The project has formulated 23 dairy farmers' associations, arranged 21 milk collection centres, and conducted small and medium business trainings. Hundreds of smallholder suppliers deliver small quantities of milk to collection centres that are owned and operated by dairy farmers' associations. At these collection centres, the milk is cooled, bulked up and sold to local milk processors.

The project also helps dairy farmers' associations to meet their diversification needs in order to reduce dependency on dairy factories. The project has already equipped a dozen milk collection centres with cheese-making equipment, including pasteurizers.

GRM tries to support the use of locally available materials for winter feeding. In 2010, 329 tonnes of grape marc silage were made at Zemo Khodasheni in the Telavi district, and 191 tonnes of maize silage in Tetrtskaro.

Animal feed was also made from brewers' grains, which is a byproduct of beer making (200 tonnes in total). In 2010–2011, haylage will be made from vodka wet distillers' grains and straw. Some 660 tonnes are planned.

With financial assistance from Millennium Challenge, GRM is also completing construction of a feed mill in Tibaani. The mill will produce protein-rich pellets and a range of multinutrient blocks to feed over 10 000 cattle for nine months of the year.

GIPA: Knowledge-based programming

The Georgian Rural Development Programme of the Georgian Institute of Public Affairs (GRDP of GIPA) develops modern agricultural practices through knowledge-based programming; these include capacity building, network development and regional applicability.

At the moment, GRDP is implementing animal health programmes in Kakheti, Samegrelo, Samtskhe-Javakheti and Shida Kartli regions, and promoting the development of the private veterinary sector through appropriate incentives. GIPA is the local implementing partner of the United States Department of Agriculture for ongoing sanitary and phytosanitary technical assistance for animal health projects. GIPA provides continuing education to private sector veterinarians, promotes Regional Veterinary Association development, and coordinates the National Animal Health Plan Steering Group.

ACF: Supporting socio-economic integration through agriculture

Under the EC Instrument for Stability Initiative, ACF International has been supporting the socio-economic integration of IDPs in Samegrelo - ZemoSvaneti region by financing nine income-generation activities (IGA projects). Five projects supported cattle breeding, two supported apiculture, one dealt with agroservice and the other assisted poultry production cooperatives. In total, 52 beneficiaries were supported in Tsalenjikha and Senaki municipalities, resulting in an average increased monthly income of GEL 150 (33.2 percent).

Together with increased household income, beneficiaries have also received technical assistance and training in agronomy, livestock management, veterinary skills, apiculture and poultry farming.

ACF signed a contract with the United Nations Development Programme to rehabilitate the irrigation system in the villages of Ahkhula and Sioni in Marnueli municipality under the European Commission-supported Confidence Building Early Response



Mechanism Initiative. In 2011, the system will be extended to provide much-needed water resources to IDPs living in Shaumiani village.

CNFA: Providing access to mechanization for Georgian farmers
With USAID funding, CNFA has begun to implement a USD 5 100 000 Access to Mechanization Project that aims to improve access to agriculture machinery services for a minimum of 15 000 farmers.

A matching grants programme will establish a total of 30 Machinery Service Centres around the country, equipping each with three to five tractors and a variety of agricultural implements (including, in some cases, combine harvesters). The centres will provide fee-based services to smallholder farmers. The programme leverages an estimated USD 20 000 000 in corporate support from John Deere, Case/New Holland, Claas and local lending institutions.

A grants component and limited technical assistance are being provided to private sector organizations in order to procure tractors and related equipment, and to deliver market-based mechanized services to smallholder farmers.

As of December 2010, the programme has awarded grants to 14 centres, totaling USD 1 900 000. The grants were leveraged by a private sector matching investment of more than USD 2 200 000. The grantees contributed 51 new machinery units and 158 agricultural implements. A total of 140 new jobs were created, while 9 480 farmers are expected to benefit from the mechanized agricultural services that allow cultivation of 16 000 hectares of land.

Along with the mechanization grants, CNFA also provides technical expertise from experienced farmers through its John Ogonowski Farmer-to-Farmer Program (funded by USAID). Up to 54 volunteer United States agricultural specialists have worked with 960 Georgian agricultural professionals, focusing on dairy,

livestock, fruit and vegetable, and hazelnut value chains.

CARE: Agriculture and rural development through grants and demonstrations

During 2011, CARE International in the Caucasus has distributed 6 110 kg of improved seed varieties of various vegetables to farmers. Over 110 on-farm demonstration plots have been organized in the regions of Kvemo Kartli, Samtskhe Javakheti, Racha-Lechkhumi and Lower Svaneti and Shida Kartli.

Four retail shops for agricultural inputs were established in the same areas. A wide set of agricultural implements was granted to farmers' groups, totaling approximately GEL 760 000 and providing 6 800 farmers with access to improved agricultural machinery.

Several hundred veterinary and on-farm services and consultations have been provided to rural communities. Over 120 start-up grants were made to support agricultural production and small businesses. These activities are supported by the Austrian Development Co-operation, BP and its coventures – the EU, the Ministry of Foreign Affairs of Norway, the SDC and UNHCR.

During 2011, CARE will implement the following activities: organize over 100 on-farm demonstration plots; continue to provide on-farm consultations and agricultural inputs to supported farmers; set up local centres for veterinary services and consultations; facilitate the exchange of skills and knowledge within the farming community through cross visits and similar events; and build several irrigation channels to further improve the farmers' productivity.

Mercy Corps: Creating alliances for sustainable agriculture

From 2008–2011, Mercy Corps has been implementing the Alliances programme in the Samtskhe-Javakheti region, contributing to poverty alleviation and the transition to a durable and sustainable market economy. The goal of the programme is to





improve the economic efficiency of the livestock sector. Alliances expect to see a strengthened and more resilient value chain for meat and dairy products in the targeted areas. Small-scale livestock producers will benefit from the following measures: improved access to affordable and appropriate services such as artificial insemination and fodder production; economy of scale and market access of the production; closer collaboration with other producers, processors and intermediaries; and better market access achieved by organized and strengthened processors. Incomes from livestock production are expected to increase due to several factors: improved quality and quantity of milk and meat production; better feeding and improved breeds of cattle; access to premium and value-added markets; and fewer losses associated with natural disasters.

IFC: Promoting food safety in Georgia

The International Finance Corporation (IFC), a member of the World Bank Group, trains food processing companies to raise their awareness of international standards of food safety, and to increase their competitiveness on domestic and international markets. During the workshop hosted in Tbilisi in 2010, experts presented examples of companies benefiting from improved food safety systems, demonstrating the benefits of modern practices like HACCP and international quality assurance systems.

EC/FAO: Working to enhance national capacity

The three-year European Commission/FAO Food Security Programme started in January 2010 to assist the Government of Georgia in developing the smallholder agriculture sector. The programme enhances the Government's capacity to collect information on agriculture and food security and promotes its use in the development of programmes and policies. The programme's objectives are in four areas: (i) improving the quality of food security and agricultural statistics; (ii) promoting the use of information in the decision-making process; (iii) identifying and registering animals; and (iv) furthering cooperation among farmers.



Theme: Rebuilding Livelihoods

“When we first moved to this settlement in the middle of the winter, I was shocked: empty identical houses, empty streets, no heating, no trees or grass... nothing that would look like a promising place,” said Ani, an inhabitant of the village, Skra. “That’s when I realized we were really starting our lives from scratch.”

In 2008, as a result of military conflict between Georgia and Russia, 130 000 people were displaced from their original homes. The conflict ended as suddenly as it erupted, leaving the thousands of IDPs to cope with the onset of winter. The Government of Georgia and international organizations were quick to respond with temporary shelter, food and basic items. The majority of the IDPs, except for some 26 000 people, were able to return to their homes after the withdrawal of Russian troops. Roughly half of the 2008 IDP population was relocated to newly constructed village-type settlements; 18 173 people, including 9 579 women and 8 594 men, were moved into 36 new IDP settlements located in Kakheti, Kvemo Kartli, Shida Kartli and Mtskheta-Mtianeti regions of Georgia. The remaining group of IDPs was settled in refurbished apartment buildings.

There is no need to emphasize that the construction and the refurbishing was done hastily, amid the early post-conflict situation; however, despite criticism, this was both a great challenge and a noticeable achievement for the Government of Georgia.

“Some of us had to leave our villages within five minutes. Those who had cars simply jumped into them and left in whatever they were wearing – without anything to even change into,” said Tengiz, Coordinator of Berbuki settlement. “Only a few families that lived further from the immediate conflict area were able to bring some of their possessions, but even that was far from sufficient to start a new life.” However, Georgia was not alone, and support from many countries poured in to meet the immediate needs of the struggling population. Once settled into their new homes, IDPs were largely assisted by

the Government and international organizations that provided food, clothes, and hygiene and livelihood packages to ease their adaptation to the new environment. Gradually, the nature of the assistance changed and more was provided for the rebuilding of livelihoods and the establishment of production and trade. The support varied in form and size depending on the settlement, as they are very diverse in setting, production possibilities, and access to infrastructure.

Some of the support was appropriately provided through participatory mechanisms, allowing IDPs to choose from lists of livelihood packages that ranged from domestic animals and bees to water supply equipment. Levan from Khurvaleti says he selected sheep, as his family had prior experience in breeding sheep; his parents and siblings combined their shares of sheep for better profitability. However, some families simply looked to their neighbours and selected whatever the neighbours were choosing, often not having a clear plan for how to use the assistance. An assessment conducted by FAO has shown that, overall, 87.5 percent of beneficiaries selected animal packages (poultry, bees, rabbits, goats, sheep), hoping for an increase in future productivity. Many of these animals have already produced offspring, allowing a gradual improvement of the beneficiaries’ livelihoods.

Two years later, the villages look different; many people have constructed add-ons and various storage units to their homes, planted vegetables and herbs in their kitchen gardens, and almost every family now has chickens in their yards. Initially, the combination of people from several different villages into one settlement caused misunderstandings and disagreements, but now the settlers have learned to count on and support each other. Problems and difficulties within the new settlements, and at times with the host communities, will likely persist, and IDPs will constantly have to look for compromises and creative ways to resolve them.





At present, the primary source of income for an IDP is GEL 24 (up to USD 15) of social assistance per person per month and an additional minimal pension for the pension-aged population (comprising 27.3 percent of the total IDP population, according to the FAO assessment). “Initially, we could save on basic food like flour and oil, as international organizations were assisting us with food,” said Tengiz. “But now, since that assistance has stopped, some people have a hard time to cope with the given situation; they have to think about these basic items and don’t have money left for anything beyond.”

The FAO assessment revealed that consumption of oil/fat, cereals, sugar and vegetables is quite high, while most of the IDP families do not have the luxury of consuming fruits and meat regularly. Although

the situation varies in different settlements, the assessment has shown that in cases of food insufficiency, IDP households adhere to different coping mechanisms, but most frequently borrow food, reduce non-food expenditures, exchange food, reduce food intake or reduce the number of meals. The majority of families had to use one of the coping mechanisms at least once in the last two years.

According to the IDPs and the assessment, most of the families, including those who manage to generate an additional source of income, have debts to their neighbours, nearby shops, or relatives ranging from GEL 100–300. Only a few manage to work as seasonal and daily labourers (13.8 percent, according to the FAO assessment), helping neighbouring villages or working on the rehabilitation of IDP houses in their own settlements. This indicates that despite the unfavourable lending and borrowing situation in Georgia (particularly regarding agricultural production needs), the IDPs are coping in terms of their immediate cash needs.

For some people, the sale of agricultural products provides a good source of income. “We had a very good harvest last year. We managed to sell a lot of products in nearby villages and the money was more or less enough to save the family from starvation,” reports Ani. “But this winter we had a really bad frost and hail, ruining many of our plants and seeds, so we will be lucky if we manage to produce enough food for our families.”

The main problem remains the lack of employment. The FAO assessment shows that only 12.8 percent of the IDP population is employed, mainly working for the Government or the local administration.

In spite of general unemployment and lingering despair, a number of people have found more stable means of income generation through investments in agricultural production. Sixty-three-year-old Lida from Burbuki settlement was one of the first to purchase a cow through FAO’s cost-sharing initiative. She constructed a cow shed with her own funds and procured a good dairy cow with the assistance. Lida is the head of a large family, including two orphans from her son who was killed in the war. “I have no time to be irrational, or to sit and complain about how difficult life is here. I believe God always gives to those who try hard.” Lida also looks after pigs and chickens, built her own home-style bakery and expects her cow to have an offspring soon. “I know that as long as my family members and I work hard,



there is no way my family will starve. We may not be rich, but at least we can always afford good quality and variety of food for my grandchildren.” Many people have followed Lida’s example in Burbuki and purchased domestic animals or agricultural machinery to cultivate their land parcels through the cost-sharing initiative.

The next challenge for these IDPs this winter is to find ways to invest in horticultural production on plots allocated by the Government, using the limited assistance available.

The IDPs who resettled in apartment-type buildings had to be even more creative. Due to the specific nature of their settlements, they seldom have kitchen gardens to cultivate, while some land plots allocated by the Government are relatively far from their homes. Therefore, instead of buying cows or investing in traditional agriculture, some IDPs found more appropriate solutions.

Guram from Saguramo settlement invested in a vineyard and a small winery in the basement of his building through the FAO cost-sharing initiative. Seiran from Tsinamdzgvrantkari also found a room in the basement of the collective apartment building and started a mushroom business with minimal investment and support from the International Organization for Migration (IOM). He grows mushrooms in sacks filled with sawdust that hang from the ceiling; he collects about 100–200 kg of mushrooms from each harvest. The price for mushrooms, especially during this period, is quite high, up to GEL 8/kg. “This business has not made me rich, but at least I now have a sustainable source of income that allows me to better support my family,” says Seiran. Initially, the mushroom business was a family venture, but as he expands his small enterprise, Seiran plans to hire neighbours to help. He also shares his experience with other neighbours who want to start similar businesses. “It’s not a competition – it’s empowerment,” Seiran confides.

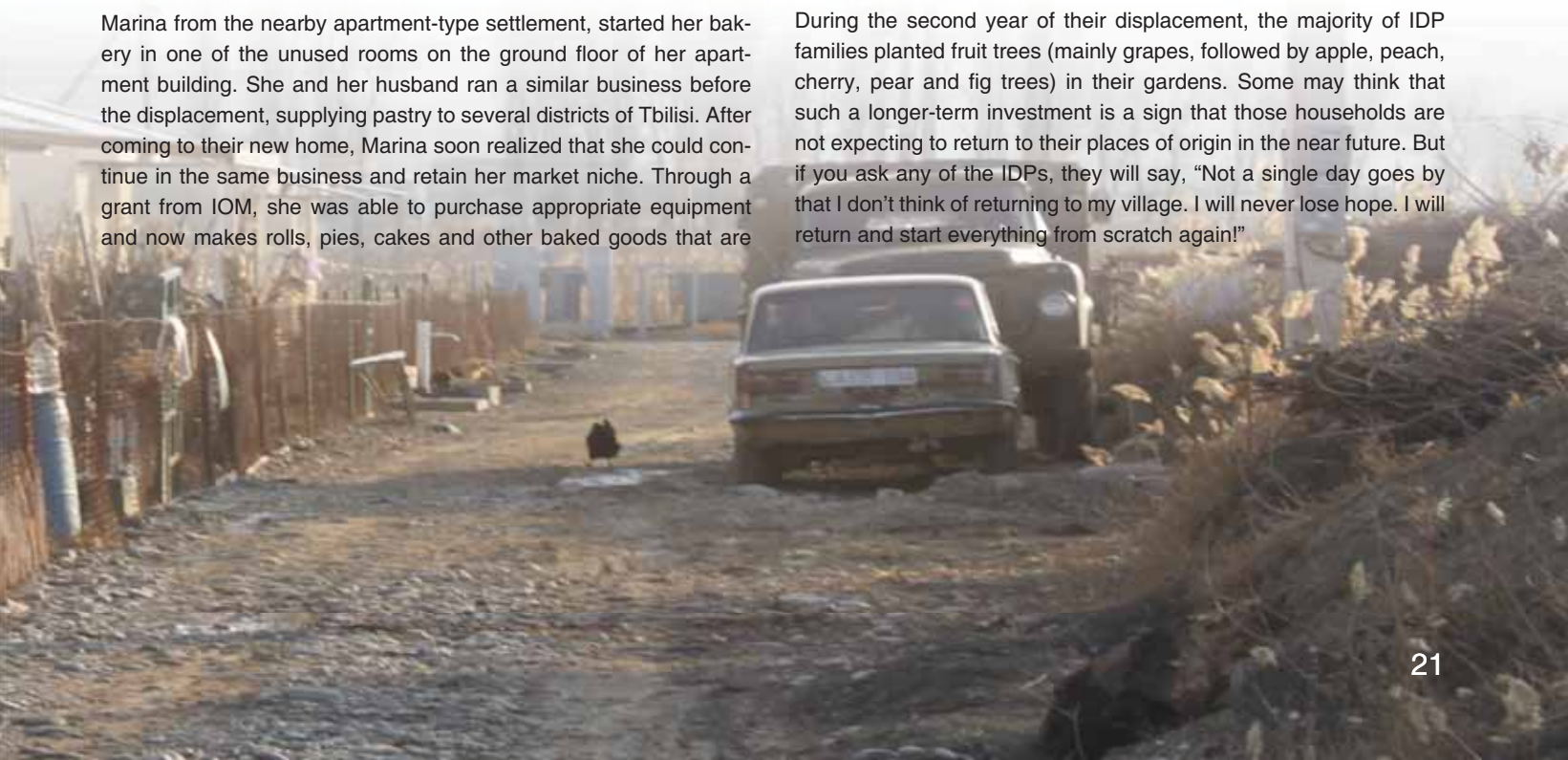
Marina from the nearby apartment-type settlement, started her bakery in one of the unused rooms on the ground floor of her apartment building. She and her husband ran a similar business before the displacement, supplying pastry to several districts of Tbilisi. After coming to their new home, Marina soon realized that she could continue in the same business and retain her market niche. Through a grant from IOM, she was able to purchase appropriate equipment and now makes rolls, pies, cakes and other baked goods that are



sold in nearby villages and the shops of Tbilisi. “I could not believe the huge demand for cakes we’ve had over the past holiday season,” said Marina. “It was a very good sign for me – I once again started to believe that through hard work anything is possible.” She now hires up to 15 women from the same building as helpers in her bakery, some of whom are her original neighbours.

What is the key to success? A desire to live better, some creativity, daring to try and hard work. People like Marina, Lida and Seiran have proven that they could create a new livelihood from scratch and build something out of nothing. It is also people like Tengiz and Ani, a coordinator of the settlement and coordinator of a community centre, who contribute to the success of these people by providing them with appropriate information, motivating them for success, helping with paperwork and following up with every case to make sure their lives have changed for the better.

During the second year of their displacement, the majority of IDP families planted fruit trees (mainly grapes, followed by apple, peach, cherry, pear and fig trees) in their gardens. Some may think that such a longer-term investment is a sign that those households are not expecting to return to their places of origin in the near future. But if you ask any of the IDPs, they will say, “Not a single day goes by that I don’t think of returning to my village. I will never lose hope. I will return and start everything from scratch again!”





Trade, Agriculture and Food in 2010

Total Trade

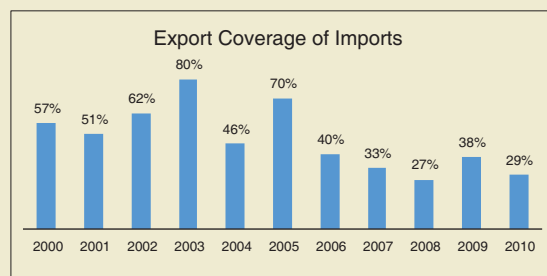
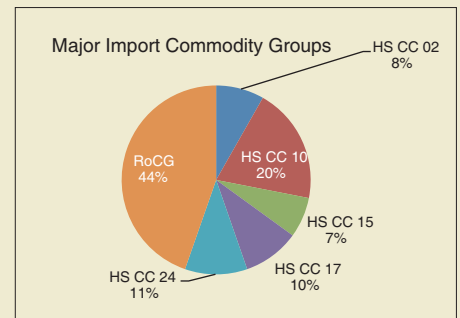
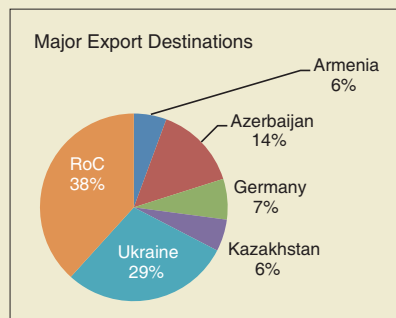
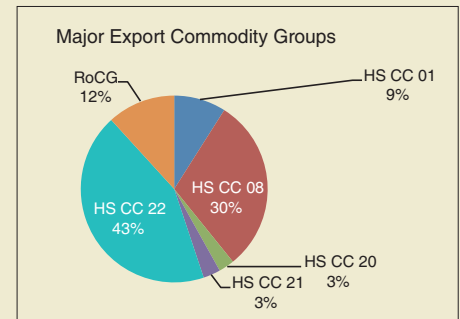
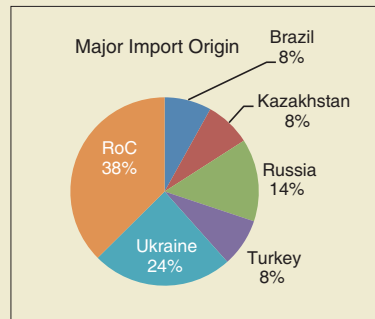
From 2000 to 2010, Georgia had a negative trade balance. After a recovery in 2009, the export ratio declined in 2010. In 2010, exports were 7 percent lower and imports 23 percent higher than in 2009.

Exports

Nine percent of Georgia's exported products consisted of live animals (HS CC 01); 30 percent consisted of edible fruits and nuts and citrus/melon peels (HS CC08); 3 percent were prepared vegetables, fruits, nuts, etc. (HS CC 20); another 3 percent comprised various edible processing (HS CC 21); and 43 percent were from beverages, spirits and vinegar commodity groups (HS CC 22). These livestock and agricultural products accounted for 88 percent of Georgia's total export trade. Armenia, Azerbaijan, Germany, Kazakhstan and Ukraine accounted for 62 percent of Georgia's total exports.

Imports

Eight percent of all imported products consisted of meat and edible offal (HS CC02); 20 percent were cereals (HS CC 10); 7 percent consisted of animal and vegetable fats, oils and waxes (HS CC10); 10 percent were from sugar and sugar confectionary (HS CC15); and 11 percent were tobacco and manufactured tobacco substitutes (HS CC24), accounting for 55 percent of total imports. Brazil, Kazakhstan, Russia, Turkey and Ukraine accounted for 62 percent of Georgia's total agriculture imports.



Production, Agriculture and Food in 2010

Cereals and potatoes

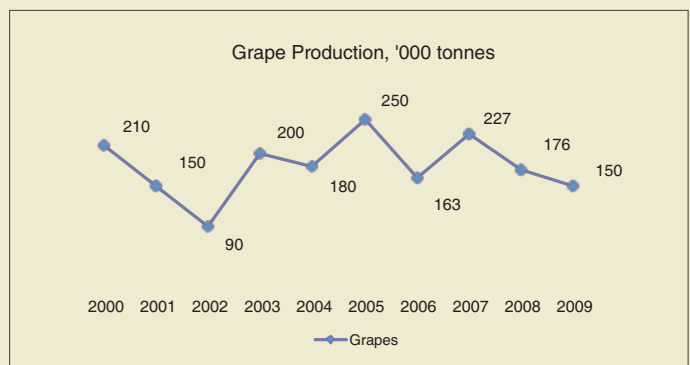
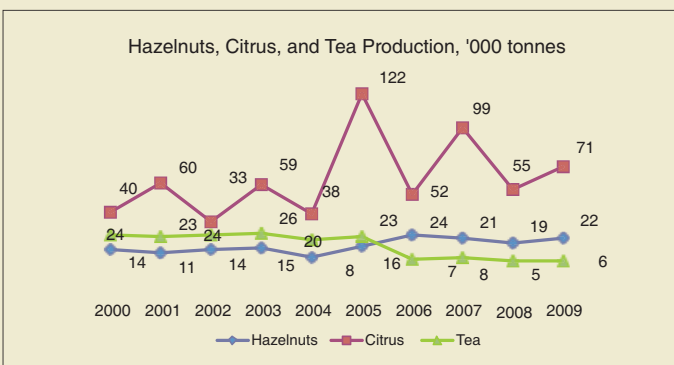
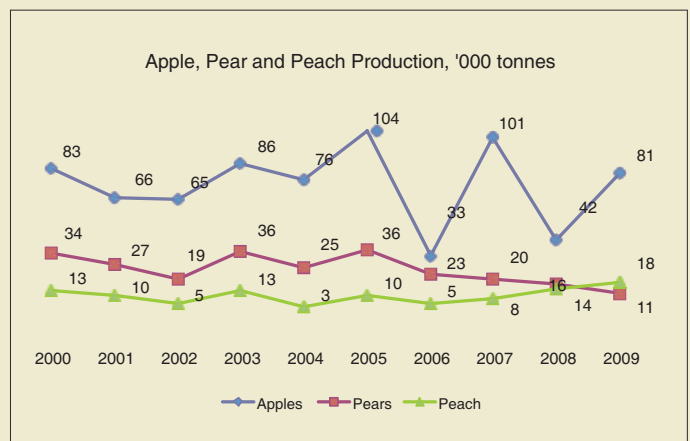
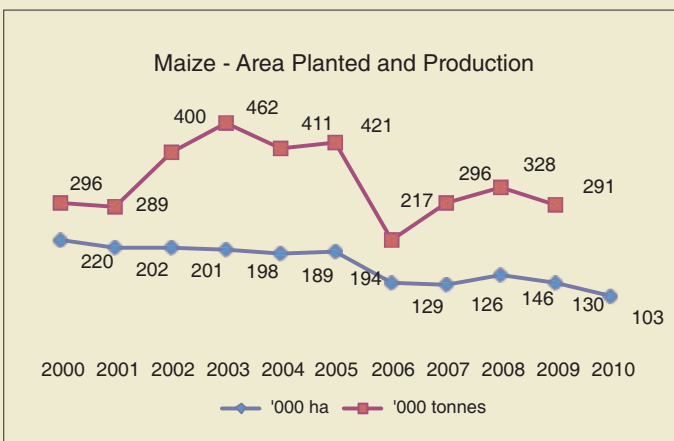
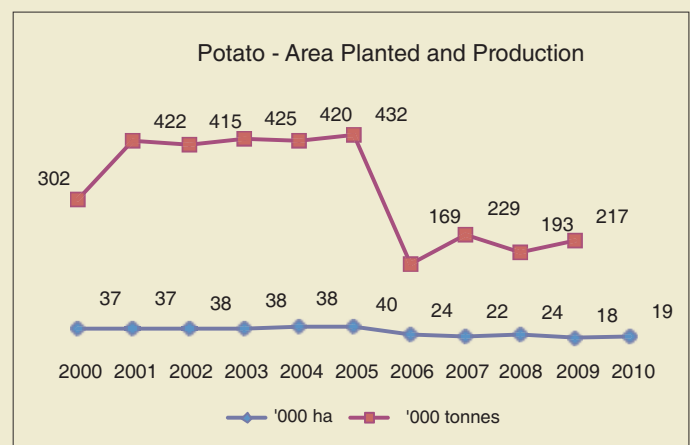
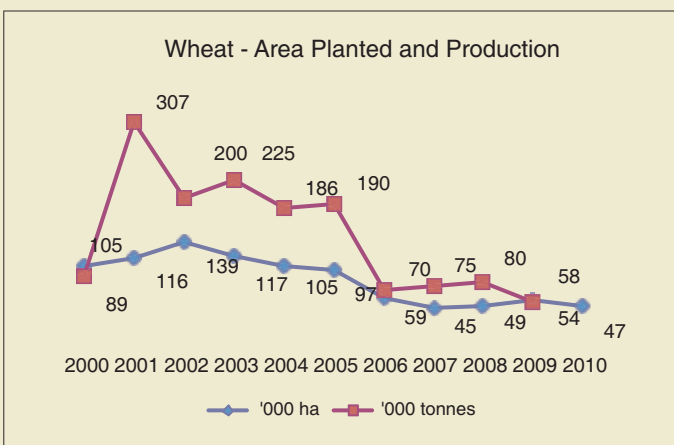
The 2010 preliminary estimates of areas planted with wheat and wheat grain production indicate a decline relative to 2009.

Potato production in 2009 was 12 percent higher than in 2008. Preliminary figures on the area of land planted with potatoes increased in 2010 relative to 2009. However, lower yields are expected in 2010 due to unfavourable weather conditions.

The 2009 maize production level and area planted were lower than those in 2008. A further drop of 21 percent is estimated for 2010 in the area of land planted under maize.

Perennials

In 2009, production levels of apples, citrus, hazelnuts, tea, and peaches increased relative to those in 2008, while those of pears and grapes further declined.



Source: National Statistics Office of Georgia

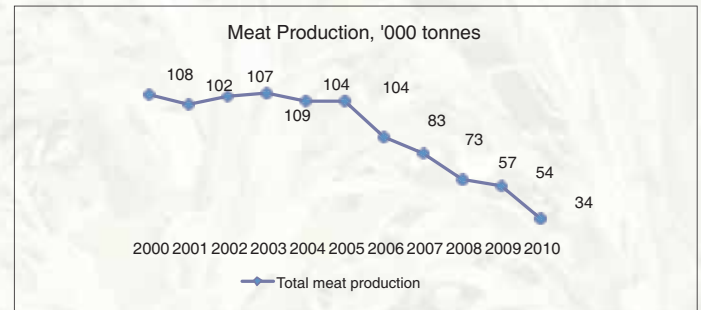
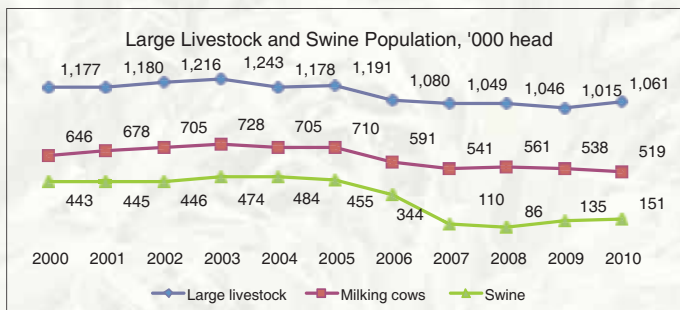
Note: Since 2006 National Statistics Office of Georgia has changed its methods of information collection

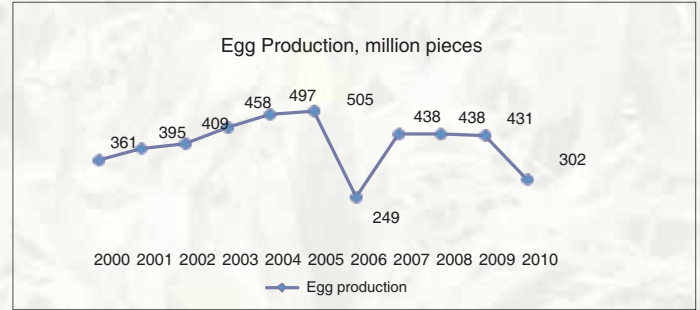
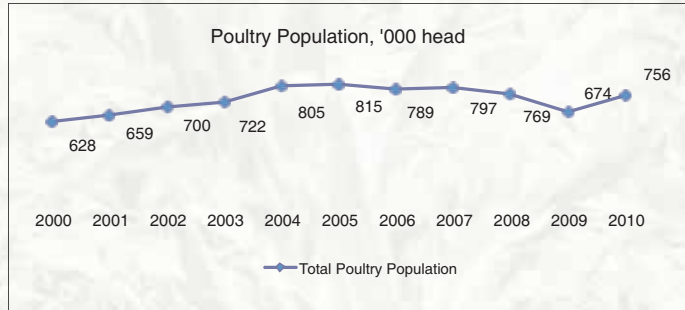
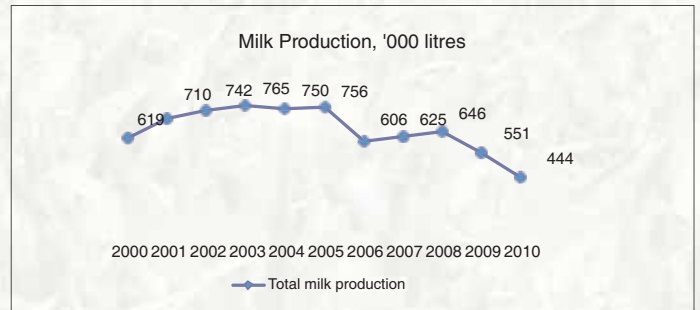


Livestock

According to the preliminary estimates in 2010:

- the total large livestock population increased, following a declining trend during 2005–2009;
- the milking cow population further declined;
- the swine population continued to increase following the gradual recovery from the 2007 African swine fever outbreak;
- the poultry population increased relative to 2009;
- the total sheep and goat population increased following a significant decline in 2009; this was the result of increased live sheep exports to Middle East markets; and
- the total meat, milk and egg production further declined compared to 2009 levels.





Source: National Statistics Office of Georgia

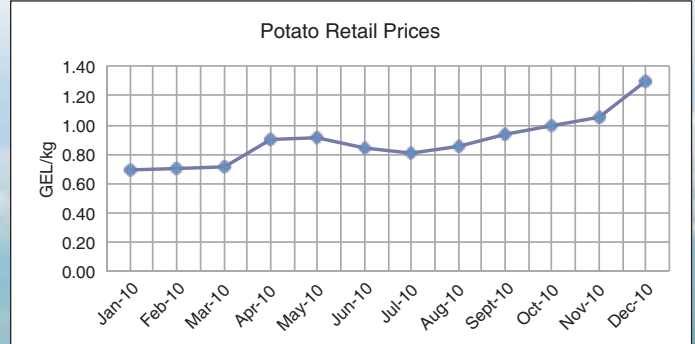
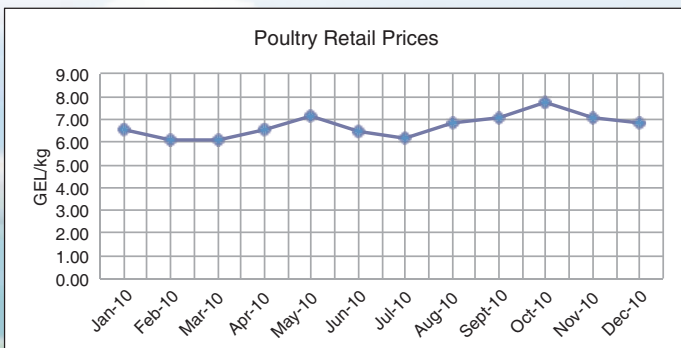
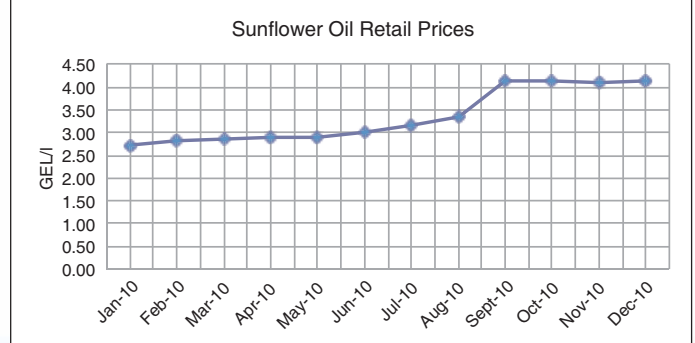
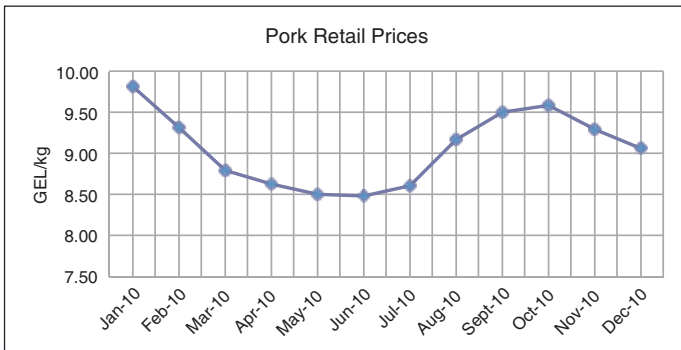
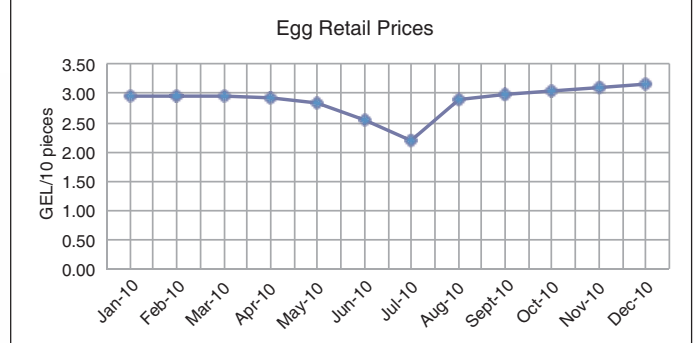
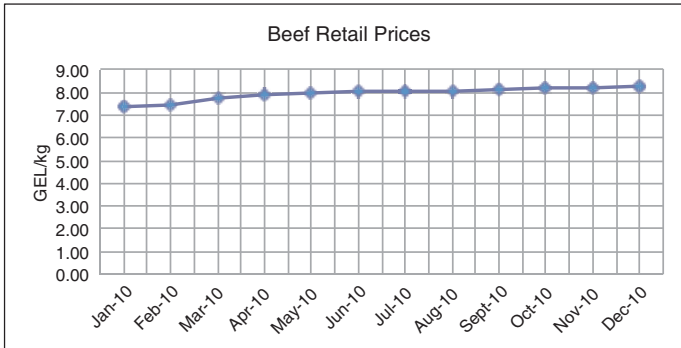
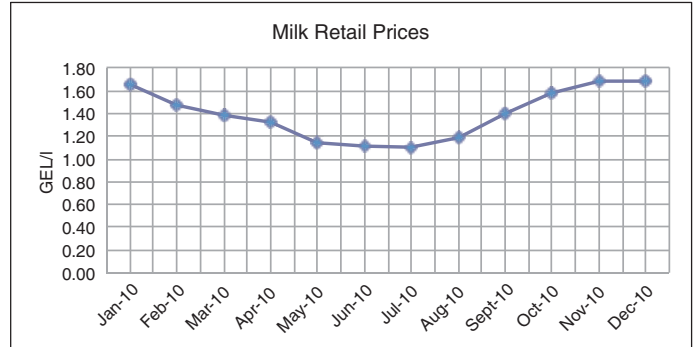
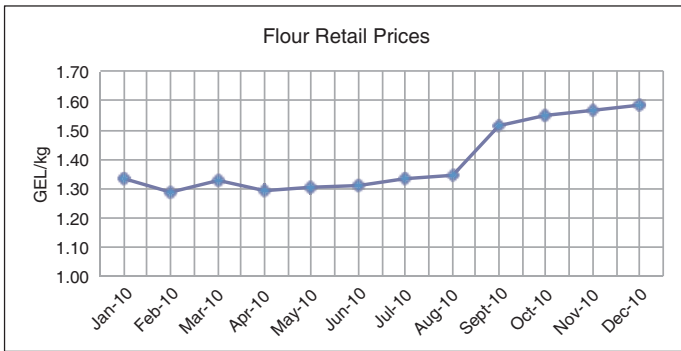
Note: Since 2006 National Statistics Office of Georgia has changed its methods of information collection

Main Staple Food Prices

Price trends in general were in line with world prices. With the exception of poultry and pork, prices for commodities increased during the second half of 2010. Sunflower oil prices experienced the highest annual fluctuation. On average, 2010 prices for commodities excluding pork and milk were higher than those in 2009. Overall, 2010 prices for all commodities were more volatile compared to 2009.

Price Trends in 2010									
	Bread	Flour	Beef	Pork	Poultry	Milk	Eggs	Sunflower Oil	Potatoes
Jan-10	1.26	1.34	7.35	9.82	6.52	1.66	2.95	2.73	0.69
Feb-10	1.24	1.29	7.43	9.32	6.07	1.48	2.94	2.82	0.70
Mar-10	1.24	1.33	7.74	8.79	6.09	1.39	2.96	2.86	0.71
Apr-10	1.24	1.30	7.90	8.62	6.53	1.33	2.92	2.88	0.90
May-10	1.23	1.30	8.00	8.51	7.13	1.15	2.84	2.88	0.91
Jun-10	1.22	1.31	8.07	8.48	6.45	1.11	2.54	3.00	0.85
Jul-10	1.21	1.33	8.04	8.61	6.19	1.10	2.19	3.15	0.80
Aug-10	1.26	1.35	8.04	9.18	6.81	1.20	2.91	3.37	0.86
Sept-10	1.44	1.51	8.10	9.50	7.07	1.40	2.99	4.15	0.94
Oct-10	1.50	1.55	8.17	9.58	7.75	1.59	3.04	4.12	1.00
Nov-10	1.50	1.57	8.19	9.30	7.08	1.69	3.10	4.12	1.06
Dec-10	1.51	1.58	8.28	9.08	6.85	1.69	3.17	4.16	1.30





Source: National Statistics Office of Georgia, estimation

Note: Since 2006 National Statistics Office of Georgia has changed its methods of information collection

Percent Change in 2010 Retail Monthly Prices from 2009 Retail Prices								
Bread	Flour	Beef	Pork	Poultry	Milk	Eggs	Sunflower Oil	Potatoes
-1%	-9%	-4%	-13%	0%	-17%	-3%	-23%	-14%
-1%	-11%	-2%	-17%	-5%	-22%	1%	-14%	-10%
-2%	-3%	2%	-19%	-10%	-20%	3%	-8%	-9%
-3%	0%	3%	-24%	1%	-20%	6%	-1%	2%
-1%	4%	6%	-24%	15%	-31%	7%	2%	-26%
-2%	0%	8%	-26%	5%	-35%	3%	9%	-12%
-3%	2%	10%	-22%	7%	-36%	-3%	15%	29%
1%	0%	9%	-18%	4%	-31%	20%	24%	31%
15%	15%	10%	-13%	6%	-20%	18%	53%	40%
21%	18%	12%	-13%	13%	-18%	9%	53%	42%
21%	17%	14%	-14%	10%	-14%	4%	54%	52%
19%	19%	16%	-12%	4%	-19%	5%	54%	93%

Source: National Statistics Office of Georgia, estimation

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