

Georgian Agrarian Scientific Academy

**“The possibilities of EU Food
Sector Expansion in Georgia
(problems, perspectives)”**

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The possibilities of EU Food Sector Expansion in Georgia

- **Georgia** – the state in Eurasia bordered in North by **Russia**, Eastern side of **Black Sea** coast, in South by **Turkey** and **Armenia** and in South-East by Azerbaijan. The transcontinental state is situated at the crossroad of South-East Europe and West Asia, though from the point of social - political and cultural view it is the part of Europe.
- Being on the crossroads of Europe and Asia it plays part of natural transportation corridor. Georgia is a shortest transit route between West and Central Asia.



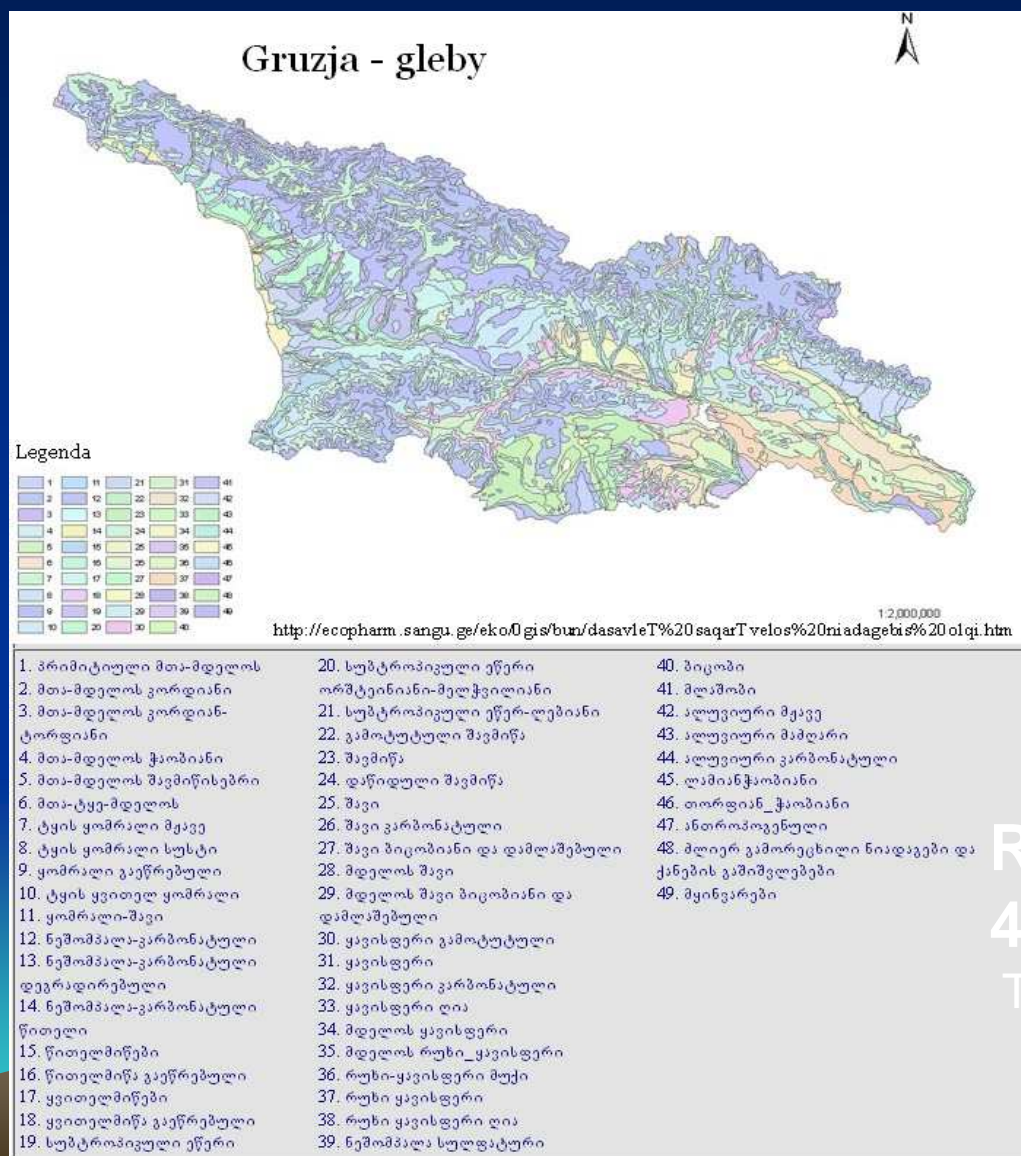
Georgia on the World map (A – Tbilisi 9-Warsaw ; C – Brussels)



Transport towarowy do- z- Gruzji oraz tranzyt
kołowy
powietrzny
wodny
kombinowany

სატვირთო ტრანსპორტი საქართველოდან/სკენ
 სამანქანო
 საჰაერო
 საზღვაო
 კომბინირებული

Map of Georgian grounds



Area – 69, 700 sq.km

mountain- 54%,
foothill - 33%,
Dplain - 13%

**In agriculture used
grounds- 30,600 sq.km-44%.**

planting – 25%,
Pasture – 35 %
Perennial – 40 %

Population 4,636,400

Rural population: 2,179,100
47% of the whole population.
The average age is 45

The possibilities of EU Food Sector Expansion in Georgia

- In 2010 the GDP growth rate amounted to 6,5%. GDP in current prices amounted 8 237 million USD and GDP per capita equaled to 1 856 USD.
- In 2010 the inflation rate amounted 11.0%. - in 2009 the inflation rate was 3.0 %.
- The FDI's in 2010 amounted to 553.1 mln.USD., In 2009 amounted 658.4 mln.USD.



GEORGIA end EU

- EU is the main importer of agricultural products produced in developing states (40% of imported production).
- In the last decade Georgia got opportunity to export its production to EU market.
- Introduction of free trade mode with EU for Georgia is one of the most important topic especially since the closure of such big sale market as Russian market.



GEORGIA end EU

- In 2010 in EU was implemented **export** of \$205 million. Out of it products exported with GSP+ routine involved 36,6%.
- **Import** - \$818.5 million that is 18,6% of the whole import.
- Production of preferential regime is exported from 23 states of EU out of 27 members.
- 73,44% of export falls seven states:
Germany – 20,60%, **Italy** -14,47%,
Holland – 9,18%, **Spain** – 8,34%,
Greece - 7,63%, **France** – 7,22%, **Bulgaria** – 6,11%..



GEORGIA end EU

Positive side:

Discounts in EU Market:

- The foreign experts reckon that Georgia is able to have economics oriented to export.
- Majority of partners of Georgia are members of World Trade Organization (WTO). Georgia takes benefit of priority along with other 149 member states.
- Georgian agro-industrial sector has large perspective to master the European market.



The possibilities of EU Food Sector Expansion in Georgia

- In Georgia there are all types of grounds which can be found all over the World. It is difficult to find just one type of ground due to that the farm worker has to plant variety types of plants.
- The climate transfers from subtropics (beg. of Georgia) till continental one (Western Georgia)
- According to ground-climate Georgia is divided into 13 zones and 8 subzones



Renewed Zonal Schedule of Agricultural Production Specialization

- I. viticultural zone of inner Kakheti;
- II. Grain-growing stockbreeding and viticultural zone of outer Kakheti;
- III. Suburban agricultural zone of Tbilisi;
- IV. Mountain stock-breeding zone of East Caucasus Range;
- V. Fruit-growing and suburban agricultural zone of inner Kartli;
- VI. Mountain stock-breeding and potato-growing zone of Samtskhe-Javakheti



Renewed Zonal Schedule of Agricultural Production Specialization

VII. viticultural and stock-breeding zone in Imereti;

VIII. stock-breeding and viticultural zone of Racha-Lechkhumi;

IX. mountain stock-breeding zone of West Caucasus Range

X. suburban agricultural zone of Kutaisi

XI. subtropical agricultural and stock-breeding zone of Kolcheti Lowland

XII. subtropical and suburban-resort agricultural zone of Abkhazia

XIII. subtropical agricultural and mountain stock-breeding zone of Adjara



GEORGIA end EU

- Easing of trade regiments creates useful conditions for export of the products: Wines, Tea end subtropikal kulturs, including fruits, vegetables, juice, jams, fruit concentrates, beverages, natural fruit juices, brandy, spirits, spices, mineral waters, Georgian natural sil, plants with curative properties..



Competitive food stuffs according to regions

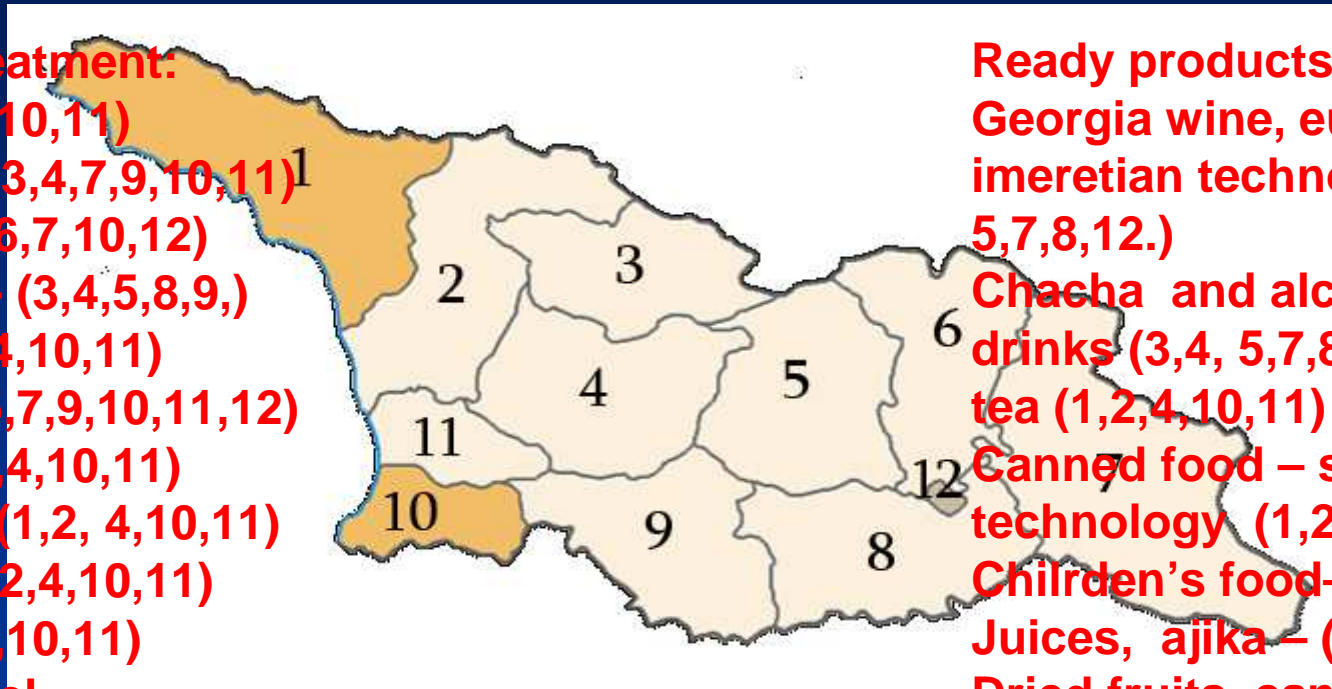
Without treatment:

(1,2,3,4,7,9,10,11)
 walnut (1,2,3,4,7,9,10,11)¹
 grapes (2,4,6,7,10,12)
 Small fruit - (3,4,5,8,9,)
 Feijua (1,2,4,10,11)
 Fig- (1,2,4,5,7,9,10,11,12)
 Lemon (1,2,4,10,11)
 mandarine (1,2, 4,10,11)
 orange - (1,2,4,10,11)
 kiwi (1,2,4,10,11)
 Cherry-laurel
 (1,2,4,7,9,10,11)
 ebony (1,2,4,7,9,10,11)
 granet (5,6,7,8,9,12)
 Greens abd watermelons
 (4, 8, 5, 7)
 Spices (4, 8, 5, 7)
 Medical plants
 (1,2,3,4,5,6,7,8,9,10,11,12)

Semifinished products:
 Natural silk-
 (2,4,5,7,8,9,10,11)
 Lamb meat from Imereti
 -(4)
 Natural conservants-
 (1,2,4,5,6,7,8,9)

Ready products:

Georgia wine, european,
 imeretian technology (3,4,
 5,7,8,12.)
 Chacha and alchohol
 drinks (3,4, 5,7,8,12.)
 tea (1,2,4,10,11)
 Canned food – sefaty
 technology (1,2,4,5,6,7,8,9)
 Children's food- (4, 12)
 Juices, ajika – (1,2,4)
 Dried fruits, candies fruits,
 Churchkela a _
 (1,2,4,5,6,7,8,9)
 Honey(1-12)
 Cheese (sulguni, imeruli,
 gudis) – (1,2,3,4,6)



Problems

- The list of the goods of Georgian export which are not going to European market is still large because the agrarian sector is not ready to meet demands of the European markets (certain standards)..
- After announcement of independence Georgia came out of USSR political and economic close space and became the subject of the world market and Georgia had no experience of functioning in these conditions.



Problems

Survey of agrarian sphere shows, that:

- In years of independence significant reduction of manufacturing of agricultural products in Georgia falls on two periods _ 1991_1994 and 2006_2009.
- By using of extensive methods creation of natural facilities not able for competition.
- Owners of **24,6%** of facilities owns 0.25 ha;
 20% - 0,25 - 0,50 ha; **21,1%** - 0,50 -0,75 ha;
 18,6% - 0,75 - 1,0 ha; **17,1%** - 1,0 to 1,50 ha;
 0,4% - from 1,5 to 2,0 ha,
 over 2,1 ha are owned by only **0,6%** of facilities owners..



Problems

- Deficit of skills, financial recourses, weakened science absence of motivation of intellectual references.
- All kind of migration, first of village in comparison with towns, reduction of live birth.
- Rasing of peoples quantities being under verge of poverty more in rural area in comparison with towns.



Ways for Solution

I. Prioritets

Agriculture and food industry should be recognized as priority trend by the state;

II. ekonomikuri politika

Reduction of agricultural manufacturing in Georgia takes place in conditions of ultra-liberal economic policy. Usage of mechanisms of the state regulation is rejected.

III. Factors defining economic policy in rural area

IV. New Challenges

- According of UN data in years 2040-2050 all over the world will be acute deficit of food products.
- EU route goes towards development of food sector.



Ways for Solution

V. Political Solution

The practice of elaboration and implementation of the state sectoral targeted programs should be revived with usage of state budget, foreign investments, other foundations of private capital;

VI. Knowledge Deficit

The ultimate course should be taken towards innovative development of agriculture (raising level of scientific provision in agrarian sector, inculcation of scientific information system for peasants education).

VII. Provision of Credits

- Around 2% of issued credits by commercial banks falls on agriculture.



Ways for Solution

VIII. Leasing :

- The technical base of processing industry is also feeble. It is reasonable for processing of fruits, milk, meat, tea, citrus, to erect low capacity enterprises. In this direction is not used leasing even almost at all.
- Especially the franchising is promising (when large enterprises create affiliates). For this aim the large assistance will be possible from EU states.



Ways for Solution

IX. Insurance in Agriculture

- Owing to risks featuring agricultural industry development of insurance system in rural area should be done by participation of authorities.
- Insurance in agriculture should be indispensable.

X. Production Purchase

Insured sale of products will facilitate introduction of new technologies in industry, expansion of production and establishment of relations based on agreements.



Ways for Solution

XI . Agricultural cooperation

XII. Seeds and Manufacturing of Seedlings, Organization of Planting

- Georgia is a motherland of wheat, grapes, some kinds of husbandry. We may not put Georgia in the list of the states who may use seeds, seedlings and husbandry born in another country without any checking.
- In Georgia activated regulated system of gene pool retention, nurture of selection sorts and varieties, their testing and dissemination.
- Georgia possesses all opportunities to get specialized in export of plants and animals initial selection material (wheat, barley, Khevsuretian and Megrelian horse, kakhetian and svanetian pig, imeretian sheep, Georgian shepherd dog, bees and etc.)



Ways for Solution

XII. Enterprising Service

- In Georgia should be created the state service centers.
- The state service centers transformation into state authorities will be carried out concomitantly with improvement of economic situation.

xiii. Encouragement of Export

We should share EU demands in connection with the products control in order to be able to use perfectly the program GSP+.

- The state should create insurance system for exported products.
- The special attention should be paid to manufacturing and export of ecologically pure production.



Ways for Solution

XIII. Improvement of Tax System

The newly created small and average enterprises should be relieved from all kind of taxes.

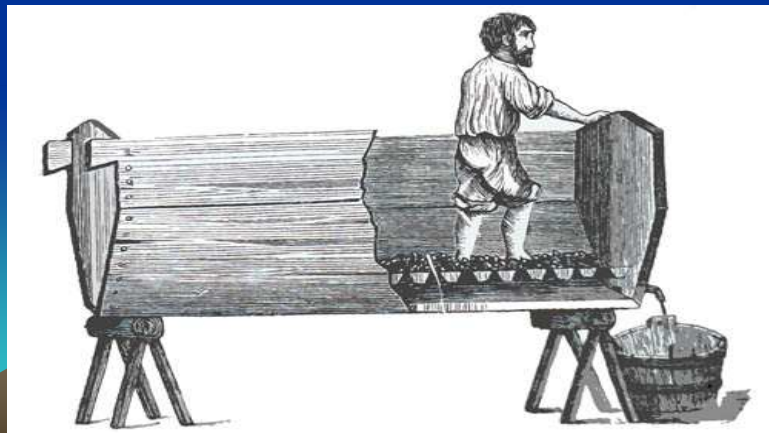
XIV. The National Market Security

XV. Agrarian Science



Ceremony regarding harvest, cooking and food in Georgia





ChurCkhela



Natural Silk



TEA



Statements

- The course of Georgia for entry to Europe should be directed to manufacturing of eco-products. Georgian agro-climatic conditions and diversity of plants give full opportunity to manufacture ecologically pure products..
- Creation of strong infrastructure for information consulting service represents important condition for development of Agrarian sphere..
- By merging of science and practice to deepen cooperation between the state and the private sector and consolidation of their ties and trust to each other..
- By extension of agro-consulting centers network will be founded new model of business, creation of rural jobs and boost of population revenues.

გმადლობთ
ყურადღებისათვის

Thank you very much for your attention

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