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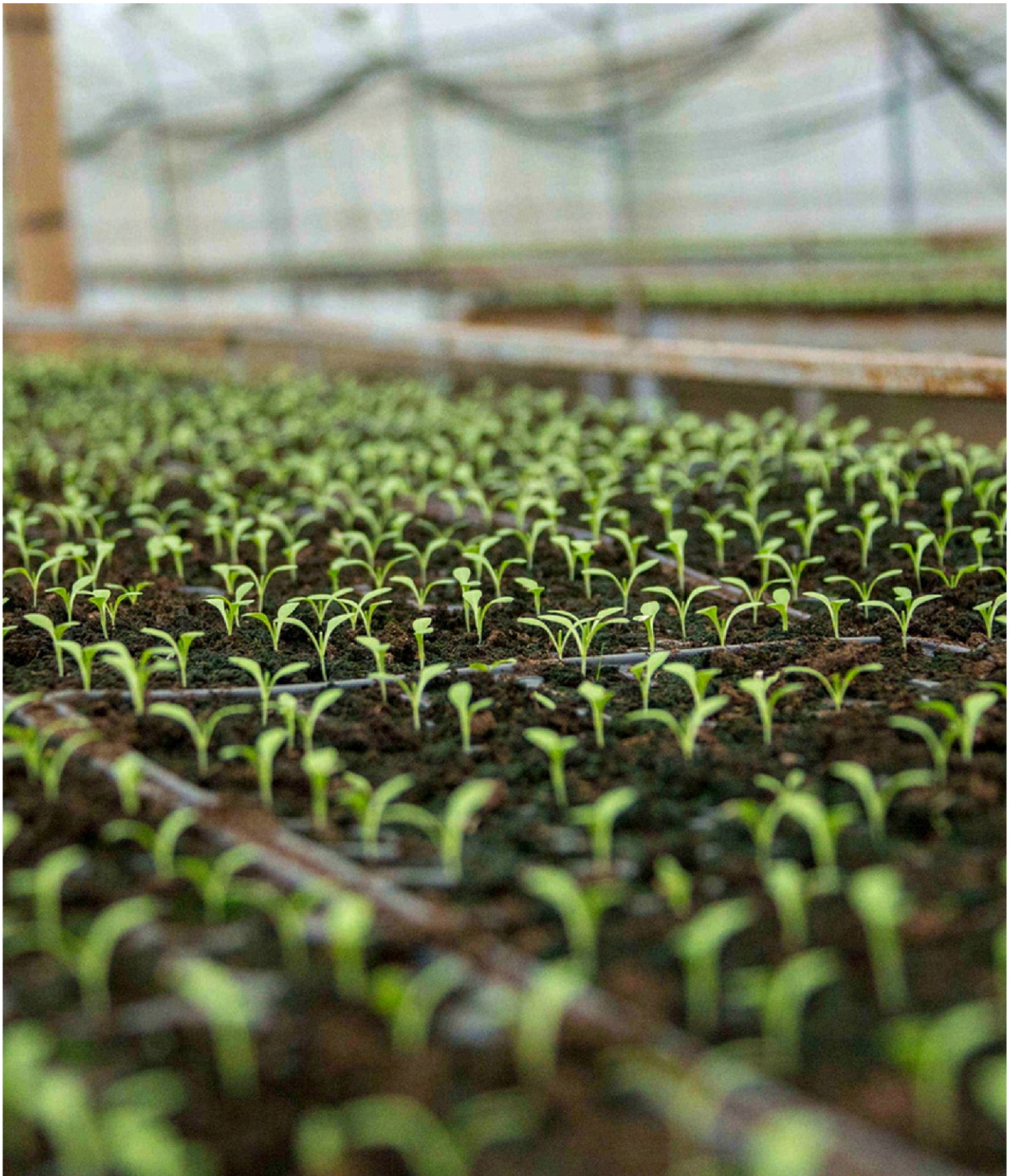
2024

USAID AGRICULTURE PROGRAM



ACCELERATED GROWTH FOR AGRICULTURAL SUB- SECTORS IN GEORGIA

Cultivating New Frontiers in Agriculture (CNFA)



CNFA

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Introduction

In recent years, the COVID-19 pandemic, a steep rise in natural disasters and an increase in political conflicts have severely impacted the economic landscape across Europe and Central Asia. According to the World Bank, these factors have contributed to the slowest half-decade of global GDP growth in 30 years.[1] Their recently published Global Economic Prospects report[2] reiterates this, noting that while countries in Europe and Central Asia are expected to return to regular growth rates in 2024, Georgia stands out for maintaining strong growth performance, having practically doubled its GDP since 2018.[3]

The Georgian economy's exceptional progress can be attributed to many factors including an influx of investment, the development of its energy sector and strong tourism revenues. Of note is the significant growth within its agriculture sector. Over the last half decade, agriculture has made significant strides and measurable improvements across the sector in terms of production, processing and trade. It is important to note that approximately 40% of Georgians work in agriculture related fields, and this sector's success has contributed to growth in other areas of the economy including forestry and fishing.[4] In 2022, these sectors contributed \$1.33 billion to the country's economy, continuing an impressive positive trend in years when many countries have struggled.[5]

One reason for these achievements has been the high priority placed on agriculture by the Government of Georgia (GoG). As a result of targeted investment programs implemented by the Ministry of Environmental Protection and Agriculture's Rural Development Agency (RDA) and Ministry of Economy and Sustainable Development's Enterprise Georgia, the country's agricultural landscape has been transformed, increasing levels of investment, creating pathways to success for farmers, fostering greater yields and establishing stronger ties to regional and global markets.

This growth has also been measurably improved by the assistance provided by the USAID Agriculture Program, implemented by Cultivating New Frontiers in Agriculture—an international agricultural development organization based in Washington, D.C. Since 2018, the Program has strengthened agricultural sub-sectors throughout the country, prioritizing those with the greatest potential to create jobs, improve incomes and increase revenues for micro, small and medium enterprises. Using a value-chain approach, the Program targeted operations in berry, culinary herb, stone fruit, perishable vegetable, pome fruit, table grape, mandarin, nut and wine production. Within each of these value chains, the Program helped agribusinesses improve crop quality, scale production, increase postharvest handling and processing capacities and build linkages to increase potential for exports and trade.

[1] <https://www.worldbank.org/en/news/press-release/2024/01/09/global-economic-prospects-january-2024-press-release>

[2] <https://thedocs.worldbank.org/en/doc/661f109500bf58fa36a4a46eeace6786-0050012024/related/GEP-Jan-2024-Regional-Highlights-ECA.pdf>

[3] <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2022&locations=GE&start=2018>

[4] <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=GE>

[5] <https://data.worldbank.org/indicator/NV.AGR.TOTL.KD?end=2022&locations=GE&start=2021>

40%

Of Georgians work in agriculture related fields

\$1.33B

Contributed to the Georgian economy from the agriculture, forestry and fishing sectors

130

Grants allocated to Georgian agribusinesses, business associations and service providers

480

Operators provided with technical assistance

76

Enterprises supported to implement internationally recognized food safety and product quality systems and obtain relevant certifications

2,224

Agricultural enterprises with improved management practices and operational technologies

6,760

New jobs created

Working with both public and private sector actors, the USAID Agriculture Program has generated spectacular results for Georgian agriculture. In less than six years, the Program has issued 130 successful grants to Georgian agribusinesses, business associations and business service providers, provided 480 operators with technical assistance, enabled 76 enterprises to implement internationally recognized food safety and product quality systems and to obtain relevant certifications, assisted 2,224 agricultural enterprises with improved management practices and operational technologies and created more than 6,760 new jobs. These results have been important, not only to the development of Georgia's agriculture sector, but for the country's overall economy.

These achievements relied on thorough research and careful evaluation of Georgia's agricultural industries, extensive farm and factory visits, cooperation between the government and private sector, numerous investments and related financial support programs and wide-ranging technical support provided by globally recognized experts in their fields, all in the pursuit of increased productivity and enterprise growth. Highlights from the activities that proved most productive support, including several case studies, are outlined below.

Scaling Production

Scaling production has been an essential focus of the USAID Agriculture Program and key to its success throughout the agricultural community. For many Georgian agribusinesses, increasing demand for their products represents meaningful opportunity to increase revenues. This is why the Program has taken a holistic approach, helping micro, small and medium enterprises improve capacities across all aspects of operations, providing expertise in terms of organizational management, awareness of domestic and global market trends and close attention to postharvest management as well as cost-share grants that support sustainable, scaled-up production.

Efforts to scale production have generated increased yields, but also fostered a transition towards modernization—one of the USAID Agriculture Program's most significant accomplishments and an evolutionary change that the Georgian agriculture sector has eagerly embraced. As a result, producers are adopting new crop varieties, leveraging modern Integrated Pest Management tools and upgrading postharvest handling and processing technologies that will enhance overall product quality and better respond to increasing demand from international markets.

Improvements to postharvest management, with the assistance of the USAID Agriculture Program, have also been important to scaling Georgian agricultural production. Cold storage facilities are essential to preserving quality, freshness and marketability and are an important component for high-quality fruit production. They enable growers to keep and distribute fruits more effectively, minimize waste, extend market reach and contribute to a more sustainable and efficient fruit supply chain. Through its cost-share grants, the USAID Agriculture Program has supported the construction and expansion of cold storage facilities, increasing their capacity by 10,000 tons per year since 2018.

Agrobade Ltd is one of many organizations that has successfully increased its operational capacity and enhanced product quality through support from the USAID Agriculture Program. With additional financial contribution from Enterprise Georgia, the company has successfully established Georgia's first anti-hail net production facility. Recognizing that local producers frequently experience significant crop loss due to damage caused by hail or are spending more to import expensive nets from other countries, Agrobade's new facility produces anti-hail nets at half the price of imported nets. With an annual capacity to produce 1 million square meters of anti-hail nets as well as over 600,000 plastic mesh bags for packing and shipping vegetables, the company can employ 25 workers and generate an annual revenue in excess of \$1 million. With the tremendous benefits realized from the support of the USAID Agriculture Program, Agrobade's products will be used by other agribusinesses, further improving production and supporting economic growth within the sector for years to come.



Agrobade Ltd's anti-hail net facility and orchards



Strengthening Value Chains

Enhancing production is just one step of the process towards increased growth in the agriculture sector. To ensure a robust, efficient and lucrative agricultural system, producers must be seamlessly connected with buyers, a process which encompasses diverse stakeholders and multiple stages from point of origin to final sale. The stronger the value chain, the more potential the agricultural product has to succeed and generate maximum profits.

Improvements to Georgia's agricultural value chains have been recognized by the GoG as areas for further development and support. Through its preferential loan program, Government subsidized interest rates gave farmers access to credit. Additional programs have supported farmers to access new machinery and mechanized processing and storage solutions and provided improved transparency and digitization of land records. By pursuing important reforms such as these, Georgia has created a more investment-friendly land market and reduced barriers for farmers.

Similarly, the USAID Agriculture Program, through its work with agricultural cooperatives, service providers and business associations, has strengthened capacity, assisted with the development of key business-to-business relationships, reinforced existing linkages and contributed to more efficient and profitable value chains. Although the Program has successfully supported and enhanced the productivity of Georgia's many agricultural value chains, the blueberry and walnut value chains are perfect examples of the transformation that has taken place.

Blueberry Value Chain

The country's commercial blueberry industry has seen remarkable expansion and growth since 2019, driven by robust support from both the GoG and international donors, including USAID. According to data sourced from RDA, the territory dedicated to blueberry cultivation experienced substantial expansion, growing from 448 hectares in 2019 to 3,000 hectares by the end of 2023. During this time, the USAID Agriculture Program focused its value chain strengthening efforts on a variety of initiatives that modernized infrastructure and helped growers adopt global best practices suited to their local growing conditions. This included the establishment of nine new cold storage facilities for blueberries, consultancies to more than 150 commercial growers, technical knowledge sharing with 600 blueberry growers, including smallholder farmers, and facilitating the establishment of the Georgian Blueberry Growers Association (GBGA). This association now unites 20 growers and serves as a platform for collaboration and knowledge exchange, further bolstering the growth and sustainability of the blueberry industry in Georgia. In cooperation with RDA, the USAID Agriculture Program also helped 17 blueberry growers obtain GlobalGAP and GRASP certifications. One such company, Lurji Veli, became the first company in Georgia to obtain the GRASP certification—an assessment that addresses on-farm social practices, such as specific aspects of workers' health, safety and welfare, greatly expanding their export potential in EU markets. Lurji Veli also obtained a cost-share grant from the Program that established blueberry greenhouses across two hectares, resulting in a

570%

Increase in hectares
of land dedicated to
blueberry cultivation
from 2019 to 2023



30% increase in productivity, sales exceeding \$3 million and the creation of 272 new jobs.

To ensure premium quality while enhancing the appeal and competitiveness of Georgian blueberries in international markets, the USAID Agriculture Program partnered with Fall Creek, a globally recognized blueberry nursery, to bring their highly productive blueberry cultivars to Georgia as well as to provide growers with the technical expertise needed to properly cultivate the crops and increase their productivity. As a result, 1.4 million premium seedlings from Fall Creek have been planted in Georgia, alongside the introduction of Fall Creek-managed club varieties (Sekoya) that ensure guaranteed sales through a contract farming mechanism. These initiatives mark a significant step forward for commercial farmers eager to meet international blueberry standards and ensure the future availability of Georgian blueberries in both domestic and international markets.

Additionally, the Program organized two International Berry Conferences, the first of their kind in the country. The second event held in Batumi attracted more than 150 berry stakeholders together with leading international consultants to facilitate new market linkages, introduce new technologies and discuss best practices for the sector's continued modernization and growth. The USAID Agriculture Program also organized study tours to Chile and the Netherlands, allowing Georgian growers to experience, and subsequently apply, international best practices in postharvest handling and long-distance transportation to their own operations. Such activities are critical for creating linkages within the value chain and promoting robust information exchanges between Georgian growers and international experts.

Through partnerships with Enterprise Georgia and RDA, the USAID Agriculture Program has played an important role in supporting the local blueberry industry's access to high-value markets and catalyzing new business opportunities. This was done through participation in leading international trade fairs including Gulfood, Anuga and Fruit Logistica, followed by continued engagement with potential buyers, innovative business lead generation programs and familiarization tours for international media. These strategic efforts have yielded significant results, leading to the first industrial-scale export of Georgia-grown blueberries to the EU. In 2023, 35.6 tons were exported to Germany, while an additional 36 tons were shipped to Poland and sold in supermarket chains REWE and Edeka. This success has led to the signing of a memorandum of understanding between the GBGA and a major German buyer, committing to export 800 tons of fresh blueberries by 2025. This deal, the first of its kind in Georgia, involved collaboration from ten GBGA members, including Ashki Agro, a Program participant known for its forward-thinking approach. Ashki Agro, in the wake of support from the Program, was able to enhance its export competitiveness through the adoption of internationally recognized food safety certifications, participation in international fairs and technical assistance in postharvest handling practices.

As a result of these activities, the Georgian blueberry sector has grown tremendously in terms of capacity, quality and scale. At the same time, it has been reinforced by a strong supply chain and improved relationships with key



Georgia's first-ever Berry Forum (2021)



Georgia's second annual Berry Forum (2022)

international players. Based on projections for established blueberry orchards across western Georgia, export volumes are projected to increase from 3,400 tons in 2023 to 5,000 tons in 2024, leading to a greater share of exports directed into EU markets.

Walnut Value Chain

As with blueberries, the walnut value chain has also experienced significant growth since 2018. Based on opportunities to strengthen the value and international reputation of Georgia's production, the USAID Agriculture Program provided strategic interventions that enhanced the capacity of this subsector operating under the banner of a newly formed Almond and Walnut Producers Association.

Through cost-share grants, the Program helped establish the first four modern walnut processing facilities in Georgia, which contributed significantly to the industry's increased growth and capacity. Coupled with the introduction of modern postharvest handling technologies and other improved processing efforts, the volume of high-quality Chandler walnuts processed in 2023 was approximately 2,000 tons.

Through a cost-share grant from the USAID Agriculture Program, Nut Processing Ltd, established in 2022 in Georgia's Gurjaani Municipality, was able to acquire a walnut processing line that successfully processed 200 tons of walnuts collected from its own and neighboring orchards in 2023. With assistance from the Program, the company has identified and initiated negotiations with walnut buyers from EU and Gulf countries. To satisfy projected increases in demand and initiate exports in 2024, the company will be expanding its production, adding walnut oil and walnut meal to its already considerable line of walnut products.

In addition to cost-share grants, the USAID Agriculture Program provided technical assistance to walnut producers throughout the country. One such company, Agroline, opened its doors in 2019 and has quickly become one of the first and largest walnut processing facilities in Georgia. With the Program's assistance, the company developed market sensitive branding materials and new packaging designs for its products. Introduced to the marketplace in 2023, consumers are now able to easily identify and purchase Agroline's in-shell walnuts, presented under the Georgian Walnut Enterprise brand name, in major markets throughout the country. With support from the Program, Agroline became the first BRC-certified walnut producer in the country and was able to process 450 tons of walnuts, generating more than \$1.5 million in sales in 2023.

Although Georgia has traditionally been a net importer of walnuts, the support provided by the Program has allowed the country to realize self-sufficiency and import substitution for walnuts. While the local market still relies on low-quality imported walnuts, the export potential of high-quality Georgian walnuts is on the rise. This upward trend, coupled with the Program's efforts to help producers meet internationally mandated quality standards, is contributing effectively to the vitality and growth of Georgia's walnut industry.



Georgian Walnut Enterprise's packaged walnuts



Enhancing Local Trade and Exports

With enhanced production and strengthened value chains, the final step required is improving access to and maximizing sales opportunities in both local and international markets. Over the last five years, the USAID Agriculture Program worked with 480 grant recipients and partner agribusinesses to achieve this goal, generating \$181 million in sales.

To promote import substitution and facilitate access to local and international markets, the Program conducted strategic initiatives, piloted new projects and strengthened market system actors by addressing gaps and challenges in prioritized value chains.

Working collaboratively with RDA, the Program recorded noteworthy achievements in the fresh fruit sector by modernizing postharvest handling infrastructure, embracing the latest postharvest handling technologies and, at the same time, bolstering the capacity of the Georgian Cold Storage and Logistics Association. As a result, Georgia achieved significant import substitutions totaling more than \$8 million from 2019 to 2023. By partnering with the Georgian Table Grape Association, the Program was able to help growers introduce new cultivars and apply global best practices to their operations. This resulted in improved annual production of the market-demanded table grapes that changed import substitution from 100 tons in 2018 to 600 tons in 2023, with an 800-ton forecast for 2024, pending favorable weather.

The Program also assisted with the development of mechanisms that would better support and facilitate domestic sales and contribute effectively in terms of growth and sustainability for the local economy. One such endeavor was a business-to-business mechanism that facilitated regular dialogue between the 13 major retailers affiliated with the Georgian Retailers Association and local agribusinesses operating throughout the country. As a result of these connections, sales worth \$781,025 have been realized.

Another effective strategy was to forge partnerships with international brands operating in Georgia such as Hilton, Marriott and McDonald's, ensuring reliable access to a steady supply of high-quality local products. For lettuce growers alone, a partnership with McDonald's generated \$941,400 in sales.

While domestic sales remain crucial, exports to international markets represent noteworthy opportunities to increase both revenues and scale of operations. Historically, the majority of Georgian agricultural exports have gone to the Russian market. However, with an increasing number of disruptions in that region, and a greater capacity to develop export potential in other countries, Georgia has prioritized exports to high value markets including the EU, the U.S., and Gulf states. Additionally, although the country's net agricultural exports have increased from \$554,671,550 in 2015 to \$1,096,615,720 in 2023, further market diversification is essential.

Helping Georgian agribusinesses reach new export markets, the USAID

480

Grant recipients and partner agribusinesses working with the USAID Agriculture Program

\$181M

In sales generated by Program grantees and partner agribusinesses

98%

Increase in Georgian agricultural exports from 2015-2023

70+

Georgian
agribusinesses
participated in
international trade
fairs

Agriculture Program partnered with Enterprise Georgia and RDA to create the Agri Export Working Group to synergize efforts in export facilitation. To increase the international visibility of Georgian agribusinesses under the auspices of this Group, a comprehensive promotional campaign was implemented that included, among other initiatives: the creation of a new brand identity for Georgia's booth at international trade fairs, the development of an online TradewithGeorgia platform operated by Enterprise Georgia (www.tradewithgeorgia.com) for potential buyers to get information about Georgian agribusinesses and ensure transparency in the selection of businesses for GoG's support programs, the arrangement of the first-in-Georgia familiarization (FAM) tours for international business media and the development of the country's first-ever agricultural export catalog featuring more than 100 export-oriented agribusinesses from 10 value chains which was widely disseminated, including to Georgian Embassies in key export markets. Another significant program piloted by the Group in 2023 to increase Georgian agricultural exports was the Business Lead Generation Program. Assisting 55 agribusinesses from blueberry, nuts and finished products sectors, this program identified buyers and facilitated sales to markets in Germany and Gulf states, resulting in exports of approximately \$300,000, with the possibility for further sales in 2024.

In addition to these programs, the Program collaborated with Enterprise Georgia and RDA to support both new, ready-to-export companies along with previously established Georgian exporters to exhibit at leading international trade fairs, including Gulfood, Anuga, Sial, Fruit Logistica, Fancy Food and Private Label Trade Show. More than 100 Georgian agribusinesses participated in these trade fairs, 29 of which have already established contracts generating \$12 million in export sales.

Another mechanism for export promotion that has generated worthwhile impact is public-private partnerships (PPPs) with traders of Georgian commodities in targeted markets. To validate this approach, successful PPPs with GNP Grupe have facilitated the export of local spices, preserves, juices, sweets and mineral waters valued at \$186,421, to five stores owned by top-ten Baltic state retailer Vinoteka. The PPPs have also enabled a shipment of 20 tons of apples, facilitated by e-commerce platform Eximcrop, to Al Aweer Central Fruit & Vegetable Wholesale Market in Dubai, United Arab Emirates, in 2023, the first export of Georgian apples to Gulf countries.

Without robust technical assistance to enhance food safety and certification of Georgian agribusinesses, which has been conducted by the Program in collaboration with RDA, the above accomplishments would not have been achieved. More than 75 agribusinesses have been assisted in introducing modern certifications as well as local consulting companies accredited to provide BRC and IFS consultancies and USDA audits for organic products. Additionally, the Program's initiatives and instruments collectively facilitated over \$70 million in export sales, showcasing the effectiveness of collaborative efforts in promoting Georgian agricultural products in international markets.

Conclusion

Progress throughout Georgia's agricultural community has been impressive since

75+

Georgian
agribusinesses
assisted to introduce
modern certifications
and standards for
organic products

\$70M+

In export sales
facilitated

the USAID Agriculture Program began its work in 2018. Through targeted initiatives, the Program has helped generate 6,760 new jobs and a \$181 million increase in sales of Georgian agricultural products. Together, GoG interventions and the Program’s approaches enabled greater access to finance, making an additional \$20 million available for the acquisition of modern technologies and implementation of improved agricultural practices, all contributing to more efficient business practices and measurable increases in productivity.

There are, however, many more opportunities for growth in the agriculture sector. In addition to recent advancements, Georgia has the potential to expand its export markets by improving its logistics and supply chain management systems. Through the adoption of tracking and monitoring technologies, as well as the optimization of export transportation routes, Georgia could expand its ability to deliver goods around the world and diversify its export portfolio. Additionally, improvements in supply chain traceability and transparency would ensure that Georgian goods meet the quality and safety demands set by importers, regulators and consumers in competitive, high-value markets.

Indicators for the healthy development and growth of the Georgian agricultural sector are trending positively. With continued support from the GoG and other international partners, the sector is well positioned to continue making noteworthy contributions to the economy and to increase job opportunities as it expands agricultural productivity and its overall capacity to supply high-quality goods to lucrative export markets. Together, these organizations will ensure that the initiatives implemented by the USAID Agriculture Program continue to deliver meaningful results, while additional improvements in the quality of agricultural inputs, along with continued strengthening of the enabling environment, will further ensure the longevity of Program-supported initiatives.



Georgian tea plantation, strawberry field and dried fruit display.



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