Market Study

for Pork, Beef and Honey in Georgia



Prepared by:

Association of Business Consulting Organizations of Georgia

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1. EXECUTIVE SUMMARY

Most of the population of Georgia depend on agriculture for their livelihood. Typically they work small plots of land and face a variety of well reported obstacles which hamper them in efforts to compete with the growing level of agricultural imports from Georgia's neighbours.

Not least of these problems is a lack of awareness about what Georgian consumers consider as quality features in the products they buy, what wholesalers and retailers consider as factors affecting sales, what price differentials exist amongst the major markets and seasons in Georgia and what structures exist to support value chains for particular products.

In May 2007, CARE commissioned ABCO to carry out an exhaustive market survey across all the major agricultural produce markets of Georgia (Tbilisi, Rustavi, Batumi, Kutaisi, Gori, Telavi, Marneuli, Zugdidi, and Akhaltsike) to find out what structures and trends exist in the marketing of Beef, Pork, Honey and Bee's other products. There exists very little up to date information on these products in Georgia.

The study interviewed market stall sellers in 16 markets across the towns, over 40 wholesalers operating at markets and 200 retailers operating outside market places (including all major supermarkets). Also, 2000 telephone interviews were conducted across all the targeted towns to identify consumer buying trends for the products and to find out what quality characteristics purchasers look for when buying. Details for levels of imported product were obtained from the Customs authorities and are discussed below.

It should be mentioned that field works within this research were conducted during May and the beginning of June of 2007. From the second half of June there occurred a pandemic of the pigs' African plague in the country which especially damaged the Samegrelo, Guria, Mtskheta-Mtianeti and Kakheti regions. The pandemic has naturally influenced the trade of the locally produced pork and presently it is totally forbidden. At the same time, the population demand for local pork has come zero and therefore both its legal and illegal trade has practically ceased. At present, the pandemic is stopped and losses caused by it can be considered as temporary as even in the most damaged regions, the disease has not brought the total destruction of the pig livestock. We assume that in all regions of the country there is remained a pig livestock sufficient for breeding purposes and therefore, restoration of the loss will become possible in the course of the nearest year and a half. Considering all the abovementioned, we see our completed study as relevant because after the restoration current losses, population demand and the product distribution schemes will not be notably altered from the way they used to be before.

2. GOALS, OBJECTIVES AND METHODOLOGY OF THE PORK, BEEF, HONEY AND BEE'S OTHER PRODUCTS MARKET STUDY IN GEORGIA

The study was conducted by Association of Business Consulting Organizations of Georgia (ABCO-Georgia) within the framework of CARE Georgia's **CIP II** (Community Investment Program) and **SLAR** (Sustainable Livelihood and Regional Planning) project.

2.1. Purpose of the Study

The purpose of this study was:

a) To research markets for agricultural produce having economic advantages due to the agro-climatic conditions and existing farming patterns in Samtskhe-Javakheti and Kvemo Kartli.

b) To identify the marketing and relevant added value chains for the products and to identify opportunities and obstacles to market access for small producers;

c) To identify timely and useful market and price information systems accessible to small farmers or farmer groups;

d) In the event that such market information systems do not exist, make and evaluate alternative proposals for the establishment of such sustainable information systems;

e) To recommend viable strategies and plans for improving market access for these small producers.

2.2. Objects of the Study

The study objects were the following agricultural products:

- **Pork;**
- **Beef;**
- **Honey;**
- **Bee's other products.**

2.3. Objectives of the Study

Objectives of the study included identification of the following:

- Existing information on the current market and the ways of its dissemination; Timeliness, accuracy and usefulness of the existing information; Possibility of improving the existing system to make it more accessible to small farmers or farmer groups.

- Seasonal wholesale and retail price trends over the last two years (2005 and 2006), and available price information that could be interpolated for earlier years.
- Estimated volume of total demand; Factors possibly influencing the demand and mechanisms of such influence; Possible changes in demand over time and circumstances that may contributing determine such changes.

- Volume of the produce in stock at the market over that period.
- Seasonality factors (periods of product harvesting, winter stock preparation, canned food production, religious fasting observation by population, etc.) for each product.
- Market drivers - factor or factors controlling and/or influencing the selling and the buying process.
- Marketing channels for product to get to the market; Places where products are sold; Major players, wholesalers and middlemen active on the market; Place of supply;
- Existence of any marketing associations and trade associations; Existence of any form of centralized procurement.
- Storage issues related to the produce; Existed storage infrastructure; Estimated volume of post-harvest losses.
- Product handling issues; Existed technology implications and/or machinery requirements; Existed packaging implications.
- Product grading and quality factors; Influence that these factors are making on prices, sales and markets.
- Evaluation of the competitiveness of the marketplace.
- Existed legal and regulatory issues – government certification, phytosanitary requirements, etc.
- Possibilities of identification of any profitable market niches.

2.4. Methodology

2.4.1. Development of Questionnaires

Taking into consideration that products under study differ from each other by their characteristics, it was thought as expedient to develop separate questionnaires per each type of products in order to: (a) simplify the work of the assigned consultants; (b) make the collected information more clear and distinguishable for further analysis.

The questionnaires were prepared proceeding from the study objectives and consisted of two parts for each type of products:

1) Questionnaire for "field" research;
2) Analytical questionnaire for business consultants.

2.4.2. Piloting and Adopting of Questionnaires

Based on the existed practice, a piloting of both the questionnaire for "field" research and the analytical questionnaire for business consultants has been conducted in result of which, various aspects of the enquiry were specified and certain questions were better formulated (see the questionnaire forms in attachments A and B).

2.4.3. Definition of Criteria

2.4.3.1. Division of Towns by Categories

Considering that target towns where the research was to be implemented differed from each other by population size and scale of market, they were divided into 3 categories:

1) Tbilisi

2) 1st Category towns:
   - Batumi;
   - Kutaisi;
   - Gori;
   - Rustavi.

3) 2nd Category towns:
   - Telavi;
   - Marneuli;
   - Zugdidi;
   - Akhaltsikhe.

2.4.3.2. Identification of informants

As market consists of two factions, the informants were divided to:

Product suppliers -
- Honey producers;
- Retail trade outlets.

Product consumers -
- Population;
- Meat product producers/Public Food Outlets

2.4.3.3. Definition of number of research locations

Based on the above categorization of target towns the following sales outlets (marketplaces, wholesale and retail trade outlets) were defined for the interviews:

Target Towns	Number of research objects interviewed			
	Markets	Wholesalers	Retail traders operating at marketplaces	Retail trade outlets (shops)
Tbilisi	**4**	**5***	**20**	**85**
- Batumi	2	5	5	21
- Kutaisi	4	5	5	21
- Gori	2	5	5	21
- Rustavi	2	5	5	21
Total - in 1st Category Towns	**10**	**20**	**20**	**84**
- Telavi	2	3	3	10
- Marneuli	1	3	3	10
- Zugdidi	1	3	3	10
- Akhaltsikhe	1	3	3	10
Total - in 2nd Category Towns	**5**	**12**	**12**	**40**
Total	**19**	**37**	**52**	**209**

** Special beekeeping stories*

Particularly, the following sales outlets were studied:

- ***In Tbilisi***
  - Central Supermarket (so called "Desertirebi" marketplace);
  - "Eliava" marketplace;
  - "Navtlughi" marketplace;
  - "Digomi" marketplace.

and retail trade shops:

- in Didube-Chugureti district – 20 units;
- in Vake-Saburtalo district – 20 units
- in Isani-Samgori district – 15 units;
- in Gldani-Nadzaladevi district – 15 units;
- in Mtatsminda-Krtsanisi district – 15 units;
- Honey and Bee's other products specilized stories – 5 units.

- ***In Rustavi***
  - So called "Stambulis bazari" marketplace;
  - So called "Dzveli bazari" marketplace;

As well as total 21 of small, medium and large retail shops in each neighborhood of town.

- ***In Batumi***
  - Central marketplace (Bakuri Ltd);
  - Local Marketplace (Ajara Ltd);
  - Wholesale Trade Center (JSC Vachrobtransi);

As well as total 21 of small, medium and large retail shops in each neighborhood of town.

- ***In Kutaisi***
  - "Green" Marketplace (Pari Ltd);
  - "Old Marketplace of Kutaisi" (Ninoshvili marketplace)
  - "Avtokarkhnis" (Car factory) marketplace (+1 Ltd);
  - "Kechi" Marketplace (Imereti Ltd);

As well as total 21 of small, medium and large retail shops in each neighborhood of town.

- ***In Gori***
  - Gori Farmers' Marketplace;
  - Wholesale Trade market place (Georgika Ltd);

As well as total 21 of small, medium and large retail shops in each neighborhood of town.

- ***In Telavi, Marneuli, Zugdidi, Akhaltsikhe***
  - Farmers marketplace;

As well as all small, medium and large retail shops in each neighborhood of town, meat processing enterprises.

A telephone enquiry with the purpose to identify the volume of product consumption per capita was conducted in all 9 target urban. In Tbilisi, 400 respondents were interviewed and in all neighborhoods of other 8 towns, 200 respondents were interviewed in each – the total of 2000 respondents.

A telephone enquiry on product quality characteristics, packaging and other issues was conducted in all 9 target towns for a total of 2000 respondents.

The structure of origin of the existing stock of products on the market was identified on the basis of comparison and analysis of the data on product import and annual volume of consumption.

2.4.3.4. Additional Information

During the period of the study, the exchange rate between Georgian Lari and foreign currencies was as follows:

1 USD = 1.68 GEL
1 EURO = 2.23 GEL
1 £ = 3.3 GEL

3. RESULTS OF RESEARCH

3.1. Study Results By Products

3.1.1. Beef

3.1.1.1. Market Potential

Based on processing and analyzing of information received through the conducted enquiry, consumption of beef according to target towns is as follows:

Town	*Consumption*			
	Annually Kg./ per Capita	*Annually (MT)*	*Monthly (MT)*	*Daily (MT)*
Tbilisi	13.2	14,512.0	1,209.6	40.3
Telavi	13.8	383.0	31.9	1.1
Gori	16.1	806.6	67.2	2.2
Akhaltsikhe	7.3	177.0	14.7	0.5
Kutaisi	15.8	3,003.0	250.3	8.3
Batumi	21.7	2,647.0	220.6	7.3
Zugdidi	26.7	641.0	53.4	1.8
Rustavi	14.2	1,065.0	88.7	2.9
Marneuli	15.4	386.0	32.1	1.1

The average quantity of beef in stock at the marketplace during the day and according to towns is the following:

Towns	**Beef (MT)**
- Tbilisi	120.0
- Telavi	2.3
- Gori	4.8
- Akhaltsikhe	0.6
- Kutaisi	16.7
- Batumi	18.6
- Zugdidi	2.0
- Rustavi	5.8
- Marneuli	1.4

As it was identified, maximum quantity of the product in stock at the marketplace is during the period between Friday and Sunday which is approximately by 20-40% above than average indicator. Accordingly, during other days of the week the volume of beef on the market is smaller.

It is to be noted that retail traders carry out supplementing of products on the market at a daily basis. In Akhaltsikhe, Telavi, Zugdidi, Marneuli and Gori, the volume of the beef stock is fully renewed as each trader tries to sell the delivered product during the day. This is because on one hand, in small towns there is no demand on the two days-old product and on the other hand, traders practically have no conditions to store meat for longer period. In big towns, meat left unsold during the day is kept overnight in the refrigerator and on the next day it is mainly used for preparation of mince.

The percentage of annual product consumption by towns is as follows:

Towns	%
- Tbilisi	61.4 %
- Telavi	1.6 %
- Gori	3.4 %
- Akhaltsikhe	0.7 %
- Kutaisi	12.7 %
- Batumi	11.2 %
- Zugdidi	2.7 %
- Rustavi	4.5 %
- Marneuli	1.6 %

The above table indicates that more than half of the total consumption comes on Tbilisi. The significant volumes of the product are also consumed in Kutaisi and Batumi. The above tables reflect the population demand on locally produced meat (beef). During the research, public food outlets and meat processing enterprises were less willing to be interviewed by our consultants and whatever information provided by them can not be considered as reliable. According to our consultants' conclusions, 70% of the public food outlets and 90% of the meat processing enterprises operate on beef and buffalo meat imported from abroad.

3.1.1.2. Product Import

Table below represents product import by months, quarters, product prices and importer countries:

- **Beef**

Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
January	0	0	-	-
February	27,309	0	4.26	-
March	108,759	0	3.38	-
April	81,876	0	3.43	-
May	81,791	18,935	2.62	3.80
June	56,367	0	3.70	-

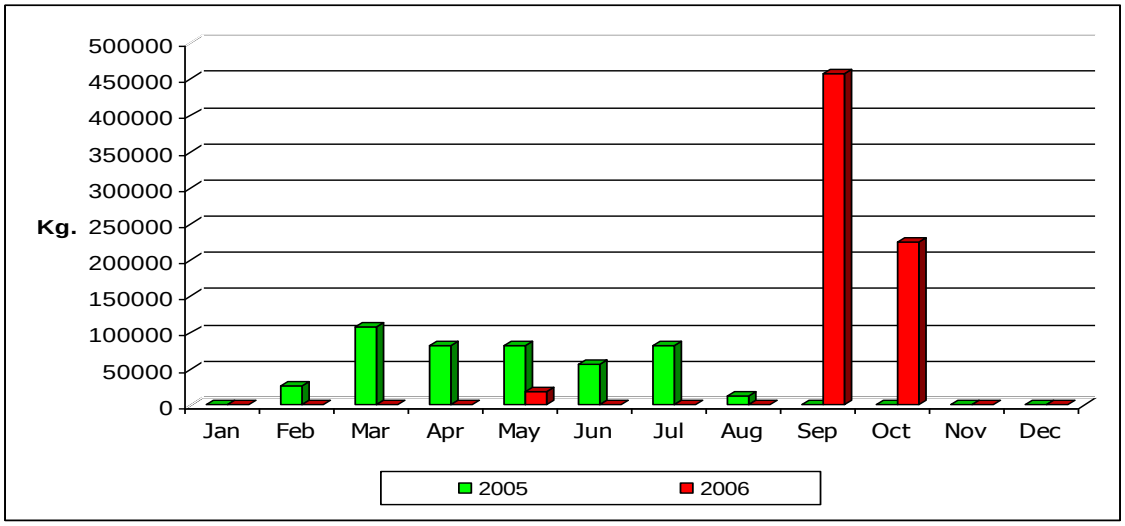
July	82,168	0	3.45	-
August	12,079	0	5.70	-
September	0	457,933	-	4.02
October	0	224,590	-	3.68
November	1,492	0	3.40	-
December	0	0	-	-
Total	**451,841**	**701,458**	**3.42**	**3.90**

Period	**Quantity (Kg)**		**Price (Gel/Kg)**	
	2005	**2006**	**2005**	**2006**
1st Quarter	136,068	0	3.56	-
2nd Quarter	220,034	18,935	3.20	3.80
3rd Quarter	94,247	457,933	3.74	4.02
4th Quarter	1,492	224,590	3.40	3.68

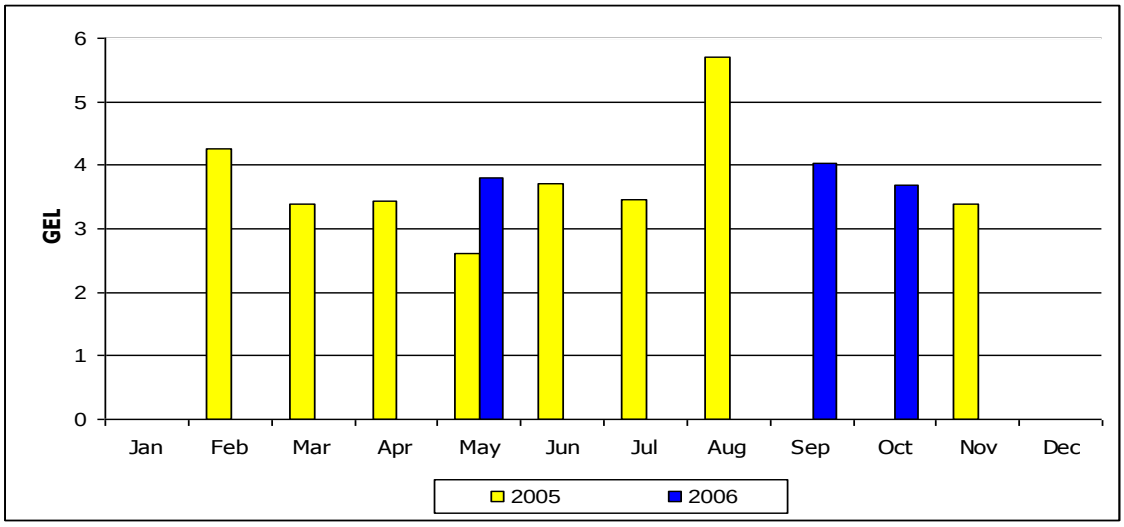
Importer Country	**2005**		**2006**	
	Kg	**%**	**Kg**	**%**
Argentina	435,198	96.3%	0	-
Cyprus	12,079	2.7%	18,935	2.7%
Germany	4,564	1.0%	0	-
Brazil	0	-	682,523	97.3%

Data given in the table is based on information provided by customs office. As for price indicated in the table, it is a price of 1 kg of product after the customs clearance (DDP price).

Dynamics of Product Imports in 2005 and 2006 (by Months)



Dynamics of Imported Product Price in 2005 and 2006 (by Months)



- **Buffalo**

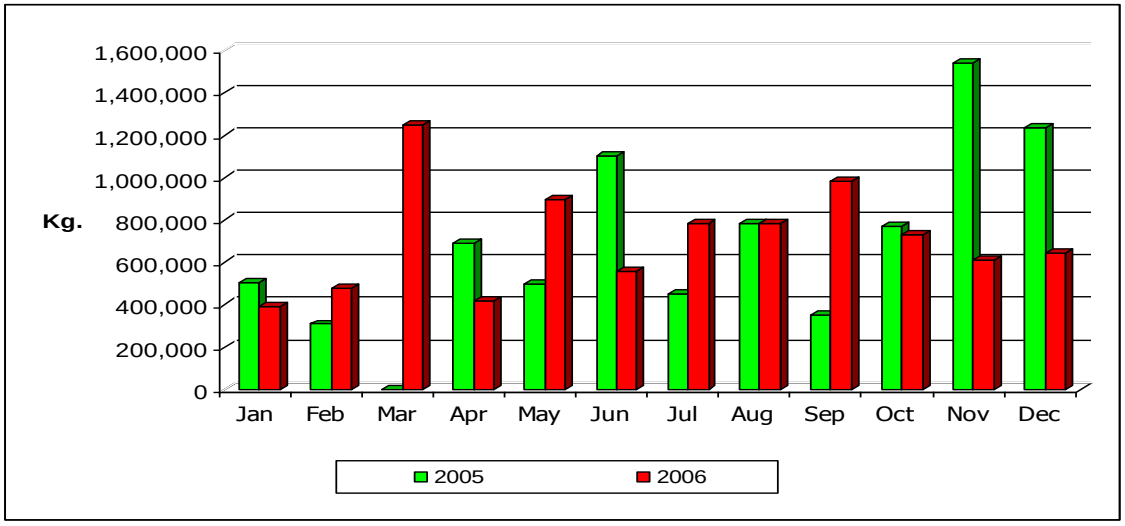
Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
January	504,000	392,000	1.52	1.75
February	308,000	476,000	1.85	1.75
March	0	1250040	-	1.41
April	687,500	416,230	1.50	2.02
May	495,000	896,000	1.57	1.60
June	1,101,520	560,000	1.47	1.73
July	447,972	784,000	1.44	2.60
August	783,968	784,000	1.57	1.59
September	353,700	980,000	1.60	1.62
October	770,100	728,000	1.39	1.74
November	1,538,980	609,284	1.27	1.58
December	1,238,512	644,000	1.36	1.69
Total	**8,229,252**	**8,519,554**	**1.45**	**1.73**

Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
1st Quarter	812,000	2,118,040	1.65	1.55
2nd Quarter	2,284,020	1,872,230	1.50	1.73
3rd Quarter	1,585,640	2,548,000	1.54	1.91
4th Quarter	3,547,592	1,981,284	1.32	1.67

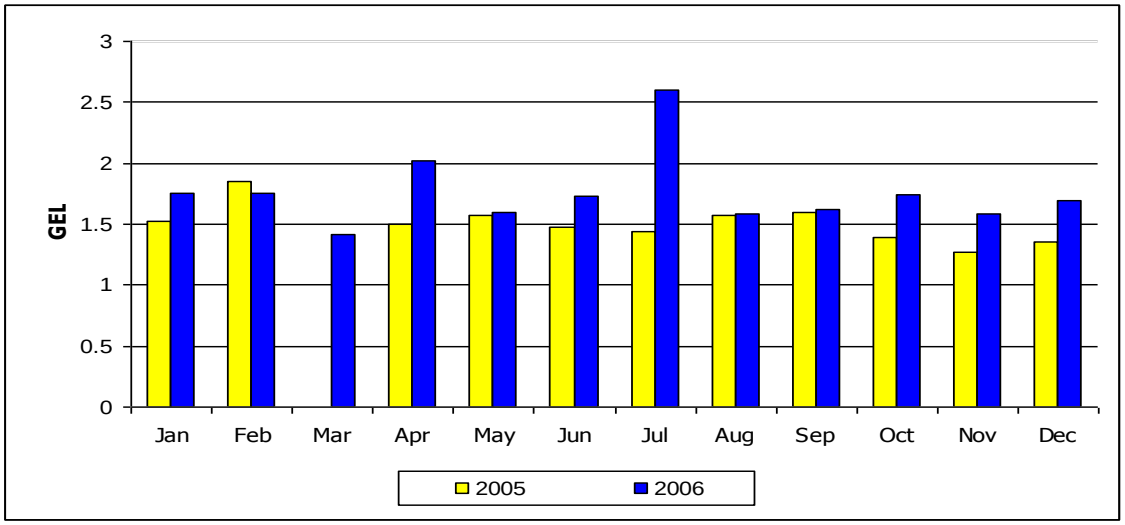
Importer Country	2005		2006	
	Kg	%	Kg	%
India	6,002,252	72.9%	6,790,270	79.7%
Virgin islands	1,468,900	17.8%	1,680,000	19.7%
Dominica	658,100	8.0%	-	-
Belgium	100,000	1.2%	-	-
Brazil	-	-	49,284	0.6%

Data given in the table is based on information provided by customs office. As for price indicated in the table, it is a price of 1 kg of product after the customs clearance (DDP price).

Dynamics of Product Imports in 2005 and 2006 (by Months)



Dynamics of Imported Product Price in 2005 and 2006 (by Months)



The tables and diagrams above show the import of beef and buffalo meat during the last 2 years. As we see the volume of import stably ranges between 8,5 and 9'5 thousand tones, which equals to about 30% of the total demand in the country. According to above tables, mainly the buffalo meat is imported, the price on which is almost 4 times lower than of the locally produced meat and therefore, such a priced product becomes very attractive for public food outlets and meat processing enterprises.

3.1.1.3. Product Seasonality

The study has revealed that in general, seasonality has little impact on beef consumption. There is some difference between the summer and winter sales, the tendency being that more meat is sold during the colder months of the year. This difference makes up to about

10-15%. The similar decrease in consumption is visible during the periods of religious fasting.

In autumn, at a live cattle market, the livestock delivered for sale is represented by approximately 25-30 % more number than it is during the winter-spring period, which is explained by instability of volume and price of feed during the year.

3.1.1.4. Product Price (Wholesale and Retail) Seasonal Fluctuation in 2005 – 2006 (GEL/ Kg)

➢ ***Beef***

Town	Period	2005		2006	
		Retail	Wholesale	Retail	Wholesale
Tbilisi	Dec. – Apr.	6.0 - 7.50	4.50 - 6.50	7.50 - 9.0	6.0 - 7.50
	May – Aug.	6.0 - 7.0	4.0 – 6.0	6.50 - 7.0	5.0 - 6.50
	Sept. – Nov.	6.0 - 7.50	4.0 - 6.0	6.50 - 9.0	5.0 - 7.0
Batumi	Dec. – Apr.	4.50 - 8.0	3.50 - 6.0	7.0 - 9.0	5.0 - 6.0
	May – Aug.	4.50 - 8.0	3.0 - 7.0	6.0 - 9.0	4.50 - 7.0
	Sept. – Nov.	5.0 - 8.0	4.0 - 6.0	6.0 - 9.0	4.0 - 7.0
Kutaisi	Dec. – Apr.	5.0 - 7.0	4.0 - 6.0	6.0 - 8.0	5.0 - 7.0
	May – Aug.	4.50 - 7.0	4.0 - 6.0	5.0 - 8.0	4.50 - 7.0
	Sept. – Nov.	5.0 - 7.0	4.0 - 6.0	5.50 - 8.0	4.50 - 6.0
Gori	Dec. – Apr.	6.50 – 7.0	6.0 - 5.0	6.0 - 7.0	4.10 - 4.80
	May – Aug.	6.0 - 6.50	4.70 - 5.0	5.50 - 6.0	4.0 - 5.0
	Sept. – Nov.	5.50 - 6.50	4.0 - 5.0	6.0 - 7.0	3.8 - 4.50
Telavi	Dec. – Apr.	6.0 - 7.0	4.50 - 5.0	7.0 - 8.0	5.0 – 6.0
	May – Aug.	6.0 - 7.0	4.50 - 5.0	7.0 - 8.0	5.0 - 6.0
	Sept. – Nov.	6.0 - 7.0	4.50 - 5.0	7.0 - 8.0	5.0 - 6.0
Marneuli	Dec. – Apr.	5.50 - 6.0	4.50 - 5.0	6.0 - 7.0	5.0 - 6.50
	May – Aug.	5.50 - 6.0	4.50 - 5.0	6.0 - 7.0	5.0 - 6.50
	Sept. – Nov.	5.50 - 6.0	4.50 - 5.0	6.0 - 7.0	5.0 - 6.50
Rustavi	Dec. – Apr.	5.0 - 6.50	4.50 - 5.0	6.50 - 7.0	5.50 - 6.0
	May – Aug.	5.0 - 6.50	4.50 - 5.0	6.50 - 7.0	5.50 - 6.0
	Sept. – Nov.	5.0 - 6.50	4.50 - 5.0	6.50 - 7.0	5.50 - 6.0
Zugdidi	Dec. – Apr.	6.0 - 7.0	4.0 - 6.0	6.0 - 7.0	5.0 - 5.50
	May – Aug.	6.0 - 7.0	4.50 - 5.0	6.0 - 7.0	4.50 - 6.0
	Sept. – Nov.	6.0 - 7.0	4.50 - 5.0	6.0 - 7.0	4.50 - 5.50
Akhaltsikhe	Dec. – Apr.	5.50 - 7.0	3.20 - 6.50	6.50 - 8.0	4.50 - 6.50
	May – Aug.	5.50 - 7.0	3.20 - 6.50	7.0 - 8.0	4.50 - 6.50
	Sept. – Nov.	5.50-7,0	3.20 - 6.50	7.0 - 8.0	4.50 - 6.50

The low indicator of the retail price provided in the above table shows the price of meat cut with bones and the high indicator represents the price of meat devoid of bones. The difference

between the wholesale prices proceeds from the quality of slaughtered cattle (fat content, meat content, meat color,). The sellable part of the slaughtered cattle is considered to be a carcass devoid of sub-products, head, neck and legs.

The 2 years data given in the table indicate that price on meat permanently increases which by our opinion is determined by improvement of population's economic condition. According to information provided by consultants, the livestock population is slowly but steadily increasing by years. Simultaneously, the product cost is also increasing which is partially caused by inflation and therefore, increase of expenditures connected with production (fuel, shepherd's salary, feed, etc.) Days and periods of holidays and religious fasting do not significantly influence the prices. Only sales volumes change during this period. Increase of prices (10-15 %) is taking place in winter and early spring which proceeds from the production cycle established in the country.

3.1.1.5. Factors Influencing Sales

In order to identify factors that influence the sales of product it is expedient to consider information obtained through interviewing of the product sellers and presented in the table below:

	Seasonality	Quality	Holidays	Purchase Capacity of population	Price	Competition	Not Having Impact
Tbilisi	7	3	38	-	-	-	48
Telavi	2	1	-	-	-	-	6
Gori	-	2	-	10	-	4	-
Akhaltsikhe	2	-	13	-	-	-	1
Kutaisi	2	24	-	-	3	-	-
Batumi	-	13	-	2	20	-	1
Zugdidi	6	-	3	-	-	-	-
Rustavi	-	-	1	-	-	-	20
Marneuli	-	-	-	-	-	-	23
Total	**19**	**43**	**55**	**12**	**23**	**4**	**99**
Percentage	**7.5%**	**16.9%**	**21.6%**	**4.7%**	**9%**	**1.6%**	**39%**

The table indicates that, by opinion of the product sellers, main factors that influence sales of beef are: Holidays – 21.6%, quality – 16.9%, price - 9%. Other factors, according to the interviewed, are not having significant impact on sales.

3.1.1.6. Population Requirements towards the Product and the Quality Preferences

In order to identify the local consumers' requirements towards beef, the enquiry was carried out during which, total number of 1000 respondents (200 respondents in Tbilisi and 100 respondents in each of the other 8 target towns) were interviewed. The enquiry produced the following results:

Formulated Demand		Tbilisi	Telavi	Gori	Akhaltsikh	Kutaisi	Batumi	Zugdidi	Rustavi	Marneuli
Fat Content	*Fatty*	2.0%	16.2%	8.0%	19.0%	9.0%	11.0%	44.0%	6.0%	26.0%
	Medium fattiness	70.0%	64.6%	71.0%	56.0%	78.0%	74.0%	54.0%	85.0%	73.0%
	Fatless	28.0%	19.2%	21.0%	25.0%	13.0%	15.0%	2.0%	9.0%	1.0%
Meat Color	*Red*	84.0%	86.0%	69.4%	56.0%	61.0%	72.0%	70.0%	95.0%	84.0%
	Dark red	16.0%	14.0%	30.6%	44.0%	39.0%	28.0%	30.0%	5.0%	16.0%
Fat Color	*White*	27.0%	46.0%	88.9%	78.0%	44.0%	79.0%	31.0%	71.0%	41.0%
	Yellow	73.0%	54.5%	11.1%	22.0%	56.0%	21.0%	69.0%	29.0%	59.0%
Preferred shape of meat	*Boneless*	32.0%	39.4%	47.2%	47.0%	30.0%	40.0%	61.0%	33.0%	37.0%
	With bones	34.0%	50.5%	18.1%	33.0%	40.0%	30.0%	23.0%	65.0%	63.0%
	Minced	34.0%	10.1%	34.7%	20.0%	30.0%	30.0%	16.0%	2.0%	0.0%
Desired weight, packaging, size of packaging	*250 gr*	0.5%	5.1%	4.2%	12.0%	15.0%	2.0%	1.0%	0.0%	0.0%
	0,5 kg	11.0%	34.3%	2.8%	25.0%	27.0%	16.0%	6.0%	27.0%	12.0%
	1 kg	59.0%	50.5%	33.0%	54.0%	45.0%	60.0%	67.0%	47.0%	35.0%
	2 kg	25.0%	10.1%	50.0%	8.0%	13.0%	20.0%	15.0%	24.0%	38.0%
	3 kg and up	4.5%	0.0%	10.0%	1.0%	0.0%	2.0%	11.0%	2.0%	15.0%
Place of meat purchase	*Nearest shop*	36.5%	44.4%	13.9%	26.0%	4.0%	16.0%	38.0%	40.0%	90.0%
	Marketplace	38.5%	55.6%	50.0%	62.0%	84.0%	47.0%	58.0%	50.0%	10.0%
	Supermarket	25.0%	0.0%	36.0%	12.0%	12.0%	37.0%	4.0%	10.0%	0.0%
Origin	*Local*	99.0%	99.0%	99.0%	97.0%	95.0%	100.0%	100.0%	100.0%	100.0%
	Imported	1.0%	1.0%	1.0%	3.0%	5.0%	0.0%	0.0%	0.0%	0.0%

The enquiry has clearly indicated that in term of fattiness, consumers give preference to eat of medium fattiness, however it is noteworthy that in Zugdidi, Marneuli, Akhaltsikhe and Telavi, significant portion of population (between 16 – 44%) demands fatty meat. In Tbilisi, Gori and Akhaltsikhe, almost ¼ of the interviewed consumers gave their preference to fatless meat.

In terms of meat color, the total majority of the interviewed gave preference to pinkish color meat and only in Akhaltsikhe consumers did not attach any importance to the meat color. As for color of fat, in Gori, Akhaltsikhe, Batumi and Rustavi, consumers prefer meat with white colored fat and in Tbilisi and Zugdidi – meat having fat of yellow color. In other towns, color of fat is not having any importance for consumers when they buy meat.

In Marneuli and Rustavi there is almost no demand on minced meat. It is similarly low in Telavi. The demand on meat with bones and without bones is nearly the same. Almost in all target towns consumers give preference to meat cut into 1kg pieces.

The majority of population buys meat in the nearest shops and at marketplaces. About ¼ of the population in big cities chose to purchase meat in supermarkets. According to consultants there is a notable tendency of meat buyers' moving from the marketplaces towards supermarkets and this trend is increasing every year.

The vast majority of population gives preference to locally produced beef.

3.1.1.7. Potential for Adding Value to the Product

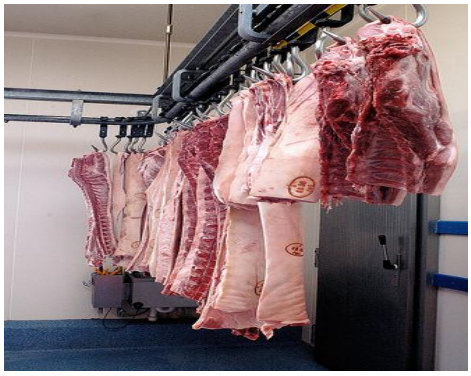
Provided that in the localities of meat production there will be established meat collection points (slaugther-houses) where meat, in accordance to consumer requirements, will be cut, packed in the polyethylene packs of optimal size, cooled and provided with quality and sanitary guarantees for population, it is assumed that consumers will be prepared to pay a higher (by 10-25%) price for such a product. At the same time there can be developed a new production from the waste of meat and bones that will also facilitate to development of livestock farming operations.

3.1.1.8. Profitable Market Niche

In cities, meat products are mainly sold in specialized shops and supermarkets, at the specially arranged corner (place). Equipping of shops appropriately to trade with meat is rather costly. Also is expensive the butcher's services. It is noteworthy that neighborhood shops are not capable of selling large quantities of meat at one time and therefore, small neighborhood shops refrain from trading with meat.

In case there is established a meat collection point (slaughter-house) where, as it was mentioned above, meat will be cut, packed in the polyethylene packs of optimal size and cooled, population will have guarantees on the quality and sanitary safety of the product. At the same time, a good distribution system will be formed that will make the daily supply of meat to small shops so they will no more have a problem of excess product, as their daily consumers will have possibility to order the desired number of packed meat pieces. Such an approach will increase the meat trade network and enable population to be in direct contact with producers.

Equalization of the forage reserves during the year by preparation and utilization of silage, haulage, fodder roots during the winter period will make it possible to overcome the seasonality of meat production and therefore enable producers to more easily and profitably sell their products.



3.1.2. Pork

3.1.2.1. Market Potential

Based on processing and analyzing of information received through the conducted enquiry, consumption of pork according to target towns is as follows:

Town	*Consumption*			
	Annually Kg./ per Capita	*Annually (MT)*	*Monthly (MT)*	*Daily (MT)*
Tbilisi	4.6	5,085.0	423.7	14.1
Telavi	10.6	258.0	21.5	0.7
Gori	9.6	479.0	39.9	1.3
Akhaltsikhe	5.2	126.0	10.5	0.4
Kutaisi	5.8	1,108.0	92.3	3.1
Batumi	8.5	1,038.0	86.5	2.9
Zugdidi	8.8	247.0	20.6	0.7
Rustavi	10.8	813.0	67.7	2.3
Marneuli	1.8	44.0	3.6	0.1

The average quantity of pork in stock at the marketplace during the day and according to towns is the following:

Towns	**Pork (MT)**
- Tbilisi	31.0
- Telavi	1.0
- Gori	1.5
- Akhaltsikhe	0.5
- Kutaisi	3.3
- Batumi	3.0
- Zugdidi	1.0
- Rustavi	2.7
- Marneuli	0.2

As it was identified, maximum quantity of the product in stock at the marketplace is during the period between Friday and Sunday which is approximately by 20-40% above than average indicator. Accordingly, during other days of the week the volume of pork on the market is smaller.

It is to be noted that retail traders carry out supplementing of products on the market at a daily basis. In Akhaltsikhe, Telavi, Zugdidi, Marneuli and Gori, the volume of the pork stock is fully renewed as each trader tries to sell the delivered product during the day. This is because on one hand, in small towns there is not a demand on two days old product and on the other hand, traders practically have no conditions to store meat for longer time. In big towns, meat left unsold during a day is kept overnight in the refrigerator and on the next day it is mainly used for preparation of mince.

The percentage of annual product consumption by towns is as follows:

Towns	%
- Tbilisi	55.2 %
- Telavi	2.8 %
- Gori	5.2 %
- Akhaltsikhe	1.4 %
- Kutaisi	12.0 %
- Batumi	11.3 %
- Zugdidi	2.7 %
- Rustavi	8.8 %
- Marneuli	0.5 %

According to the above table, in terms of pork consumption, leadership belongs to Tbilisi. Considerable volumes of pork are also consumed in cities of Kutaisi, Batumi and Rustavi.

3.1.2.2. Product Import

Table below represents product import by months, quarters, product prices and importer countries:

Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
January	138,792	314,044	1.81	3.92
February	66,009	196,579	1.37	4.08
March	51,800	310,211	2.28	4.22
April	224,633	445,335	1.85	3.91
May	253,025	691,518	1.94	3.90
June	122,754	483,317	2.13	3.99
July	227,802	205,427	1.71	4.13
August	379,653	462,977	1.90	4.06
September	451,173	606,239	1.77	4.08
October	208,478	535,835	1.87	4.20
November	162,521	368,051	1.62	3.57
December	470,423	444,172	2.69	4.12
Total	**2,757,063**	**5,063,705**	**1.98**	**4.01**

Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
1st Quarter	256,601	820,834	1.79	4.07
2nd Quarter	600,412	1,620,170	1.95	3.93
3rd Quarter	1,058,628	1,274,643	1.80	4.08
4th Quarter	841,422	1,348,058	2.28	4.00

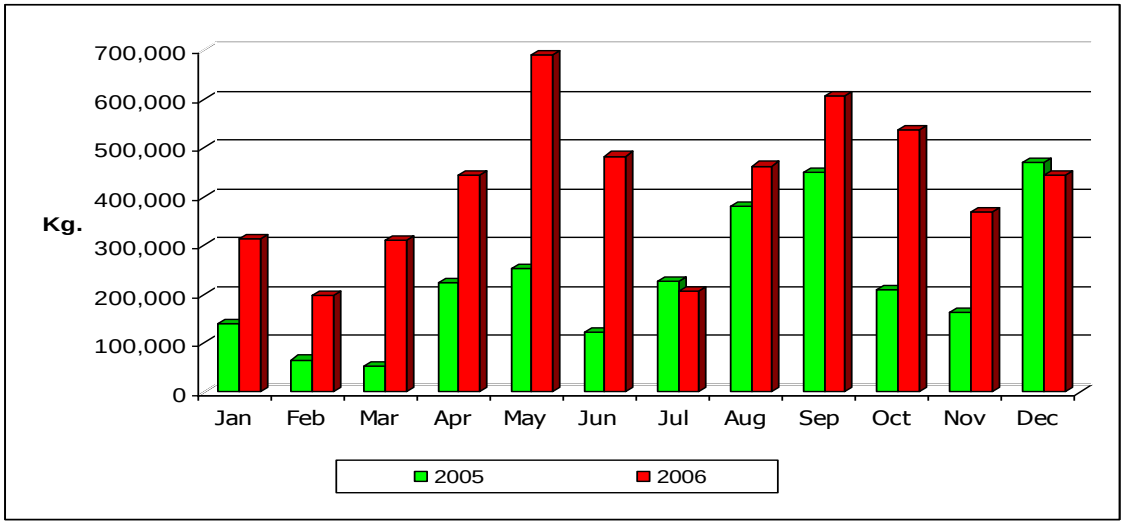
Importer Country	2005		2006	
	Kg	%	Kg	%
Brazil	1,338,847	48.6%	3,440,856	68.0%
Dominica	374,222	13.6%	-	-
Virgin Islands	343,108	12.4%	232,000	4.6%
Netherlands	268,909	9.8%	121,004	2.4%
Germany	206,418	7.5%	102,035	2.0%
Cyprus	59,576	2.2%	9,614	0.2%
Belgium	50,000	1.8%	-	-
Canada	48,500	1.8%	546,617	10.8%
USA	25,000	0.9%	104,000	2.1%
China	22,988	0.8%	281,000	5.5%
Spain	13,000	0.5%	24,600	0.5%
Poland	4,995	0.2%	113,979	2.3%
Bulgaria	1,500	0.1%	0	-
Armenia	0	-	42,000	0.8%
Switzerland	0	-	26,000	0.5%
Russia	0	-	20,000	0.4%

Data given in the table is based on information provided by customs office. As for price indicated in the table, it is a price of 1 kg of product after the customs clearance (DDP price).

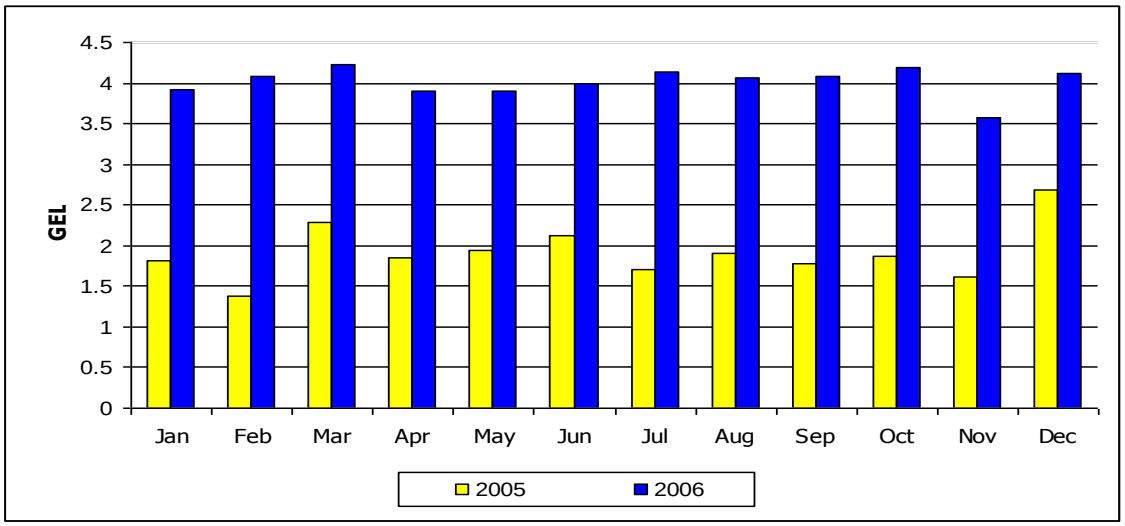
In 2006, import of pork increased almost twice in volume as compared to 2005. Similarly almost twice were increased the prices. Such drastic price increase was determined on one hand by the general raising of world market prices and on the other hand by changes taking place in the Customs Department of Georgia (complete legalization of all imported products). Double increase of demand was determined by transition of almost all the meat processing industry on working with imported pork. Until recently, meat processors extensively used soybean powder in production of sausages and frankfurters which considerably decreased the product quality. Cheap imported pork substituted for soybean powder and thus made the products with soybean ingredients as non-competitive. This in turn resulted in grown demand for imported pork.

In 2006, imported pork occupied approximately 25% of the total demand on pork existing in the country.

Dynamics of Product Imports in 2005 and 2006 (by Months)



Dynamics of Imported Product Price in 2005 and 2006 (by Months)



3.1.2.3. Product Seasonality and Factors Influencing Sales

The study has revealed that in general, seasonality has little impact on pork consumption. There is some difference between the summer and winter sales, the tendency being that more meat is sold during the colder months of the year. This difference makes up to about 10-15%. The similar decrease in consumption is visible during the periods of religious fasting.

In November-December, at a live cattle market, the livestock delivered for sale is represented by approximately 25-30 % more quantity than it is during other months, which is explained by instability of volume and price of feed during the year.

3.1.2.5. Product Price (Wholesale and Retail) Seasonal Fluctuation in 2005 – 2006 (GEL/ Kg)

Town	Period	2005		2006	
		Retail	Wholesale	Retail	Wholesale
Tbilisi	Dec. – Apr.	4.0 - 5.0	3.0 - 4.0	5.0 - 7.50	4.0 - 6.50
	May – Aug.	4.0 - 5.0	3.0 - 4.0	5.0 - 7.0	4.0 - 6.50
	Sept. – Nov.	4.0 - 5.0	3.0 - 4.0	5.0 - 7.0	4.0 - 6.0
Batumi	Dec. – Apr.	4.0 - 7.0	3.0 - 4.0	4.0 - 7.0	3.0 - 5.50
	May – Aug.	4.0 - 6.0	3.0 - 4.50	4.0 - 5.0	3.0 - 4.0
	Sept. – Nov.	3.50 - 6.0	3.0 - 5.50	5.0 - 6.0	3.0 - 4.0
Kutaisi	Dec. – Apr.	4.0 - 6.0	3.0 - 4.0	5.0 - 7.0	3.50 - 6.0
	May – Aug.	3.0 - 5.0	3.0 - 4.50	5.0 - 6.0	4.0 - 5.0
	Sept. – Nov.	4.0 - 6.0	3.0 - 4.0	5.0 - 6.0	4.0 - 5.0
Gori	Dec. – Apr.	5.50 - 7.0	4.50 - 5.0	6.50 - 7.0	4.0 - 5.30
	May – Aug.	6.0 - 7.0	4.70	5.50 - 6.0	4.0 - 5.30
	Sept. – Nov.	6.0 - 7.0	4.70- 5.0	6.50 - 8.0	4.50 - 5.50
Telavi	Dec. – Apr.	6.0 - 7.0	5.0	7.0 - 8.0	6.0
	May – Aug.	6.0 - 7.0	5.0	7.0 - 8.0	6.0
	Sept. – Nov.	6.0 - 7.0	5.0	7.0 - 8.0	6.0
Marneuli	Dec. – Apr.	5.0 - 6.0	5.0	6.0 - 7.0	5.0 - 6.50
	May – Aug.	5.0 - 6.0	5.0	6.0 - 7.0	5.0 - 6.50
	Sept. – Nov.	5.0 - 6.0	5.0	6.0 - 7.0	5.0 - 6.50
Rustavi	Dec. – Apr.	5.0 - 6.0	4.50 - 5.0	6.50 - 7.50	5.50 - 6.0
	May – Aug.	5.0 - 6.0	4.50 - 5.0	6.50 - 7.50	5.50 - 6.0
	Sept. – Nov.	5.0 - 6.0	4.50 - 5.0	6.50 - 7.50	5.50 - 6.0
Zugdidi	Dec. – Apr.	5.0 - 6.0	4.0	5.0 - 6.0	4.0 - 5.0
	May – Aug.	4.0	3.0	5.0 - 6.0	3.0 - 4.0
	Sept. – Nov.	5.0 - 6.0	3.0 - 4.0	5.0 - 7.0	4.0 - 5.0
Akhaltsikhe	Dec. – Apr.	5.0 - 7.0	3.0 - 6.50	6.0 - 8.0	4.0 - 6.0
	May – Aug.	5.0 - 7.0	3.0 - 6.50	6.0 - 8.0	3.50 - 6.0
	Sept. – Nov.	5.0 - 7.0	3.0 - 6.50	6.0 - 8.0	3.50 - 6.0

The low indicator of the retail price provided in the above table shows the price of meat cut with bones and the high indicator represents the price of meat devoid of bones. The difference between the wholesale prices proceeds from the quality of slaughtered pig (fat content, meat content, meat color,).

The 2 years data given in the table indicate that price on meat permanently increases which by our opinion is determined by improvement of population's economic condition. According to information provided by consultants, the pig population is slowly but steadily increasing by years. Simultaneously, the product cost is also increasing which is partially caused by inflation and therefore, increase of expenditures connected with production (fuel, shepherd's salary, feed, etc.)

Days and periods of holidays and religious fasting do not significantly influence the prices. Only sales volumes change during this period. Increase of prices is taking place in winter and early spring which proceeds from the production cycle established in the country.

3.1.2.5. Factors Influencing Sales

In order to identify factors that influence the sales of product it is expedient to consider information obtained through interviewing of the product sellers and presented in the table below:

	Seasonality	Quality	Holidays	Purchase Capacity of population	Price	Competition	Not Having Impact
Tbilisi	7	3	38	-	-	-	48
Telavi	2	1	-	-	-	-	6
Gori	-	2	-	10	-	4	-
Akhaltsikhe	2	-	13	-	-	-	1
Kutaisi	2	24	-	-	3	-	-
Batumi	-	13	-	2	20	-	1
Zugdidi	6	-	3	-	-	-	-
Rustavi	-	-	1	-	-	-	20
Marneuli	-	-	-	-	-	-	23
Total	**19**	**43**	**55**	**12**	**23**	**4**	**99**
Percentage	**7.5%**	**16.9%**	**21.3%**	**4.7%**	**9%**	**1.6%**	**39%**

The table indicates that, by opinion of the product sellers, main factors that influence sales of pork are: Holidays – 21.3%, quality – 16.9%, price - 9%. Other factors, according to the interviewed, are not having significant impact on sales.

3.1.2.6. Population Requirements towards the Product and Quality Preferences

In order to identify the local consumers' requirements towards the pork, the enquiry was carried out during which, total number of 1000 respondents (200 respondents in Tbilisi and 100 respondents in each of the other 8 target towns) were interviewed. The enquiry produced the following results:

Formulated Demand		Tbilisi	Telavi	Gori	Akhaltsikh	Kutaisi	Batumi	Zugdidi	Rustavi	Marneuli
Fat Content	*Fatty*	6.0%	1.0%	7.0%	36.0%	15.0%	7.0%	39.0%	23.0%	5.0%
	Medium fattiness	65.0%	59.0%	67.0%	49.0%	48.0%	77.0%	60.0%	73.0%	95.0%
	Fatless	29.0%	40.0%	26.0%	15.0%	37.0%	16.0%	1.0%	4.0%	0.0%
Meat Color	*Pinkish*	90.2%	90.0%	80.7%	81.0%	77.0%	55.0%	85.0%	94.0%	95.0%
	Red	9.8%	10.0%	19.3%	19.0%	23.0%	45.0%	15.0%	6.0%	5.0%
Preferred shape of meat	*Boneless*	38.0%	32.0%	42.1%	39.0%	41.0%	45.0%	37.0%	63.0%	80.0%
	With bones	40.0%	20.0%	36.8%	26.0%	38.0%	35.0%	58.0%	8.0%	20.0%
	Minced	22.0%	48.0%	22.0%	35.0%	22.0%	20.0%	5.0%	29.0%	0.0%
Desired weight, packaging, size of packaging	*250 gr*	0.0%	5.0%	3.5%	6.0%	16.0%	3.0%	1.0%	0.0%	0.0%
	0,5 kg	7.0%	53.0%	3.5%	29.0%	39.0%	21.0%	20.0%	29.0%	10.0%
	1 kg	69.0%	31.0%	38.6%	56.0%	39.0%	61.0%	64.0%	42.0%	60.0%
	2 kg	20.0%	10.0%	43.8%	8.0%	6.0%	12.0%	7.0%	27.0%	25.0%
	3 kg and up	4.0%	1.0%	11.0%	1.0%	0.0%	3.0%	8.0%	2.0%	5.0%
Place of meat purchase	*Nearest shop*	36.0%	49.0%	14.0%	25.0%	3.0%	13.0%	5.0%	57.0%	90.0%
	Marketplace	40.0%	51.0%	52.6%	64.0%	84.0%	53.0%	51.0%	32.0%	10.0%
	Supermarket	24.0%	0.0%	33.4%	10.0%	13.0%	34.0%	44.0%	10.0%	0.0%
Origin	*Local*	100.0%	99.0%	98.3%	99.0%	96.0%	100.0%	100.0%	100.0%	100.0%
	Imported	0.0%	1.0%	1.7%	1.0%	4.0%	0.0%	0.0%	0.0%	0.0%

The enquiry has identified that in terms of pork's fattiness, majority of population gives preference to pork with medium level of fattiness. At the same time, considerable portion of consumers in in Zugdidi, Rustavi and Akhaltsikhe (from 23 to 39 %) demand fatty meat. Almost ¼ of the interviewed consumers in Tbilisi, Gori, Kutaisi and Telavi give preference to fatless meat (pork).

In terms of color, the greatest majority of consumers demand pork of pinkish color.In Batumi, color of meat makes no differencve for consumers. Demand on minced pork fluctuates between 20 – 40%. There is no demand on minced pork in Marneuli and Zugdidi. The demand on pork with and without bones is approximately the same. In almost all target towns, consumers prefer to buy pork cut into 1kg pieces.

The majority of population purchases meat in the nearest shops and marketplaces. In big cities, about ¼ of the population, when buying meat, gives preference to supermarkets. According to consultants, there is a notable tendency of meat buyers' moving from the marketplaces towards supermarkets and this trend is increasing every year.

The vast majority of population gives preference to locally produced pork.

3.1.2.7. Potential for Adding Value to the Product

Provided that in the localities of meat production there will be established meat collection points (slaugther-houses) where meat, in accordance to consumer requirements, will be cut, packed in the polyethylene packs of optimal size, cooled and provided with quality and sanitary guarantees for population, it is assumed that consumers will be prepared to pay a higher (by 10-25%) price for such a product. At the same time there can be developed a new production from the waste of meat and bones that will also facilitate to development of livestock farming operations.

3.1.2.8. Market Niche

In cities, meat products are mainly sold in specialized shops and supermarkets, at the specially arranged corner (place). Equipping of shops appropriately to trade with meat is rather costly. Also expensive are butcher's services. It is noteworthy that neighborhood shops are not capable of selling large quantities of meat at one time and therefore, small neighborhood shops refrain from trading with meat.

In case there is established a meat collection point (slaughter-house) where, as it was mentioned above, meat will be cut, packed in the polyethylene packs of optimal size and cooled, population will have guarantee on the quality and sanitary safety of the product. At the same time, a good distribution system will be formed that will make the daily supply of meat to small shops so they will no more have a problem of excess product, as their daily consumers will have possibility to order the desired number of packed meat pieces. Such an approach will increase the meat trade network allow population to be in direct contact with producers.

By equalizing of the forage reserves during the year (through utilization of silage haulage and fodder root during the winter period) it is possible to overcome the seasonality of meat production and therefore allow producers to sell their products more easily and profitably.

3.1.3. Honey

3.1.3.1. Market Potential

Based on processing and analyzing of information received through the conducted enquiry, consumption of honey by towns is the following:

➢ ***Honey***

Town	*Consumption*			
	Annually Kg./ per Capita	*Annually (MT)*	*Monthly (MT)*	*Daily (MT)*
Tbilisi	1.1	1234.0	103.0	3.0
Telavi	1.2	34.0	3.0	0.0
Gori	1.0	52.0	6.0	0.0
Akhaltsikhe	1.0	25.0	2.0	0.0
Kutaisi	1.2	221.0	18.0	1.0
Batumi	0.8	99.0	8.0	0.0
Zugdidi	1.2	29.0	2.0	0.0
Rustavi	0.7	51.0	4.0	0.0
Marneuli	0.5	12.0	1.0	0.0

90% of the total sold volume of honey is realized directly by beekeepers. About 2% of the total volume, both local and imported honey, is sold in retail shops and supermarkets, packed in jars. The remaining 7-8 % is sold at marketplaces. Traders carry out the product stock replenishment 1-4 times in a year.

Based on processing and analyzing of information received through the conducted enquiry, consumption of wax, propolis and flower pollen, according to target towns is as follows:

➢ ***Wax, Propolis and Flower Pollen***

Town	*Product*	*Annually Kg./ per Capita*	*Annually (MT)*	*Monthly (MT)*
Tbilisi	Wax	0.02	23.0	1.92
	Propolis	0.001	1.1	0.09
	Flower pollen	0.003	0.3	0.03
Telavi	Wax	0.03	1.0	0.08
	Propolis	0.01	0.2	0.02
	Flower pollen	0.0	0.0	0.0
Gori	Wax	0.05	2.0	0.17
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0

Akhaltsikhe	Wax	0.02	0.0	0.0
	Propolis	0.01	0.2	0.02
	Flower pollen	0.0	0.0	0.0
Kutaisi	Wax	0.01	2.0	0.17
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0
Batumi	Wax	0.04	5.0	0.42
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0
Zugdidi	Wax	0.036	2.5	0.21
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0
Rustavi	Wax	0.01	1.0	0.08
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0
Marneuli	Wax	0.0	0.0	0.0
	Propolis	0.0	0.0	0.0
	Flower pollen	0.0	0.0	0.0

The percentage of annual honey consumption by towns is as follows:

Towns	**%**
- Tbilisi	70.2 %
- Telavi	1.9 %
- Gori	2.9 %
- Akhaltsikhe	1.4 %
- Kutaisi	12.6 %
- Batumi	5.6 %
- Zugdidi	1.6 %
- Rustavi	2.9 %
- Marneuli	0.7 %

According to the above table, leadership in consumption of honey belongs to Tbilisi. Considerable volumes of the product are also consumed in cities of Kutaisi, Batumi and Rustavi.

3.1.3.2. Product Imports

Table below represents product import by months, quarters, exporter countries and product prices:

Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006	2005	2006
January	327	0	19.57	-
February	309	370	13.98	5.29
March	89	137	15.12	9.58
April	306	59	13.58	9.83
May	133	1,235	11.02	8.24
June	292	63	10.26	10.84
July	143	71	11.08	9.52
August	357	163	9.65	8.09
September	964	384	5.93	6.29
October	589	255	6.35	11.30
November	274	284	8.74	10.30
December	36	649	9.97	8.88
Total	**3,819**	**3,670**	**9.93**	**8.36**

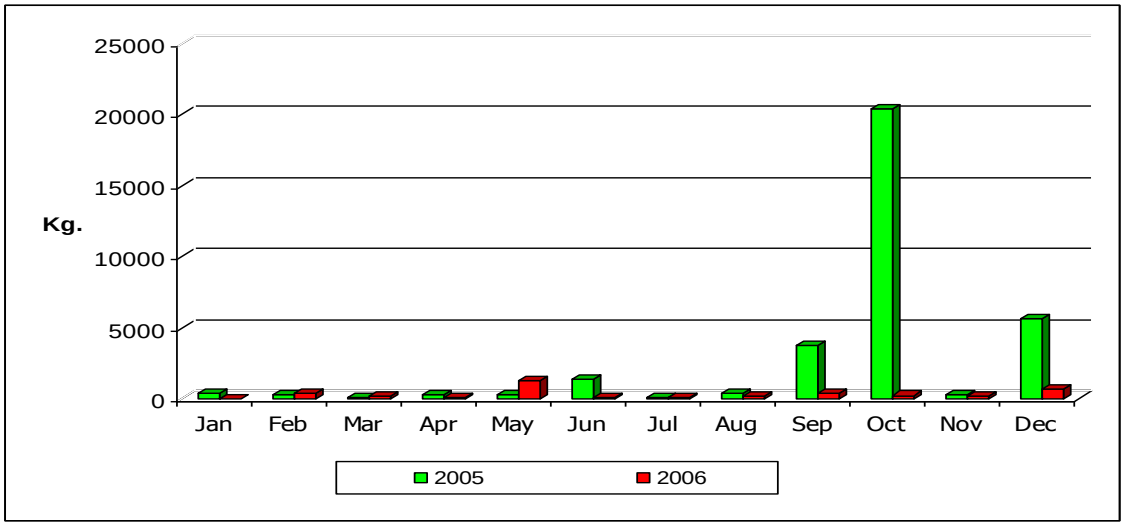
Period	Quantity (Kg)		Price (Gel/Kg)	
	2005	2006		2005
1st Quarter	725	507	16.64	6.45
2nd Quarter	731	1,357	11.79	8.43
3rd Quarter	1,464	618	7.34	7.13
4th Quarter	899	1,188	7.22	9.74

Importer Country	2005		2006	
	Kg	%		Kg.
Germany	1,406	36.8%	1,888	51.4%
Russia	1,372	35.9%	0	-
Turkey	872	22.8%	76	2.1%
Spain	120	3.1%	1,193	32.5%
USA	25	0.7%	0	-
Netherlands	24	0.6%	174	4.7%
Ukraine	0	-	300	8.2%
France	0	-	39	1.1%

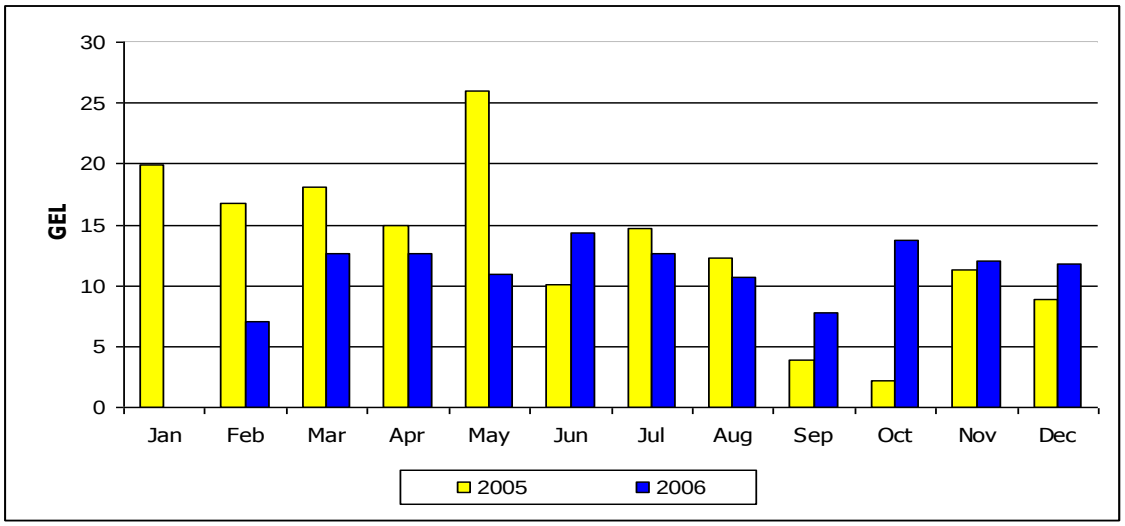
Data given in the table is based on information provided by customs office. As for price indicated in the table, it is a price of 1 kg of product after the customs clearance (DDP price).

As it indicated by the table, the volume of the product import is steadily equal over the last few years and it occupies an extremely small share (0.2%) of the total honey consumption in Georgia.

Dynamics of Product Imports in 2005 and 2006 (by Months)



Dynamics of Imported Product Price in 2005 and 2006 (by Months)



3.1.3.3. Product Seasonality

The survey has revealed that generally, honey is mainly sold during two periods of the year: July–August and November-January. Population purchases the whole year's honey reserve once or twice in a year. The most active period for purchasing honey is taking place near the New Year.

3.1.3.4. Product Price (Wholesale and Retail) Seasonal Fluctuation in 2005 – 2006 (Gel / Kg.)

Town	Period	2005		2006	
		Retail	Wholesale	Retail	Wholesale
Tbilisi	Dec. – Apr.	5.0 - 8.0	4.0 - 5.0	5.0 - 10.0	5.0 - 8.0
	May – Aug.	5.0 - 8.0	4.0 - 5.0	5.0 - 10.0	5.0 - 8.0
	Sept. – Nov.	5.0 - 8.0	4.0 - 5.0	5.0 - 10.0	5.0 - 8.0
Batumi	Dec. – Apr.	6.0 - 9.0	6.0 - 7.50	8.0 - 12..5	6.0 - 10.50
	May – Aug.	7.0 - 9.0	5.50 – 6.0	8.0 - 10.0	6.50 - 8.0
	Sept. – Nov.	6.0 - 9.0	6.0 - 7.50	8.0 - 12..5	6.0 - 10.50
Kutaisi	Dec. – Apr.	5.0 - 8.0	4.0 - 7.0	6.0 - 10.0	5.0 - 8.0
	May – Aug.	4.50 - 9.0	4.0 - 6.0	5.0 - 10.0	4.0 - 6.0
	Sept. – Nov.	5.0 - 8.0	4.0 - 7.0	6.0 - 10.0	5.0 - 8.0
Gori	Dec. – Apr.	10.0 - 12.0	8.0 - 10.0	10.0 - 15.0	8.0 - 13.0
	May – Aug.	7.0 - 8.0	6.0 - 10.0	10.0 - 12.0	6.0 - 12.0
	Sept. – Nov.	10.0 - 12.0	6.0 - 10.0	12.0 - 14.0	8.0 - 12.0
Telavi	Dec. – Apr.	7.0	6.0	9.0 - 10.0	8.0
	May – Aug.	7.0	6.0	9.0 - 10.0	8.0
	Sept. – Nov.	7.0	6.0	9.0 - 10.0	8.0
Marneuli	Dec. – Apr.	9.0 - 10.0	8.0 - 7.0	10.0 - 12.0	8.0 - 9.0
	May – Aug.	9.0 - 10.0	8.0 - 7.0	10.0 - 12.0	8.0 - 9.0
	Sept. – Nov.	9.0 - 10.0	8.0 - 7.0	10.0 - 12.0	8.0 - 9.0
Rustavi	Dec. – Apr.	8.0 - 10.0	6.0 - 7.0	8.0 - 10.0	6.0 - 7.0
	May – Aug.	8.0 - 10.0	6.0 - 7.0	8.0 - 10.0	6.0 - 7.0
	Sept. – Nov.	8.0 - 10.0	6.0 - 7.0	8.0 - 10.0	6.0 - 7.0
Zugdidi	Dec. – Apr.	6.0 - 7.0	4.0 - 5.0	7.0 - 9.0	4.0 - 6.0
	May – Aug.	6.0 - 8.0	4.0 - 6.0	6.0 - 10.0	3.0 - 6.0
	Sept. – Nov.	6.0 - 8.0	4.0 - 7.0	8.0 - 10.0	6.0 - 7.0
Akhaltsikhe	Dec. – Apr.	8.0 - 5.0	5.0 - 7.0	5.0 - 15.0	5.0 - 8.0
	May – Aug.	8.0 - 5.0	5.0 - 7.0	5.0 - 15.0	5.0 - 8.0
	Sept. – Nov.	8.0 - 5.0	5.0 - 7.0	8.0 - 10.0	5.0 - 8.0

The above table presents prices existing in shops and marketplaces of each target city. The bee keepers themselves sell honey at an indicated retail prices or at 10-15% higher. As it is clear from the table, price differences are very big even in each city. At the same time, none of the traders can take responsibility on quality of the sold honey, which creates distrust from the part of consumers and therefore very small part of them buys honey at marketplaces and shops. Honey purchased in shops and at marketplaces is mostly used for baking of pies and in various confectionary products and very seldom for medical or children's nutrition purposes. Usually, every family/household has an already known and tried bee keeper from whom, once or twice per year, it buys a whole year's reserve of honey.

3.1.3.5 Factors Influencing Sales

In order to identify factors that influence sales of the product it is expedient to consider information obtained through interviewing of the product sellers and presented in the table below:

	Seasonality	Quality	Holidays	Purchase Capacity of population	Price	Competition	Not Having Impact
Tbilisi	-	-	8	-	-	-	8
Telavi	-	-	-	1	-	-	6
Gori	-	-	-	6	-	4	-
Akhaltsikhe	-	-	1	6	-	-	2
Kutaisi	5	-	8	2	-	-	-
Batumi	-	5	11	5	-	-	-
Zugdidi	8	-	-	-	-	-	-
Rustavi	2	-	4	5	-	-	2
Marneuli	2	-	-	3	-	-	4
Total	**17**	**5**	**32**	**28**	**0**	**4**	**22**
Percentage	**15.7%**	**4.6%**	**29.6%**	**25.9%**	**0.0%**	**3.7%**	**20.4%**

The table indicates that, by opinion of the product sellers, main factors that influence sales of honey are: holidays – 29.6%, purchase capacity of population – 15.9% and seasonality - 12%. Other factors, according to the interviewed, are not having significant impact on sales.

3.1.3.6. Population Requirements towards the Product and Quality Preferences

In order to identify the local consumers' requirements towards the honey, the enquiry was carried out. During the enquiry, 200 respondents in Tbilisi and 100 respondents in each of the other 8 target towns) were interviewed. The enquiry produced the following results:

Formulated Demand		Tbilisi	Telavi	Gori	Akhaltsikh	Kutaisi	Batumi	Zugdidi	Rustavi	Marneuli
Color saturation	*Light*	28%	34%	46%	49%	34%	40%	62%	24%	41%
	Medium	55%	57%	42%	41%	31%	22%	13%	62%	35%
	Dark	17%	9%	12%	10%	35%	38%	25%	14%	24%
Thickness	*Sugared*	5%	2%	4%	30%	5%	0%	10%	55%	9%
	Non-sugared	30%	30%	8%	26%	27%	29%	6%	5%	28%
	Thin	36%	45%	60%	22%	19%	12%	5%	26%	41%
	Thick	29%	23%	28%	22%	49%	59%	79%	14%	22%
Preferred sort of honey	*Acacia*	15%	18%	12%	2%	22%	43%	51%	18%	41%
	Chestnut	13%	15%	6%	4%	41%	38%	26%	16%	22%
	Lime tree	14%	55%	21%	5%	22%	13%	3%	23%	8%
	Wildflowers	45%	12%	61%	89%	15%	6%	20%	43%	28%
	Does not matter	13%	0%	0%	0%	0%	0%	0%	0%	1%
Preferred type of packing	*Primitively done by bee keepers*	99%	99%	10%	99%	94%	96%	99%	95%	92%
	Factory type	1%	1%	0%	1%	6%	4%	1%	5%	8%
Preferred size of packing	*0,450 gr (30 ml jar)*	8%	38%	16.7%	26%	11%	36%	16%	17%	9%
	0,750 gr (50 ml jar)	33%	36%	16.7%	23%	33%	25%	8%	32%	29%
	1,5 kg (1 L. jar)	39%	19%	34.7%	35%	*37%*	*25%*	*55%*	*34%*	*41%*
	3 kg (2 L. jar)	4%	6%	13.9%	10%	*9%*	*11%*	*15%*	*15%*	*13%*
	4,5 kg (3 L. jar)	16%	1%	18%	6%	*10%*	*3%*	*6%*	*2%*	*2%*
Origin of the purchased honey	*Local*	99%	10%	97%	10%	96%	98%	10%	97%	10%
	Imported	1%	0%	3%	0%	4%	2%	0%	3%	0%
Place of purchase	*Nearest shop*	9.5%	19%	0%	3%	3%	1%	2%	5%	6%
	Marketplace	8.5%	29%	14%	17%	24%	9%	11%	6%	5%
	Supermarket	1.5%	0%	0%	2%	5%	7%	0%	0%	0%
	Known bee-keeper	80.5%	52%	86%	78%	68%	83%	87%	89%	89%

In terms of color, consumers in Tbilisdi and Telavi give preference to honey with medium color saturation. In Batumi, color preference is evenly distributed between light and dark honey. Dark colored honey is less popular in Telavi, Gori and Akhaltsikhe. As for the thickness of honey, in Rustavi this characteristic does not make a notable difference while in all other towns consumers demand honey in non-sugared condition.

In terms of honey's floral source, in east Georgia they mainly prefer honey made from wildflowers. In Telavi consumers mostly purchase lime tree honey and in Marneuli they prefer acacia. In towns of west Georgia consumers more usually buy honey made of chestnut and acacia.

In all target towns, consumers pay special attention to the floral source of the purchased honey which is well reflected in the conducted enquiry where none of the interviewed responded positively to possible answer option in the questionnaire that read " It does not matter of which flower (plant) the honey is made of".

Almost no one among the interviewed consumers appeared to trust the factory–packed honey as they unanimously expresssed their preference to honey primitively packaged by a bee keeper.

The majority of the consumers demand the locally made honey packed in 0,5 kg and 1kg jars.

3.1.3.7. Potential for Adding Value to the Product

It is advisable to establish an enterprise that would purchase honey from producers (bee keepers), collect the product separately by types and pack it in small size (20 – 50 grams) packaging. Selling of product in small size packaging will make its realization much more easier as it does not require special attention and care and at the same time consumers do not have to pay much in order to test the product and become sure of its quality.

3.1.3.8. Profitable Market Niche

As a potential profitable market niche should be considered the option of entering the supply chain of retail shop network and the public food outlets operating in the tourist areas, with honey packed in small size (20-30 gr.) packaging.

3.2. Product Distribution Channels

3.2.1. Meat

Today the process of sale and purchase at market is spontaneous and auctions, futures agreements, or other formal sales arrangements are not practiced. In Tbilisi, there are four large markets (Central Supermarket a.k.a "Dezertirebi market", Navtlughi, Eliava and Digomi) and several smaller marketplaces operating. There is a partitioned territory at all large markets, where wholesale and retail trade takes place and the following scheme of supply has been established:

At the marketplaces of big cities, small traders (butchers) bring in the locally produced meat by trucks and passenger cars from various regions of Georgia. They buy livestock on regional markets themselves from peasants and local traders and in most cases, conduct slaughtering and separation of meat and sub-products (head and legs, hide, heart, liver, bowels, etc.) at the spot and then so deliver and so deliver the products to traders operating at city markets. Beef and pork is as well delivered to central markets of the city directly by producer peasants

Small wholesale traders and farmers deliver meat to the early morning markets operating from 4 am to 6 am in front of the Central Supermarket (so called "Dezertirebi" marketplace). Here meat is mainly purchased by retail traders who sell meat from the counters.

In small towns, the purchase of livestock from nearby villages and at local livestock markets is carried out by directly by market traders. In most cases they slaughter cattle at the spot upon purchase and then deliver meat and sub-products to market.

In big cities, delivery of meat to specialized meat shops is carried out by intermediaries who at the daily basis, buy a few cattle in the villages, slaughter it at the spot and usually supply meat to number of neighborhood shops. Often, each shop has 2-3 suppliers who carry out the supply according to schedule determined by the trader. Commonly, two or three shops are served by one experienced butcher, who conducts cutting of meat in the morning for its subsequent sale by traders. Each neighborhood shop tries to sell the whole quantity of the supplied meat during the day and therefore have a fresh supply of the meat stock almost everyday.

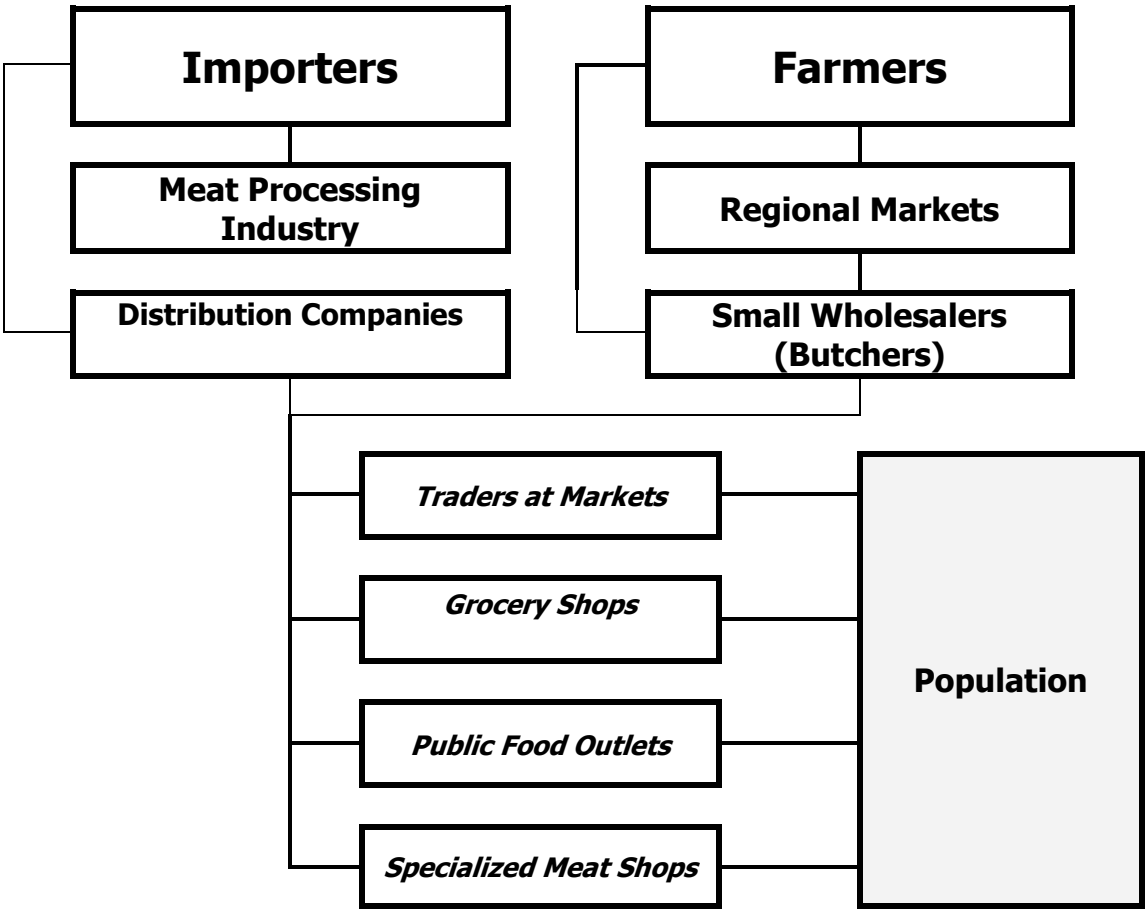
In small cities, owners of meat shops themselves conduct the supply of meat to their shops from nearby villages.

3.2.2. Honey

The main consumer of honey in the country is population. According to the conducted study, population mainly trusts and purchases the product directly from producers - bee keepers. Such purchases take place both in cities and villages. In small towns there are no specialized shops for honey or other apicultural products. Such shops operate only in Tbilisi, Batumi and Kutaisi where they sell not only honey and other products of apiculture, but also all additional materials and equipment necessary for bee keeping activities. Such shops usually trade with 3 – 5 different sorts of honey. Shops are supplied directly from honey producer bee keepers by preliminary agreement. In most cases, repayment of producers is effected only after the product sale. In retail shops, honey is represented in almost all target towns where they sell both imported and the local, packaged honey. However, according to shop owners, sales volumes are very low and are limited to only a few kilos annually. Population buys honey in shops mainly in the time of pre-New Year's preparations or during the year, with purpose of baking various cakes and confectionary products.

Other apicultural products such as wax, propolis, pollen and royal jelly, are not sold in regular retail shops as it is very unlikely that customers of such shops ask for these products. Wax, propolis, and flower pollen are sold only in specialized shops and royal jelly was available only in two shops in Tbilisi. In other shops, purchase of these products is possible through consumer's order.

3.2.3. The Scheme of Product Movement on the Market



3.2.4. Main Players in Product Distribution
3.2.4.1. Meat

The main players in distribution of honey products are : importers, distribution companies and small wholesalers (butchers).

Importers

- **Importers of buffalo meat are the following companies:**

- ***Year 2005***

Cosmos	- 22.4%
Lotos	- 18.9%
Logistexi	- 16.9%
Trade Invest	- 16.6%
Samgori #1	- 16.0%
Food Provider	- 8.0%
Ermes	- 1.2%

- ***Year 2006***

Samgori #1	- 30.84%
Lotos	- 19.73%
Cosmos	- 18.03%
Trade Invest	- 13.61%
Ermes	- 7.83%
Kavtrexpoti	- 5.06%
S.P. Gulbat Kiknadze	- 4.42%
Logistexi	- 3.40%
Barvil Georgia	- 0.60%

- **Importers of pork are the following companies:**

- ***Year 2005***

Samgori #1	- 23.30%
Trade Invest	- 19.32%
Logistexi	- 16.76%
Proviant	- 9.36%
Nikora	- 8.65%
Saktsivprodukti	- 6.35%
Agri Trading	- 4.28%
S.P. Durmishkhan Nadiradze	- 3.59%
Cosmos	- 2.70%
Ermes	- 1.81%
Saturn	- 0.98%
Geo Mith	- 0.94%
Ervaim	- 0.91%
Agro Technique Trading	- 0.76%
Ministry of Defense, Department of Military Budget funds	- 0.14%
First Grocery Company	- 0.09%
G. A. G.	- 0.05%

- ***Year 2006***

Nikora	- 18.2%
Samgori # 1	- 15.5%
Fruktina Fresh	- 11.2%
Cosmos	- 9.2%
Inter Food	- 8.4%
Trade Invest	- 6.2%
Saktsivprodukti	- 4.7%
West Invest	- 4.6%
Okros Tavtavi	- 4.6%
Kavtrexpoti	- 3.5%
Tsikara	- 3.1%
Proviant	- 2.1%
Celsius	- 1.9%
Logistexi	- 1.8%

Ermes	- 1.5%
Kant	- 1.1%
S.P. Malkhaz Papidze	- 0.8%
Nezloba	- 0.5%
Device	- 0.5%
Chini Products	- 0.5%
S.P. Sukhishvili Giorgi	- 0.1%
First Grocery Company	- 0.0%

- **Importers of beef are the following companies:**

- ***Year 2005***

Trans Agro	- 96.3%
Logistexi	- 2.7%
Ministry of Defense, Department of Military Budget funds	- 1.0%

- ***Year 2006***

Kavtrexpoti	- 90.2%
Barvil Georgia	- 7.1%
Logistexi	- 2.7%

Small wholesalers (butchers)

Small wholesale traders operating in their respective towns make purchases mainly on regional Sunday markets and directly in villages. Transportation is done by vehicles and the volumes of products range between 0.2 to 2 tons.

As a rule, each butcher is specialized on either pork or beef. They all have formed agreements with meat traders in big cities, both at markets and specialized shops, whom they supply according to the specified delivery schedule. Slaughtering of cattle and its rough processing is done right at the place of purchase. Frequently, small wholesalers supply meat to shops at its prime cost price and their profit is determined by the price of hide, head and legs and other sub-products. In small towns, shop owners often act as small wholesalers.

The scheme in the supply of beef is different only in Telavi, where meat is delivered from the meat market operating by village Karajala nearby Telavi. At Karajala market, approximately 1,5 – 2 tons of beef is sold everyday, about 1 ton from which goes to Telavi and is sold there at marketplaces and specialized shops. The Karajala market itself is supplied by butchers from livestock markets and villages of Telavi, Akhmeta and Kvareli districts of Kakheti region. It is noteworthy that hypermarket "Goodwill' and the supermarket chain of "Populi" are supplied by private companies that themselves prepare meat (mainly in Samtskhe-Javakheti region). To provide supply to these supermarkets, it is necessary to have an officially registered organization as it is one of the conditions of forming the agreement on supply.

Distribution Companies

Distribution companies, along other food products, conduct distribution of mince mainly made of imported meat. The demand on such product is rather low and each of the shops sells up to 1-2 kg of mince per week.
In the research towns the shops were supplied by such distribution companies as "Sante" and "Okros Tevzi".

3.2.4.2. Honey

- **Importers of honey are the following companies:**

- ***Year 2005***

S.P. Giorgi Gaprindashvili	- 32%
Goodwill	- 29%
Capag Petrofag International	- 12%
International Building Company	- 11%
Scorpio	- 6%
Georgian Info Service - JC	- 3%
Ministry of Defence	- 3%
Vake 777	- 2%
Real	- 1%
TNN	- 1%

- ***Year 2006***

Goodwill	- 36%
Georgian Info Service - JC	- 32%
Scorpio	- 12%
S.P. Dzneladze Nineli	- 8%
Populi	- 5%
Megamarket	- 3%
Pirveli Sasursato Company	- 2%
Baden-Baden	- 1%
Georgita 2005	- 1%

Supply of the specialized shops with honey and other products of apiculture is carried out directly by bee keepers and no intermediary link is employed. Retail shops are supplied by small packing enterprises which periodically purchase honey from producers and then pack it and make a distribution. Such enterprises usually operate on a short-term basis and mainly limit their activity to one or two transactations. In fact, our enquiries have not revealed any enterprise which has been operating on this market over the period of many years.

3.2.5. Market Drivers

The main driver of the market is the volume of the products' stock on the market that in turn is ensured at the expense of both local production and import. Market demand on meat is determined by the need on new meat from population and processing industry. The need

of population is mainly fulfilled by locally produced meat. As for meat processing enterprises as well as public food outlets, they mostly rely on utilization of the imported meat.

Stabilization of the meat market is occurring at the expense of the imported product. In spite of the fact that currently population does not purchase much of the imported meat, it still should be considered as an alternative option and if prices on locally produced meat go further up, the demand on imported product will rapidly increase just like it happened in the case of the processing enterprises (proceeding from the low cost and high degree of wastelessness of the imported meat).

What concerns honey and other apicultural products, the main market driver in this case is local production.

3.2.6. Information Concerning Product Storing

3.2.6.1. Product Storage Infrastructure

- ***Meat***

Imported meat is delivered in a frozen condition and is mainly stored in refrigerators at the temperature of 12 -18 ^{0}C. Usually, temperature conditions needed for storing of frozen meat is basically maintained and the relevant infrastructure existed in big cities also satisfies the requirements of importers.

For new meat, at markets and in shops there operate refrigerators which ensure the cool storage of meat during 1-3 days. The whole storage technology is limited to cooling of product at a temperature from O ^{0}C up to 2 ^{0}C which is not sufficient to maintain its quality and sellable appearance. Therefore, traders try to renew the stock at a daily basis and use the previous day's unsold meat for processing into mince.

Slaughter-houses existing in small towns are currently standstill due to non-compliance with the sanitary norms and non-fulfillment of their tax liabilities. The same situation is with existing meat processing enterprises. None of these enterprises are planned for rehabilitation and restarting of their operation in the nearest future, except for the former slaughter-house in Akhaltsike, the rehabilitation and re-equipment process of which is currently underway, through private investment from the Israeli party.

- ***Honey***

Honey as a product does not require any specific storing conditions and in all sales outlets it is stored in aluminium or stainless iron vessels as well as packed for sale in smaller glass jars.

3.2.6.2. Issues Related to Product Storage and Transportation

- **Meat**

As it was already mentioned, population mainly consumes new meat and it needs to be stored for one or two days after slaughtering of a cattle. The most important is transportation of the newly slaughtered cattle from the production location to big cities which frequently takes from 6 to 24 hours. Transportation is mostly done by passenger cars when meat is carried in open condition or wrapped in paper or cloth without any cooling which results in decrease of its organoleptic characteristics and appearance as well as its infection with various microorganisms.

It would be desirable that livestock is slaughtered at a special slaughter-houses and in the same place sorted in accordance with the customer requirements, then packed in vacuum packaging, cooled and thus delivered by specialized transport to the sales outlets.

Observance of the above conditions is essential to ensure the maximal maintenance of the product quality and reduction of possible realization losses down to minimal degree.

- **Honey**

The study has not revealed any significant specific issue of concern regarding the storage and transportation of honey.

3.2.6.3. Product Realization Losses

Below are given the average indicators of the meat and honey losses during realization phase, according to products and towns, as estimated by products' traders:

Product	Tbilisi	Rustavi	Batumi	Kutaisi	Akhaltsikhe	Marneuli	Telavi	Zugdidi	Gori	Average %
1. Meat	1%	0%	1%	0%	0%	0%	1%	0%	0%	**1%**
2. Honey	6%	3%	7%	3%	3%	3%	3%	6%	7%	**6%**

As it becomes clear from the above table, there are practically no realization losses existing with regard to honey. As for meat, realization losses are rather high. However, through following the appropriate methods and conditions for slaughtering, transportation and storage, it is absolutely possible to reduce these losses down to their minimum.

3.2.7. Existing Information Systems about the State of the Current Market

The study has revealed that there exists no proper system through which traders or the population can obtain qualified information concerning volumes and prices of products in stock at the market. The only source, which regularly publishes weekly market prices, is newspaper "Sitkva da Sakme ("Word and Deed"). However, this information can hardly be useful for both consumers and traders as it is usually does not reflect the current price changes at the markets as well does not provide any information concerning price dynamics, volumes of the current stock or the estimated longevity period of the currently established prices.

Traders determine the current market prices and the general state at the market according to the situation at the main marketplace on the given day. In rare cases information is being

corrected proceeding from the current situation existing at production locations. Therefore, next 2 or 3 days are more or less predictable for traders. Making of long-term forecasts and corresponding action plans is practically impossible, as identification or prediction of the amount and prices for neither local, nor imported products can be achieved.

Some international organizations have made attempts to establish information systems which were aimed at establishment of connection between the producer and the trader.

For example, within the frameworks of the project of the GTZ FRCS (Food Security, Regional Cooperation & Stability in South Caucasus) Sadakhlo Informational Unit was established. The main goal of the project was to assist to development and intensification of trade relations between Georgia, Azerbaijan, and Armenia through help of the Informational Unit. Presumably, the Sadakhlo Informational Unit was to become an intermediate between the producer, buyer and trader. With this purpose, informational database was developed where information about the products to be sold was accumulated. The main emphasis in the informational data was made on assistance to sales of the agricultural produce. Similar units were established in Armenia and Azerbaijan as well.

Unfortunately, from the very beginning, the weak points of this idea were manifested which made its successful realization impossible. In particular, information provided by the informational unit about the products on sale did not create enough motivation for the customer to purchase the goods.

It is also to be mentioned that sometimes prices of products changed very quickly. In particular, it was enough for 2-3 trucks to appear at the Sadakhlo market with this or another product, when price for this product immediately fell down. And the Information Unit had already specified higher price! Because of such cases, there were frequent reproaches from the side of unsatisfied clients.

Proceeding from the above-mentioned, the only purpose of informational unit remained to be provision of customers with general information concerning approximate prices on certain products in the region. As for providing of specific and timely information on prices and products, this has lost its relevancy.

And finally, we would like to note the main factor, because of which such structures failed to become viable and sustainable – this is that neither farmers, nor buyers were prepared to pay for services of the Informational Unit. Accordingly, such structures operated only due to donor's financial support and after termination of financing, all of them ceased to exist.

The similar project was carried out within the framework of CHF's GEII project. In particular, 3 informational centers in Tbilisi, Kutaisi and Akhaltsikhe were established. In informational centers there was accumulated information about local farmers and the agricultural goods they produced. The task of the informational center was to connect farmers with the buyers of their agricultural produce.

3.2.8. Existing Professional Associations and their Role in the Current Market Structure

None of the interviewed traders know about the existing trade or producer associations. They also do not possess any information about collecting centers existing in the towns or in the places of production and perceive such structures to be the regional Sunday markets or wholesale warehouses of imported goods. After having being provided with relevant information, almost all of them agreed with the idea concerning necessity of establishing the collection centers and modern type slaughter-houses at locations of production.

3.2.9. Legal and Regulatory Environment

According to the recent decree of the President of Georgia, function of certification, phyto-sanitary and quality control services are suspended till 2009. Accordingly, there is not any official structure in the country which carries out control over the quality of production.

Meat. Proceeding from conversations with marketplace owners, there is a rather normal quantity of free places on all the markets of the target towns where anyone can trade without any problems after payment of the appropriate sum. As a rule, trade places are not given for a long-term rent and traders pay the rent sum every day. Officially, location of trade places is not registered for anybody but the best trade places of the market are occupied by local small traders who have traded in this particular place for years and have stable customers. Appearance of a new trader at the market is perceived as an unwelcome competition by local traders and results in open or hidden resistance from their part when they try to create various problems to new competitor's activities on the market. Therefore settlement into the farmers' market is a long and complicated process and a trade based on non-permanent presence at the market is impossible for a one single farmer.

In respect of food safety issue, there is no difficulty concerning delivery of any products to the market. At official interrogation of market owners, they declare that they demand the so-called "Form # 2" (which is issued at localities of production) from each trader and they themselves check only physical appearance and taste of the delivered product. Only in case of the raised doubt the product is sent for testing to special laboratories. At the same time the doubtful product is neither vetoed, nor placed in a certain closed premise.

Before 2006, the "Form # 2", specified by the market owners, was issued by the regional veterinary service that had its representatives at Sakrebulos (self-governance councils) of each district. Since 2006 a reorganization of regional veterinary services was carried out and they were abolished. Now only staff of 1 or 2 specialists of the veterinary service have remained in the region and they are located in the regional center. Therefore, taking of the "Form # 2" is really complicated for a countryman, as first he should come to the regional center to make analysis of the product, wait for the response and obtain the necessary document. Only after that he can go to another town to trade. Therefore, in practice, examination of product quality and its compliance with norm is only an academic exercise.

Each shop trading with meat employs services of its own veterinary specialist who examines the delivered supply of meat and warrants its safety with a relevant certificate. Meat is examined by visual inspection including examination of lymphatic glands as well as through analysis on existence of microbiologic pollution, anthrax, trichinosis and measles.

Honey. In retail shops, quality control of honey is limited to reading of the quality certificate presented by the distributor. At marketplaces, honey is examined by both visual inspection and organoleptically. The routine control of honey upon its deliverance is only conducted by specialized apicultural shops. They require from producers to present certificates issued by the testing laboratory "Norma" which analyses honey according to such parameters as: content of water, content of reduced sugar, content of sucrose, content of methylolpurpurol, diastases number. Also is not allowed the existence of mechanical admixtures and signs of boiling. The cost of such analysis includes 40 GEL plus 0.5 L. of honey. Samples of honey destined for export are additionally analyzed on existence of toxic elements, pesticides and radioactive nuclides. Samples of honey destined for export are additionally examined on existence of toxic elements, pesticides and radioactive nuclides. Cost of the complete analysis amounts to 160 GEL plus 0.5 L. of honey.

Imported Products. As for the imported production, the phyto-sanitary service is abolished at the customs and currently, customs officials basically rely upon certificates issued by exporting country.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. Meat

It is appropriate to establish a meat collection center (a slaughter-house) where meat will be cut in accordance with the population's demand, packed in the polyethylene packs of optimal size and cooled. The product should be as well provided with guarantees on its quality and sanitary safety for consumers. Through such an option, a good distribution system will be formed that will ensure the daily supply of a stock of meat to small shops so they no more have a problem of excess product, as their daily consumers will have possibility to order the desired quantity of the packed meat pieces. Such an approach will increase the network of meat trade and allow population to be in direct contact with producers.

It is desirable to overcome the seasonality of meat production which can be achieved by equalizing of the forage reserve during the year (through preparation of silage and fodder roots and their utilization during the winter months). This will give producers possibility to sell their products in the most optimal period and at a profitable price.

4.2. Honey

There should be created an enterprise which will purchase honey from producer bee keepers, collect it according to different sorts and types, pack the product into 20-50 gram disposable packages and develops certain trademarks. Product packed and presented in such a manner will be easier to handle for traders as it does not require special care and at the same time, consumers will not have to pay much just to check on the product and make sure of its quality. Small size packaging will also simplify the entry into the retail trade network and the supply of public food outlets in tourist areas and therefore help the expanding of the product distribution area. Provided the guaranteed maintenance of the product quality and the properly conducted advertising, it is possible to gain the customer's trust and further on to start distribution of honey in more capacious packings (0,5 – 1 and 2 kg packages)

It would as well be desirable to establish contacts with some foreign apicultural associations to identify and pursue the possible common interests in production and realization of such expensive and labour consuming apicultural products as pollen, royal jelly, apitoxin and queen bee.

4.3. General recommendations

Results of the research have clearly indicated that consumers greatly prefer locally produced products. At the same time consumers have exactly defined as to what kinds of products they give their preference.

It is also to be mentioned that small size farmers correspondingly produce small volumes of goods and are not able to enter the retail distribution channels with small lots of products at their hand. Particularly, individual farmers do not produce so much goods to be able of supplying even a single retail trade outlet throughout the season without interruption.

The problem is that currently, in Georgia there is not functioning any modern type slaughter-house. At the places of production there is not done sorting, packing and cooling of meat and its subsequent transportation with specialized vehicles.

Proceeding from the above mentioned, we consider it as essential to establish a modern type collection centers for honey and a modern type slaughter-houses near the production localities. The capacity of such collection center can vary between 5 and 20 MT. Collection center should be equipped with all the necessary equipment and facilities – coolers, vacuum packaging, etc.

Regarding for the premises for collection centers, our suggestion is to use the existing buildings of the appropriate size in the target localities (for example, former warehouse and slaughter-house buildings, etc.) the average cost of rehabilitation of which should not exceed 10,000 GEL for honey and 80,000 GEL for meat. As for costs of the required equipment's purchase and installation, these by our estimation, should not exceed 20,000 for honey and 150, 000 GEL for meat.

The relevant experience of other countries show that such enterprises can play the significant role not only in product storing but also at the production stage. In particular, these organizations should be providing farmers with quality seeds, fertilizers and means of plant protection, assist and support them in carrying out their agricultural operations through employment of modern technologies. Implementation of the above is possible by forming Futures Contracts with farmers according to which a farmer is to bring part of his produce to collection centers at a previously agreed price and quality.

This, in the first place, will allow farmers to more efficiently conduct their business, increase production effectiveness and what is more important, produce such goods that will enjoy bigger demand on the market. At the same time he will have a guaranteed opportunity to deliver and sell part of his produce to collecting centers.

Taking into consideration that collection centers will have possibility to accumulate certain stock of good quality products, they will be capable of entering the retail trade network and therefore receive more income.

At the same time, collection centers will protect market from price fluctuations resulted from product deficit.

Also, collection centers can become organizations that farmers and/or buyers can apply to for learning about current prices on particular products.

Provided establishment of collection centers, it is necessary to develop special trade marks that will help to identify products made by any particular enterprise and make them easily distinguishable in the eyes of a customer.

Considering that consumers give their open preference to locally produced agricultural goods, it is necessary to bring to effect the law which will oblige the seller to indicate the product producer's name on the packaging label.

ANNEX - A

Analytical Questionnaire for Business Consultants for meat and honey

1. a) What is the estimated total demand in your town?
b) What might influence the demand and how?
c) How might that demand change over time and under what circumstances?
d) How many days' stock product is present on the market at one time?

2. Describe seasonality factors for each product.

a) Which factors influence the volume?

b) Which factors influence the price?

3. Market drivers - what factor or factors control and/or influence the selling and the buying?

4. a) Who are the major players, wholesalers, middlemen?
b) Where does the supply take place?
c) Existence of middle-men?

5. a) What storage issues relate to the produce?
b) What infrastructure exists in this respect?

6. Can any profitable niches be identified?

7. a) What potential exists to add value in the chain?
b) Where?
c) How much?
d) How?

8. What are the sanitary control requirements?

9. Where meat is examined?

10. Who issues certificate on meat quality and safety?

ANNEX - B

Questionnaire for field research (combined)

- How do you learn about the product's retail and wholesale prices?

- *"Eliava" marketplace*
- *"Dezertirebi" marketplace*
- *District market*
- *Neighbor store*
- *Other*
- *No answer*

- How timely, accurate and useful is this information?

- *Timely, accurate*
- *Other*
- *No answer*

- How could the system be improved and/or made more accessible?

- *Hot line phone number*
- *Web site*
- *Other*
- *No answer*

- Wholesale and retail price trends

Year 2005		**Year 2006**	
December - April		December - April	
May - August		May - August	
September - November		September - November	

- What might influence the demand and how?

- *Seasonality*
- *Holidays*
- *Economical condition of population*
- *Competition*
- *Price*
- *Has no influence*
- *No answer*

- Volume of produce placed in the market over that period.

a) What quantity of product he/she has currently in stock at the market?
b) How much product do you sell per day?
c) How long it takes to sell the current product lot?

- Seasonality factor

Trade volume by seasons

- December - April
- May – August
- September - November

- Where do you get your product supply from by months?

- Who are consumers?
- *Population*
- *Other*
- *No answer*

- Do you have information about any trade associations?
- *Yes*
- *No*

- Are you a member of any such association?
- *Yes*
- *No*

- Do you have information about any collection center or wholesale trade centers?
- *Yes*
- *No*

- What is your opinion about necessity of such centers?
- *Desirable*
- *Do not know*
- *No answer*

- What is an approximate product realization loss (by percentage)?

0%	
2%	
2-5%	
5-10%	
No answer	

- Product storing

a) What specific care condition are that the product requires during transportation and trade?
b) What means of preserving the product quality is applied?
c) What are product packaging requirements??

- What characteristics define the product quality?
- *appearance*
- *Other*
- *No answer*

- What are phyto-sanitary requirements, etc?
- *Laboratory examination (at marketplace)*
- *Delivery of the already examined (certified) product on the market*
- *No examination applied*
- *No answer*

    - **What arte sanitary requirements?**

      - Who conducts examination?
      - What periodicity?
      - What is the standard of examination?

- **Where meat is examined?**

  - At production location
  - At shops upon delivery

- On what apicultural products, other than honey, there is a demand?

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