



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports



FINAL REPORT

SUPPORT ADDED VALUE ENTERPRISE ACTIVITY

AgVANTAGE

SUBMITTED TO:

David Tsiklauri
USAID Cognizant Technical Officer
Office of Economic Growth
USAID/Caucasus
11 George Balanchine Street, Tbilisi 0131,
Georgia
dtsiklauri@usaid.gov



SUBMITTED BY:

Nikoloz Grdzeldze
Chief of Party, AgVANTAGE
ACDI/VOCA
5 Jikia Street, 7th floor, Tbilisi 0186, Georgia
www.agvantage.org.ge



November 15, 2009

This report covers activities under USAID / Caucasus contract No. 114-C-00-02-00086-00.

TABLE OF CONTENTS

1. OVERVIEW.....	7
1.1 PHASE I.....	7
Assess products with export potential.....	7
Research export market opportunities.....	8
Assess specific constraints to agribusiness in Georgia.....	8
Develop and Initiate pilot activities.....	9
Develop a Strategy and Work Plan for Phase II implementation.....	9
1.2 PHASE II.....	10
Policy Support Activities.....	12
Economic Impact Analysis.....	13
Summary of Project Impact.....	15
2. INDUSTRY SUPPORT ACTIVITIES.....	16
2.1 FRESH CULINARY HERBS / OFF-SEASON VEGETABLES.....	16
Industry Background.....	16
Sector Objectives.....	16
Results.....	16
Lessons Learned.....	17
Program Impact.....	17
2.2 MANDARINS.....	17
Industry Background.....	18
Sector Objectives.....	18
Results.....	18
Lessons Learned.....	18
Program Impact.....	19
2.3 HAZELNUTS.....	19
Industry Background.....	19
Sector Objectives.....	19
Results.....	19
Lessons Learned.....	20
Program Impact.....	20
2.4 WINE.....	20
Industry Background.....	20
Sector Objectives.....	21
Results.....	21
Lessons Learned.....	22
Program Impact.....	22
2.5 APPLES.....	23
Industry Background.....	23
Sector Objectives.....	23
Results.....	23
Lessons Learned.....	24
Program Impact.....	24
2.6 DAIRY.....	24
Industry Background.....	24
Sector Objectives.....	24
Results.....	24
Lessons Learned.....	25
Program Impact.....	25
2.7 ANIMAL FEED.....	26
Industry Background.....	26
Sector Objectives.....	26
Results.....	26
Lessons Learned.....	26
Program Impact.....	26
2.8 MEAT AND SLAUGHTER INFRASTRUCTURE.....	27
Industry Background.....	27
Sector Objectives.....	27
Results.....	27
Lessons Learned.....	27
Program Impact.....	27
2.9 BAY LEAF.....	28

	Industry Background.....	28
	Sector Objectives	28
	Results.....	28
	Lessons Learned.....	29
	Program Impact.....	29
2.10	PROCESSED FOOD & VEGETABLES	29
	Industry Background.....	29
	Sector Objectives	29
	Results.....	30
	Lessons Learned.....	30
	Program Impact.....	30
2.11	BERRY CROPS	31
	Industry Background.....	31
	Sector Objectives	31
	Results.....	31
	Lessons Learned.....	32
	Program Impact.....	32
3.	MARKETING AND PROMOTIONAL ACTIVITIES	33
3.1	INDUSTRY-LEVEL MARKETING AND PROMOTIONAL ACTIVITIES	33
3.2	STAKEHOLDER-SPECIFIC MARKETING AND PROMOTIONAL ACTIVITIES	34
4.	SAMTSKHE-JAVAKHETI PROGRAM	35
4.1	PROGRAM BACKGROUND.....	35
4.2	DAIRY PROCESSING SECTOR.....	35
4.3	POTATO PRODUCTION SECTOR	35
5.	FOOD SAFETY AND QUALITY MANAGEMENT	36
5.1	COMPANY-LEVEL ASSISTANCE.....	36
5.2	FOOD STANDARDS AWARENESS BUILDING AMONGST GEORGIAN FOOD PROCESSING COMPANIES	37
5.3	LOCAL BUSINESS DEVELOPMENT SERVICES (BDS) CAPACITY BUILDING ACTIVITIES	37
6.	MARKET INFORMATION SYSTEM (MIS)	38
6.1	AGVANTAGE MIS STRATEGY	38
6.2	IMPLEMENTATION.....	38
6.3	SYSTEM SUSTAINABILITY	38
7.	AVIAN INFLUENZA (HPAI) PREPAREDNESS AND RESPONSE PROGRAM	39
7.1	BACKGROUND	39
7.2	HPAI SITUATION IN GEORGIA.....	39
7.3	IMPLEMENTED INTERVENTIONS.....	39
	A. Political/Policy Environment	39
	B. Public Outreach and Education	40
8.	AGRICULTURAL POLICY	41
8.1	BACKGROUND.....	41
	Objectives and Phasing	41
8.2	STRATEGIC PLANNING, POLICY, AND TRAINING	42
	Implementation Phase I.....	42
	Implementation Phase II	44
	Conclusions.....	45
	Lessons Learned.....	45
	Recommendations.....	46
8.3	FOOD SAFETY	47
	Background.....	47
	Implementation Phase I.....	48
	Implementation Phase II	49
	Conclusions.....	50
	Lessons Learned.....	51
	Recommendations.....	52
8.4	DEVELOPMENT INFORMATION COORDINATION.....	52
	Introduction.....	52
	Background.....	52
	Implementation	53
	Conclusions.....	55
	Lessons Learned.....	55

Recommendations.....	55
9. CONCLUSIONS & RECOMMENDATIONS	56
9.1 AGRICULTURAL STRATEGY ADOPTION & IMPLEMENTATION	56
9.2 FOOD SAFETY SYSTEM DEVELOPMENT.....	56
9.3 DEVELOPMENT OF SUSTAINABLE AGRICULTURAL FINANCING MECHANISMS	57
9.4 AGRICULTURAL EXTENSION SERVICE DEVELOPMENT	58
9.5 AGRICULTURAL EDUCATION SYSTEM DEVELOPMENT	58

Annexes:

Annex 1: List of AgVANTAGE Stakeholders

Annex 2: List of Study Tours & Conferences Organized by AgVANTAGE

Annex 3: List of Trade Fairs/Exhibitions Organized by AgVANTAGE

Annex 4: List of Trainings Conducted by AgVANTAGE

Annex 5: Success Story: Early Potato Yield Double

Annex 6: Success Story: Green Light for Greens Growers

Annex 7: Success Story: Alternative Use of Abandoned Tea Land

Annex 8: Success Story: USAID Supports Production of Agricultural Products with Import Substitution Potential

Annex 9: Success Story: Premium Green Tea Versus Low-Quality Tea

Annex 10: Success Story: USAID Facilitates Consolidation and Export of Georgian Mandarins

Annex 11: Success Story: USAID Supports ISO Certification

Annex 12: Success Story: Demonstrating the Benefits of Improved Polytunnel Technology

Annex 13: Success Story: Georgian Greens to be Exported to Europe Versus Russian Embargo

Annex 14: Success Story: Creation of Stronger Fresh Herbs Value Chain Leads to Increased Export Sales

Annex 15: Success Story: Georgia Prepared for Any Future AI Outbreak

Annex 16: Success Story: First Industrial Cheese Production in Georgia

Annex 17: Success Story: Georgian Wine to be Available in U.S. Supermarkets Soon

Annex 18: Success Story: Georgian Winemakers Impress Industry Representatives at International Wine, Spirits and Beer Event in Chicago

Annex 19: USAID/AgVANTAGE and the Georgian Ministry of Agriculture Marshaled Georgian Wine Days in Seattle and New York

Annex 20: Success Story: Georgian Ingredient Industry Exploring Eastern Asian Market at IFIA 2008 Food Show in Tokyo

Annex 21: Success Story: USAID/AgVANTAGE Distributes Fruit Trees to Support Shida Kartli Region

Annex 22: Success Story: USAID/AgVANTAGE Established Medium-sized Feed Mill Facility in Adjara Region

Annex 23: Success Story: Apple Demo Orchard Yields First Fruits

Annex 24: Success Story: Georgia Debuted on Fancy Food Show, NY

Annex 25: Success Story: Georgian Wines to be available in US Supermarkets Soon

LIST OF ABBREVIATIONS

ABLE	Agribusiness Leasing Enterprise
ADA	Agribusiness Development Activity
AgVANTAGE	Support Added Value Enterprises Activity
APAU	Agricultural Policy Analysis Unit of the Ministry of Agriculture
ASE	Agricultural Services Enterprise
BDS	Business Development Services
BRC	British Retail Consortium
CIS	Commonwealth of Independent States
DAI	Development Alternatives International
DICS	Development Information Coordination System
DFID	Department for International Development of the United Kingdom
EBRD	European Bank for Reconstruction and Development
EU	European Union
EurepGAP	Euro-Retailer Produce Working Group Good Agricultural Practice
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GIPA	Georgian Institute for Public Affairs
GMP	Good Manufacturing Practices
GoG	Government of Georgia
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HACCP	Hazard Analysis Critical Control Points
HPAI	Highly Pathogenic Avian Influenza
IFAD	International Fund for Agricultural Development
ISO	International Organization for Standardization
IQF	Individual Quick Freezing
IT	Information Technology
JICA	Japanese International Cooperation Agency
LOL	Land O'Lakes, Inc.
LOP	Life of Project
MCA	Millennium Challenge Account
MoA	Ministry of Agriculture
MIS	Market Information System
MOU	Memorandum of Understanding
MTAEF	Medium-Term Action and Expenditure Framework
OSCE	Organization for Security and Co-operation in Europe
PPF	Processing and Packing Facility
QC/QA	Quality Control / Quality Assurance
RAPA	Restructuring Assistance and Policy Advice Project
RFP	Request for Proposals
SDC	Swiss Development Cooperation
SIDA	Swedish International Development Cooperation Agency
SG	AgVANTAGE Strategy Group
STTA	Short-term Technical Assistance
SWOT	Strengths, Weaknesses, Opportunities, Threats
TBE	Trade and Brokerage Enterprise
UMCOR	United Methodist Committee on Relief

USAID	United States Agency for International Development
USD	United States Dollars
WTO	World Trade Organization

1. Overview

On December 12, 2001, USAID/Caucasus (Georgia) issued Request for Proposals (RFP) No.114-C-00-02-0086-00 for the Support Added Value Enterprises (SAVE) Activity. USAID's intended goal for the SAVE Activity was to increase economic growth in Georgia through expanded production and sales (largely exports) of added-value agricultural products. USAID also intended that the SAVE Activity would improve policy, regulatory and quality assurance systems; strengthen market information and other organizational support; and develop models for market linkages that would benefit the broad agricultural/agribusiness sector.

The implementation of the activity was based on a design/implement approach using a base period followed by an option period. Phase I focused on research, testing and planning activities. Phase II concentrated on the implementation of the activities identified in Phase I to remove constraints to the growth and development of the agricultural sector, added-value processing and increased exports.

The activity focused on developing several key products or product clusters and assisting agribusiness enterprise and enterprise associations that produce them. It was expected that the pilot test cases implemented during Phase I would test assumptions, provide insight and test political will for undertaking necessary restructuring of existing systems.

USAID indicated that the continuation of the activity after completion of Phase I would be dependent upon the availability of funding and several factors that they referred to as triggers. These included:

- USAID acceptance of constraint, policy/regulatory/standards and marketing studies
- USAID acceptance of the proposed Phase II strategy
- Execution of an MOU between USAID and appropriate ministries and entities within the government of Georgia (GOG)
- Successful progress on pilot activities, especially in terms of GOG cooperation and support on policy, regulatory or other issues.

1.1 PHASE I

ACDI/VOCA was awarded the contract for Phase I of the activity with a performance period from April 24, 2002 through April 30, 2003. There were five main objectives during Phase I. The outcome of each is summarized as follows:

Assess products with export potential

In May 2002, the ACDI/VOCA SAVE team developed a preliminary list of Georgian products with export potential. The products were assessed further through meetings with representatives from the producer and processing sectors, government institutions and association representatives. The SAVE team made field visits throughout Georgia to assess existing capacity and capability, and performed SWOT assessments on select products. Findings from the "Agribusiness Constraints Assessment," "The Policy, Legal and Regulatory Assessment," and basic market research were then factored into the development of a preliminary list of eight product clusters, five of which SAVE considered candidates for focus under Phase II. Through subsequent pilot activities and further analysis of the product clusters, SAVE selected four primary product categories:

1. fresh fruits and vegetables (apples, potatoes, greens, mandarins, etc.)
2. processed fruits and vegetables (apple juice, frozen vegetables, etc.)
3. specialty products (mushrooms, chestnuts, etc.)
4. products with import substitution potential (dairy, processed meat, etc.)

Research export market opportunities

Research into market opportunities involved desktop studies (via the internet) and research trips to identify and meet with direct buyers, distributors and wholesalers to determine market opportunities. The SAVE team assessed general market opportunities for product categories and identified specific trade opportunities for products within product categories.

Assess specific constraints to agribusiness in Georgia

During Phase I, ACDI/VOCA completed a comprehensive assessment of constraints to agribusiness, including policy, legal and regulatory issues. This assessment was conducted in the context of market chains, examining constraints within market chain stakeholder groups (producers, processors and marketers) and constraints affecting linkages between the stakeholder groups. Initially, the team investigated, characterized and prioritized over 50 constraint types. An equally important part of the assessment was the identification of mechanisms through which to eliminate these constraints or mitigate their effects. Lessons learned in the development and execution of pilot projects also helped to sharpen the understanding of these constraints. The team recommended that the following constraints be addressed in the Phase II strategy.

Producers

- outdated farming skills and knowledge
- poor equipment and inadequate input supply system
- ineffective cultivars
- lack of business skills

Processors

- poor control and availability of raw product supply
- inefficient plant and equipment, outdated technology
- absence of international standards and certification regimes
- inadequate knowledge of international markets and business procedures

Market chains

- no modern marketing institutions
- lack of trust
- “cash and carry” business mentality
- lack of product quality and food safety standards
- limited sources of long-term credit and high collateral requirements from existing banks

In addition to identifying and prioritizing constraints, the SAVE team developed a decision-making methodology to determine whether or not a constraint would be addressed in Phase II.

Develop and Initiate pilot activities

Pilot activities were carried out to test potential approaches and methods for removing constraints and consummating export sales for specific products. Opportunities for those products with export potential were evaluated and matched against priority constraints, and seven pilot projects were developed and presented to USAID for consideration. Of the seven pilot projects proposed, three were approved for implementation during Phase I:

1. wild mushrooms
2. new potatoes
3. apples

The pilot projects demonstrated that turning a trade opportunity into a successful trade deal was and is most often dependent on mitigating multiple constraints within a given product market chain. The pilot projects also demonstrated how deviations in seasonal weather patterns (e.g., precipitation, temperature, early/late frost) could jeopardize the success of a trade deal even though all other constraints were successfully mitigated.

Develop a Strategy and Work Plan for Phase II implementation

The SAVE team presented the Phase II strategy to the USAID Caucasus Mission on January 31, 2003, and it was approved on March 7, 2003. It was based on the constraints assessment and determination of mechanisms that would eliminate the constraints or lessen their impact. At the center of the strategy was SAVE's paramount objective: **increased trade and investment**. The strategy called for establishing four specialized pillars that would focus on distinct constraint areas:

1. a trade and brokerage enterprise (TBE)
2. a pilot processing and packing facility (PPF)
3. an agribusiness leasing enterprise (ABLE)
4. an agricultural services enterprise (ASEs)

In addition, there would be a central core established to provide support to the four specialized pillars in the following areas:

1. market promotion
2. market information systems
3. regional trade and import substitution
4. training
5. policy reform
6. business services unit
7. association development
8. SAVE staff development
9. standards and certification

As with all of its undertakings, SAVE required that the four pillars and the nine core activities be demand driven, commercially focused and competitive.

1.2 PHASE II

The Phase I deliverables and other requirements were accepted by USAID, and ACIDI/VOCA was authorized to commence the Phase II implementation with a performance period from May 25, 2003 through December 23, 2007. In addition, there were three no-cost extensions to the implementation stage, bringing the project to its end on December 15, 2009. The name of the project was changed to AgVANTAGE to better align the project image with its objectives. There were four key objectives that remained throughout the implementation period:

1. Increase the sales of added-value products in export markets.
2. Increase the capacity of the agricultural sector to compete for export markets.
3. Improve the financial environment of the agricultural sector.
4. Provide policy and other advisory support to the Ministry of Agriculture (added during the early part of Year Three of the implementation phase).

All four objectives supported the USAID/Caucasus-Georgia Strategic Objective 1.31 Accelerated Development and Growth of Private Enterprises to Create Jobs. Under this Strategic Objective, Phase II objectives 1 and 2 supported the SO's Intermediate Result 1.31.3 Increased Market-Driven Production and Sales; objective 3 supported Intermediate Result 1.31.2 Increased Access to Financial Services; and objective 4 supported Intermediate Result 1.31.1 Improved Policy and Operating Environment.

The principle of specialized pillars supported by core activities provided the framework for the Phase II implementation. In the original Phase II strategy formulated during Phase I, it was envisioned that two of the pillars, Trade and Brokerage and Agribusiness Leasing, would be structured as commercial entities. After extended discussions with USAID, it was determined that this type of structure was not acceptable; however, there was no change in the constraints to be addressed by each of these two pillars. In the case of leasing, the decision was taken to build the capacity of the nascent leasing industry in Georgia to address the lack of long-term credit in the agricultural sector.

In addition, there was a structural change to the pillar that was to provide for the establishment of a pilot processing and packing facility. The decision was taken that it would be more effective to utilize the market chain facilities that were being facilitated through the Phase II implementation as demonstration sites for conveying the technologies and practices that were to be introduced and conveyed through the pilot facility.

Key to achieving the Phase II implementation objectives, especially objectives 1 and 2, was to facilitate the development of fully functioning market chains around those products and product sectors that offered market opportunities. The goal was to turn potential trade opportunities into successful commercial transactions.

The stakeholders in these market chains were primarily from the private sector and included all of those who contributed to or participated in bringing a product to market. These included raw product producers, processors, and the marketers, brokers and distributors who facilitate the commercial transactions. Input and equipment supply enterprises were also critical stakeholders in the market chain. The relationships between stakeholders in the market chain were characterized as the flow of information, the movement of material goods, and the completion of financial transactions.

There were five key steps in the overall development of the market chains:

1. Identify individuals and enterprises that represent the various elements in a product market chain: suppliers, service providers, producers, value-added processors, etc.
2. Foster recognition among all elements of their interdependencies in terms of generating revenues.
3. Determine and prioritize constraints hindering the linkages in the market chain.
4. Devise a course of action to overcome constraints.
5. Promote participation in the existing market chain and/or replication of the successful market chain model.

The majority of facilitations/interventions that SAVE undertook during the development of the market chains revolved around technical assistance and advice. However, more than technical assistance was needed to develop certain market chains, and it was necessary for the project to provide financial assistance in the form of a grant. Very often, this additional financial support was needed because the Georgian producers and processors lacked the capital required to link their products and/or services to the market (i.e., for transportation, cold chain technology, etc.), or in some cases, because they were new start-up businesses and the lending institutions were not willing to take the risk associated with new start-ups. This type of facilitation/intervention was not proposed in the original Phase II strategy, but it has proved to be extremely important in achieving the development of many of the product sector market chains throughout Phase II.

During this implementation period, the project has facilitated development of market chains around the following products and sectors:

- apples/stone fruit
- fresh culinary herbs
- bay leaf
- processed food
- dairy
- meat
- wine
- animal feed
- hazelnuts
- citrus
- small fruits
- vegetables

The market chains that were developed with the various stakeholder groups were critically important in helping to build the capacity of the related industry and the agricultural sector as a whole. They served as demonstration platforms for the technologies and practices that were necessary to make the market chains competitive and commercially successful. The goal was that these chains would be replicated by others and as a result the industries and agricultural sector would grow and prosper. The other elements of the capacity building process were carried out under the “Core” pillar. These included:

- market promotion
- establishment of a market information system
- training
- association development
- policy reform
- standards and certification

Many of these capacity-building activities are also described in section 2, “Industry Support Activities.” Financing was a critical issue for all links in the market chain and there needed to be a more enabling financial environment in the agricultural sector, if there was to be competitiveness and growth. The Phase II strategy suggested leasing as an option for to help address this lack of finance in the agricultural sector, especially for longer-term finance. At the time, the leasing programs in Georgia were having limited success due to a lack of capital, a lack of lease-product knowledge and lack of any real pursuit of leasing opportunities. Therefore, one of the focus areas of the leasing pillar was to support the development of the leasing industry in the country. A secondary focus was to act as a catalyst to attract lease capital to Georgia. An additional area of attention was to support legal and regulatory reform in the leasing industry.

In any case, a priority was to link the market chains that were being developed by the project, and that were in need of finance, to the existing leasing companies in an effort to facilitate leasing agreements to mitigate their financing constraint.

Policy Support Activities

In July 2005, an additional activity was added to Phase II, which was to provide policy and other advisory support to the Ministry of Agriculture to promote an environment conducive to the growth and development of the food and agricultural sector. In order to provide this policy assistance (as well as anticipated policy training), a new entity within the project was created, the Agricultural Policy Analysis Unit (APAU), which was located in the Ministry of Agriculture.

There were four objectives of the advisory assistance program:

1. Assist in the development of a medium-to-long-term national policy or strategy that would promote the growth and development of Georgia’s food and agriculture sector.
2. Build and institutionalize the Ministry’s analytic and policy capacity.
3. Help create an environment within the Ministry, the private food and agricultural sector, and the highest levels of government where sound policy analysis and development was considered the norm, desirable, and the basis for the funding and staffing of governmental initiatives and services.
4. Provide the Minister with advisory assistance support in implementing the policies and programs of the national agricultural strategy when adopted.

The work was to be conducted in three phases. Phase one was to prepare a draft national food and agricultural policy/plan, the improvement of planning skills within the APAU and ministry through participation in this analytic and planning process, and other advisory assistance and improvements in the policy environment that would be the natural outgrowths of the work associated with the preparation of the national strategy. Phase two would be that period when the national strategy was reviewed, possibly modified, approved and funded at the national level. The third and final phase would be assisting the ministry as necessary in the implementation of the strategy while completing the institutionalization of the analytic and policy development capacity within the ministry and the continued improvement of the national policy and planning environment.

There had been three goals set for the first objective which were the drafting, approving, and implementing of a national strategy for the food and agricultural sector. Unfortunately, only the first of these was accomplished, as the Minister of Agriculture did not move the strategy forward for adoption and implementation.

The need for a medium-to-long-term national plan for the food and agriculture as well as associated policy development is as critical today in Georgia as it was when the Project's policy support activity commenced in mid-2005.

Economic Impact Analysis

The purpose of this section is to try to highlight some of the findings of this analysis as well as present methodology employed while assessing the impact of the project.

Cost of Project Interventions

AgVANTAGE was designed to make investments in private companies, cooperatives or farmer associations, to assist them in expanding, increasing or improving their operations, and thereby generating greater sales, producing higher incomes, creating more employment and deriving significant return rates.

AgVANTAGE selected 13 commodity groups for interventions:

- bay leaf
- early potatoes
- apples and stone fruit
- mandarins
- herbs/Greens
- vegetables
- hazelnuts and other nuts
- dairy and livestock
- processed foods
- small fruit
- wine
- other (MIS,HPAI, Policy Assistance)

Commodity-group-specific interventions were spearheaded by the grants program, in which individual entities received grants for production equipment, processing machinery, handling and packaging equipment, cooling or refrigeration equipment, planting materials, promotion and advertising, or other specific grants.

In addition to grants, the project provided each company or entity with direct support in the form of capacity building or training and technical assistance from a foreign expert or from a local technician. Project staff also provided assistance in project planning, business plan development, market identification or processing design.

However, much of the project's expenditures were made across the board for activities that benefit all of the commodity groups in one way or the other, but not specifically to any particular commodity.

Project activities such as market promotion, market information system, nonassigned technical assistance, administrative staff and overhead costs, policy analysis and the leasing activity, are project expenditures that are not commodity specific. These costs are then assigned to each commodity group by simply dividing by ten, the number of groups addressed by the project. Local staff costs are also treated as overall project costs and not commodity-specific costs.

Estimating Project Impact by Commodity Group

We decided to measure only those project benefits that accrued to the individual firms or entities that received direct assistance. Therefore, commodity group profiles have been developed that identify the individual companies or organizations receiving direct grants or technical assistance. Benefits to each firm are measured as increased gross sales, without deducting for costs. Since the costs are for inputs, in many cases labor, the income or revenue to the country is measured by the gross output.

Cost Benefit Analysis

Once the costs were assigned and the benefits estimated, it became possible to calculate cost/benefit ratio for each individual commodity group.

Table1 : Cost Benefit Analysis for Each Product/Sector/Activity in '000 USD

<i>Activities & Products</i>	LOP Economic Impact for Each Product/Activity Category			
	LOP Total Sales	LOP Jobs	Total Costs	S/C for LOP
Bay Leaf	\$1,555	188	\$1,335	1.2
Mandarins	\$8,832	132	\$2,695	3.3
Greens	\$11,589	565	\$3,517	3.3
Apples	\$594	113	\$1,689	0.4
Potatoes	\$121	30	\$1,320	0.1
Vegetables	\$127	30	\$557	0.2
Hazelnuts	\$10,765	414	\$1,850	5.8
Processing	\$154	85	\$1,223	0.1
Dairy	\$1,584	170	\$1,908	0.8
Small Fruit	\$293	66	\$1,327	0.2
Wine	\$1,940	7	\$1,606	1.2
Special Programs	\$190	87	\$4,487	0.0
Total	\$37,744	1887	\$23,514	1.6

The table shows that each commodity group performs quite differently. Although project costs are similar, herbs (known as greens in Georgia) and mandarins perform much better than do processed foods or small fruit. However, even these activities perform adequately, and merit further attention, well above the estimated cost of capital in Georgia.

However, each item of this commodity group was chosen for specific reasons. The processing industry collapsed after the fall of the Soviet Union, and the processing companies in Georgia, which were renowned throughout the Soviet Empire, mostly disappeared. Reviving or rehabilitating these firms or establishing new firms is a natural strategy for the country for two reasons. First, because of the Russian embargo, there will be ample fruit without a market that should be processed rather than discarded. Second, adding value to these raw materials, rather than selling them in crude form (i.e., unprocessed) is more beneficial to the country.

The other commodity groups all perform well. They represent large commodity and industry groups and should be promoted further. Especially due to the embargo, it will be necessary to find new and expanded markets in countries other than Russia in the near term, and opening up these markets will ensure that they are available for future developments.

Conclusions

It is not often that a benefit-cost calculation of this type is carried out on project interventions. When done properly, based on the incremental benefits generated by project stakeholders—the companies and entities in which the project is investing—it can be shown that returns on the project’s investments are significant and meet planned targets. However, in the individual crop and enterprise budget analyses, it was shown that each of the firms and entities also earn substantial profits for their enterprises.

Summary of Project Impact

Before moving to specific product/sector profile overviews, we believe it is important to demonstrate a summary of impact within the lifetime of the project. Major categories, where chosen to create basic understanding of implementation delivery. When reviewing this table one must remember that behind each of these numbers there is a feasible business creating income for the country and generating jobs (see Table 1).

Products	Pack Houses	Cold Storages	Plants	Nurseries	New Technologies	Dem o Fields	Green houses	Storage Facilities	Rehabilitate d Farms	HACCP /ISO
Bay Leaf	3		1			2				
Mandarins	2				1	1				
Greens	4	3			5	3	10			
Apples	2	2		2	7	4				
Potatoes					2	2		2		
Vegetables	3				2	4	1			
Hazelnuts										2
Small Fruits				2		7				
Processing			4		4					2
Dairy		4	4		3				6	2
Animal Feed			1		3					
Meat			1							1
Total	14	9	12	4	27	23	11	3	6	7

2. Industry Support Activities

2.1 FRESH CULINARY HERBS / OFF-SEASON VEGETABLES

Goal: To facilitate expansion of markets for Georgian fresh culinary herbs and off-season vegetables from the traditional Russian market to the European markets, thus increasing incomes from herb production for more than 5,000 farmers in the Imereti region of Georgia.

Industry Background

Since the beginning of the 20th century, the Imereti region in Georgia has traditionally specialized in off-season vegetable and herb production. The traditional key markets for Georgian culinary herbs were Russia, Ukraine and Belarus, with exports to these countries totalling \$25 million in sales annually. The Russian ban on Georgian agricultural products, however, negatively impacted Georgian producers and exporters of fresh culinary herbs.

Sector Objectives

1. Develop a cold storage strategy concept paper to enable the Georgian fresh culinary herb industry to enter and sustain linkages with off-season high-value export markets.
2. Minimize the impact of the Russian embargo by penetrating new, and expanding within existing, markets for Georgian fresh culinary herbs.
3. Facilitate specific trade deals with customers in Poland and establish linkages with supermarket chains in Ukraine.
4. Promote investment to establish in-country industrial greenhouse capacity for production.

Results

S.P. Guliko Machaladze

- Assisted S.P Guliko Machaladze in establishing cooling facilities in existing consolidation center.
- Trained local personnel in modern practices of post-harvest handling of fresh parsley and dill.
- Facilitated specific sales leads and trade deals in Ukraine and other CIS markets.

Herbia Ltd.

- Established a new packhouse/consolidation center with the cooling facility for Herbia Ltd. with projected output of 800 tons per year.
- Trained local personnel in modern practices of post-harvest handling of fresh parsley and dill.
- Introduced EurepGAP for Herbia Ltd.
- Facilitated introduction of new packaging materials to enable the company to increase shelf life of products to two to three weeks.
- Supported Herbia Ltd. in participation in a number of trade fairs/exhibitions in target markets.
- Facilitated specific trade deals in Ukraine, Poland and Baltic States.
- Worked with Herbia Ltd. to establish linkages with private investors as well as donor-funded projects.

- Leveraged financing of \$300,000 from the Millennium Challenge Account– Georgia/ADA program with \$420,000 attracted from private investors to establish a 3-hectare greenhouse in Tskaltubo region.

Georgian Fresh Herbs Ltd.

- Established a new packhouse/consolidation center with the cooling facility for Georgian Fresh Herbs Ltd. with projected output of 800 tons per annum.
- Trained local personnel in latest post-harvest handling techniques.
- Introduced EurepGAP for Georgian Fresh Herbs Ltd.
- Facilitated introduction of new packaging materials to increase shelf life of products to two to three weeks.
- Supported Georgian Fresh Herbs Ltd. in participation in number of trade fairs/exhibitions on target markets.
- Facilitation of specific trade deals in Ukraine, Poland and Baltic States.

Lessons Learned

1. Supply fragmentation within the sector makes it extremely difficult for Georgian consolidators and exporters to penetrate high-value segment in target markets due to significant price fluctuations locally.
2. Backwards integration of consolidators and exporters is one of the key elements to enable long-term industry sustainability.
3. Introduction of EurepGap standards within the industry is progressing slowly due to the very small average size of farms. An average farmer has a 1,000-square meter greenhouse.
4. To become competitive, the industry needs to place product diversification as the key next strategy. Currently only three types of herbs—dill, coriander and parsley—represent 80 percent of sales.
5. Investment promotion of this sector has to remain as a priority for any upcoming agricultural activities within the sector.
6. Polish and German markets are the most viable targets for export due to logistical proximity and available transport infrastructure. Specific export promotion action plans need to continue to create image of Georgia as producer of quality off-season vegetables in these markets.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$11,589,464
Jobs	565
Individuals trained	170
Beneficiaries	4586
Firms assisted	9
New varieties introduced	16
Grants disbursed	\$204,384

2.2 MANDARINS

Goal: To develop alternatives to the traditional Russian market and expand existing markets for the Georgian mandarin industry, thus increasing incomes for farmers in Georgia.

Industry Background

Georgia was traditionally one of the major suppliers of citrus for the Soviet Republics. Of all citrus, mandarins were the most-produced crop, and the Satsuma cultivar variety, which was introduced in the early 20th century, was the most popular. On average, Georgia produces about 60,000-120,000 tons of mandarins per year. Due to very poor orchard management practices and the age of currently available plantations, the share of low-grade fruits is very high, in some years reaching the point of 60 percent.

Sector Objectives

1. Introduce latest post-harvest handling techniques to enable Georgian consolidators and exporters to properly sort, pack and deliver product to target markets.
2. Facilitate entrance of the Georgian mandarin industry in general as well as specific lead industry players to the international markets.
3. Facilitate specific trade deals with customers in Poland, Baltic States, Romania and Germany.

Results

Mandarins of Georgia Ltd.

- Established packhouse/consolidation center facility using modern grading, sorting and packing technologies with annual output of 1,000-1,200 tons per season.
- Trained personnel of newly established center in grading, sorting and packing line operation techniques.
- Introduced new plastic packaging material for Mandarins of Georgia Ltd.
- Organized one-to-one meetings with major end-market players and helped industry stakeholders visit trade shows and industry fairs in potential markets such as Ukraine, Poland and Baltic States.
- Assisted Mandarins of Georgia Ltd. in entering higher end of Ukrainian mandarin market by facilitating linkages with major supermarket chains in Kiev, Odessa and other cities.

Buki Ltd.

- Renovated building for mandarin consolidation and rehabilitated old Russian sorting line enabling the company to process up to 500 tons of mandarins seasonally.

Lessons Learned

1. Supply fragmentation in this industry and “backyard farming” methods are resulting in low-quality product thus increasing the rate of low-grade product.
2. Georgian mandarins miss windows of opportunities in the target markets of Ukraine and Belorussia by hitting the market during oversupply, while Turkish producers receive high margins by entering the markets one month earlier.
3. Introduction of de-greening technology in the short-term and mandarin cultivars with early ripening in the long-term will increase opportunities for the Georgian mandarin industry in the target markets.
4. Lack of modern nurseries and/demonstration orchards for technology transfer constrain the process of introducing new varieties amongst producers.
5. Entering higher-end segments of the market in Ukraine and Belorussia must remain a priority for the Georgian mandarin industry. Georgian citrus must move from open air markets to dynamically developing supermarket chains provided they are properly sorted, packed and delivered.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$8,832,402
Jobs	132
Individuals trained	116
Beneficiaries	3363
Firms assisted	3
New varieties introduced	-
Grants disbursed	\$122,408

2.3 HAZELNUTS

Goal: To bring the Georgian hazelnut industry up to international standards for exports by introducing internationally recognized quality management and safety standards.

Industry Background

Georgia currently produces 4-6 percent of hazelnuts in the global supply. Traditionally, Georgia exported shell hazelnuts to Russia and Ukraine for the production of chocolate and other confectionary products. Significant investments have been made in the last 10 years to expand hazelnut plantations in Western Georgia. In addition to the expansion of the primary production base, solid private investment has been devoted to expanding of processing capacities. Due to poor orchard management practices and limited access to improved varieties, productivity in the hazelnut sector is low.

Sector Objectives

1. Expand current international markets and develop new market opportunities for both raw and processed hazelnut kernel.
2. Assist local producers, processors and exporters in improving production, processing and marketing of products with a higher per unit value and consistent quality.
3. Facilitate strategies in product diversification among processors to increase profit margins in export markets.
4. Introduce internationally recognized food quality and safety standards both at the primary production and processing levels of the industry.

Results

Hazelnut Company Ltd.

- Provided technical assistance in post-harvest handling, which resulted in higher-quality finished goods.
- Facilitated trade deals.
- Facilitated participation of the company in a number of international fairs and exhibitions, such as World Food Moscow, Exponut 2005 and 2006, Riga Food 2006, Anuga 2007, FI Europe 2007, Fancy Food Show NY 2007 and IFIA Japan 2008.
- Introduced ISO 22000:2005 standards.

Dioskuria Ltd.

- Provided technical assistance in post-harvest handling, which resulted in higher-quality finished products.
- Facilitated trade deals.

- Facilitated participation of the company in a number of international fairs and exhibitions, such as World Food Moscow, Exponut 2005 and 2006, Riga Food 2006, Anuga 2007, FI Europe 2007, Fancy Food Show NY 2007 and IFIA Japan 2008.
- Introduced HACCP system within the company resulting in penetration of more sophisticated and higher-value markets.

Hazelnut Association

- Organized study tour for Georgian hazelnut farmers and processors to Turkish Institute of Hazelnut Production & Processing Technology, where the participants visited two major hazelnut-growing provinces in Turkey.
- Introduced modern orchard management and processing technologies to representatives of hazelnut industry.

Lessons Learned

1. Limited progress in adoption of enhanced orchard management techniques among small farmers, who represent 75 percent of the industry, resulting in slow improvements in quality and productivity.
2. Overinvestment in processing facilities without supply market analysis has resulted in several brand facilities being nonoperational due to limited supply of raw materials.
3. Georgian hazelnut industry needs to continue to invest in product diversification and upgrading opportunities to get premium prices in international markets. Limited existence of nurseries and /demonstration orchards impedes the process of new variety introduction.
4. Increases in adoption of food safety standards both at the primary production level as well as at the processing level of the industry is required for dynamic industry growth.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$10,765,275
Jobs	414
Individuals trained	115
Beneficiaries	4892
Firms assisted	10
New varieties introduced	-
Grants disbursed	-

2.4 WINE

Goal: To promote the Georgian wine industry in the U.S. market through participation in the specialist wine fairs and trade shows. To facilitate linkages between Georgian wine companies and end-market buyers.

Industry Background

Wine has always been Georgia's most important agricultural and export product. Exports of Georgian wine amounted to 60 million bottles per year just before the Russian ban in 2006. The Russian ban on wine imports from Georgia resulted in an 89 percent loss in its export sales with a significant negative impact not only on the industry itself but also on the Georgian economy as a whole. Due to an exclusive orientation toward the Russian and former USSR

market, Georgian wine producers had limited access and almost no experience of sales in other wine markets with distinctly different wine consumption cultures such as Europe and the United States.

Sector Objectives

While focusing on the U.S. wine market, select and closely work with several lead wine producers to rapidly adapt their products and packaging to market specifications, thus increasing sales and market share for the Georgian wines to mitigate the devastating effect of the Russian embargo on the wine industry.

Results

1. Substantial growth of Georgian wine sales in the U.S. market was achieved, increasing from 113,939 bottles and \$457,623 in 2007 to 198,800 bottles and \$638,000 in first two quarters of 2009.
2. Several Georgian wines—Mildiani, Vinoterra, Teliani and TWC—are marketed in high-end retail chains, such as Whole Foods Market in the U.S., targeting not only the ethnic market but the general U.S. consumer for the first time.
3. Georgian wine sales expanded from only three states in the U.S. to states from the east to the west coasts.
4. Telavi Wine Cellar, Teliani Valley and Vinoterra wineries found new distributors as a result of exhibitions.
5. An increased number of promotional articles published in the U.S. media like *Food and Wine Magazine*, *Gourmet*, *Restaurant Business Magazine*, *Seattle Times*, etc.

Fancy Food Show 2007

Organized participation of six Georgian wine companies—Teliani Valley, Telavi Wine Cellar, Badagoni, Vinoterra, Tiflisis Marani, Kindzmaraulis Marani—in Fancy Food Show in New York. This was the first step in approaching the U.S. market in a systematic way. As a result, a number of articles were published in U.S. media outlets on Georgian winemakers, thus increasing the information flow to potential buyers.

Wine Buyers & Media Tour - 2007

Funded and organized the visit of a delegation of wine buyers and journalists from the U.S. to Georgian wineries to promote Georgian wine and hospitality through the U.S. press. As a result of this trip, buyers have agreed to aggressively market Georgian wines beginning with sales of some selected wines through the Northwest Whole Foods operations. AgVANTAGE has assisted wineries in improving their packaging for the selected wines based on feedback from American importers.

Chicago Wine Event - 2008

Following the first early success with establishing market linkages with the Whole Foods Market chain, AgVANTAGE organized participation of Georgian wineries in the specialized wine fair International Wine, Spirits and Beer Event at the NRA show to help them find new customers and increase sales.

Discover Georgian Wines - 2008

In cooperation with the Ministry of Agriculture, the program launched a promotional campaign called “Discover Georgian Wines in the USA,” which included several events for professional audiences, such as importers, distributors and media in Seattle and New York.

Shanghai Wine Fair 2009

In collaboration with the Ministry of Agriculture, AgVANTAGE organized the participation of leading Georgian wine companies at the Shanghai International Wine and Spirits Fair to explore new opportunities for Georgian wines in Asia with the focus on China, where imported wines showed a good uptrend demand and customers were familiar with some Georgian varieties.

Lessons Learned

1. Sustained market growth requires continued participation in promotional events and trade fairs to promote Georgian wine products.
2. There is limited demand for commercially produced wine in-country. Local demand is almost only for homemade wine, which limits the domestic market and skews the price of products.
3. Hard-to-pronounce appellations and nonstandard labeling are constraints for marketing of Georgian wines.
4. Lack of proper marketing and merchandising experience impedes Georgian wineries in the global markets.
5. Recent experience shows that there are significant opportunities for Georgian wine in the U.S., but the wine industry needs to continually sustain quality and packaging standards and further deepen cooperation and coordination among different value chain players in the industry to find a niche in this competitive market.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$1,940,561
Jobs	-
Individuals trained	20
Beneficiaries	667
Firms assisted	11
New varieties introduced	-
Grants disbursed	-

2.5 APPLES

Goal: To increase productivity of the Georgian fruit growing sector with a focus on cold storage post-harvest handling techniques, thus enabling Georgian exporters to increase their profit margins during off-season period.

Industry Background

Fruit growing is one of the traditional sectors in Georgia. The Shida Kartli region is the leader in the field of apple and stone fruit production with annual production of 60,000 to 140,000 tons (mainly apples). The apple industry traditionally focused on the former Soviet market, mainly Russia, Ukraine and Belorussia. Due to an overall shortage of fresh fruit crops in the Soviet Union, the Shida Kartli region mainly marketed fresh fruits with limited value-added fruit products. Limited cold storage capacities existed in the region to support off-season sales. In recent years, the Russian embargo seriously damaged the position of the Georgian apple industry in the traditional fresh apple markets of the former Soviet Union, forcing Georgian producers to focus on limited regional markets such as Ukraine, Armenia, etc. Significant investments during recent years have been made by private sector players for apple juice concentrate production.

Sector Objectives

1. Build cold storage capacity of the Georgian apple industry to enable targeting end-markets during extended harvesting periods and gaining access to higher margins in the off-season periods.
2. Respond to the needs of Georgian apple, peach and nectarine growers by establishing modern nursery facilities enabling increases in productivity levels.
3. Facilitate specific trade deals with customers in Ukraine and other CIS countries.

Results

Breti Ltd.

- Assisted Breti Ltd. in rehabilitation and expansion of damaged fruit consolidation and cold storage facility with the capacity of 300 tons.
- Facilitated specific sales leads and trade deals in Ukraine and other CIS markets.

IE Nino Beridze (formerly known as Variani Ltd.)

- Assisted IE Nino Beridze in rehabilitation and expansion of seriously damaged fruit consolidation and cold storage facility with the capacity of 600 tons.
- Facilitated specific sales leads and trade deals in Ukraine and other CIS markets.

Gori Fruit Growers Association

- Established a modern demonstration orchard and nursery in the village of Bebnisi, in the Kareli region, which can produce up to 35,000 trees annually for the farmers in Shida Kartli region.
- Introduced a number of new technologies and fruit varieties.
- Provided long-term technical assistance to the agronomists of Gori Fruit Growers Association to ensure the sustainability of a demonstration orchard and nursery.
- Conducted a series of training programs for the farmers in Shida Kartli region on modern orchard management practices.

Lessons Learned

1. Establishment of greater cold storage capacity within the region will enable farmers to command higher prices during the off-season period, thus significant efforts must be made to promote this investment opportunity.
2. Early successes in the introduction of new higher-yield apple varieties must continue and several other demonstration orchards should be established to generate wider transfer of new technologies.
3. The government of Georgia should initiate the planting material certification process to eliminate low-quality planting material currently widely available on the market.
4. Establishment of a fruit extension center in the region is of vital importance in terms of technology and knowledge support of local farmers.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$593,863
Jobs	113
Individuals trained	196
Beneficiaries	2599
Firms assisted	5
New varieties introduced	23
Grants disbursed	\$168,681

2.6 DAIRY

Goal: To establish successful models of dairy operations in several regions of the country, as models for other potential investors willing to invest in this sector of economy.

Industry Background

Dairy products constitute a considerable part of the typical Georgian diet. Since the end of the communist regime and the subsequent collapse of organized farms, nearly all Georgian dairy processing firms produce products using imported powder milk. The number of dairy cattle has increased from 0.75 million heads in 1994 to 1.6 million heads in 2007 tripling the amount of milk produced by smallholders. The fragmented smallholder base of livestock owners makes it difficult for processors to establish supply linkages in the dairy value chain.

Sector Objectives

1. Increase incomes for smallholder farmers involved in dairy farming by creating sufficient milk collection infrastructure and processing capacities in rural areas.
2. Implement Food Safety and Quality management practices within medium-sized dairy processing companies.

Results

Cooperative Orlovka & Spasovka Ltd. (Ninotsminda Region)

- Designed building and technology flow charts for a small processing plant.

- Procured modern milk processing line for production of several varieties of cheese.
- Supervised renovation works done by beneficiary companies based on the designs.
- Procured and installed dairy processing machinery by Ukrainian specialists and test production process conducted with local specialists.
- Trained local personnel in modern dairy processing technologies and GMP basics.
- Introduced several new packaged varieties of cheese successfully launched on the local market.

Rehabilitation of six dairy farms in Ninotsminda and Akhalkalaki regions

- Assisted six dairy farms in bringing their facilities up to acceptable hygiene level, ensuring production of good quality raw milk.
- Procured chilling tanks, milking machines and manure transporters for dairy farms.
- Provided technical advisory services and training programs on proper feeding and breeding technologies to local farmers.

GeoLacte Ltd.

- Constructed four milk collection centers in Zestaphoni and Terjola districts, Imereti region allowing more than 600 households to market produced raw milk.
- Rehabilitated a dairy factory in compliance with the GMP standards.
- Procured and installed modern production lines for cheese production.
- Trained local staff in production techniques in latest cheese production practices.
- Facilitate linkages between GeoLacte Ltd. and private investors.

AgroInvest Ltd.

- Rehabilitated a dairy factory in compliance with the GMP standards.
- Procured and installed modern line for cheese production.
- Trained local staff in production techniques in latest cheese production practices
- Facilitate linkages between AgroInvest Ltd. and private investors.

Lessons Learned

1. Prices on cheese products in the local market are fluctuating significantly during the year, thus industrial sales of cheese during spring and summer periods return low margins. Off-season sales of cheese must be selected as a window of opportunity for cheese producers.
2. Significant funds are required for operational capital when designing any dairy activities. In most of the cases, this factor may be a serious barrier for project success.
3. Designing project facilities properly in compliance with GMP and HACCP standards must be done in light of upcoming food safety law enforcement.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$1,547,100
Jobs	170
Individuals trained	367
Beneficiaries	1834
Firms assisted	13
New varieties introduced	-
Grants disbursed	\$584,321

2.7 ANIMAL FEED

Goal: To contribute to the overall country strategy of import substitution by creating sufficient production capacities.

Industry Background

Before 1990 the Georgian animal feed industry supplied Armenia and Azerbaijan. With civil unrest in the country followed by independence, most of the feed milling facilities were seriously damaged, leaving the country without a sufficient supply of animal feed. In recent years, all feed was imported either from Turkey or from Ukraine. Big industrial poultry farms, consuming large quantities of feed, were the early leaders to integrate backwards to feed milling operations.

Sector Objectives

1. Create the first modern medium-size feed milling operation in Ajara Region and give small and medium farmers involved in cattle raising access to quality feed.
2. Improve farmer incomes in the Ajara Region through improved productivity of cattle.

Results

Karchkhali Ltd.

- Constructed new building of the feed mill in Erge village, in the Khelvachauri region.
- Modern production line procured from Azerbaijan and installed in company premises using Azeri specialists.
- Several on-the-job trainings conducted for the technical personnel of the company on modern feed milling practices.
- Functional feed milling facility available in Ajara Region and capable to produce up to 12,000 tons of animal feed annually.

Lessons Learned

1. Significant funds must be considered for operational capital when designing any dairy activity. In most of the cases this factor may be a serious barrier for project success.
2. Prices for major components of animal feed due to economic crises went extremely low in Ukraine, thus putting local producers of corn, wheat, sunflowers in a difficult position.
3. Most of the animal feed produced in the country is made from imported components because local cereal producers cannot compete with large-scale Ukrainian producers.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	200,000
Jobs	30
Individuals trained	10
Beneficiaries	1
Firms assisted	1
New varieties introduced	-
Grants disbursed	\$76,790

2.8 MEAT AND SLAUGHTER INFRASTRUCTURE

Goal: To showcase implementation of adopted but not yet enforced food safety law by creating a feasible model of slaughtering operations.

Industry Background

Meat production in Georgia was based on the industrial farming system during the Soviet period integrated with big industrial slaughtering and refrigeration facilities. Since industrial farming operations were completely looted during the period of unrest following Georgia's independence, meat production shifted from organized farms to household operations. The country was left without proper slaughtering capacity, making meat an unsafe product. Today most of the cattle are slaughtered at the farm or household level without elementary hygiene conditions and veterinary control.

Sector Objectives

1. Create a successful model for slaughtering operations in Eastern Georgia that can be replicable countrywide.

Results

Georgian Meat Products Ltd.

1. Renovated the slaughtering facility in Karajala village, Telavi district in compliance with all food safety standards.
2. Procured a medium-sized slaughtering line from Ukraine capable of slaughtering 30 to 40 heads/day.
3. Installed line in the premises of the company under the supervision of manufacturer company specialists.
4. Trained staff of the slaughtering facility on modern practices of cattle slaughtering and veterinary and biosecurity measures to be undertaken.
5. Constructed water and waste treatment facility integrated with slaughtering operations to ensure safe disposal of accumulated wastewater.

Lessons Learned

1. Creation of similar slaughtering facilities around the country must be considered a priority for any other upcoming USAID-funded initiatives to ensure proper capacity exists and the Food Safety Law is enforced.
2. When designing any similar activity, it is important to integrate water and waste treatment facilities into slaughtering operations.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	50,000
Jobs	50
Individuals trained	10
Beneficiaries	1
Firms assisted	2
New varieties introduced	-
Grants disbursed	\$205,170

2.9 BAY LEAF

Goal: To enable the Georgian bay leaf sector to diversify its markets, thus ensuring increased income for at least 15,000 bay leaf cultivation and collection producers in the Samegrelo region of Georgia.

Industry Background

Georgia traditionally was the only supplier of bay leaf in the former USSR, mainly serving the Russian, Ukrainian, Kazakhstan and Belorussian markets with exports reaching 10,000 tons/year. Georgian bay leaves are grown by smallholders who keep approximately 10-20 trees in their backyards. Due to very poor bay leaf production practices and a lack of nurseries capable of supplying farmers with quality planting material for the past decade, the Georgian bay leaf industry occupied the lowest-quality end of the market in traditional and new export markets.

Sector Objectives

1. Facilitate entrance of Georgian bay leaf producers in alternative high-value markets.
2. Improve post-harvest handling practices among major consolidators of bay leaf producers enabling them to receive higher profit from export markets.

Results

Eterzeti Ltd.

- Assisted Eterzeti Ltd. in rehabilitation and expansion of existing bay leaf processing (laurel oil) line and production facility.
- Established the first modern bay leaf consolidation center and pack-house in cooperation with Eterzeti Ltd.
- Assisted Eterzeti Ltd. in rehabilitation of bay leaf drying shed.
- Assisted Eterzeti Ltd. in proper planning and organization of bay leaf plantation.
- Facilitated specific sales leads and trade deals both in bay leaf laurel oil as well as dried bay leaf by organizing visits of the company to number of exhibitions in Poland, Germany, UK and Latvia.
- Prepared business plan and investment profile for Eterzeti Ltd. for financial institutions as well as donor-funded projects.

JSC Kemulariebi

- Assisted JSC Kemulariebi in rehabilitation and expansion of existing semi-destroyed consolidation center facility in Khobi district of Samegrelo region.
- Facilitated specific sales leads and trade deals for dried bay leaf, by organizing visits of the company to exhibitions in Poland, Germany, UK and Latvia.

Aroma Co. Ltd.

- Assisted Aroma Co. Ltd in expanding existing bay leaf plantation from 20 to 100 hectares.
- Developed new branding and packaging strategy for Aroma Co. Ltd. for entering the European market.
- Modernized existing pack-house facilities of the company.

Lessons Learned

1. Methodology of bay leaf production in Georgia is extremely outdated resulting in very low quality leaves available during the period of harvest.
2. Although improvements have been done in terms of post-harvest facilities, still major problem remains at the production level.
3. Major challenge to maintain and develop this industry lies in transforming bay leaf growing from “back yards” to commercial farming which will allow Georgia to produce higher value product.
4. Significant efforts need to be pursued to raise awareness of farmers on modern bay leaf production technologies.
5. Lack of extension services prevents knowledge transfer, which is imperative for ensuring industry sustainability.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$1,555,213
Jobs	188
Individuals trained	-
Beneficiaries	3669
Firms assisted	4
New varieties introduced	-
Grants disbursed	\$120,464

2.10 PROCESSED FOOD & VEGETABLES

Goal: To improve the country’s processing capacity and provide a market outlet for farmers with low-grade fruit and vegetables currently widely available in Georgia.

Industry Background

The Georgian processing capacity for fruits and vegetables during the pre-independence period consisted of 40 canning plants operating throughout the country and producing 25 million cans per year. During the period of unrest, most of the canning capacity in Georgia was damaged or sold to neighboring countries such as Iran, Armenia and Azerbaijan, leaving Georgia with limited capacities in this field. Currently only seven canning units are operating throughout the country with very low capacity utilization rates, mainly focusing on local market and some limited traditional markets like Ukraine and Belarus.

Sector Objectives

1. Build the capacity of medium-scale canning firms and demonstrate opportunities related to this sector to business communities locally and abroad.
2. Identify potential high-value products having future potential in traditional and new export markets.
3. Identify local market opportunities and assist companies in pursuing these opportunities.

Results

Vagi Ltd.

- Assisted Vagi Ltd. in rehabilitation and expansion of existing canning plant in Chokhatauri Region.
- Installed modern processing line to produce tropical fruit jams (kiwi, feijoa, etc.)
- Facilitated specific sales leads and trade deals by organizing visits of the company to a number of exhibitions mainly in former Soviet Union markets.
- Prepared a grant application and investment profile for Vagi Ltd. for financial institutions as well as donor-funded projects.
- Facilitated leveraging of additional financing of \$150,000 from MCG/ADA program.

Agati Ltd.

- Assisted Agati Ltd. in rehabilitation and expansion of existing small-scale canning facility in Zugdidi region.
- Installed modern packaging line for tropical fruit (kiwi, feijoa etc.) and traditional types of sauces.
- Facilitated specific sales leads and trade deals in local market as well as in Ukrainian market.

Lessons Learned

1. The greatest promise in developing the Georgian fruit and vegetable processing sector lies in penetrating the export markets.
2. Exploring export markets, especially in the field of processed food, must be followed by enforcement of the country's Food Safety Law and implementation of quality and food safety standards.
3. Significant opportunities in terms of import substitution exist, however local processors are hampered by difficulties in the supply chain and quality of raw materials.
4. Georgian producers and processors need to focus on niche products in this area because supply fragmentation makes it difficult to reach sufficient economies of scale in commodities.

Program Impact

Program Impact	LOP (2002-2009)
Sales in USD	\$153,966
Jobs	85
Individuals trained	332
Beneficiaries	3822
Firms assisted	7
New varieties introduced	-
Grants disbursed	\$96,112

2.11 BERRY CROPS

Goal: To introduce high-value berry crops as alternative cash crops for farmers in the abandoned tea lands in western Georgia.

Industry Background

The Georgian berry industry was based on collection of wild berries throughout the country. High school students were involved in the collection and consolidation process. Approximately 500 tons of wild berries were collected annually and used for processing purposes, mainly in jams and concentrated juices. Berry production was not established at a commercial level, thus there was limited sector infrastructure available to commercialize production.

Sector Objectives

1. Conduct market analysis to identify potential opportunities for berry crop farming in Georgia.
2. Build knowledge base for small fruits production industry.
3. Establish modern nurseries capable of providing quality planting material to interested farmers in the regions.
4. Support establishment of Georgian Small Fruit Growers Association and create solid management capacity within the association to supporting needs and provide services to member farmers.

Results

Berry Demonstrational Orchard/Nursery (Kaspi)

- Supported establishment of the first ever 2-hectare demonstration berry orchard nursery in the Kaspi region.
- Trained staff and agronomists involved in the development of the demonstration plot.
- Installed drip irrigation system on demonstration nursery.
- Integrated pest management system introduced on the experimental plot.

Berry Demonstrational Orchard/Nursery (Imereti Region)

- Supported establishment of the first 2-hectare demonstration berry orchard nursery in the Imereti region.
- Increased technical capacity of staff and agronomists involved in the development of the demonstration plot.
- Installed drip irrigation system on the demonstration nursery.
- Integrated pest management system introduced on the experimental plot.

Georgian Small Fruits Growers Association

- Supported foundation of Georgian Small Fruits Growers Association to become sufficient provider of services and planting material to member farmers.
- Developed small fruits production manual for smallholder farmers.
- Organized the first small fruits conference in Georgia to bring together small fruit growers and interested investors and facilitate market information exchange and establish market linkages.

Lessons Learned

1. The government of Georgia needs to initiate cleaning of abandoned tea lands and create the environment for promotion of small fruits production as alternative crops.
2. Small fruit production may radically change and help diversify incomes for smallholder farmers because it yields very high margins, whereas it is harder for commodities to compete with imported products.

Program Impact

Program Impact/Results	LOP (2002-2009)
Sales in USD	\$292,807
Jobs	66
Individuals trained	206
Beneficiaries	214
Firms assisted	10
New varieties introduced	72
Grants disbursed	\$156,790

3. MARKETING AND PROMOTIONAL ACTIVITIES

In light of the restrictions imposed by Russia on Georgian agricultural products, Georgian producers and exporters of industrially available products face a major problem in finding and developing alternative markets.

To address this situation, AgVANTAGE provided increased marketing and promotional support, at both an industry and enterprise level, in key product sectors:

- citrus (mainly mandarin)
- fresh herbs (dill, parsley, coriander)
- bay leaf (dry and bay laurel oil)
- hazelnut (raw and processed)
- wine
- etc. (please see industry-related activities)

Criteria for product selection included availability of supply, market demand, significance to the agricultural sector and the national economy, and potential competitiveness in international markets. The following markets were targeted for the promotional program:

- Ukraine
- Baltic states
- Poland
- Romania
- Germany
- United States
- China

3.1 INDUSTRY-LEVEL MARKETING AND PROMOTIONAL ACTIVITIES

In order to create awareness of the selected Georgian agricultural industry sectors, both as a whole and at a product-specific level, AgVANTAGE identified leading publications in countries that are strategically important for Georgian products and supported the publication of articles to help importers, buyers and consumers learn about Georgian products.

In addition, AgVANTAGE prepared and printed approximately 2,000 copies of promotional brochures describing the six main product sectors and at least three leading companies from each of the sectors. These brochures were distributed at fairs and exhibitions mainly in Eastern European countries (see: Annex X: List of Fairs/Exhibitions organized).

In July 2006, AgVANTAGE launched the first Georgian agriculture industry web portal providing reliable and updated information to interested international importers concerning each of the industries, as well as those specific Georgian companies offering exportable products.

With the publications and web portal, Georgian agriculture has effective tools for raising awareness internationally.

3.2 STAKEHOLDER-SPECIFIC MARKETING AND PROMOTIONAL ACTIVITIES

Promotional Material Development

The promotional brochures developed by the program contained brief information on AgVANTAGE stakeholders, as key players in the selected sectors. These brochures were distributed at the international fairs and exhibitions and served as a useful tool for disseminating company-specific information.

Fairs/Exhibitions

AgVANTAGE also supported stakeholders' participation in key international fairs and exhibits in targeted countries. This intervention gave them an opportunity to present product samples and promotional materials to potential buyers. In addition, the program worked with the Ministry of Agriculture to help secure space at these exhibits and facilitated meetings with potential international buyers for participating Georgian stakeholders.

4. SAMTSKHE-JAVAKHETI PROGRAM

4.1 PROGRAM BACKGROUND

In 2005 USAID asked the AgVANTAGE team to design a program of assistance to agribusinesses in the Samtskhe-Javakheti region of Georgia. The team studied several agricultural sectors in the region and designed and implemented the following activities during the 2005-2007 period.

4.2 DAIRY PROCESSING SECTOR

The dairy sector is one of the major potential industries in the Samtskhe-Javakheti region. To ensure the highest possible return on the assistance interventions, an integrated approach that began with feed production and ended with marketing of dairy products was implemented in this value chain. The AgVANTAGE team implemented the following activities (*for further details see Dairy Industry Profile above*):

- Support of fodder production. Assistance included provision of quality seed material and other input supplies for alfalfa, esparcet and other forage crops production supported by the technical assistance to beneficiary farmers in efficient production and harvesting techniques.
- Improving capacities and sanitary/food safety standards of dairy farms. Assistance included provision of basic machinery (milking machines, manure transporters) as well as technical assistance in improving operational efficiencies and quality control.
- Improving milk collection capacities. Assistance to dairy farmers and dairy processors resulted in creating six milk collection facilities throughout Akhalkalaki and Ninotsminda districts.
- Improving dairy processing practices. Assistance included establishment of two modern cheese plants supported with technical assistance in proper pasteurization, separation, cheese maturation and packaging equipment and practices.

4.3 POTATO PRODUCTION SECTOR

The Samtskhe-Javakheti region is the main potato-growing area in Georgia and produces about 50 percent of Georgia's potatoes, with an annual total volume of production in excess of 200,000 tons (2007). Approximately 50 percent of the production comes from the Akhalkalaki and Ninotsminda districts where 80 percent of farmers are engaged in potato production. The potatoes are late season varieties and are mainly grown for internal consumption in Georgia. The following interventions were undertaken by the project:

- Seed potato production. The region's climatic conditions are very suitable for seed potato production. As the first step, high-quality (elite or super elite) seed material was imported and technical assistance was provided in efficient organization of a seed potato production base.
- Assistance to potato farmers. Association and cooperative development activities were conducted in the Samtskhe-Javakheti region. Two potato growers' cooperatives were formed and supported by the project.
- Improvement of warehousing facilities. A very important component of the potato production value chain is the ability to store the product in proper condition for extended periods of time to take advantage of market opportunities off-season. AgVANTAGE renovated two potato storage facilities in Akhalkalaki and Ninotsminda regions.

5. FOOD SAFETY AND QUALITY MANAGEMENT

The AgVANTAGE project used the market-driven approach to implementing food safety and quality management activities. The team focused on three steps to project implementation:

- company-level assistance (provision of consulting and training services to local companies)
- increasing awareness of food standards among lead firms
- building local business development service (BDS) capacity by increasing knowledge and awareness of AgVANTAGE's Food Safety and Quality Management Team, which has become a legacy ACDI/VOCA BDS provider.

5.1 COMPANY-LEVEL ASSISTANCE

Over the life of the project, the AgVANTAGE team implemented the following standards training:

- introduction of Food Safety Management System in accordance with ISO 22000:2005
- introduction of Quality Management Systems in accordance with ISO 9001:2000
- introduction of Integrated Management System in accordance with ISO 22000:2005 and ISO 9001:2000
- introduction of Good Agricultural Practices in accordance with EurepGAP standards.

Below are examples of consulting services that were delivered to local food-processing companies:

EcoFood Ltd.- Leading Dairy Company

- Introduced Food Safety Management System in accordance with HACCP.
- Conducted on-the-job and in-class training sessions for staff responsible for the maintenance and everyday operations of the system.
- Certified company by third-party certification body.

Ioli Ltd.-Leading Meat Processing Company

- Introduced Food Safety Management System in accordance with ISO 22000:2005.
- Conducted on-the-job and in-class training sessions for staff responsible for the maintenance and everyday operations of the system.
- Certified company by third-party certification body.

Hazelnut Cultivation and Processing Company Ltd.

- Introduced Food Safety Management System in accordance with ISO 22000:2005.
- Conducted on-the-job and in-class training sessions for staff responsible for the maintenance and everyday operations of the system.
- Certified company by third-party certification body.

Nakoru Ltd., - Dairy Company Located in Senaki.

- Introduced Food Safety Management System in accordance with ISO 22000:2005.
- Conducted on-the-job and in-class training sessions for the staff responsible for maintenance and everyday operations of the system.
- Certified company by third-party certification body.

5.2 FOOD STANDARDS AWARENESS BUILDING AMONGST GEORGIAN FOOD PROCESSING COMPANIES

AgVANTAGE delivered training sessions to various interested groups of farmers, processors and other food supply chain representatives. These training courses motivated companies to start the implementation process, and gave them the possibility to evaluate their current status and support the implementation process.

Illustrative results include the following:

- Conducted training program on Food Safety Management System in accordance with ISO 22000:2005.
- Conducted training program on Quality Management System in accordance with ISO 9001:2000.
- Conducted training program on Good Manufacturing Practices (GMP) prerequisite programs and sanitation.
- Conducted training program on Hazard Analysis and Critical Control Points (HACCP).
- Conducted training program on Good Agricultural Practices in accordance with EurepGAP.
- Conducted training program on Customer Care.
- Conducted 20 awareness seminars on the above-mentioned topics for various interested groups.
- Conducted one extensive training on Prerequisite Programs and Basic HACCP.
- Conducted two training sessions on “Implementing and Auditing ISO 22000:2005.”
- Conducted one training session on “Internal auditing of ISO 9001:2000.”
- Conducted five sessions on Customer Care for retail sector.

5.3 LOCAL BUSINESS DEVELOPMENT SERVICES (BDS) CAPACITY BUILDING ACTIVITIES

AgVANTAGE has identified a lack of private sector BDS providers in international food safety training and certification as a key constraint for Georgian processors. The AgVANTAGE Food Safety and Quality Management Team decided to remain as a sustainable resource for the industry after the completion of the project and organized themselves to be a legacy consulting organization, focusing on increasing food safety services previously not available in the country. The following training programs were provided to AgVANTAGE staff:

- ISO 9001:2000 Lead Auditor Course
- International Food Safety Course
- EurepGAP Train-the-Trainer
- BRC Global Standard (third-part auditor training)

As a result to these efforts currently a private consulting company established by AgVANTAGE employees is successfully delivering Food Quality & Food Safety consulting services to Georgian growers, processors and consolidators, and exporters.

6. MARKET INFORMATION SYSTEM (MIS)

6.1 AGVANTAGE MIS STRATEGY

Between May 2006 and October 2007, AgVANTAGE designed its MIS system to implement a practical and effective system to allow access to market information up and down the market chains. The team designed this system to provide timely information to all participants – farmers, wholesalers, exporters, retailers and processors – operating in the market chain. The system provided access to basic timely market information, such as prices in the domestic and export markets, as well as information that supported effective decision making by participants in the market chain. The system included basic reports, such as weekly or biweekly market prices and news bulletins.

6.2 IMPLEMENTATION

AgVANTAGE started implementing the MIS system in late 2006. The system became fully functional by mid 2007. The initial design of the system was maintained throughout the implementation process. It included several products as means to disseminate information:

- ❑ AgroInfo Magazine, distributed monthly
- ❑ AgroMarket Bulletin, distributed bi-weekly
- ❑ website www.agroinfo.ge

As a result of the introduction of a proper Market Information System, the number of sales transactions between Georgian input suppliers and farmers/agribusinesses as well as between Georgian product suppliers and export market buyers increased significantly.

6.3 SYSTEM SUSTAINABILITY

Based on a comprehensive analysis of potential beneficiaries and a series of consultations with USAID, other interested donors/contractors, and GOG officials, the Georgian Institute of Public Administration (GIPA) was selected to institutionalize AgVANTAGE's established Market Information System (MIS).

AgVANTAGE made available \$30,000 to MIS transfer process through its grants facility, with the condition that GIPA present a comprehensive restructuring plan of the MIS system ensuring partial sustainability of the system by the end of 2010. The major purpose of the described activity was to continue disseminating agricultural production/extension material and market-related information.

GIPA conducted a comprehensive analysis of the existing MIS system and submitted an evaluation of the potential for system sustainability including detailed financial analysis to USAID. At this point it is USAID mission call to continue MIS implementation with GIPA and/or include Market Information System within upcoming/anticipated agricultural initiative.

7. AVIAN INFLUENZA (HPAI) PREPAREDNESS AND RESPONSE PROGRAM

7.1 BACKGROUND

The threat of an influenza viral pandemic gripped the world in 2005-2006 with the unexpected and rapid spread of highly pathogenic avian influenza (HPAI) or H5N1 HPAI. This virus, which is known to infect animals such as wild birds, poultry, and pigs along with humans, was confined to Southeast and East Asia as late as September 2005. It has resulted in human deaths, as well as the deaths or slaughter of hundreds of millions of poultry in the affected regions, causing economic devastation.

7.2 HPAI SITUATION IN GEORGIA

While a case of infected wild birds was confirmed in Western Georgia in 2006, there were no confirmed cases of HPAI infections among the industrial or free-range poultry stocks. However, since the occurrence of HPAI in the region (outbreaks in Turkey in October, December 2005 and January 2006, and an outbreak in Azerbaijan in February and March 2006) the Georgian population drastically reduced its consumption of poultry and eggs and the country's poultry industry lost more than 90 percent of its sales. The devastation of the industry was obvious, and there was an immediate need for a program to address the HPAI outbreak preparedness of the industry and the government. The USAID Mission asked AgVANTAGE to design and implement an HPAI response program.

7.3 IMPLEMENTED INTERVENTIONS

The focus of the program presented below was to minimize further damage to the industry, prepare the government for a potential outbreak in the industry, accurately inform the public of the risks associated with HPAI and improve consumer confidence in commercially produced Georgian poultry products.

The program was divided into two distinct activities:

Political/Policy Environment – Facilitate the development of the animal health component of the GoG National HPAI Preparedness and Response Plan in cooperation with the GoG, the commercial poultry industry and donor organizations. Make specific recommendations and provide necessary technical support and training to make this plan operational.

Public Outreach and Education – Develop national outreach and education programs for poultry farmers and the general population of Georgia.

A. Political/Policy Environment

The following actions were undertaken:

1. Reviewed risk assessment and management strategies with appropriate government agencies, poultry industry groups, and other donor organizations to develop appropriate regulatory reform and enforcement mechanisms.

2. Provided technical assistance to evaluate and improve bioexclusion procedures in backyard poultry and commercial poultry to prevent the initial introduction and subsequent spread of HPAI into domestic poultry and between the various poultry production sectors (backyard, small and medium commercial enterprises, and large commercial enterprises).
3. Assisted the government, industry, and other donor organizations in developing appropriate and effective active surveillance strategies for rapidly detecting an incursion of HPAI in domestic poultry in Georgia.

Results:

1. Developed operational GoG National HPAI Preparedness and Response Plan.
2. Successfully completed outbreak simulation exercises in regional response centers.
3. Successfully implemented active surveillance program for HPAI.
4. Delivered to Food Safety, Veterinary and Plant Protection Service all required sufficient quantities of supplies including personal protection equipment, testing kits, disinfectant, etc.

B. Public Outreach and Education

Specific Actions Undertaken:

1. Reviewed existing public outreach networks, messages and educational materials.
2. Collaborated with governmental and nongovernmental organizations in developing and deploying effective public outreach and education efforts.
3. Developed public messages designed to reduce the risk of human exposure to infected domestic poultry including information on hygienic poultry husbandry, slaughter and dressing, and product handling and cooking practices.
4. Developed public messages designed to increase consumer confidence in commercially processed poultry products.
5. Provided communication messages for various target groups including general population, backyard farmers, industrial farms, etc., on effective biosecurity measures to be undertaken.

Results:

1. Developed public awareness materials including brochures, posters, DVDs, etc., and distributed them through the regional response units.
2. Conducted several seminars for the veterinarians of industrial poultry operations on modern biosecurity measures.
3. Selected two medium-sized poultry farms and serious biosecurity program implemented as a case study for the rest of the industry.

8. Agricultural Policy

8.1 BACKGROUND

USAID began providing policy-related support to the Ministry of Agriculture in 2001 through DAI's RAPA project (Restructuring Assistance and Policy Advice), which was to end June 30, 2005. In late 2004, Mikhail Svimonshvili was appointed minister of agriculture. During the early part of 2005, the new minister indicated that he wished to see USAID-supported policy assistance continue beyond the end of the RAPA project. Given his own private sector background, he expressed a desire that whoever headed the policy support effort should have some degree of business experience, ideally in the actual management of food and agricultural operations. Additionally, he wished policy work to have a pragmatic, private sector perspective whenever possible.

A series of meetings were held between the Minister, USAID and ACDI/VOCA during the spring and early summer of 2005. Based on these meetings and the submission of technical and budget proposals to USAID by ACDI/VOCA, a contract was approved whereby ACDI/VOCA, through its AgVANTAGE project, would provide policy assistance under the respective contract. DAI received a subcontract from ACDI/VOCA to locate and provide foreign STTAs required by the project.

In order to provide this policy assistance (as well as anticipated policy training), a new entity within AgVANTAGE was created, the Agricultural Policy Analysis Unit (APAU). This unit was physically located in the Ministry of Agriculture as had been its predecessor project. David Land, with over a decade in international agricultural development work and a decade of experience in managing agribusiness and other private sector companies, was selected to lead this new AgVANTAGE initiative as senior policy advisor and manager of the APAU.

Objectives and Phasing

There were four objectives of the advisory assistance program:

- (a) Assist in the development of a medium-to-long-term national policy or strategy that would promote the growth and development of Georgia's food and agriculture sector.
- (b) Build and institutionalize the ministry's analytic and policy capacity.
- (c) Help create an environment within the ministry, the private food and agricultural sector, and the highest levels of government where sound policy analysis and development are considered the norm, desirable and the basis for the funding and staffing of governmental initiatives and services.
- (d) Provide the minister with advisory assistance support in implementing the policies and programs of the national agricultural strategy that was ultimately adopted as well as advisory assistance on other issues and needs that from time to time would arise.

The work was to be conducted in three phases. Phase One was to prepare a draft national food and agricultural policy/plan, to improve planning skills within the APAU and ministry through participation in this analytic and planning process, and to provide other advisory assistance and improvements in the policy environment. During Phase Two, the national strategy would be reviewed, possibly modified, approved and funded at the national level. Additional training of APAU and ministry staff was also planned for this period. During the third and final phase, the ministry would receive assistance in the implementation of the strategy and would continue improving the national policy and planning environment.

8.2 STRATEGIC PLANNING, POLICY, AND TRAINING

Implementation Phase I

In late August Richard Hurelbrink, chief of party, David Land, senior policy advisor and head of the APAU, and Mikhail Svimonshvili, minister of agriculture, first met to discuss and initiate the policy assistance program with the ministry.

After this initial visit to Georgia, Mr. Land returned to the United States to develop a more detailed work plan and to coordinate with DAI the securing and briefing of the foreign STTAs required to conduct the field investigations in Georgia necessary for the drafting of a strategic plan. In October Mr. Land relocated to Georgia to prepare for, oversee, and personally be involved in the field work and oversee all other activities of the APAU.

Each foreign STTA made field trips accompanied by APAU staff or Georgian STTAs to visit projects and production areas/facilities to meet with the private sector and interview government and donor staff and officials. Workshops were held with governmental, donor and private sector participation to identify and discuss major issues, priorities and possible solutions.

In early December, all ministry members of its Coordination Council were contacted to see if they would like additional meetings to discuss the strategy or to provide such input in writing. No responses were received.

Throughout the fall of 2005, all APAU staff and foreign STTAs also assisted the Ministry of Agriculture, the Agrarian Committee of Parliament, and other donor projects on various policy-related matters not directly associated with the preparation of the strategy. In addition to major work in the food safety area (covered in a subsequent section), this included input regarding the ongoing ministry reorganization initiative, the future of ameliorization in Georgia, proposed new farm equipment and credit programs, proposed changes to import duties, and opportunities for and/or the design of new donor initiatives

During this period (August-December) there was generally a high degree of optimism within the APAU regarding the promise inherent in the development of a strategy and the likely outcome of the process. Additionally, there was considerable enthusiasm and cooperation from all donors as there was a strongly perceived need to have a government-approved strategy to help focus development assistance programs. While there had been previous planning efforts producing useful plans and recommendations, as these were produced during the previous government, they had no official standing and were often disparaged by the current government as having little value.

During this initial phase of the strategy work, two important decisions were made about the strategy:

1. It would have a 10-year time frame (rather than the more typical 3-5 years).
2. It would have a sector-wide approach (rather than focusing only on areas for which the Ministry of Agriculture was directly responsible).

The longer time horizon was chosen because there were a number of ongoing projects (e.g., amelioration system rehabilitation) that would not be completed in the shorter time period, and many anticipated needs that would require more than 3-5 years to address. The sectoral approach was selected because certain components critical to agricultural development fell outside the purview of the Ministry of Agriculture, e.g., agricultural education and research (Ministry of Education and Science); agricultural credit (the banking system and various donor projects not always associated with the Ministry of Agriculture); environmental issues (Ministry of Environment Protection and Natural Resources); the moving of food and agriculture border inspections to another ministry (Ministry of Finance); and agricultural statistics (Ministry of the Economy).

These two decisions were made with the minister's knowledge although not necessarily his formal concurrence. Unfortunately, while relations with the Minister remained generally cordial throughout this period, he chose not to directly involve himself in the planning process despite being invited to do so.

While the Minister's active participation would have been ideal, at the time, his lack of engagement was not necessarily perceived as a problem. Both the APAU senior policy advisor and the head of the FSP project in the ministry had had experiences in other countries where a minister was involved with strategic planning but not with ongoing activities.

In late December of 2005, Russia placed an embargo on Georgian fruits and vegetables, a development that had a big impact on the project. The embargo was later expanded to include wine in March 2006 and mineral water in April. The alleged reasons had to do with phytosanitary standards, false documentation, counterfeiting and adulteration, but the general consensus was that the embargo was politically motivated. As a result of the embargo, considerable time was spent by the AgVANTAGE project estimating the likely affects on the food and agricultural sector and developing appropriate responses. Additionally, further analysis had to be conducted to establish reasonable goals for sectoral growth, trade and income.

In February, a meeting with the minister was requested to discuss the strategy. A short meeting was held but the ministry provided no input on the strategy. Repeated—indeed, daily—attempts to engage and involve the minister in the process of drafting and reviewing the strategy were unsuccessful. The minister never met with the senior policy advisor during his two weeks in Georgia when the first draft sections of the strategy were reviewed.

At the same time letters were sent by the APAU to members of the ministry's Coordination Council as well as all department heads inviting them to participate in the strategy presentation and review workshops. The APAU provided advance drafts of sections to be reviewed to all those who indicated an interest in attending. (Drafts were provided the following week to those departments or units in the Ministry responsible for a particular section of the strategy regardless of whether they attended the review sessions.) Although this was the approach suggested by the minister in early February, he did not specify which individuals should receive drafts, so APAU chose the recipients.

During the 10 review sessions held over a five day period, seven department heads and/or ministry members of the Coordination Council, to include one deputy minister, attended at least one session. Ministry personnel, even if not members of the Council or department heads, attended all review sessions. In total, 37 different ministry staff attended one or more

of these review sessions. The strategy was then revised to incorporate all issues, concerns, and suggestions made and agreed to in the review sessions. After the review sessions, a number of ministry staff expressed how much they had enjoyed and learned from these sessions, that they wished similar sessions could be held on a regular basis.

In April the minister was e-mailed (and then provided hard copy translations) by the senior policy advisor informing him of the completed review sessions, the number of participants, and the planned next steps for revising and reviewing the strategy. In addition, he was invited to meet with the APAU or AgVANTAGE management to discuss the strategy.

In April, APAU contacted nine key Ministry department and unit heads, regardless of whether they had attended the review sessions the previous week, to ask if they had comments or suggestions on the draft strategy components that had been presented and discussed the previous week. Four provided additional input, which was appropriately taken into consideration. Additional changes to the strategy were made as a result. A 15-page summary document was specially prepared and provided to the minister summarizing the strategy's goals, targets, key conclusions, proposed actions and estimated costs. During the balance of April and May, the final section of the strategy was written and translated.

Implementation Phase II

In June copies of the complete, translated draft strategy were provided to the minister for distribution within the ministry. A cover letter asked for input as it was expected that there might still be areas needing improvement in the document.

In summary, the minister expressed the following concerns:

- overly conservative projected growth for the agricultural sector
- overly conservative projected growth for food and agricultural exports
- possible quantitative inconsistencies between sectoral goals and policies
- basis for projecting the estimated need for credit in the agricultural sector
- irrigation proposals inconsistent with the minister's strategy
- too much money being spent by AgVANTAGE on the strategy
- lack of familiarity of the APAU staff with actual conditions in the field
- possible need to present methodologies and definitions in the strategy
- shortcomings of using Department of Statistics data
- directions of land market developments and projected average farm size
- presence or absence of actionable items

With the exception of one inconsistency found between a goal and related policies, none of the other concerns ultimately had merit (except the debatable issue of how much money should be spent on preparing the strategy, which had actually increased considerably because of ministry delays and lack of involvement). Of course, identifying such inconsistencies was the purpose of the review process.

On July the minister called a meeting of the chief and deputy chief of party of AgVANTAGE, the two department directors of the APAU, and the APAU's economist. In this meeting he once again expressed his displeasure with the draft strategy. With one exception related to irrigation, the concerns expressed were that the document was negative

with respect to his actions and those of the ministry and government. Throughout this meeting, the minister never raised any concerns regarding the vision, mission, priorities, goals, targets, policies, responsibilities, timelines, or budgets presented in the draft strategy.

Following this meeting AgVANTAGE received a letter from the first deputy minister saying that the ministry had reviewed the strategy, had comments and suggestions, and did not want the strategy to be disseminated until it had been approved by the ministry. However, all of the program staff's requests to meet with ministry officials were ignored.

In November Peter Tsiskarishvili, former governor of Kakheti, was appointed minister of agriculture. He was the fourth such minister in less than four years. The previous minister, Mikhael Svimonshvili, was appointed governor of Guria. At this juncture, it was the decision of AgVANTAGE, the APAU, and USAID that no further work would be done on the strategy unless the new minister requested it. A meeting was held with the new minister, and he did not raise completing the strategy as one of his priorities.

From a practical standpoint, some 15 months after the process was begun, the strategic planning initiative ended without the government ever having adopted a comprehensive strategy for the food and agriculture sector.

Conclusions

This component of the AgVANTAGE project aimed to assist the government in ***drafting, approving and implementing*** a national strategy for the food and agricultural sector. Only the first of these was accomplished. There were several factors that contributed to the failure of the project to attain its objectives:

- Determining the appropriate scope for the strategy at each stage of the process
- Handling and presenting potentially politically sensitive analysis
- Securing adequate attention and involvement of key decision makers, to include but not restricted to the minister
- Balancing the need for addressing the complexities inherent in the development of an entire sector with the desire for a short, easily understood document which focuses on a few priorities
- Determining the most effective means for presenting data and recommendations at each stage of the process
- Handling threatened, powerful, or entrenched interests, both within the ministry (e.g., the SDPA) and external

Lessons Learned

Moving beyond this project alone, there were a number of lessons learned during the strategy work (as well as food safety, which is discussed below). Before undertaking ***donor supported*** policy work, the following preconditions should either be in place or be reasonably achievable before significant resources are committed:

- The policy work addresses a real, understandable, time-appropriate need within the country.

- A sponsor or patron of sufficient influence and continuity is willing to support and promote the policy work, and essentially take ownership of the process and the product.
- The policy focus or outcomes are consistent with the dominant political, economic and management philosophy of those in power.
- The policy focus or outcomes are consistent with the prevailing management and operational philosophy or style of the entity(s) that will be responsible for its oversight and/or implementation.
- The capacity for execution exists or can be augmented or developed in terms of funding, operations and oversight.
- Potential or actual opposition (political, policy targets, international community, media) to the policy(s) is manageable.
- Strong donor support and backing for the policy work exists, both in terms of the funding donor supporting the contractor in its relations with government and all important donors in the value of this particular policy area.

If these preconditions are not in place, then a donor considering funding policy work has three options: (1) wait until such preconditions exist, (2) undertake steps to bring these preconditions about, or (3) initiate the process in hopes that the policy product produced and the process associated with its development will be sufficiently compelling and effective to bring about the needed changes in attitudes, resources, and support.

Recommendations

Roughly half of Georgia's population and employment is dependent on agriculture. Yet this sector has received minimal resources from the government. In fact, the budget of the Ministry of Agriculture has steadily declined as a percent of GDP and as a percent of the government budget. Government might defend its budgetary allocations by rightly saying that agriculture is a declining portion of GDP. However, part of the reason for this decline has been the absence of adequate financial resources and a coherent strategy as to how best to assist this sector. Additionally, there are knowledgeable people who believe that for the foreseeable future, Georgia is an agricultural nation whose greatest potential for creating jobs, increasing GDP, expanding exports, and reducing imports lies with a more dynamic food and agricultural sector. Again, a more coherent, consistent approach with adequate resources (human and financial) is needed to realize this potential.

In light of the preceding, the following is recommended:

1. The major donors in the food and agricultural sector should meet to discuss how best donors and government can work together to assist this sector and the role a strategic plan could play in helping to guide this assistance and make development efforts more effective.
2. A donor delegation should meet with the Minister of Agriculture to brief him on their thoughts, receive his input, and offer their assistance to address whatever it is agreed needs doing.
3. As appropriate, the chosen approach should be taken to the cabinet for approval. This can be the minister alone or with one or more of the donor delegation. The latter might be more effective.

Finally, as USAID develops its future assistance programs for Georgia's food and agriculture sector, in spite of some of the disappointments associated with past efforts, it should not neglect the inclusion of policy in future projects.

8.3 FOOD SAFETY

Background

During Soviet times, Georgia had an extensive food safety system. While its initial intent may have been to protect both consumers and industry, by the late 1980s, it no longer did either effectively. Rather it was employed mainly as a means for supporting a large network of inefficient and ineffective inspectors and laboratories. The system focused on end product certification and control. It had too many entities involved in inspections with legal but overlapping responsibilities resulting in multiple and generally unnecessary inspections. Those inspections that were undertaken typically did not address the most important food safety problems but rather were associated with routine and meaningless sampling, testing, and certification.

Within the system, inspectors' technical knowledge and skills had become outdated. There was no experience in a hazard based process-control approach to food safety management. Food safety decisions were frequently influenced by efforts simply to extort "fines" from companies. There were too many testing laboratories, and yet even those with the best facilities had neither modern equipment nor well-trained staff to generate proper and credible results. Finally, there were no specific institutions concerned with risk assessment, and risk management was conducted on an ad hoc basis which was subject to strong political influence.

Thus, Georgia's food safety system at independence and for the decade that followed benefited no one except those that were employed within the system and their political overseers. Consumers were completely unprotected; scarce state resources were spent ineffectively; and businesses were in the grip of corruption and an operating environment which created unfair competition, especially within the context of the world market place in which Georgia now had to function.

Such was the situation when in 2002-2003 the USAID RAPA project identified the need for developing a comprehensive Food Code in Georgia with the necessary supporting administrative structure. In early 2004, the first assessment mission of the food safety situation in Georgia was conducted by Ian Goulding, who eventually became the lead consultant for food safety reform in Georgia. As a result of his mission, adoption of a Food Code by Georgia became a conditionality for future World Bank development support. Shortly thereafter, as a result of RAPA's recommendations, the European Union's Food Security Program also included in its Memorandum of Understanding and Finance Agreement a conditionality for its support that Georgia adopt a new food law.

In late April and early May 2005, a Latvian delegation of food safety officials, including the head of its Food and Veterinary Service, visited Georgia to help facilitate the process of adoption of a food safety law. The visit was financed and organized by RAPA and included a one-day event with participation by Latvians and Georgians which had wide media coverage.

At the end of June, the RAPA project came to an end. During its nearly three-year involvement in the process, the project first introduced the concept of the need for a new food safety system, built awareness and capacity among Georgian officials and food businesses, mobilized donor assistance, and successfully coordinated their activities in food safety. Additionally, RAPA worked to mobilize all existing donor leverages to bring about the eventual adoption of such a law, most especially the EU FSP and World Bank conditionalities, led the process of developing the initial draft law, and translated major EC regulations and Codex standards into Georgian. Without this involvement, the process for developing a food safety law would never have reached the stage it had when the project concluded.

Implementation Phase I

Prior to RAPA's closure, it was decided by USAID and ACDI/VOCA that the AgVANTAGE's APAU would take over RAPA's role as a leader in the movement for bringing about the adoption and implementation of a new food safety law in Georgia. As such the APAU was to assume the previous functions of RAPA with the exception of the latter's active awareness building initiatives.

During the summer and fall, Parliament held three readings of the draft law. As a consequence, the final version of the law was drastically cut and changed to affecting major provisions, especially regarding the licensing and permits required of food establishments, official control, and the functions and responsibilities of authorized government officials. Additionally, based on consideration of the peculiarities of Georgia's food industry and agriculture's role in food security, it was decided to limit the scope of the law to exclude primary agricultural production and small and artisan food processing. To some extent, this can be regarded as a flaw since it broke the value chain principle, which is of utmost importance in the sphere of food safety. An argument for compromise, however, was that a primary control of food safety would still be incorporated within veterinary and phytosanitary measures, which were to remain in place.

In spite of the preceding deletions, changes and compromises, the main idea for the consolidation of the system was maintained. As a consequence, it was during this period that the decision was made by government to shift all responsibilities to the Ministry of Agriculture and its subordinated legal public entities. Previously, these responsibilities had been shared with the Ministries of Healthcare and Economic Development.

Parliament approved the Law on Food Safety and Quality in late December 2005. The law as adopted established a legal framework consistent with WTO requirements and the EU *acquis communautaire*, established a single inspection body (the National Service for Food Safety, Veterinary, and Plant Protection) for the enforcement of technical food regulations, and introduced the risk analysis function. The law also established the broad principles, objectives, and responsibilities for food safety, to include those of food business operators, moved the focus of the control system to the production process rather than the certification of end food products, defined the role of laboratories in providing defined testing services to an accredited standard, and provided information to and allows stakeholders a say in how the system is run.

AgVANTAGE through the APAU was actively involved in the process of modifying and elaborating the law through this entire process until it was finally adopted.

According to the law, implementation and full-fledged official control of the new system was planned to start January 1, 2007. Therefore, 2006 was seen as the preparatory year to develop needed associated regulations and procedures and to strengthen the capacity of the National Services, especially its food inspectors, and the food businesses that would be affected by the law. Through APAU, AgVANTAGE again assumed a leadership role in supporting the government in achieving these targets. During March and April the National Service for Food Safety, Veterinary, and Plant Protection was established and staffed as provided for in the new law.

Essentially, in the spring of 2006, the entire staff of the National Service was hired even though no training would begin until the fall and actual work begun until 2007. Thus, there would be months during which over one hundred staff members would have little if anything to do. The APAU would have recommended that the management staff be hired to develop the necessary laws and procedures that staff would eventually be called on to administer. Then, as needed, in a more deliberate way, the balance of staff would have been added whereby all would be in place when training began. With the approach taken by the ministry, the government spent hundreds of thousands of GEL unnecessarily and management attention was deflected from its critical first tasks to the hiring and subsequent necessity of dealing with staff with no current responsibilities.

Additionally, it was beginning to become apparent during this period that the government might not provide those resources necessary for the effective implementation of the law. One example was in the proposed level of staffing of the National Service. There would only be 1-2 inspectors per district, which was not sufficient to insure compliance with all provisions of the law.

Implementation Phase II

By mid-June 2006 it became evident that the numerous donors involved in food safety activities were not coordinating with one another on a regular basis. As a result it appeared that there was financial waste, duplication of efforts, and the absence of synergies. The APAU conducted a survey and found over 10 different donors, organizations, or projects involved in some aspect of food safety. As a consequence, the APAU, in cooperation with those other donors with whom it worked on food safety, established a working group and invited all to participate so that greater efficiency and cooperation could be achieved. This working group, especially its key membership, continued to function at one level or another for the remainder of the AgVANTAGE project.

It was also during the summer of 2006 that the APAU took the lead in attempting to develop the plan for building the capacity of the National Service in time to assume its responsibilities in January 2007. This included a field visit to Latvia for key staff (head and deputies of the National Service, head of the MOA Food Safety Department, other key staff, members of Parliament) as well as developing a program of extensive training within Georgia for all National Service staff.

In the fall of 2006 rumors began circulating that the new Law on Food Safety and Quality might not actually be implemented as scheduled. All the old arguments were being raised—potential for corruption, deterrent to investment, onerous to existing businesses—plus several new ones, which included that adequate and appropriate regulations and procedures were not yet drafted and approved and that the National Service was not yet sufficiently trained to oversee the new laws administration.

There was actually some merit in the latter two charges. In spite of the fact that the National Service had been established and staffed eight full months before it was to have to begun administration and enforcement of the new law, the government had not managed the process well.

In December the rumors became reality. Parliament approved changes in the Law on Food Safety and Quality delaying its functional implementation until June 2008, 18 months later. While 6-12 months might have been more appropriate, this delay was not necessarily seen as a major setback for the proposed food safety system reform. This additional time, if used wisely, would perhaps ensure a more effective and seamless transition from the old system to the new and give all participants, both governmental and the private sector, more time to prepare. Nonetheless, there was still a sense of unease among those who had been involved in the development and adoption of the new law.

In April those fears were confirmed to some degree. A second change to the law was approved by Parliament effectively delaying implementation for three years until January 2010.

Nonetheless, in spite of these governmental actions in December, January and February, the APAU led the National Service and other donors in developing a comprehensive framework and plan for strengthening the food safety capacities of the National Service for whenever the food safety law was eventually implemented. This plan was approved by the National Service and Ministry of Agriculture in April 2007. However, the ministry only began to consider its implementation in late September nearly six months later. As of this writing, no steps have been taken by government to implement this plan with or without donor assistance.

Conclusions

Although the implementation of the Law on Food Safety and Quality is on hold, the food safety policy initiative itself—which spanned two USAID projects—should be viewed as a success and a model for policy development activities in the future. A viable law is on the books. There are now strong advocates of this system in Georgia. There is a broader understanding of the components and benefits of such a system by both government and the private sector. There is an approved plan for capacity building. There is strong donor support, to include the likelihood of funding when training and implementation do finally occur.

The basis for this success is multifold. Enough of those preconditions referenced in the strategic planning section were either in place or effectively addressed during the process. The need for such a law and system was real for Georgia's stage of development. While it was often difficult to explain the intricacies of what was required, the general concept was sufficiently understandable by those who would be required to adopt and implement. A strong patron (the Minister of Agriculture and Food) existed at the beginning, which got the

process off to the right start. He also had strong support within the Agrarian Committee of Parliament. While a later minister was less committed, due to the support within Parliament and that from donors, the process was able to continue to Parliamentary adoption. While there was some philosophical opposition to the requirements of the first draft, compromises were reached that did not gut the law entirely. In fact, these changes might have resulted in a more realistic first step for changing the system. The system that was to have been implemented was not so overly complicated from a management or technical standpoint that it could not reasonably be undertaken within the context of the existing civil service realities of Georgia. Additionally, there was strong donor support, both for the law and for that funding necessary to help build capacity and get the law implemented.

Obviously, in late 2006 and early 2007, things did not go as the drafters and supporters of the law had hoped when Parliament voted in favor of the legislation a year earlier. However, this highlights one of the preconditions referenced, that of being able to manage opposition to a policy. While such opposition was effectively managed during the development of the legislation and its passage (which included compromises which should be considered a reasonable part of the process), perhaps naively, the APAU and the food safety law's other supporters did not adequately anticipate a remarshalling of opposition. Had they done so, it is possible the delays in the law's implementation might have been avoided. Part of the reason for this failure to defeat the move to delay the law's implementation is that neither the APAU nor other donors had sufficient access to and dialogue with the true decision makers in Georgia's government.

While the three-year delay of the law was a disappointment, it also gives those who support this legislation time to reorganize to ensure (1) that there are no further delays, (2) the appropriate procedures and regulations are developed sufficiently far in advance of implementation, and (3) that the capacity exists, both within government and the private sector, to implement the law without any significant dislocations to the food system in Georgia.

Lessons Learned

The following are other lessons learned during this process:

1. While there can be exceptions, policy development and implementation should generally be viewed as a long-term proposition. Thus, there may be a need to transfer policy development assistance responsibility from one project to the next of the same donor or even possibly between donors.
2. If there is donor involvement, there needs to be effective coordination among all projects with related policy components in order to avoid duplication and waste and to increase the likelihood of success.
3. Until a new policy becomes law and is well established and strongly institutionalized, it will always be vulnerable to a resurgence of opposition, which may be able to eliminate or effectively neuter a new policy. Such opposition should be anticipated and prepared for. To the degree possible, the key decision makers on this issue should be identified and their support secured and maintained through regular interactions.

Recommendations

USAID and other donors have invested considerable money and effort to reach this point in the development, adoption and implementation of the Law on Food Safety and Quality. While to date, this can be viewed as a job well done, if donors do nothing further, there is a high probability that either the law may never be implemented or that, if it is, it will not be done so effectively. Either would be a detriment to the future of Georgia's food and agricultural sector and to the country's consumers. Additionally, it will mean that the considerable money and effort expended by donors to date in this area will have been a waste. Consequently, the following should be undertaken by donors:

1. A Food Safety Working Group with representation from key donors, Parliament, and the Ministry of Agriculture should be maintained to monitor and advise donors and government.
2. As a minimum, this Working Group should review and modify as appropriate the existing framework and plan for developing administrative procedures and operational capacity of (public and private sector) as to its adequacy and timing.
3. Based on recommendations of the Working Group, donors should work with government to ensure an appropriate preparation and implementation plan is adopted and undertaken.
4. Donors should continue to provide technical assistance, procedure/regulatory development, and capacity-building assistance to government in food safety.

Such support and assistance is likely to be required at some level for at least the next five years.

8.4 DEVELOPMENT INFORMATION COORDINATION

Introduction

In addition to the three primary initiatives addressed in the preceding sections, the APAU was involved in numerous other policy and related activities throughout the 30 months of the project. These included but were not limited to involvement on issues related to avian flu, African swine fever, reviewing and advising on other USG and donor projects, assisting the Agrarian Committee of Parliament, and writing papers and delivering addresses at various professional and development meetings and conferences. (Note: weekly reports to USAID reference these in detail.) However, one of the most important activities was only initiated in the last six months or so of the project, that being ***development information coordination***, which will be covered in the balance of this section.

Background

Almost immediately upon beginning the strategic planning work in August 2005, it became clear that there was inadequate coordination between many donor activities in Georgia.

The international community has been and will continue to be an absolutely essential component of Georgia's development process. It provides critical funds, experience and people. It can provide discipline that may often be difficult for government in the face of domestic political pressure. If a strategic plan is ever adopted by the government, it will only be able to be implemented during the foreseeable future with the assistance of donors. Georgia has been fortunate in the level of past assistance from the international community. It is also fortunate that such assistance appears likely for some years to come.

Nonetheless, international assistance has not been as effective and efficient as it might have been. The reasons are many and include:

1. The absence of approved national sectoral strategies that are accepted by both government and donors and guide assistance efforts.
2. Lack of management and planning systems to underpin the implementation of sectoral strategies and integrate the inputs of technical assistance.
3. Compartmentalization of thinking and an unwillingness to involve others on issues and initiatives that cut across multiple projects, sectors, or governmental entities.
4. Failure to share information and results.
5. The need for conditionalities which helps both government and donors better understand and manage expectations.
6. Tolerance of donor junkets or programs where the benefits clearly do not exceed the costs of an initiative or where there are obvious better ways to spend the funds.
7. The project or idea *du jour* approach to development followed by government and donors.
8. Administratively top-heavy initiatives.
9. The need for appropriate government, implementer, and beneficiary incentives to achieve optimal results as cost efficiently as possible.

In many respects, donor assistance and programs suffer from the same shortcomings found in bureaucracies and government programs everywhere. This is not necessarily surprising since these, too, are essentially government-to-government programs and initiatives designed, implemented by governments (even if through contractors), and overseen by governments. It would be unrealistic to expect that they would be completely immune to such shortcomings.

Obviously it was beyond the ability or charge of the APAU to address these many problems. However, it was determined there were three tasks that could be undertaken that could make a material difference in reducing waste and increasing the effectiveness of those development initiatives that were undertaken in the food and agriculture sector. These were:

- An interactive, easily accessible and usable, continuously updated, web-based system for sharing development information across all government, donor, and NGO activities in the food and agriculture sector.
- A web-based electronic posting and calendar system with broad-based distribution and input participation to include information regarding upcoming and ongoing missions of short-term experts, workshops, seminars, legal and regulatory developments, professional programs, technical training programs, and recently completed mission or project reports.
- An electronic and physical bibliography and library of all related past and current development reports and documents related to the food and agriculture sector in Georgia.

Implementation

In the spring of 2007 the APAU launched an initiative to create a Development Information Coordination System (DICS) to enhance the flow of information between government, donors, NGOs and private sector stakeholders. The decision was made to concentrate first on

the development of a website. The first step was to develop conceptually what would be presented on the site. This was done after initial conversations with several donors but was based in large part on the experience of the APAU in its policy and planning work of the previous 22 months.

When a general concept had been developed, a process was initiated in early August to solicit proposals from private sector firms for the technical creation of the website itself. A firm was selected in mid-August with a draft web page produced by mid-September. At that point this was shared with several donors whose reaction was positive.

The next step was securing the information required to make the site of value to its ultimate users. Due to the shortage of resources within the APAU at this time, the decision was made to concentrate on collecting information from the most prominent participants in the development process and then, once established, to expand this to become a broader information base. Those entities visited included:

- | | |
|---|------------------|
| 1. World Bank and its projects in this sector | 8. OPTO/SIDA |
| 2. FAO | 9. EBRD |
| 3. Food for Work | 10. World Vision |
| 4. German Bank for Reconstruction and Development | 11. JICA |
| 5. GTZ | 12. MCG |
| 6. Mercy Corps | 13. OSCE |
| 7. UMCOR | 14. DFID |
| | 15. CARE |
| | 16. IFAD |

Additionally, the APAU was aware of USAID's ongoing activities in the food and agriculture sector.

During the first three weeks of October, 22 donors and/or projects were visited. Beginning in mid-November, the information gained in these visits was uploaded. Additionally, while earlier contacts with the Ministry of Agriculture had been initiated as to its participation and ultimate assumption of the management of the development information website, discussions were accelerated with the ministry at that time. While the ministry has indicated an interest in taking on this responsibility, it has yet to assign responsibility or make it a priority for any individual or department.

As of this writing, there is a strong probability this first step in developing an effective donor information coordination system will not be as fully developed at the closure of the AgVANTAGE policy work in December as would have been desirable. This is in part due to the massive amounts of information that must be gathered and included initially and the declining resources now available for this task within the APAU. At this time, there is only one professional left in the APAU involved in this project, and he has multiple other responsibilities. Additionally, knowing how the Ministry of Agriculture moves, it seems unlikely it will be in a position to assume responsibility for either the website or the other components of this development information coordination system.

Conclusions

While it has had the fewest resources devoted to it and only one of its three primary components has been initiated, the Development Information Coordination System may be the most promising initiative of the past 30 months in terms of benefit-cost return. For a relatively low expenditure of funds to become established and then maintained, this system has the potential for saving hundreds of thousands if not millions of dollars in donor projects and missions by helping to minimize duplication of efforts and providing a knowledge base that does not have to be duplicated when a new initiative begins. All too often, project staff learn by chance about missions, people, reports or information. This often results in waste and inefficiency since chance does not ensure that knowledge is gained at that point when it is most useful or even ever gained at all.

While there does seem strong donor and Ministry of Agriculture interest and support for what has been proposed by the APAU, at this point no champion for further developing and maintaining such a system has emerged or been developed by the APAU. Therefore, it appears highly probable that the idea may die or at best languish at the conclusion of the project.

Lessons Learned

Those lessons learned in the short time this initiative has been underway with the limited resources assigned to it include:

- No initiative whose value is in its long-term maintenance should be undertaken in the last months of a project unless it is clear who will assume responsibility for it at the conclusion of the project and that entity is competent to do an effective job.
- No new initiative should be undertaken in the last months of a project unless it is clear that appropriate staff and management resources will remain available sufficient to ensure the initiative is satisfactorily completed and placed.

Recommendations

Due to the extremely high potential benefit-cost of this system and the relatively low funding required to develop and maintain it, USAID or one of the other donors should adopt this initiative and move it forward within one of their other projects or provide funding and technical assistance directly to a university or other Georgian institution.

9. Conclusions & Recommendations

Agriculture remains a strategically important sector for Georgia. It provides income for more than 55 percent of work force while being responsible for 12.8 percent of GDP. This report has focused on the many initiatives that have been successfully implemented by the AgVANTAGE team; however there are several constraints that remain to be addressed in order for the Georgian agriculture sector to be a dynamically growing sector offering income generation opportunities for the farming and food industries. This section covers the recommendations for stakeholders to consider when planning future activities targeting agribusiness development in Georgia.

9.1 AGRICULTURAL STRATEGY ADOPTION & IMPLEMENTATION

The Food Safety Law adoption by the GoG has been a tremendous achievement for AgVANTAGE. Despite this achievement, there are several agricultural policy initiatives that have remained largely ‘on paper’ due to slow progress on enforcement by the GoG.

The AgVANTAGE Policy Assistance Team, in close consultations with many stakeholders, has developed a comprehensive Agricultural Strategy Paper to be adopted by the GoG’s Ministry of Agriculture. The Strategy has not been adopted due to a number of reasons that have to do with the limited interested from the Ministry. This is unfortunate as there are a number of donor-funded and government-funded agricultural initiatives getting implemented in the country not guided by a coordinated approach to agriculture development. The Agricultural Strategy offers a road map for all players with the agricultural development sector to develop and adopt an integrated approach to assistance efforts. Adopting a coordinated Agricultural Strategy will take the conversation from ‘everyone is doing everything’ to ‘who is doing what’ and ‘how we can leverage our resources’.

The *modus operandi* for today’s Ministry of Agriculture in Georgia is based on emergency principles, i.e. everyday agenda is developed responding to today’s day-to-day needs. The performance of the Ministry is not evaluated on medium to long-term initiatives. The donor community must take the lead to bring the issue of strategy planning and coordination for effective agricultural development at the higher levels. This will enable effective and efficient donor assistance as well as strategic government-allocated funding.

9.2 FOOD SAFETY SYSTEM DEVELOPMENT

As mentioned, the Food Safety Law adoption is one of the major accomplishments of AgVANTAGE Policy Assistance Component. Although adoption process went without major constraints, the enforcement of the law is still pending with the GoG due to: 1) possible social impact on the whole agribusiness sector of the economy (in some case enterprises will close down at least for some period resulting in job losses), 2) capacity implementation constraints within Food Safety, Veterinary and Plant Protection Service to be implemented by the GOG. While these constraints are tremendous, to have a non-functioning food safety system is one of the major constraints in terms of developing alternative markets for these same agribusinesses that need diversified markets, particularly important after the 2006 Russian embargo, to create jobs and increase incomes.

The donor community must focus on the following initiatives: 1) building up BDS capacity among existing consulting companies for provision of qualified food safety and quality

management services, 2) capacity-building of the GoG Food Safety, Veterinary and Plant Protection Service.

9.3 DEVELOPMENT OF SUSTAINABLE AGRICULTURAL FINANCING MECHANISMS

Although the Georgian banking sector has been experiencing spectacular growth during last decade, the share of agricultural industry in total portfolio (based on the survey of top six Georgian banks) is not more than seven percent.

Below are some of the major reasons that the banks are reluctant to finance agricultural lending:

1. Perceptions of risk by the banks in lending to agriculture sector:
 - Primary production (where major part of the rural population is engaged) sector is highly fragmented leaving small farmers without capability to use their modest property as collateral.
 - Unpredictable and adverse climatic volatilities (the main source of risk) and the inability of farmers to respond to these.
 - The internal credit policy of Georgian banks is biased towards large and well-established companies leaving small- and medium-size potential borrowers, with most of the agriculture players falling in this classification, without the necessary funding to finance their activities.
 - Lack of knowledge amongst Georgian banks in how to offer agriculture lending as a product.
 - Low financial literacy and lack of credit history with financial institutions amongst small- and medium-size borrowers undermine their chances of getting loans.
 - Long-term nature of agriculture loans – typically three to five years - adds risk to already a high-risk sector.

2. Legal and regulatory constraints facing the banks:
 - Nonexistence of a pledge registry for moveable assets, which would facilitate for banks loan issue procedures to small and medium size borrowers who can pledge their assets.
 - Time and resource consuming foreclosure procedures frequently favoring borrowers' rights, making banks take more collateral than necessary, which ultimately affects loan sizes.

Due to the above-mentioned constraints, the reality is that agricultural lending is limited, and it is often available only to those who are already successful and are primarily in the food processing sector. There are some MFIs though, such as Constanta, FINCA, GRDF, and CREDO that demonstrate successful practice of lending to small- and medium-size agriculture players, including those in agricultural production. However, due to the small size of their entire portfolio, their impact on the whole agriculture industry is limited.

Addressing long-term financing needs is a large impediment for dynamic agricultural development. The banks in Georgia often say that they do not have sufficient long-term resources, against which to make long-term loans. Since the highest volume of deposits is in the one- to six-month category, the banks are hindered from lending longer than one year. Grant programs in the agriculture sector, financed by the donor organizations, such USAID, MCC/MCA, and other sources contribute to rising credibility of agricultural lending through developing a solid number of entrepreneurs in all parts of Georgia who are eligible for financing. In addition, Georgian banks already have a demonstrated willingness and readiness to provide

loans in the range of 50,000 to 100,000 USD, still short-term, to those companies assisted through the AgVANTAGE grants program.

To build on these early successes, the donor community should: 1) build the capacity of the Georgian banking sector to provide agricultural lending, 2) provide long-term financing to existing regional MFIs and newly established regional credit unions/cooperatives (a good example of a successful organization is Shida Kartli- based GRDF that was established by ACDI/VOCA under a USAID-funded project).

9.4 AGRICULTURAL EXTENSION SERVICE DEVELOPMENT

The need for agricultural extension has been discussed for years between the GoG and the donor community. There is limited interest and resources from the government side to support agricultural extension services. The donor initiatives are very often fragmented in their approach to sustainably build extension services in Georgia.

The lack of extension type of information significantly constrains sector development suffering from low productivity levels in major commodities. Provision of these services in the past was implemented through a centralized system of regional representations by the Ministry of Agriculture. At the moment, no regional offices are functioning as a result of a restructuring process that started in 2006.

Factors affecting GoG's position on development of extension service in Georgia include lack of human capacity in regions to support provision of extension services; mixed results in worldwide experience related to establishment of effective and financially sustainable extension services and the unfortunate reality that extension services often become a "black hole" for funds if not properly designed and managed.

During a recent trip to the Racha region, the President of Georgia Mr. Saakashvili mentioned potential provision of advisory services to smallholder farmers in the country by implementing "Agronomist in Every Village" program. This political message serves as a catalyst in breaking the ice in regard to establishment of an extension type of service. The donor community cannot and must not initiate a nation-wide extension project. However, selecting one or two regions and piloting establishment of extension services, as a market-oriented, financially-sustainable service, could serve as a future model for scaling up by the government, provided this model is proven to be feasible and brings value to farmers.

9.5 AGRICULTURAL EDUCATION SYSTEM DEVELOPMENT

One of the reasons for a very slow progress to establish extension service is the current status of agricultural education in Georgia. There is no solid basis of agronomists capable to deliver extension services to farmers in the regions.

The GoG and the donor community must allocate resources to build the capacity of educational institutions to provide agricultural education. Today the Georgian Agrarian University is the only organization providing bachelor- and master-level programs in the country with a very low resource base. Resources are required to develop new curriculums, train the trainers programs and joint programs with leading foreign educational institutions in the field.

Building the capacity of regional agricultural colleges as professional education institutions is a very important part of agricultural education that is currently being neglected. In most cases, professional education institutions lack funding and elementary means of delivering programs to

students. A two-tier approach must be employed to effectively improve agricultural education: 1) build the capacity of institutions providing higher education, 2) develop regional educational centers for provision of professional education in the field of agriculture.

ANNEX 1: LIST OF AgVANTAGE STAKEHOLDERS

	Company	Sector	Region	City/Village	Owner	Contact Info
1	Herbia Ltd	Greens grower/consolidator/exporter	Imereti	Tkachiri	Zurab Janelidze	899 516077
2	Georgian Fresh Herbs Ltd.	Greens grower/consolidator/exporter	Imereti	Kvitiri	Bachuki) Bebiashvili	899 331646 895 759555
3	IE Guliko Machaladze	Greens grower/consolidator/exporter	Imereti	Geguti	Guliko Machaladze	899 166473
4	Green Growers Association	Greens grower/consolidator/exporter	Imereti	Kvitiri	Gia Jorjoliani	891 683276
5	IE Rezo Janelidze	Greens production	Imereti	Kvitiri	Rezo Janelidze	899 745794
6	IE David Javakhadze	Greens production	Imereti	Kvitiri	Gizo Gvelebiani	899 700355
7	IE Grisha Giorvelidze	Greens production	Imereti	Kvitiri	Grisha Giorvelidze	
8	IE Iuri Chogovadze	Greens production	Imereti	Kvitiri	Iuri Chogovadze	899 41 42 59
9	IE Kote Gubeladze	Greens production	Imereti	Kutaisi	Kote Gubeladze	
10	Broiler Ltd.	Greens production	Samegrelo	Zugdidi	David Ch kovani	8 99 57 99 4
11	IE Javakhadze Davit	Greens production	Imereti	Tskaltubo	Javakhadze Davit	899 700355
12	Buki Ltd.	Citrus consolidator/exporter	Adjara	Batumi	Gia Chkhartishvili	893 352650
13	Mandarins of Georgia Ltd.	Citrus consolidator/exporter	Adjara	Chakvi	Rostom Zakaradze	899 144049
14	Narinji Ltd.	Citrus consolidator/exporter/processor	Adjara	Ureki	Nodar Gigineishvili	877 72 75 30
15	Kiwi Growers Association	Kiwi production	Guria	Ozurgeti	Vakhtang Goliaze	899 97 90 65
16	Etherzeti Ltd.	Bay leaf/bay leaf oil production	Samegrelo	Zugdidi	Iuri Tsotseria	8 99 51 51 48
17	Kemulariebi Ltd.	Bay Leaf production	Samegrelo	Khobi	Korneli Kemularia	8 77 41 40 06
18	Aromaco Ltd.	Bay Leaf production	Imereti	Kutaisi	Avtandil Sokhadze	899 717 001
19	Geolacte Ltd.	Dairy Farm	Imereti	Simoneti	Tristan Nikoladze	893 902645
20	Nakoru Ltd.	Dairy Farm	Samegrelo	Teklati	Kakha Alania	899 503343
21	Agroinvest Ltd.	Dairy Farm	Kvemo Kartli	Gamarjveba	Murad Marsagishvili	877 41 66 40
22	Spasovka Ltd.	Cheese Production	Samtskhe-Javakheti	Ninotsminda	Aleksander M keladze	899 247506
23	Cooperative Orlovka	Cheese Production	Samtskhe-Javakheti	Ninotsminda	Azat Ekonian	899 959047
24	IE Sulda	Dairy Farm	Samtskhe-Javakheti	Sulda	Artush Apoian	899 945818
25	IE Aragva	Dairy Farm	Samtskhe-Javakheti	Aragva	Nor k Unanian	899 208368
26	IE Anna	Dairy Farm	Samtskhe-Javakheti	Khadjibek	Gregor Magdesian	899 157983
27	IE Khajibek	Dairy Farm	Samtskhe-Javakheti	Khadjibek	Tevan Karselian	899 456205
28	IE Alatuman	Dairy Farm	Samtskhe-Javakheti	Alatuman	Surik Karapetian	899 929276
29	Cooperative Tkiri	Dairy Farm	Samegrelo	Teklati	Kakha Alania	899 503343
30	Kutaisi Dairy JSC	Dairy company	Imereti	Kutaisi	Marina Tskhvediani	899 153854
31	Cartu Universal	Dairy company	Tbilisi	Tbilisi	Irakli Kankia	895221444

ANNEX 1: LIST OF AgVANTAGE STAKEHOLDERS

	Company	Sector	Region	City/Village	Owner	Contact Info
32	Samgori JSC	Dairy Products	Tbilisi	Tbilisi	Ilia Kantaria	940631
33	Nergi-92 Ltd.	Vegetable Production	Imereti	Kutaisi	Vitali Kavlashvili	899 271320
34	Jodai Ltd.	Asparagus Production	Tbilisi	Tbilisi	David Jokhadze	899-962-476
35	Farmers' Union of Georgia	Vegetable Production	Tbilisi	Tbilisi	Raul Babunashvili	34 07 97
36	Gongli Ltd.	Vegetable Production	Shida Kartli	Kareli	Nodar Gongliashvili	899 91 01 93
37	Tavtavi Ltd.	Vegetable Production	Kvemo Kartli	Tamarisi	David Ebanoidze	899 976026
38	Agro Products of Georgia Co. Ltd	Vegetable Production	Tbilisi	Tbilisi	Ramaz Poladishvili	877 413895
39	Agronova LLC	Vegetable Production	Tbilisi	Tbilisi	David Endeladze	899 565 245
40	Vegetable Growers Association	Vegetable Production	Guria	Ozurgeti	Roman Margalitadze,	8 296 6 45 81
41	IE Valodia Shirinian	Potato Production	Samtskhe-Javakheti	Khando	Valodia Shirinian	899 19 86 45
42	Cooperativ Arevic	Potato Production	Samtskhe-Javakheti	Akha kalaki	Sasha Aleksanian	899 55 86 15
43	Robert Me konian	Seed Potato Production	Samtskhe-Javakheti	Chandura	Robert Melkonian	895 326706
44	Martin Melkonian	Seed Potato Production	Samtskhe-Javakheti	Chandura	Martin Melkonian	899 104161
45	Aznavurian Vart	Seed Potato Production	Samtskhe-Javakheti	Chandura	Aznavurian Vart	899 775423
46	Tarlamazian Ashot	Seed Potato Production	Samtskhe-Javakheti	Chandura	Tarlamazian Ashot	899 101849
47	Inasaridze Zur ko	Seed Potato Production	Samtskhe-Javakheti	Chandura	Inasaridze Zuriko	899 553143
48	Tarlamazian Armen	Seed Potato Production	Samtskhe-Javakheti	Chandura	Tarlamazian Armen	899 941733
49	United Agri Group	Early potato production	Kvemo Kartli	Marneuli	Rza Kurbanov	398355
50	Gori Fruit Growers Assosiation	Fresh apples, fruit seedlings	Shida Kartli	Gori	Nengiz Nanetashvili	899 19 16 36
51	Breti Ltd	apple production/export	Shida Kartli	Breti	Mirik Edilashvili	899 10 25 96
52	Variani Ltd	apple production/export	Shida Kartli	Variani	Emzar Khitarishvili	899 5812 74
53	Nova Ltd.	apple production/export	Shida Kartli	Kareli	Aleksander Latsabidze	877 710888
54	Gori Fruit Export Company	apple production/export, stone fruits	Shida Kartli	Gori	Givi Abalaki	899502231
55	IE Nodar Ozoshvili	Fruits Production	Kakheti	Gurjaani	Nodar Ozoshvili	899 718927
56	IE Davit Abesadze	Fruits Production	Kakheti	Gurjaani	Davit Abesadze	899 718927
57	Vagi Ltd.	Fruits and vegetable processing	Guria	Chokhatauri	Gia Tsintsadze	877 440044
58	Forum Ltd.	Fruits processing	Samegrelo	Senaki	Merab Khurtsia	899 538034
59	Tano Ltd.	Fruit Production	Shida Kartli	Kaspi	Tamaz Niparishvili	899 105595
60	Orgtecknika Ltd.	Green Tea Production	Imereti	Kutaisi	Alu Gamakharia	899 55 20 64
61	Caucasian Tea Association	Tea Production	Imereti	Kutaisi	Tamaz Mikadze	899 56 31 64
62	Gorkoni	Fruit concentrate	Tbilisi	Tbilisi	Marina Kitiashvili	224911
63	Dendro Ltd.	Fruit Processing	Tbilisi	Tbilisi	Levan Nebieridze	899 577447
64	Rubikoni Ltd.	IQF	Mtskheta-Mtianeti	Mtskheta	Givi Gachechiladze	899 500814

ANNEX 1: LIST OF AGVANTGAE STAKEHOLDERS

	Company	Sector	Region	City/Village	Owner	Contact Info
65	IE Grdzeldize Kvicha	Dried mushroom production	Imereti	Sachkhere	Khvicha Grdzeldize	93 35-71-20
66	Georgian Fruits and Vegetables Ltd.	Fruits and Vegetable export	Tbilisi	Tbilisi	Levan Kalandadze	899 578172
67	Farkoni Ltd	small fruits producer/processor	Imereti	Kutaisi	Mamuka Alpaidze	877 726214
68	Nergebi Ltd	small fruits producer/processor	Kvemo Kartli	Kaspi	Tamaz Niparishvili	899 105595
69	Fruit Nursery	Small Fruits Nurseryman	Imereti	Bagdati	Geno Chubinidze	899 143794
70	Agricultural Progress Center	small fruits producer/processor	Guria	Ozurgeti	Tipo Mikatadze	899 966 488
71	Parezi - Samtskhe-Javakheti farmers Association	small fruits producer/processor	Samtskhe-Javakheti	Akhalsikhe	Murad Gogoladze	899 28 93 90
72	IE Damur Kartoza	small fruits producer/processor	Guria	Anaseuli	Demur Kartoza	895773855
73	IE Murad Gelovani	small fruits producer/processor	Guria	Shroma	Murad Gelovani	855472307
74	Senaki Agricultural College	Small Fruits Production	Samegrelo	Senaki	Gia Kharbedia	877 723569
75	Global Trading Hazelnut	Hazelnut processor	Tbilisi	Tbilisi	Besik Akhaladze	779638
76	Hazelnut Factory	Hazelnut processor	Samegrelo	Zugdidi	Shota Bukhaidze	703213
77	Georgian Nut Ltd	Hazelnut processor	Tbilisi	Tbilisi	Kakha Bochorishvili	96 67 75
78	Dioskuria XXI Ltd	Hazelnut processor	Samegrelo	Zugdidi	Guja M kava	899 536893
79	G-Nut LLC	Hazelnut processor	Tbilisi	Tbilisi	Ketevan Kavtaradze	702772
80	Argonuts Ltd	Hazelnut processor	Samegrelo	Zugdidi	Mamuka Todua	315 5 15 20
81	Ecopex Ltd.	Hazelnut processor	Tbilisi	Tbilisi		891 115808
82	Georgian Nut Impex Ltd.	Hazelnut processor	Samegrelo	Zugdidi	Petre Mikhadze	55655
83	Hazelnut Growers Association	Hazelnut production	Ozurgeti	Guria	Tipo Mikatadze	899 96 64 88
84	Sio 2000 Ltd.	Hazelnut Processing	Tbilisi	Tbilisi	Levan Urushadze	893 310400
85	AgroCorpCaucasus	Poultry farm	Mtskheta-Mtianeti	Mukhrani	Irakli Chiikhladze	75 25 32
86	Gamarjveba Ltd	Poultry farm	Kvemo Kartli	Gachiani	A. Maisuradze	877 744701
87	Samgori Poultry Factory	Poultry farm	Kvemo Kartli	Gamarjveba	Temur Ketiladze	8 99 58 11 33
88	Savaneti ltd	Poultry farm	Kvemo Kartli	Savaneti	George Saganelidze	899 228558
89	Broiler Cooperative	Poultry farm	Samegrelo	Zugdidi	David Ch kovani	899 579944
90	Gantiadi Ltd.	Poultry farm	Tbilisi	Tbilisi	Elgudja Nozadze	877 40 47 99
91	Norio LLC	Poultry farm	Kvemo Kartli	Gardabani	Zurab Dzidziguri	877 460100
92	Nisha Ltd	Pedigree Farm	Shida Kartli	Variani	Vasil Kitiashvili	8270 72240
93	Gurmani Ltd.	Meat Processing	Tbilisi	Tbilisi	Nikoloz Khorbaladze	877 955 544
94	Nikora Ltd.	Meat Processing	Tbilisi	Tbilisi	Merab Mamulashvili	899 504506
95	Ano Group (Meatana)	Meat Processing	Tbilisi	Tbilisi	Aleko Kamushadze	899 572542
96	Georgian Meat Products	Slaughter house facility	Kakheti	Karajala	Sandro Megutnishvili	895 364114
97	Telavi Wine Cellar	Winery	Tbilisi	Tbilisi	Zurab Ramazashvili	877 410020

ANNEX 1: AgVANTAGE STAKEHOLDERS

	Company	Sector	Region	City/Village	Owner	Contact Info
98	Tsinandali Old Cellar	Winery	Tbilisi	Tbilisi	Eldar Mildiani	899 152444
99	Shukhman Vazi (Vinoterra)	Winery	Tbilisi	Tbilisi	George Dakishvili	877 508079
100	Sarajishvili and Eniseli	Winery	Tbilisi	Tbilisi	Zurab Bubuteishvili	877 577777
101	Tbilvino JSC	Winery	Tbilisi	Tbilisi	Gaga Margvelashvili	651625
102	Kakhuri Ltd	Winery	Tbilisi	Tbilisi	Zurab Goletiani	899 578414
103	Teliani Valley	Winery	Tbilisi	Tbilisi	Shota Khobelia	313246
104	JSC Bagrationi 1882	Winery	Tbilisi	Tbilisi	Irakli Tsereteli	651236
105	Badagoni	Winery	Kakheti	Zemo Khodasheni	Liza Bagrationi	936243
106	Tiflisis Marani	Winery	Tbilisi	Tbilisi	Zurab Zarnadze	899 53 03 30
107	Borjomi	Mineral Waters	Tbilisi	Tbilisi	Margvelashvili Tsaro	899 331393
108	GMWC	Mineral Waters	Tbilisi	Tbilisi	Archil Magalashvili	899 572007
109	Askaneli Brothers Ltd	Sparkling Wine Production	Tbilisi	Tbilisi	Tea Kitusahvili	899 474 424
110	Multitest	Laboratory Technical Assistance	Tbilisi	Tbilisi	Levan Kalandadze	244300
111	Naturfarm Ltd	Valerian Roots Production	Tbilisi	Tbilisi	Vasil Dvali	899 56 54 44
112	Karchkhali Ltd.	Feed Mill Facility	Adjara	Erge	Mikheil Beridze	877 418979
113	GIPA	MIS transfer	Tbilisi	Tbilisi	Katy Natriashvili	934346
114	Georgian Producer and Processors Association	Agriculture development	Tbilisi	Tbilisi	Givi Gachechiladze	899 50 08 14
115	Leasing Association of Georgia	Leasing sector	Tbilisi	Tbilisi	George Putkaradze	877 40 60 03
116	Guria Agr business Center	Agriculture development	Guria	Ozurgeti	Aleko Mameshvili	899 50 31 11
117	Georgian Rural Development Fund	Agriculture development	Shida Kartli	Gori	Gia Chonishvili	899 516373

Annex 2: LIST OF STUDY TOURS AND CONFERENCES ORGANIZED BY AGVANTAGE

No	Activity Title	Sector	Activity Type	Country	Number of participant firms	Time Period
1	TECHAGRO 2004	Inernational Fair for Agriculture Development	Study Tour	Brno,Czech Republic	8	28-31 Mar. 2004
2	Konya Food Processing - Packaging technologies	Food Processing - Packaging technologies Fair	Study Tour	Konya, Turkey	3	5-6 May, 2004
3	Food Processing in EU	Food Processing in EU	Study Tour	Prague, Czech Republic	3	11-18 Sep. 2004
4	2nd International Food & Drink and Cleaning Products Fair	Food and beverages	Study Tour	Trabzon, Turkey	11	21-23 Sep.2004
5	Packing and Processing Systems Industry Exhibition	Packiging and processing technolog	Study Tour	Istanbul, Turkey	10	9-12 Sep. 2004
6	Georgian mushroom processors study tour to mushroom processing facility in Bulgaria.	Mushroom processing	Study Tour	Lichi, Bulgaria	2	20-23 July 2004
7	Small Fruits Production in U.S.	Small Fruits Production	Study Tour	U.S.	6	17-30 June 2006
8	Hazelnut Production in Turkey	Hazelnut Production	Study Tour	Giresun, Ordu, Turkey	8	10-16 Apr. 2005
9	Enhancing Capacity in Food Safe	Food Safety	Study Tour	Riga, Latvia	13	27Aug-3Sep. 2006
10	International Conference on Leasing Development in Azerbaijan	Leasing	Conference	Baku, Azerbaijan	3	6-7 May. 2004
11	Development of Leasing in Russia	Leasing	Conference	Berlin, Germany	3	16-17 Feb. 2006
12	Linking Farmers to Markets -- Successful Practices and Lessons Learned	agribusiness development	Conference	Cairo, Egypt	3	29Jan-2Feb 2006
13	First National Small Fruits Conference	Small Fruits Production	Conference	Tbilisi, Georgia	50	5 Dec. 2007
Total					123	

TABEL 3: LIST OF TRADE SHOWS ORGANIZED BY AGVANTAGE

No	Trade Show Title	Sector	Country	Number of participant firms	Time Period
1	SIAL 2004	Food Industry	Paris, France	3	21-27 Oct.2004
2	World Food Moscow 2004	Food Industry	Moscow, Russia	3	16-30 Sep.2004
3	5th International Tea Fair	Tea	Paris, France	3	19-22 Nov.2004
4	ANUGA 2005	Food & Beverages	Cologne, Germany	3	8-12 Oct. 2005
5	EXPONUT 2006	Food Industry	Istanbul, Turkey	2	22-24 June 2006
6	Polagra Food 2006	Food Industry	Poznan, Poland	3	16-20 Sep.2006
7	Riga Food 2006	Food Industry	Riga, Latvia	3	6-9 Sep.2006
8	Fruits and Vegetables of Ukraine 2006- Open Market	Fruits & Vegetables	Kiev, Ukraine	4	5-8 Nov. 2006
9	Fruit Logistica 2006	Fruits	Berlin, Germany	2	8-10 Feb.2007
10	Fancy Food Show	Food & Beverages	N.Y. US	21	8-10 July 2007
11	Polagra Food 2007	Food Industry	Poznan, Poland	6	17-20 Sep.2007
12	Fresh Fruits and Vegetables 2007	Fruits & Vegetables	Kiev, Ukraine	9	4-8 Dec. 2007
13	Food Ingredients Europe	Food Industry	London, UK	15	Oct.30-Nov.1 2007
14	ANUGA 2007	Food & Beverages	Cologne, Germany	7	13-17 Oct.2007
15	International Wine, Spirits & Beer Event (IWSB)	Alcoholic Beverages	Chicago, U.S.	7	19-20 May 2008
16	International Food Ingredients and Additives	Food Industry	Tokyo, Japan	7	21-23 May 2008
17	Shanghai International Wine and Spirits Fair	Alcoholic Beverages	Shanghai, China	7	10-12 June 2009
18	Georgian Wine Days	Alcoholic Beverages	Seattle, US	7	4 Dec. 2008
19	Georgian Wine Days	Alcoholic Beverages	New York, US	7	8 Dec. 2008
Total				119	

Annex 4: LIST OF TRAININGS CONDUCTED BY AGVANTAGE

No	Training Description	Region	Number of Participants	Number of Trainings
1	Raspberry Pruning and Trellising	Shida Kartli	10	1
2	Bleubery nursery management	Imereti	9	1
3	Fruit Pruning	Shida Kartli, Kakheti	29	3
4	Avian Influenza training for Commercial Poultry Sector	Tbilisi	13	1
5	Safe Pesticide Handling	Kutaisi, Tbilisi	30	2
6	Stone Fruit Production	Kakheti, Shida-Kartli	36	2
7	Avian Influenza Preparedness and Response Plan	kakheti, Tbilisi, Adjara, Samegrelo, Shida Kartli, Samtkhe-Javakheti, Imereti	110	12
8	Avian Influenza - Training-for-trainers	Tbilisi	12	1
9	Vegetable production, Plant and Environment Protection	Guria	64	3
10	Tomato, Cucumber Lettuce salad (lettuce iceberg, lettuce)	Kutaisi(Imereti)	16	1
11	Pig Farm Management	Samegrelo	62	3
12	Pest Management and Safe Pesticide Use	Tbilisi, Shida-Kartli, Imereti, Guria, Samegrelo, Samtskhe-Javakheti	107	7
13	Field and Greenhouse Tomato Production	Imereti, Shida-Kartli	39	2
14	Prerequisite Programs and Basic HACCP Course	Samtskhe-Javakheti, Guria	34	2
15	Food Safety Management and Quality Management Systems	Tbilisi	49	3
16	Basics of Accounting	Tbilisi	2	1
17	Pruning of vigorous rootstocks	Shida Kartli	19	1
18	Launching the Entrepreneurial Activities for Fruit Production & Processing	Adjara	24	1
19	Stone and pome Fruits Production in Georgia & Environment Compliance	Imereti, Guria	53	2

No	Training Description	Region	Number of Participants	Number of Trainings
21	Launching the Entrepreneurial Activities for Meat and Dairy Production	Imereti	23	1
22	Hazelnut Production in Georgia	Samegrelo, Guria	115	5
23	Berry Fruit Production	Samegrelo, Guria, Imereti, Samtskhe-Javakheti, Kakheti, Shida Kartli	187	11
24	Potato Production	Samtskhe-Javakheti, Kvemo-Kartli	70	6
25	Euro Gap Introductory Session	Imereti	18	1
26	Citrus Production in Georgia	Guria	59	1
27	Greens production	Imereti	132	3
28	Milk Quality and Safety Management	Imereti, Samtskhe-Javakheti	91	2
29	Land Reform in Georgia and Landowners' Right	Adjara, Kakheti Samtskhe-Javakheti	75	3
30	Agritechnics of Vegetables and Horticulture	Imereti	158	
31	Improvement of Specialty Tea Production	Guria	308	1
32	Training on Apple Orchard Management and Blueberry varieties	Shida Kartli	26	1
33	Simple business plan development	Samtskhe-Javakheti Shida Kartli	44	2
34	Livestock breeding development	Samtskhe-Javakheti	44	3
35	Production of subtropical crops	Guria, Adjara	57	2
36	Vegetable Growing Development	Imereti	43	1
37	Apple Orchard Training	Shida Kartli	15	1
38	Introduction of Modern technologies in Apple Growing	Shida Kartli	18	1
39	Introduction of Post-harvest Handling technologies	Imereti	20	1
40	Legal Issues	Guria, Racha-Lechkumi	140	4
41	Training in Marketing	Samtskhe-Javakheti, Guria, Shida Kartli	61	3
42	Leasing to Finance the World	Tbilisi	7	1
Total			2429	103

Annex 5: LIST OF STTA PROVIDED BY AGVANTAGE

	Consultant	Assignment Title	Person Days	Deliverable
1	Alan Schroede	Environmental Compliance Specialist	106	Report
2	Alvin Friesen	Citrus Post-harvest handling Specialist	16	Report
3	Andrea Miles	Avian Influenza Specialist	81	Report
4	Andriy Yarmak	MIS Specialist	93	Report
5	Bruce Bailey	Bay Leaf/Bay oil Production Specialist	15	Report
6	Carl Maxwell	Environmental Compliance Specialist	16	Report
7	Charles Forney	Horticulture Specialist	24	Report
8	Clem Weber	Agriculture Research, Education and Extension Systems	20	Report
9	Clifford Ruder	Leasing Specialist	24	Report
10	Conrad Fritsch	Field Crops Specialist	20	Report
11	Dale Key	MIS Monitoring and Evaluation Specialist	18	
12	Daniel Hartmann	Small Fruit Production (nursery) Specialist	11	Report
13	David Land	Senior Policy Advisor	392	Report
14	David Land	Consolidation Center/Packhouse Specialist	20	Report
15	Keith Price	Consolidation Center/Packhouse Specialist	20	Report
16	Craig Knudson	Consolidation Center/Packhouse Specialist	20	Report
17	David Neubert	Agribusiness Investment Analysis	56	Report
18	Don Humpal	Tea and Fishery Sectors	14	Report
19	Dough Hemly	Apple Packhouse Specialist	16	Report
20	Eion Scott	Vegetable Production Specialist	184	Report
21	Elizabeth Krushinskie	Avian Influenza Specialist	7	Report
22	Ernest Bethe	Transportation and Physical communities Specialist	24	Report
23	Gleyn Bledsoe	Food Safety Specialist	28	Report
24	Henry Winogron	Fresh Herbs Packhouse /Operations Specialist	32	Report
25	James Gallup	Environmental Compliance Specialist	43	Report
26	Jeff Neville	Dried Fruits and Vegetables Specialist	22	Report
27	John LaRocca	Leasing Specialist	37	Report
28	Kamal Hyder	Individual Quick Freezing (IQF) Specialist	22	Report
29	Ken Holleman	Poultry Specialist	87	Report
30	Ken Swanberg	Economic Impact Assessment Specialist	45	Report
31	Marilyn Phillips	Branding, Marketing and Promotion Specialist	106	Report
32	Marita Cantwell	Post Harvest Handling Specialist	10	Report
33	Mark Howel	Avian Influenza Specialist	11	Report

Annex 5: LIST OF STTA PROVIDED BY AGVANTAGE				
	Consultant	Assignment Title	Person Days	Deliverable
34	Mark Svendsen	Water and Agriculture Production Specialist	17	Report
35	Martin Mason	Vegetable Production Specialist	36	Report
36	Machael Chaney	Leasing and Business Development Specialist	33	Report
37	Nina Parkinson	Food Safety Specialist	70	Report
38	Paul Vossen	Fruit Production Specialist	123	Report
39	Pedro Tavares	Feed Mill Production Specialist	23	Report
40	Rachel Peterson	Organizational Development Specialist	22	Report
41	Richard Dale	Small Fruit Production Specialist	243	Report
42	Richard Overton	Agriculture Lending Specialist	37	Report
43	Robert Ahl	Mandarin Packhouse Specialist	19	Report
44	Robert Lee	Market Information Advisor	5	Report
45	Robert Tomesh	Small Fruits Production Specialist	12	Report
46	Ronald Bannermann	Leasing Operations, Management and Business Development Specialist	38	Report
47	Sandra Chesrown	Wine Tourism Development Specialist	19	Report
48	Stephen Neel	Livestock Specialist	39	Report
49	Steven Gilyeart	Leasing Advisor	62	Report
50	Tammy Swanson	Public Relations Specialist	62	Report
Total			2500	



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Apple Demo Orchard Yields First Fruits



Local farmer shows off the first apple harvested in the Apple Demo Orchard after only a year and a half after its establishment

On September 28 the first harvest of apples took place in the Gori Fruit Producing Farmers' Association's Apple Demonstration Orchard located near the small village of Bebnisi in Kareli district of Shida Kartli region. This Demo Orchard was established in March of 2004 through collaboration between the Association and the USAID-funded export development project AgVANTAGE.

The Demo Orchard comprises 840 dwarf and semi-dwarf apple trees – representing 18 varieties new to Georgia - imported from the U.S. and planted under the supervision of a horticulturist from California. This month, a little over one year after being established, the Demo Orchard yielded its first fruits. At this time three varieties - Golden Delicious, Idared and Liberty – have been harvested. This is a very short time for production when compared to the eight years it usually takes the local orchards to bear fruits!

Together with the Apple Producing Farmers' Association, AgVANTAGE has also established a nursery within the Apple Demonstration Orchard. For this purpose, 21.000 apple rootstocks of three types have been imported from the US. 18.000 rootstocks have been used for budding new improved varieties. Remaining 3.000 were used for establishing a mother bed. The nursery will directly benefit 100 apple-growers next year. The number of direct beneficiaries is anticipated to increase three to four times over the next couple of years.

A series of seminars and practical trainings have been conducted earlier at the Apple Demo Orchard by local and American specialists in order to teach growers in the area new methods for orchard layout, improved production technologies and practices to include pest and disease control and irrigation management, pruning technologies to achieve larger fruit size, better color and more balanced yields; and technologies for orchard rejuvenation.

At the same time, in order to maximize exports of locally produced fresh products, AgVANTAGE is helping fruit growers in Shida Kartli to improve grading, sorting and packaging; find alternative low cost means of transportation and to identify new potential buyers in export markets.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Alternative Use of Abandoned Tea Land

Introduction of blueberry to Georgia might provide solution to a decade-long problem.



AgVANTAGE stakeholder planting blueberries in his newly established berry orchard

Photo: Zviad Bobokashvili

AgVANTAGE facilitated introduction of 12 blueberry varieties that are new to Georgia and establishment of three demonstration and two research-demonstration sites in two regions of Georgia.

Following the break-up of the Soviet Union, Georgia inherited over 62,000 hectares of unused tea lands, the majority of which remains abandoned and overgrown to this day. The collapse of the tea industry in Georgia has led to a dire economic situation in areas where tea was previously an important crop.

Since 2004 the AgVANTAGE project has been investigating prospects for effectively utilizing lands where tea production is no longer commercially viable. Soil tests have revealed a high level of acidity in these lands, which makes them particularly well suited to blueberry production.

Blueberry is a high value crop that is grown extensively in the US, Canada, Poland and other countries. It is a market-demanded and highly profitable berry crop whose world production has tripled in the past 30 years. However, blueberries have never been cultivated in Georgia. It was only two years ago that the AgVANTAGE project imported 12 new blueberry varieties from the US and planted them in three demo sites in the Imereti province to show the crop's potential for local growers.

In an effort to further assess the adaptability of this crop, AgVANTAGE established two additional research-demo sites in the Guria province in April 2007, which provides for a comparison of 12 blueberry varieties. Modern cultivation practices key to achieving high yields are applied in all five demonstration sites, including drip irrigation and mulching.

“Next year we will begin to see tangible results. If our expectations prove accurate our demo sites will lead to future investments,” AgVANTAGE Production Unit Manager Zviad Bobokashvili said.

Before this new cultivar was introduced in Georgia, a series of informative-educational seminars were held throughout the country in order to raise farmers' awareness and encourage them to start producing this promising and profitable crop.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgia debuted on Fancy Food Show New York

Georgia showcased its products at a thriving specialty food marketplace – Fancy Food Show in New York



USAID's AgVANTAGE project and Georgian Ministry of Agriculture facilitated Georgia's participation on the 53rd Annual Summer Fancy Food Show in New York.

By participating in this exhibition Georgian companies were granted an opportunity to meet senior representatives from every segment of the world food service industry – retailers, wholesalers, importers and distributors and gain distribution of Georgian products on US market.

Consumers in the United States are largely unfamiliar with the foods and wines of Georgia. Many Americans also have an overall lack of knowledge about the country itself. Georgia's delicious food products and traditional and unique wines are expected to have an enormous appeal in the U.S., once consumers become aware of them. Moreover, the embargo on Georgian wines, foods, and mineral waters has increased the need for Georgian agriculture to expand its customer base to new markets. And the U.S. market is a particularly interesting one: consumers are very interested in exploring new food and wine products, and they have the high disposable income for high quality imported products.

The USAID supported AgVANTAGE project, in partnership with the Georgian Ministry of Agriculture, selected the popular food and wine show, the 53rd Annual Fancy Food Show in New York City on July 8-10, 2007, as the premiere showcase to introduce Georgian food, wine and mineral waters to American consumers. The show was heavily attended, attracting over 25,000 decision-makers from super-markets, specialty food merchants, importers and wine and food distributors, as well as chefs and food service marketers.

More deeply penetrating the U.S. market will go a long way to offset the impact of the Russian embargo on the Georgian wine and food products, as well as introducing a new positive message about Georgia to U.S. consumers" Nicka Grdzeldze, AgVANTAGE Deputy Chief of Party said.

Georgia was one of 72 countries participating in the show, along with neighbouring Turkey (their 12th appearance). Over 2,400 exhibitors displayed products ranging from specialty artisan snack foods from Lebanon (a USAID-sponsored project) to French and Italian wines and a broad range of imported condiments and fresh dairy products. Georgian hazelnuts, jams and sauces, the popular Tkemali, mineral waters, and a breadth of wines from seven Georgian wineries were sampled at the heavily-trafficked booth. In addition to the event itself, a significant marketing and public relations program was undertaken, with customer prospecting in advance of the show and a comprehensive media interview schedule among leading food and wine publications, with detailed media relations follow-up.

Gratifyingly, The New York Times featured Georgian foods and wine in its brief overview of the show. Rustavi 2 national Georgian Television featured Georgia's presence at the show with a five-minute interview. American celebrity Patti LaBelle did a 15-minute interview with the winemakers (to be broadcast on her food/lifestyle show, and a broad range of other magazines

and newspapers indicated positive interest in publicizing the foods and wines of Georgia. This publicity will drive consumer awareness of our products and support efforts to increase sales in the U.S.

The show provided Georgian companies with a unique opportunity to gain new distribution and increase sales on US market, for even greater sales leads follow up program is being implemented by AgVANTAGE.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgia debuted on Fancy Food Show New York

Georgia showcased its products at a thriving specialty food marketplace – Fancy Food Show in New York



USAID's AgVANTAGE project and Georgian Ministry of Agriculture facilitated Georgia's participation on the 53rd Annual Summer Fancy Food Show in New York.

By participating in this exhibition Georgian companies were granted an opportunity to meet senior representatives from every segment of the world food service industry – retailers, wholesalers, importers and distributors and gain distribution of Georgian products on US market.

Consumers in the United States are largely unfamiliar with the foods and wines of Georgia. Many Americans also have an overall lack of knowledge about the country itself. Georgia's delicious food products and traditional and unique wines are expected to have an enormous appeal in the U.S., once consumers become aware of them. Moreover, the embargo on Georgian wines, foods, and mineral waters has increased the need for Georgian agriculture to expand its customer base to new markets. And the U.S. market is a particularly interesting one: consumers are very interested in exploring new food and wine products, and they have the high disposable income for high quality imported products.

The USAID supported AgVANTAGE project, in partnership with the Georgian Ministry of Agriculture, selected the popular food and wine show, the 53rd Annual Fancy Food Show in New York City on July 8-10, 2007, as the premiere showcase to introduce Georgian food, wine and mineral waters to American consumers. The show was heavily attended, attracting over 25,000 decision-makers from supermarkets, specialty food merchants, importers and wine and food distributors, as well as chefs and food service marketers.

More deeply penetrating the U.S. market will go a long way to offset the impact of the Russian embargo on the Georgian wine and food products, as well as introducing a new positive message about Georgia to U.S. consumers" Nicka Grdzeldze, AgVANTAGE Deputy Chief of Party said.

Georgia was one of 72 countries participating in the show, along with neighbouring Turkey (their 12th appearance). Over 2,400 exhibitors displayed products ranging from specialty artisan snack foods from Lebanon (a USAID-sponsored project) to French and Italian wines and a broad range of imported condiments and fresh dairy products. Georgian hazelnuts, jams and sauces, the popular Tkemali, mineral waters, and a breadth of wines from seven Georgian wineries were sampled at the heavily-trafficked booth. In addition to the event itself, a significant marketing and public relations program was undertaken, with customer prospecting in advance of the show and a comprehensive media interview schedule among leading food and wine publications, with detailed media relations follow-up.

Gratifyingly, The New York Times featured Georgian foods and wine in its brief overview of the show. Rustavi 2 national Georgian Televi-

sion featured Georgia's presence at the show with a five-minute interview. American celebrity Patti LaBelle did a 15-minute interview with the winemakers (to be broadcast on her food/lifestyle show, and a broad range of other magazines and newspapers indicated positive interest in publicizing the foods and wines of Georgia. This publicity will drive consumer awareness of our products and support efforts to increase sales in the U.S.

The show provided Georgian companies with a unique opportunity to gain new distribution and increase sales on US market, for even greater sales leads follow up program is being implemented by Ag-VANTAGE.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID/AgVANTAGE and the Georgian Ministry of Agriculture Marshaled Georgian Wines Days in Seattle and New York



Georgian wine tasting in New York

The array of efforts mobilized through AgVANTAGE/USAID facilitations resulted in 500,000 USD export sales in 2007 and in 1,400,000 USD export sales in 2008.

December 2008: The Seattle Art Museum and the New York Marriott Marquis Hotel hosted events co-organized by USAID/AgVANTAGE and the Georgian Ministry of Agriculture titled "Discover Georgia Wines" on December 4 and December 8, respectively. Both expositions were of great importance to efforts to promote Georgian wines in new markets.

The events began with a presentation on the history of Georgian wine and an exhibition-style tasting of over 30 of Georgia's finest table wines and brandies.

The devastating effects of the Russian embargo on imports of Georgian wines, imposed in 2006, have encouraged wine producing companies to aggressively seek new markets in the United States and the European Union. AgVANTAGE/USAID has been supporting this initiative by facilitating the participation of Georgian companies in a number of world-renowned trade shows in the U.S. Thanks to its efforts, Georgian wines are now successfully marketed at Whole Foods, the respected nationwide supermarket chain.

The events gave Georgian winemakers - Telavi Wine Cellar, Tbilvino, Teliani Valley, Bagrationi, Tsinandali Old Cellar, Sarajishvili & Eniseli, and Vinoterr - the opportunity to showcase their products to wine connoisseurs on both American coasts.

Representatives of well-known restaurant chains attended in the hopes of finding unique wine selections. They had words of high praise for the newly discovered Mukuzani, Khvanchkara and Rkatsiteli. In August 2008, Rkatsiteli was named the month's best wine by Seattle Times.

"It is anticipated that Georgian wines will soon be more prominently presented in the U.S. Every household should have a bottle of Georgian wine on their dinner table, Keith Johnson, president of Daqopa Brands, said.

“Despite the complexity and diversity of the U.S. wine market, demand for Georgian wines is rapidly growing. Georgian companies have enormous potential to capture a niche segment on the U.S. market, which will be further supported by our project’s efforts,” said Nikoloz Grdzeldze, AgVANTAGE director-general.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID Supports ISO Certification



Ambassador Tefft and Mrs. Tefft tour the hazelnut processing factory following the ceremony of awarding Hazelnut Factory Ltd. with ISO 9001:2000 certificate

Hazelnut Factory Ltd., established in 2001 and one of Georgia's five largest hazelnut processing companies, recently was awarded an International Organization for Standardization (ISO) 9001:2000 Certificate, becoming the first Georgian hazelnut company and one of the first companies in the country's food processing industry to acquire such a certification. With this qualification, Hazelnut Factory Ltd. products will be better positioned to compete in world markets, particularly in the European arena.

Currently, nearly 95% of Georgian hazelnuts are exported as hazelnut kernels; typically, most of these exports then go through a value addition process, i.e. roasting, chopping and packaging, in the destination country, where the value-added profits are realized. Hazelnut Factory Ltd. recognized the opportunity to capture these higher-value markets by processing the kernels in Georgia prior to exporting them, resulting in a possible 10-12% increase in product prices. However, in order to enter and successfully compete in these types of markets, it is essential for a company to be ISO certified.

Identifying and helping to develop value-addition opportunities in Georgia is one of the key objectives of AgVANTAGE, a USAID-supported Activity striving to increase the competitiveness of Georgia's agricultural products in export markets. For the past 12 months AgVANTAGE has been working closely with Hazelnut Factory Ltd. management and staff to help them prepare for the ISO audit and certification by providing consulting and training. In November 2005, a third-party audit, co-financed by the BAS Program (EBRD/ETC Fund), was conducted by Bureau Veritas Quality International (BVQI), resulting in the issuance of the certificate.

An ISO 9001:2000 Certificate, one of the most important, internationally recognized set of standards, indicates a company's commitment to utilizing a Quality Management System which defines customer requirements, takes steps to meet those requirements, and measures customer satisfaction while constantly improving existing processes. With this Quality Management System in place, the company can better manage

its internal processes, effectively allocate resources (reducing production costs), facilitate decision-making processes, penetrate new markets, and attract new customers while increasing the loyalty of existing ones.

The benefits and impact of this certification will be realized by Hazelnut Factory Ltd. in terms of the company's future growth and success, by the 180 employees whose livelihood depends on that success, and by the 1700 farmers currently supplying 2000 tons of in-shell hazelnuts annually to the factory who will continue to have a reliable market for their product. Of particular significance, this achievement will contribute to the future growth and development of Georgia's economy.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgian Winemakers Impress Industry Representatives at International Wine, Spirits and Beer Event in Chicago

Georgian Alcoholic Beverages grouped under the Taste of Georgia brand.



The USAID-supported AgVANTAGE project and the Ministry of Agriculture of Georgia gave Georgian wine-and brandy-making companies a unique opportunity to expand existing client relationships and gain new retail and wholesale customers in the United States

Seven Georgian wine and brandy companies showcased their products at the 2008 International Wine, Spirits & Beer Event (IWSB) in Chicago. IWSB is the industry's first professional forum focusing exclusively on restaurant and hospitality operator alcoholic beverage sales. The event showcases food-alcohol pairing demonstrations, education programs and trends in the alcohol industry.

USAID's AgVANTAGE project sponsored the Georgian companies with support from the Ministry of Agriculture of Georgia. The goal was to introduce Georgian products to new buyers and generate sales in the U.S. As an added benefit, participants were able to study the latest advancements in the alcoholic beverage industry. The event gave the exhibitors a unique opportunity to directly appeal to restaurant operators, importers and distributors who seek new flavors and product lines for their increasingly sophisticated customers.

Telavi Wine Cellar, Badagoni, Teliani Valley, Tiflisi Marani, Tsinandali Old Cellar, Sarajishvili & Eniseli, and Vinoterra exhibited their wines and brandies at the show. The lack of Georgian import-export companies has been a traditional barrier for Georgian wineries to enter the U.S. wine market. All seven participants are now working with US-based importers.

U.S. wine buyers were very impressed with the quality of the Georgian wines. There was definite interest that yielded immediate, tangible results. Telavi Wine Cellar signed a contract with a distribution company in Maryland. Its wines will soon appear on the shelves of supermarkets in California, Maryland, and New York. In addition, one of the largest distributors in Eastern Europe began negotiations with Badagoni. This deal will further open the U.S. market for Georgian wines.

"Visitors taste our wines and look amazed. They have never heard of Georgia and its delicious wines," said Tiflisi Marani representative David Akhvlediani.

"U.S. Customers value authenticity. They are constantly seeking out new and promising product lines. Georgian wines have enormous potential to secure a niche segment in the market," said AgVANTAGE General Director Nikoloz Grdzeldidze.

The event gave Georgian companies access to prospective buyers and representatives from prestigious restaurant chains. Success in this segment will help Georgian wineries enter the wider and more lucrative market of supermarkets and wine stores. Events like these are an integral part of USAID/AgVANTAGE's strategy to increase and stimulate Georgia's economy through increased export promotion.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgian Wines to be available in U.S. supermarkets soon

U.S. Ambassador John Tefft supports Georgian wine export to the U.S.



Wines produced at Tsinandali Old Cellar and Vinoterra will be sold at Whole Food Markets in the U.S.

"I think that these wineries are little models showing what Georgian production should look like in two or three years" - admitted John Tefft

When Russia imposed an embargo on imports of Georgian wines in March 2006, the country lost its traditional and most important export market, where about 89% of Georgian wines were sold. In 2007, Georgian wine producers mobilized their efforts to diversify their products and penetrate new export markets in the West, primarily the EU and the U.S.

AgVANTAGE organized several important events aimed at supporting Georgian wineries. In July 2007 the project, with co-financing from the Georgian Ministry of Agriculture, supported the participation of six of Georgia's leading wineries at the Fancy Food Show in New York. The exhibition provided a unique opportunity for the companies to gain exposure in the U.S. It was the biggest presentation to date of Georgia's agricultural products in the United States.

The fruit of these efforts is the partnership between Whole Food Markets, the world's largest retailer of natural and organic foods, and two wineries in Kakheti Province - Vinoterra and Tsinandali Old Cellar. The first large-scale export of Georgian wines, totaling 10,500 bottles from both companies and worth USD 48,000, has been bottled and is due to be shipped in March to Seattle, WA. In 2008 both companies plan to ship 30,000 bottles of wine of a combined value of USD 130,000 to the U.S. "I am happy that U.S. citizens will also have the chance to taste high quality Georgian wines," U.S. ambassador John Tefft said.

AgVANTAGE is planning to continue assisting Georgian wineries to participate at the Wine, Spirits and Beer Event of the National Restaurant Association Show to be held in Chicago in May 2008. This event will be an integral part of AgVANTAGE's strategy to increase and stimulate Georgian wine exports to the U.S. "This will be a great relief because we used to be focused on the Russian market and found ourselves in a very difficult situation after the economic embargo was imposed," Eldar Milediani, the owner of Tsinandali Old Cellar, said.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgian Ingredient Industry Exploring Eastern Asian Market at IFIA 2008 Food Show in Tokyo

Georgian food ingredients united under the Taste of Georgia brand.



The USAID-supported AgVANTAGE project and the Ministry of Agriculture of Georgia gave Georgian hazelnut and condiment producing companies a unique opportunity to penetrate the lucrative East Asian market

Representatives from seven Georgian companies attended the 2008 International Food Ingredients and Additives Exhibition (IFIA) in Tokyo, Japan. USAID's AgVANTAGE project, in partnership with the Georgian Ministry of Agriculture sponsored the Georgian delegation in an effort to showcase Georgian hazelnuts and spices. They selected the IFIA Japan show as the best opportunity to introduce Georgian specialty products to East Asian consumers. Japan is one of the three largest markets in the world for food ingredients and additives.

Approximately 100 exhibitors from international companies displayed food and beverage products. Over 15,000 decision-makers from every segment of the food industry attended the event. Visitors from Japan, China, Korea, the Philippines and other Asian countries sampled Georgian hazelnuts, condiments, and spices at the very popular "Taste of Georgia" booth.

Georgian exporters are targeting Japan and other Asian markets in the effort to expand sales beyond the EU. IFIA was the first opportunity for Georgian companies to identify customers in this area, allowing them to generate sales leads by networking with traders, wholesalers, retailers and researchers. Given the attractive prices and high quality of its hazelnuts, Georgia has the potential to serve as an alternative to the leading world-supplier, Turkey.

The IFIA expo provided Georgian companies with the opportunity to introduce their products, meet new buyers, establish new business territories and make new sales. "By participating at IFIA, we introduced Georgian hazelnuts into the highly cultivated and enormously competitive East Asian market," said Mamuka Todua, the head of the Georgian Hazelnut Exporter's Union.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgia Prepared for Any Future AI Outbreak

Joint efforts help Georgia achieve progress in preventing outbreaks of avian influenza.



Georgia has made significant steps towards advancing preparedness and response to avian influenza - Aleko Tsintsadze, Georgian Deputy Minister of Agriculture stated.

A year has passed since the first case of avian flu was reported in Georgia. Even though the country at that time had neither a national plan of action nor the capacity to properly contain the virus, prompt measures and government mobilization managed to avert its further spread. No human cases were reported. Since then Georgia has made major strides in its prevention efforts thanks in large part to the development of an effective and coordinated approach.

In order to strengthen Georgia's preparedness, response and surveillance efforts, the USAID-supported AgVANTAGE project since August 2006 has been working in close collaboration with the Prime Minister's Avian Influenza Project Implementation Team; the Ministry of Agriculture; the National Service for Food Safety, Veterinary and Plant Protection; the World Bank; the United Nations Food and Agriculture Organization (FAO) and commercial poultry farms.

"We worked together to strengthen Georgia's capacity for surveillance, early warning and containment since we knew that the more we prepare now, the better able we will be to respond to a highly pathogenic virus," said Jambul Maghlakelidze, advisor to the Minister of Agriculture on AI issues.

Consequently, Georgia now has an elaborate National Plan which is in full compliance with the existing legislative base. Furthermore, seven veterinary diagnostic laboratories have been upgraded and provided with personal protective equipment, decontamination equipment, rapid tests and sampling kits.

Major efforts have been directed at building the capacity of the veterinarians in the employ of the Georgian government. Training courses were provided throughout Georgia in order to strengthen their ability to identify, contain, and respond to pandemic influenza. As a result, the country now has 120 well-trained professional veterinarians and laboratory staff prepared to respond to an outbreak of AI.

Communication has been key to promoting awareness among the public about avian influenza, risk factors and how to limit its

spread. This is why the project facilitated the creation and distribution of a special biosecurity DVD, a brochure and an AI Manual.

In addition to support to the government of Georgia, assistance was also provided to four commercial poultry farms which sought to enhance their technical capacity and raise awareness on the importance of biosecurity.

In order to further strengthen Georgia's capacity for monitoring, detection, and response to avian influenza the World Bank is facilitating a next phase of the assistance.

Such continued engagement will ensure that Georgia is well prepared to address the challenges presented by avian influenza.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID Facilitates Consolidation and Export of Georgian Mandarins



Preparing mandarins for shipment to the export market

A Mandarin Consolidation Center, located in the village of Buknari in the Adjara Region, was officially opened on December 8, 2005, through the joint efforts of Buki Ltd., one of the major local mandarin consolidators, and AgVANTAGE, a USAID-supported export development project. This facility, ideally located in the mandarin growing region and near the main road to Batumi port, allows Buki Ltd. to now meet the requirements for proper post-harvest handling and to be competitive in the higher-end export markets.

Mandarins are a traditional Georgian export, sold primarily to Russia and the Ukraine in bulk shipments through informal channels and generally end up in the lower-priced markets. However, there are increasing opportunities to receive higher prices in these export markets for those suppliers who can consistently deliver high quality, properly consolidated, graded, sorted and packed mandarins.

With the modernized Consolidation Center, Buki Ltd. is one Georgian company that is taking steps to capture the possible benefits these higher-end markets can offer. It is expected that the company will now be able to process 1700 tons of mandarins and receive a unit price approximately 20% higher than that typically received in the tail-gate market.

AgVANTAGE, whose focus is to help increase the competitiveness of Georgia's agricultural products in export markets, has been working with Buki Ltd. since 2004. Activities leading up to the establishment of the Consolidation Center included introducing degreening technology to enable the company to enter the Russian mandarin market earlier than other competing suppliers; identifying additional buyers; and, initiating a program to enhance brand identity for Georgian mandarins. This collaboration will continue in 2006 when it is planned to further modernize the grading and sorting line equipment in the Consolidation Center.

The commitment that Buki Ltd. has shown in establishing the Consolidation Center serves as an example for other Georgian companies exporting fresh produce. The value-addition principles being applied by this forward thinking company must be widely adopted if Georgia is to enter and successfully compete in the higher-end, higher-value markets of today



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Early Potato Yields Double



Photo: Zviad Bobokashvili

With assistance received from USAID-funded project AgVANTAGE, and the MASHAV Center, farmers were able to produce 50 tons of early potatoes per hectare, more than twice as much as before

This season early potato harvest in Marneuli district of Georgia begun in July and created jobs for one hundred local residents. While the average productivity in this potato growing area is 15-20 tons per hectare, with the assistance provided by USAID-funded export development project AgVANTAGE and International Cooperation Center at the Ministry of Foreign Affairs of Israel - MASHAV, the farmers were able to produce 50 tons per hectare, more than twice as much as before!

For almost a year, AgVANTAGE has been working with a joint Armenian - Georgian venture to improve potato growing technology and off-season marketing opportunities.

AgVANTAGE worked closely with Georgian stakeholders and MASHAV Center, to conduct trials which were also a demonstration to farmers in that region. 6 hectares of land have been seeded with first generation potato seed imported from Armenia. The cost of land preparation, seeding and harvesting potatoes on 3 hectares has been assumed by AgVANTAGE. AgVANTAGE and MASHAV Center have co-financed all the soil management and cultural tasks. A qualified specialist from Israel has shared a lot of his experience with the farmers. Subsequent post-harvesting handling, grading and sales are being performed mainly under the supervision of AgVANTAGE staff.

20 tons of harvested potatoes have already been sent to a buyer in Volgodonsk, Russia, identified by AgVANTAGE. The rest is being sold at the domestic market.

On July 14, AgVANTAGE organized a technical Field Day to demonstrate successful results and share gained experience with other potato growers in the region. The Field Day was also attended by representatives of USAID/Caucasus Mission, Ministry of Agriculture, MASHAV Center and Georgia Farmers' Union.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Green Light for Greens Growers



After establishing greens Consolidation Center through USAID assistance, at the height of the season, local consolidator Guliko Machaladze is now able to send out 140 tons of greens per week, almost 3 times more than before

One of the main constraints facing Georgian greens growers today is the non-existence of modern consolidation centers, where greens can be properly centralized, sorted, and packaged prior to export. Commonly, warehouses used for product consolidation are in very poor condition and lack basic necessities. This drastically deteriorates the quality of the final product.

The USAID-funded AgVANTAGE project provided a grant to a local consolidator, Ms. Guliko Machaladze, to renovate an old warehouse and turn it into the first major greens Consolidation Center in the country. After the growers turn in their harvest, Guliko ensures proper post-harvest handling. At the height of the season, Guliko is now able to send out up to 140 tons of greens per week, almost 3 times more than before. And the average value of the greens is now \$4 per kilo, up from approximately \$1.50 just one year ago. She has also employed over 170 co-villagers as suppliers, graders, packers, drivers, and guards.

Fresh herbs have been widely grown in the western part of Georgia for centuries, constituting the primary source of income for local growers. The vast majority of greens are grown in the Imereti region, where about 7000 families from 9 villages grow dill, parsley, green onions, caraway, coriander, cress, and celery for export.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Creation of Stronger Fresh Herbs Value Chain Leads to Increased Export Sales



Using modern post-harvest handling technologies and new type of packaging allowed Herbia Ltd. to enter higher-end European markets, in addition to existing markets in Ukraine and the CIS countries.

Small-scale farmers in Georgia face numerous challenges. Deficiencies in modern production practices and technologies and the lack of access to agricultural credit are among the primary shortcomings hindering the development of the country's fresh herbs industry.

Herbia Ltd., based in Imereti's Tskaltubo District, is the first major fresh herbs exporter that has demonstrated its commitment to strengthening the industry.

In autumn 2007 Herbia helped 150 local small-scale growers owning at least 650 sq.m of greenhouse space each get agricultural credits by acting as an intermediary between them and the Bank of Georgia. The company has served as a reputable and trustworthy guarantor. It provided company real estate as collateral, and backed it up with an impeccable reputation based on its history of true professionalism and accountability.

Now, each of these growers has working capital to cover operations and input supply costs. They have 12 months to repay the credit based on annual market interest rates, which range from 16 to 18 percent.

"We were already very thankful for Herbia because it provided a steady and fair market for our produce," said Aleksander Janelidze, a fresh herbs grower from the village of Tkachiri. "Without Herbia's support, these financial resources would not have been available to us. This intervention enables us to grow and sell market demanded herbs in a timely manner."

Seasonally, the farmers supply Herbia with 300 tons of herbs for a total value of US\$ 1,350,000. It is anticipated that of Herbia's facilitation will allow the farmers to increase their production capacity by approximately 25 per cent.

Herbia has recently emerged as a major consolidator and exporter of fresh herbs thanks in large part to assistance from the USAID-supported export/development project AgVANTAGE. The company owns a modern consolidation center and packing center equipped with a forced air-cooling system and is applying the concept of cold-chain integrity in its operations.

"We believe that giving growers access to credit is crucial for the industry's development," said Zurab Janelidze, Herbia's director.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID Supports Production of Agricultural Products with Import Substitution Potential



New product varieties are grown and modern production technologies are applied at the demonstration site in Marneuli district

Onions have been a traditional crop for Georgia, particularly for the Marneuli district. With the arrival of the market economy, onions proved to be a valuable cash crop for local farmers.

USAID-supported export development project AgVANTAGE held a Field Day in village Tamarisi, Marneuli district. During the Field Day, local farmers and invited guests observed the commercial trial onion field at an early stage of production and learned about the benefits of using innovative production technology, farming equipment, irrigation system and new product varieties.

Since 2004, AgVANTAGE has been working with Tavitavi Ltd. A suite of machinery for soil preparation has been imported from the U.S. by AgVANTAGE and quality seeds have been procured. The owner of the company Mr. Ebanoidze, in turn, provided 4 hectares of land, procured and applied proper chemicals, fungicides, pesticides and fertilizers. His efforts created jobs for 35 local villagers working in the field.

A new onion variety called Highkeeper was sown on 1 hectare of land. While traditional onion varieties are sown in spring and harvested in summer, this new “over-wintering” variety is sown in autumn and harvested in early summer, when other varieties are still in the ground although the demand for onions is very high.

The harvest is planned to take place in June and the expected yield is 50 tons per 1 hectare, about two times more than the existing early varieties. The harvested onions will be sold at the local market at a time when the demand for onions is very high and the vast majority of the available product is imported either from Azerbaijan or Turkey.

The over-wintering onions can be sold at a good price, 50-60 percent higher than the “traditional” varieties. This means greater benefits for farmers and a good basis for developing farming.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

DEMONSTRATING THE BENEFITS OF IMPROVED POLYTUNNEL TECHNOLOGY

The improved polytunnels have UV blocking ability, lowers the incidence of mildew, keeps diseases under control and reduces the need for harmful chemicals.



Improved polytunnel erected with USAID assistance



Old Soviet-style wooden polytunnel construction

The cultivation of fresh herbs such as dill and parsley has become an important and successful rural business in western Georgia over the past decade. Some 7,000 families grow greens in Tskaltubo District alone. Still, the full potential for this industry to develop and meet the challenges of very demanding marketplaces has not been fully exploited. This can be attributed to the fact that almost all greens growers use outdated production practices. Improved polytunnels offer an opportunity to increase the competitiveness of this industry. Without them the quality and yields necessary for commercial production cannot be achieved.

The common practice up to now has been to use wooden structures covered with plastic to house the greens. These structures were unable to protect the seedlings from excessive UV light and ensure thermal control. Moreover, the farmer had to replace the plastic every other year and replace the whole structure every five years, resulting in high maintenance costs, which reduced the farmers' incomes.

In an effort to make the industry more cost-efficient, the USAID-supported AgVANTAGE project introduced improved polytunnel facilities and technologies into the country in 2004.

"In the beginning, we imported two modern polytunnels from the US and set them up in the Imereti region in collaboration with the Tskaltubo Greens Growers Association. Since then, the project has expanded to four other regions of Georgia and has overseen the construction of seven low-cost demonstration polytunnels which utilize locally available materials," AgVANTAGE General Director Richard Hurelbrink said. These new polytunnels are permanent structures - a tubular steel framework of hoops over which polythene is secured. In contrast to the old-style polytunnels, this structure lasts for more than 20 years, has UV-blocking ability, decreases the incidence of mildew, keeps diseases under control and reduces the need for harmful chemicals. In addition, they facilitate and promote the production of organically grown plants. The polytunnels are also thermally efficient and reduce heating costs.

"This new polytunnel has made a huge difference to me. Now I am able to grow a wider variety of crops, extend the length of the growing season, and carry on growing in all types of weather. Moreover, this modern polytunnel enables me to reduce wastage, increase yields and thus command competitive prices," said Iuri Chogovadze, a farmer in the village of Kvitiri.

Last year the AgVANTAGE project reconstructed abandoned Soviet-era glass greenhouses utilizing polytunnel technology for the production of off-season tomatoes and cucumbers in the Shida Kartli region. Such activities enable Georgian growers to replace vegetables that are imported from Turkey and Iran on local markets during off-season periods.

An important purpose of this initiative is to have these polytunnels serve as a demonstration to other growers in the regions. As a result many small farmers in these regions are benefiting from increased productivity and income thanks to the application of these technologies and practices.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgian Greens to be Exported to Europe Versus Russian Embargo

USAID widens Georgian greens growers' choice of export markets.



Photo: Sophia Chakvetadze

Greens improved packaging is our business card to Europe, President Saakashvili said at the opening.

"Our traditional consumers have lost the opportunity of receiving Georgian greens. Instead, we have found a new market for this product in Europe. Those who don't want our parsley and dill will not receive it. Once we penetrate higher-end European markets and once the Europeans taste our Georgian greens, I doubt that we will have enough greens for another markets," President Saakashvili stated.

For many years Zurab Janelidze, one of Georgia's leading herb producer-exporters, has been consolidating locally-grown fresh herbs in a dilapidated building in a village in the Imereti province for export to lower-end markets in Russia.

"We used to package greens in used cigarette cartons and cool them with ice. This packing method provided a shelf-life of only 2-3 weeks and left us no choice but to sell them in Russia," said Janelidze of his company, Herbia Ltd.

This one export option was eliminated when Russia imposed an embargo on Georgian produce in 2006. The situation proved especially problematic for farmers who produced more than 5,000 tons of herbs.

Since then, one of the priority areas of the USAID-supported AgVANTAGE project has been working with Georgian growers and exporters to identify and develop alternative markets for Georgia's fresh greens. Penetrating these markets and being a competitive force on them demands the establishment of modern pack houses with forced air cooling units, improved post-harvest handling and packaging, and cold chain integrity.

Thanks to AgVANTAGE's efforts, Janelidze's nightmare is over. Today he has a modern greens consolidation and packing center with a forced air cooling unit that has a throughput of 1,400 tons per season. The use of this new technology has doubled the product's shelf life up to 4-5 weeks. "Now we can make shipments to more distant places – Ukraine, Poland, England, Germany and other European countries," Janelidze said.

AgVANTAGE also helped two more Georgian producer-exporters, GFH Ltd. and SP Guliko Machaladze, acquire similar modern facilities.

To add more value to the product, the companies have also introduced new packaging materials. These modern 1.6-kilogram cardboard boxes provide a stark contrast to the traditional cigarette cartons and enable the companies to explore new markets and achieve higher profit margins.

This important breakthrough captured the interest of Georgian President Mikheil Saakashvili, who visited the center and said afterwards: "Our traditional consumers have lost the opportunity to receive Georgian greens. Instead, we have found a new market for this product in Europe. From now on, we will supply Europe with our greens. Those who do not want our parsley and dill will not receive it. Lots of greens are grown in the world, but the greens grown in the Imereti province are beyond compare. Once we penetrate higher-end European markets and once the Europeans taste our Georgian greens, I doubt that we will have enough greens for other markets. The improved packaging of our greens has served as our business card on European markets."



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

First industrial cheese production in Georgia

The opening of two new cheese plants marks the industrialization of cheese production in Georgia and gives hope to farmers in the Javakheti region



*“Now people are more confident here and this cheese is the result,”
Mikheil Saakashvili*



First samples of industrially produced Georgian cheese

The opening of two modern cheese plants in the adjacent villages of Orlovka and Spasovka on June 21 turned into a real celebration for farmers in the Javakheti region. For them the event not only marks the first successful attempt at industrializing cheese production in Georgia, but also provides hope for a better future through reviving the region's dairy industry.

The newly opened plants are the country's first suppliers of safe, quality cheese products thanks to the USAID – supported AgVANTAGE initiative to introduce modern milk production standards. After the collapse of the Soviet Union, cheese production shifted from state-owned farms to the private sector. This led to poor sanitary conditions during milking and the preservation process and, consequently, dairy products of questionable quality. These modern cheese plants will provide customers with top quality products: “From now on people will have a chance to buy high quality locally produced industrially processed cheese,” says Nika Grdzeldze, deputy director-general of the AgVANTAGE project.

At the same time, these enterprises will bring significant economic benefits to the region. Since the break-up of the Soviet Union, Javakheti has endured a host of economic difficulties resulting in the rapidly decreased production, several abandoned factories and high unemployment. The predominately ethnic Armenian-populated Javakheti region was once one of the country's leading regions in terms of production of raw milk. Dairy production has long been the only source of income for the region's farmers.

In an effort to revive Javakheti's dairy production, which offers the greatest opportunity for income and employment generation, AgVANTAGE, in cooperation with local milk processors Orlovka Cooperative and Spasovka Ltd, has set a precedent of industrial cheese production in Georgia by constructing two modern cheese processing plants in Ninotsminda District. Modern cheese production equipment was installed in each plant and proper pasteurization, separation, cheese maturation and packaging practices were introduced. AgVANTAGE also rehabilitated six dairy farms in the region to demonstrate the development of a complete dairy production chain and to enable the milk processing plants to purchase high quality raw milk. During their visit to Javakheti at the opening of the Spasovka plant on June 21, President of Georgia Mikheil Saakashvili, Minister of Agriculture Petre Tsiskarishvili and other government authorities observed the production process after the ribbon-cutting ceremony and had the privilege of tasting the first sample of industrially produced Georgian cheese. - “The most important thing that has happened in this region during recent years is that it has been fully integrated into Georgia. Now people are more confident here and this cheese is the result,” Mikheil Saakashvili said.

These two modern cheese plants together will be capable of processing up to 10 tons of raw milk and producing 1,000 kg of cheese per day, with annual sales reaching an estimated GEL 700,000. They will provide a stable source of income for more than 800 farmers in the region and direct employment for 25 to 30 individuals. Moreover, the proposed technology will enable Spasovka Ltd. and Orlovka Ltd. to produce a competitive product and replace the large quantities of imported hard cheese.

“Georgians, Russians and Armenians who live in this village and farmers from four neighbouring villages will benefit from this cheese plant. The opening of this factory means the end of poverty for local farmers, it is a sign of hope and beginning of better life,” says the owner of the factory Lekso Mikeladze.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID/AgVANTAGE Established Medium-size Feed Mill Facility in Adjara Region

USAID/AgVANTAGE promotes animal husbandry through establishing industrial medium-size feed mill operations in Adjara region

Medium-size industrial feed mill located in village Erge, Adjara's Khelvachauri district was officially opened on May 7, 2009, through the joint efforts of Karchkhali Ltd. and AgVANTAGE, a USAID-supported export development project.

A year ago, USAID/AgVANTAGE and a Georgian-based trader of animal food ingredients Karchkhali Ltd. brought together endeavors to establish a medium size industrial feed mill operation in Adjara region. The company was established in 2005 and has since become one of the biggest traders of animal food ingredients in western Georgia. In 2007, it became one of the largest and the most successful distributors of bran and other food ingredients in western Georgia. Its lack of necessary equipment, however, inhibited Karchkhali's ability to produce ready foods for cattle, hogs and poultry and limited its business to trading food ingredients.

Adjara farms are currently home to more than 115,000 head of cattle. The majority of the local farmers have to ship in combined feed from eastern Georgia, at additional cost. Consequently, this leads to higher prices for meat and milk in western Georgia.

With the assistance of USAID/AgVANTAGE Project, Karchkhali purchased a processing line that can produce up to 25 metric tons of animal feed per day. The new mill will help lower the food costs for local farmers, thus lowering the costs to produce raw milk and meat. It is also estimated that farmers in the region could increase income by up to ten percent through lower animal feed prices.

By establishing the first feed milling operation in the region, Karchkhali Ltd. and USAID/AgVANTAGE ensure the availability of combined feed in western Georgia, which did not exist since 1995.

USAID/Georgia Acting Mission Director Mr. Ioakim Parker highlighting the importance of the feed mill for the local economy, noted that "Agriculture is vital to the economy of Georgia, especially here in the Adjara region. Through public-private partnerships, such as this one, we can support the growth of individual farmers, small businesses and communities. We can help lay the foundation for a prosperous future."



Ribbon cutting at the Karchkhali Ltd. Feed Mill Facility - Minister of Agriculture of Adjara Autonomous Republic Emzar Dzirkvadze and USAID/Georgia Acting Mission Director Mr. Ioakim Parker

Minister of Agriculture of Adjara Autonomous Republic Mr. Emzar Dzirkvadze stated, that “USAID/AgVANTAGE provided the solid basis for the development of the animal husbandry in the region as well as throughout Georgia. From now farmers will have an access to quality and low cost feed for their animals”.

During the first year of operations, sales are projected to reach 250,000 USD. The company will also be in a better position to establish long-term relationships with 500 small and medium-size farmers in Khelva-chauri, Keda and Khulo Districts. These districts have traditionally been heavily dependent on production of meat and milk and the lack of quality combined feed was constraining the development of this sector. This intervention is expected to serve as a basis for the development of the animal husbandry sector in the region, increasing productivity, and generating additional income for local farmers.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

USAID/AgVANTAGE distributes fruit trees to support Shida Kartli Region



USAID/AgVANTAGE helps residents of Shida Kartli Region alleviate the consequences of Russia's invasion in August 2008 through distributing fruit trees

On March 25, 2009, USAID/AgVANTAGE, in partnership with the office of Shida Kartli Region governor, and local administrative bodies distributed fruit trees of various species to the residents of villages affected by the Georgian-Russian conflict of August 2008.

Fruit growing has been a major source of income for many farmers in Shida Kartli for years. According to a recent assessment, this sector declined significantly after the conflict. USAID/AgVANTAGE seeks to help local farmers rehabilitate damaged orchards around the zone of conflict through distributing advanced types of fruit trees and encouraging other farmers and households to reinvigorate the fruit production sector by planting high-yield orchards throughout the whole region.

Some 3,100 households in eight villages (Tirdznisi, Tergvisi, Ergneti, Meghvrekisi, Brotsleti, Akhaldaba, Sakasheti, Arashenda, Variani) within the jurisdiction of the Tirdznisi and Variani administrations received a total of 31,000 high quality fruit trees. Each household received 10 units of various fruit trees, which is sufficient to plant a total of 60-70 hectares of fruit orchards.

The farmers received early-maturing, high-yielding trees that will begin to yield fruit in their third year. The trees were developed by the Gori Fruit Farmers Association, which was established in 2004 with assistance from USAID/AgVANTAGE. These trees will help to ensure regular future harvests of high-quality fruit. In addition to the trees, farmers received informational leaflets on modern orchard management practices and relevant basic training.

"We recognize the importance of assisting this region since it was most affected by the Russian invasion in August. Through this initiative we are aiming to partly rehabilitate agriculture in the affected villages," said David Gosney, USAID director of Office of Economic Growth.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Premium Green Tea Versus Low Quality Tea

Premium green tea production increases profit tenfold



Photo: Giorgi Azizov

Lia Ugulava is a mother of three children. The only income for her family is the salary she receives in Ternali-Tea.

“The future of the Georgian tea industry lies in the establishment of similar mini-factories. It should be emphasized that the USAID’s project was the first one to see this opportunity and facilitate establishment of this facility. We always welcome such initiatives,” Deputy Minister of Agriculture stated.

Alu Gamakharia, an internally displaced person from Abkhazia, has been living in Tskaltubo District for more than ten years. In order to get by in his new environment he set up a small tea processing factory, Ternali-Tea Ltd., in the village of Ternali. As a result, he made a difference not only for his family but for 42 households whose members found employment either as full-time workers at the factory or seasonal laborers on the tea plantations.

The facility's existing machinery allowed him to produce only low quality, cheap tea for export into lower-end markets in Mongolia and Russia. “In the past there was a great demand for this tea in these countries. Russia was the biggest market for our tea, but it has now been closed off for us as a result of last year’s developments. As for Mongolia, low quality Chinese tea has come to dominate the market there over recent years. It is much cheaper, so we could not compete,” Gamakharia said.

To overcome this problem the company elaborated a new strategy and began producing a highly demanded product - premium green tea. “Ten years of experience have convinced me that the production of low quality, cheap tea has no prospect in Georgia. The industry's future lies in producing a higher quality, higher value product such as premium green tea,” the Gamakharia said.

The USAID-supported AgVANTAGE project helped Ternali-Tea acquire modern equipments required for sorting, spinning and drying tea leaves, enabling the company to shift from producing low quality tea to premium green tea. As a result, the factory is now able to produce over 10 tons per year of high quality, competitive green tea and ship it in bulk. The price of this bulk product is USD 7 per kg on the domestic market and USD 15 on export markets, ten times more than the unit price of the low quality tea that Ternali produced in the past.

“Today, the Georgian market is full of low quality imported tea while the plantations in the country remain neglected and overgrown. By shifting to quality tea production we aim not only to meet the demands of the domestic market but also to enter higher-end export markets,” Gamakharia said.

In addition, the company has leased a 10 hectare production area which will consistently provide 45 tons of high quality raw materials for the factory per year.

“The future of the Georgian tea industry lies in the establishment of similar mini-factories. It should be emphasized that the AgVANTAGE project was the first to see this opportunity and facilitate the establishment of this facility,” said Deputy Agriculture Minister Mirian Dekanoidze, who added that the establishment of such mini factories would attract investment in the tea industry.



USAID
FROM THE AMERICAN PEOPLE

AgVANTAGE
Maximizing Georgia's Agricultural Exports

SUCCESS STORY

Georgian Wines to be available in U.S. supermarkets soon

U.S. Ambassador John Tefft supports Georgian wine export to the U.S.



Wines produced at Tsinandali Old Cellar and Vinoterra will be sold at Whole Food Markets in the U.S.

"I think that these wineries are little models showing what Georgian production should look like in two or three years" - admitted John Tefft

When Russia imposed an embargo on imports of Georgian wines in March 2006, the country lost its traditional and most important export market, where about 89% of Georgian wines were sold. In 2007, Georgian wine producers mobilized their efforts to diversify their products and penetrate new export markets in the West, primarily the EU and the U.S.

AgVANTAGE organized several important events aimed at supporting Georgian wineries. In July 2007 the project, with co-financing from the Georgian Ministry of Agriculture, supported the participation of six of Georgia's leading wineries at the Fancy Food Show in New York. The exhibition provided a unique opportunity for the companies to gain exposure in the U.S. It was the biggest presentation to date of Georgia's agricultural products in the United States.

The fruit of these efforts is the partnership between Whole Food Markets, the world's largest retailer of natural and organic foods, and two wineries in Kakheti Province - Vinoterra and Tsinandali Old Cellar. The first large-scale export of Georgian wines, totaling 10,500 bottles from both companies and worth USD 48,000, has been bottled and is due to be shipped in March to Seattle, WA. In 2008 both companies plan to ship 30,000 bottles of wine of a combined value of USD 130,000 to the U.S. "I am happy that U.S. citizens will also have the chance to taste high quality Georgian wines," U.S. ambassador John Tefft said.

AgVANTAGE is planning to continue assisting Georgian wineries to participate at the Wine, Spirits and Beer Event of the National Restaurant Association Show to be held in Chicago in May 2008. This event will be an integral part of AgVANTAGE's strategy to increase and stimulate Georgian wine exports to the U.S. "This will be a great relief because we used to be focused on the Russian market and found ourselves in a very difficult situation after the economic embargo was imposed," Eldar Milediani, the owner of Tsinandali Old Cellar, said.