

EU FP6 Young Train
Challenges to a Whole Chain Approach to Meat Quality and Safety
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Review of Agriculture Sector and Food Safety System in Georgia

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Introduction

Georgia is located in the Caucasus on the crossroad of Asia and Europe on the northern periphery of subtropical zone. Georgia represents an eastern gateway to Europe along with the other countries of South Caucasus-Azerbaijan and Armenia.

Georgia has vast untapped agricultural potential. Yet, in order to realize this potential, the nation also faces vast challenges that can slow if not actually prevent the attainment of any goals set for the sector.

New vision is to become a nation where all Georgians have access to a safe, affordable, nutritious food supply; where those who provide food and other agricultural products can do so profitably, safely and with dignity and respect; where the beauty and function of the natural environment is maintained and enhanced and where national security, employment, social and objectives for food and agriculture are met.

Key Factors for Georgian Agriculture

Production

Nearly 17% of the national economy is directly dependent on the agricultural sector and industry;
After declining significantly for nearly a decade, the real value of the food and agricultural sector has begun to increase slightly over the past five years;
Livestock production has been slowly but steadily increasing for most categories;
Crop yield on the average are only 1/3 of their potential;
Approximately 1/3 of arable land is not in production.

Farms, Employment, Income

Georgia has 800,000 farms with an average size of 1,48ha prior to the next phase of privatization after which average farm size will be 1, 70 ha;
Presently there are 16,000 farms of 4 ha or greater, but these presently represent 40% of cropland in private hands;
Nearly 55,3% of the national labor force is presently employed in agriculture vs. only 25% in 1990;
National unemployment is still over 13,6% with little reduction even with a growing national economy. Underemployment is significantly greater than this;
Farm labor incomes are perhaps 1/3 of national levels.

Nutrition and Consumption

Over 60% of consumer income is spent on food (vs. 15-20% in the West);
Nearly 50% of population consumers less than the FAO minimum recommended level of 2100 calories per day;
Over 25% of population consumes less than 1600 calories per day, which is considerably below FAO's absolute minimum of 1800 calories.

Capital and Trade

The reported real value of agricultural exports has been increasing significantly;

Food and agricultural imports are 50% greater than exports;
 Current capital utilization in the food and agricultural sector is estimated to exceed GEL 600 million.

Country and Sector Policy

Economic, Social and Political Considerations

In terms of modern borders, total area of the country territory is 69.7 thousand sq. km. with nearly 3 million hectares of agricultural land to include pasture lands and meadows (approximately 43.3% of total area). Another 43% is under forest cover. The balance of the country's surface area is in water bodies, cities, other settled areas and barren. 13% of the nation is lowlands; one third, foothills and the remaining 54% mountains. The average use of land per person is 0.16 hectares of plough-land and 0.62 hectares of grazing land. Because of its ecological and climatic variability, Georgia's biosphere is extremely diverse. Many native species can be an excellent source for plant and animal breeding. Yet diversity also brings with it complications for economical production. About 1.6 million people are employed in this sector.

Economically Georgia has made considerable progress over the past decade. One of the most significant accomplishments is that real GDP has nearly doubled.

At this time, agricultural only receives about 1,5% of state budget. Of this, roughly half is provided indirectly by the EU Food Security Program (FSP) budgetary support. Thus, less than half of 1% of the state budget provided from Georgian revenues goes to agriculture. This is for a sector that comprises 16-20% of GDP and provides over 55.3% of employment directly. When production inputs, processing, wholesaling, transportation, government services and other dependent or partially dependent economic activities are also taken into account, plus when other appropriate economic multipliers are applied, it is not unlikely that at least one-third of the total economy and over 55.3% of national employment is dependent on agriculture.

When the economy collapsed after independence, land was distributed and leased in generally sufficient quantities to enough people to insure that there was not a large portion of the population with any means of support. The structure of agricultural land ownership underwent a significant transformation in the first stage of the agrarian reforms. After the land reforms, about one million households became the owners of nearly 30% of total agricultural land.

Analysis of Problems

The production level of animal food products does not meet the population requirements. The animal food product supply farms a big problem. Moreover, there is a high risk of pollution of these products, which may cause a serious danger for the human health. Food safety and quality do not comply with appropriate standards. To ensure safety of human health it is necessary to provide strict controls of the safety and quality of animal food products.

From 1990 on the transition from the centrally planned economy to the market economy caused a crisis that, on its part, resulted in a reduction of the number of farm animals, decrease in productivity and a down fall in the animal production industry.

Agriculture plays a critical role in the Georgian economy and, in fact, is the single most important sector from a GDP, employment and export standpoint.

Agriculture, Hunting, Fishing and Forestry: Economic Importance, 1990-2005

Table1

Year	Sown Area(ha)*	Livestock Number	% of GDP	% of Employment
1990	701,900	4,287,900	29,7	25,2
1995	453,100	2,104,300	41,7	30,6
2000	610,800	2,166,600	20,2	51,6
2001	564,800	2,248,400	20,7	56,6
2002	577,000	2,284,800	19,2	53,8
2003	561,700	2,361,600	19,3	54,9
2004	534,000	2,438,500	16,2	54,4
2005	539,600	2,539,600	16,8	52,3

Source: 2005 Georgia Agriculture Statistical Abstract, Department of Statistics

*Excludes perennial crops

Sown areas declined by nearly 35% in the years immediately after independence and livestock numbers (cattle, pigs, sheep) by 50%. Over the past 5-6 years, agriculture's percent of GDP and national employment has been in the 16-20% and 51-56% ranges respectively.

Livestock Production: 1990-2004

Table2

Year	Meat (tons)	Milk (tons)	Eggs(mln)	wool(tons)
1990	170,3	659,4	769,2	6,219
1995	115,4	475,4	269,4	3,053
2000	107,9	618,9	361,4	1,860
2001	102,4	710,0	395,4	1,898
2002	106,9	742,1	408,8	1,994
2003	108,9	765,1	458,1	2,023
2004	109,2	780,4	496,6	2,188
2005	109,4	784,7	504,6	2,215

Source: 2005 Georgia Agriculture Statistical Abstract, Department of Statistics

Encouragingly, once the turnaround for a livestock product began, it has seemed to have continued to increase virtually uninterrupted if the statistics can be relied upon.

Most Important Animal Products

The following species are utilized in primary livestock production: cattle, pigs, sheep, goats, poultry, fish and bees. Cow milk is predominant in milk production, while pork and poultry are equally represented in meat production. Locally adapted breeds fulfill a much larger role in all livestock sectors than modern imported breeds. The reason is that high production breeds are simply not imported. Nevertheless, the productivity of the local breeds is low, because the breeds are degenerated.

The most important primary livestock products are meat, milk, eggs, fish and poultry. Georgian regions differ in respect of significance of these products. The importance of secondary products relates to particular regions, depending on geographic, social and economic status and management of natural resources.

In last years there has been a significant reduction in livestock products export, since we are not self-sufficient in livestock production. Social difficulties and privatization processes have substantially contributed to the decline in livestock production.

Animal Health

Generally human health is directly affected by what the nation does or does not do with respect to livestock diseases. Some of these can be spread with severe health effects for humans, e.g., anthrax, tuberculosis. Most recently, a new problem has surfaced that of avian influenza. Because of the potential problems for human from these livestock diseases, we cannot simply take a passive role - cannot rely solely on individual farmers to take the proper steps to monitor, treat for or eradicate such problems, farmers who generally have little money for medicines or vaccines or easy access to them. In addition, even when producers, such as commercial poultry farmers can actually treat certain livestock health problems, another human health problem can arise (Unfortunately the Government of Georgia cancelled all state programs related to epizootic diseases FMD, Anthrax, Rabies, Tuberculosis, Brucellosis and etc.).

Fortunately, while there are shortcomings in the current system for controlling livestock diseases that might affect human health, there have been not problems of significance to date. This cannot be relied on to continue indefinitely (avian influenza is a perfect example).

Most problems can be addressed by the affected farmer taking appropriate control measures. However, there can be problems in livestock where on-farm control is not adequate even with preventive measures being taken.

However there are not similarly comprehensive programs for swine, sheep or goats. Presently little work has been done in this area except for livestock diseases and even these are limited in their scope.

Agricultural Research, Education and Extension - AgREE systems practically are disorganized and their meaning are not understudied. Access to sources of scientific knowledge and useful research by others is also severely limited by language and a lack of adequate internet access. Expedient organizational and management structures were not conducive to the most efficient conduct of needed research, and thus, there is often not an appropriate focus for the little research that is actually conducted. To date, none of effort has led to the development of a nationwide, state supported extension system.

Unfortunately, Georgian's AgREE system has progressed only minimally towards meeting the needs of new farming sector. Thus, it must be expected that tremendous challenges will be faced in getting AgREE institutional development started on the right course and once started, in keeping it on track.

Food Safety

The problems challenging food safety welfare in Georgia is fairly typical of less developed and transition economies and include:

- Poor socio-economic conditions of large portion of the population

- Weak, undeveloped and fragmented food industry.

- Absence of comprehensive food safety legislation.

- Lack of existing capacity, both in government and the private sector, to meet the increasing requirements for food safety in the global marketplace.

- Outdated infrastructure, facilities and equipment.

- Limited government and private sector funds for improving compliance inspections or upgrading equipment and processes.

- Low public awareness of food safety issues and sources of problems.

- Alleviated risk of corruption in food safety compliance process

Food Safety System in Georgia

In 2005 Georgia still had a Soviet style food control system which did not work to protect consumers or industry. Rather it was applied mainly as a mean of supporting a large network of inefficient and ineffective inspectors and laboratories. The food safety system focused on end product certification and control. Within the system at that time, inspectors' technical knowledge and skills were outdated (same situation till today).

The law on Food Safety and Quality was adopted in December 2005 by Parliament of Georgia. The new law establishes a legal framework consistent with WTO requirements and the EU *acquis communautaire*, establishes a single inspection body /the Food Safety, Veterinary and Plant Protection National Service/ for the enforcement of technical food regulations and responsibilities for food safety, to include those of food business operators, moves the focus of the control system to the production process rather than the certifications of end food products, defines the role of laboratories in providing defined testing services to an accredited standard and provides information to and allows stakeholders a say in how the system is run. The time schedule for implementation of the law ensures that expenditures and resources are utilized effectively and efficiently, are directed to issues where health risks are elevated and both the Government and food businesses are adequately prepared for meeting set conditions.

The launch of the reform coincided with a major drive by the new government to deregulate the economy, which heavily influenced the process as to what was perceived as the appropriate extent and nature of official control and regulation. Components in the Food law draft relating to licensing of food establishments regarding internal safety control systems and traceability were considered to provide opportunities for continued lawful extortion of "fines" from food businesses.

Approval of the law on Food and Quality is just the first step in the reform process. There is no value to the law, no matter how good, unless it is properly implemented and enforced. According to decision of the Parliament of Georgia the law is suspended till January 1 2010. Thus, there is still a considerable distance to go before Georgia will have an acceptable level of food safety.

Food Safety and the Domestic Agro-Food Industry

The food industry is weak and highly fragmented in Georgia. Although a number of regulations are currently in place, e.g., all meat sold commercially must be slaughtered in governmental approved facilities, but at the moment there are no governmental slaughterhouses in the country! There are some private slaughterhouses, but they don't meet any standards. Anybody may produce and sell any food on the domestic market with little or no effective controls. The current deregulation of licensing appears to have strengthened "laissez-faire" approach.

The Role of Public Awareness and Stakeholder Associations

Government has typically played the dominate role in the area of food safety. Most associations are in the early stages of development in Georgia. Unlike their Western counterparts, due to lack of experience, capacity and resources, they have never been active players in the process or assumed the role of watchdog for food safety and their constituency's interests. The public awareness about ethics, hygiene, sanitary state, international transportation standards, genetics and age, animal welfare and others practically can't realizable.

Research of Beef Market in Georgia

According to the research of The German Agency for Technical Cooperation (GTZ) /project "Support to Value Adding in Agriculture – Enhancing Food Quality and Safety" implemented by the Federal Ministry for Economic Cooperation and Development (BMZ) in cooperation with the Georgian Ministry of Agriculture/ the whole meat market in Georgia is 145.700 tones (2005) of which share of beef is 39% i.e. 57.200 tones (2005)(46% in 1995, 42% in 2004) and is most important meat product. 86% of meat is locally produced and 14% is imported (2005). The biggest share of imported meat has Indian Buffalo cheap meat 85%. Not existence of appropriate control system of breeds and meat quality is limiting the possibility of production of high quality beef. The situation is the same with pork and mutton.

Meat Production /Farms of all categories/ 2004-2007

Table 3

Georgia, total	2004	2005	2006	2007 /I-III quarter/
Meat (in slaughter) –th. tons	109.2	109.5	100.3	-
<u>In which:</u>				
Beef	49.8	49.2	44.2	48.0
Pork	34.7	33.3	35.5	-
Mutton	9.2	9.6	9.5	-
Poultry	15.2	16.9	10.5	-

Source: 2006 Georgia Agriculture Statistical Abstract, Department of Statistics

The market was stable during last 10 years (1995-2005). The share of import has doubled (14%). Consumption of beef per capita was 13 kg in 2005 and for all other meat was 35 kg. 96% of meat was used for production of meat products /it should be mentioned that the biggest share of demand geographically goes to Tbilisi and on summer season to sea resorts/.

The beef market is still in the process of formation in Georgia and there still are free segments. The main reasons are:

- Low purchase capability of consumers;
- Low competence of consumers as well as of adequate structures in controlling beef quality and assortment;
- Not existence of meat breeds in Georgia;
- Low share of import;
- Undeveloped retail trade structures.

Compared to international scale on each stage of the beef production chain undeveloped infrastructure is noticeable that causes high contract expenditures, unstable supply of high quality beef and not realised potential of retail and wholesale markets.

Meanwhile increasing demand on high quality beef is noticeable and according to market research growth of this segment is foreseen. If this demand is not met by local production then there is danger of changing local production by imported high quality beef.

Main Goal, Target and Policies

Main goal is to provide to the institutional support system for essential services and operating environment within and through which this vision can be reasonably, efficiently and equitably achieved for Establishment of a Food and Veterinary Service, risk management system and national laboratory network, for state control and supervision in all stages of food production and animal health and maintenance.

Georgian consumers have access to a safe, affordable, appropriate quality food supply that meets their nutritional requirements:

Develop and implement an appropriate, effective *National Food safety System* based on the recently adopted law on Food Safety and Quality;

Ensure adequate and *credible Laboratory Services* for supporting the national Food safety System;

Provide *supporting of farmers and agro-food sector* in meeting the evolving food safety requirement;

Build *public awareness* in food safety;

Facilitate development of *independent third party certification* systems and others;

* Report is based on data's and information of Department of Statistics of the Georgian Ministry of Economic Development, The Georgian Ministry of Agriculture, and The Georgian National Association for Animal Production and The German Agency for Technical Cooperation