

# **Production of Organic Products - Important Condition of Growth of Georgia's Export Potential**

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*The research examines the current state of Georgian agricultural products and export of its agricultural production, important trends and processes of the agrarian market in Georgia and around the globe. The authors' review the most significant trends of the contemporary global food market and proposes that these trends will shape the future of the global agrarian sector. The article recommends that Georgia should capitalize on these trends to effectively develop its agrarian market and its potential capacity.*

## **INTRODUCTION**

The existing reality on World agri-food market is directly depicting on local agricultural market conditions of individual countries, including Georgia. For decades Globalization, itself, represents the most important characteristic feature, related to the planet preservation principle - the necessity of food providing for human beings. That is why, it is urgently necessary to determine the specific ways of modern global challenges and opportunities for the further benefit of the country.

All above mentioned will result the competitiveness acceleration process of Georgian agricultural products in the world agri-food market and thus will increase the export potential of the country. In modern conditions it is very important for any country, to define its own place and role in the global space. To achieve mentioned goal was very difficult for Georgia as well, though it has become independent only for 2 decades. Unfortunately, it was not able to obtain its distinctive place yet.

The experience of production and consumption of organic products of the modern world and the global agricultural market development tendencies speaks to the fact that the production of organic agricultural products this is a dynamic, highly developed sector .Every countries, including Georgia, which is seeking to establish its position in the global agricultural market, must understand that the organic agricultural products is a priority sector for the agricultural production. Taking into consideration existing trends, organic farming is the basis for sustainable development of agriculture and rural country, healthy environment protection and preservation, and the most important condition for development of export potential.

## **LITERATURE REVIEW**

The theoretical basis of the work the 17th edition of *The World of Organic Agriculture*, published by the Research Institute of Organic Agriculture (FiBL) and IFOAM – Organics International, provides a comprehensive review of recent developments in global organic agriculture. It includes contributions from representatives of the organic sector from throughout the world and provides comprehensive organic farming statistics that cover area under organic management, specific information about land use in organic systems, numbers of farms and other operator types as well as selected market data.

The book also contains information on the global market for organic food, information on standards and regulations, organic policy, as well as insights into current and emerging trends in organic agriculture in Africa, Asia, Europe, Latin America and the Caribbean, North America and Oceania. In addition, the volume contains reports about the organic sector in Australia, Canada, the Pacific Islands, Thailand, and the United States of America, as well as brief updates for various countries in Asia as well as Latin America and the Caribbean. Important information source of the work is related to various document documents, such as Georgia's Agricultural Development Strategy, Georgia's Rural Development Strategy, etc.

## **THE METHODOLOGY AND MODEL**

The methodological basis of the work is the modern provisions and concepts of agrarian sector and organic agriculture. The paper uses research and publications on organic products market by international research organizations. The article includes analysis, comparison, statistical, system, historical and logical scientific methods.

## **THE FINDINGS**

In Global Marketplace, Georgian official data show its weak positions of international trade, towards the rest of the world. In the last two decades, Georgian Foreign trade undoubtedly has a tendency of rapid growth, though it is not still possible to overcome the negative trade-balance. We think this greatly depends on established negative past practice.

By 2016, Georgian total exports amounted to US \$ 2.1 billion, which is significantly 4 times lower, than the whole import. By 2016, the latter amounted to \$ 9.8 billion. The factual data reflecting the most unfavorable international trade for the country is depicted in the diagram (see Table 1), which shows that in 2016, from 137 countries, which have trade relations with Georgia, 93 of them had fixed negative trade balance.

**TABLE 1**  
**EXTERNAL TRADE OF GEORGIA**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>External Trade Turnover</b>	6444	7797	5609	6913	9259	10433	10933	11463	9505	9407
<b>Export (FOB)</b>	1232	1495	1134	1677	2186	2377	2910	2861	2205	2113
<b>Import (CIF)</b>	5212	6302	4479	5236	7072	8056	8023	8602	7300	7294
<b>Balance</b>	-3980	-4806	-3342	-3559	-4886	-5680	-5112	-5741	-5096	-5181
<b>Export excluding re-export</b>	1113	1326	990	1380	1693	1606	1812	1873	1637	1657

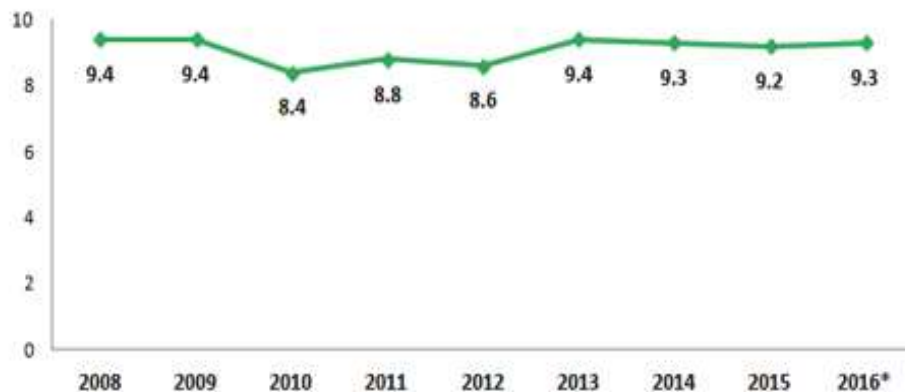
Source: <http://www.geostat.ge>

Reduction of the negative balance of Georgia must be implemented by export increasing and this depends on the country's economic growth and competitiveness of national production. In this regard, an agrarian sector can make a special contribution in order to strengthen Georgia's international positions.

Production of agri-food products owns rich and centuries-old traditions. The production of agri-food products is an integral part of the country history and cultural heritage. However, despite the above mentioned circumstances, the agrarian sector of Georgia does not grow up with the indicated diagram (see diagram2). Regarding the export of agri-products it must be mentioned that there is a very unpleasant situation. In 2015, export of agricultural products amounted to 612.2 million dollars, instead of 825 million dollars as in 2014. So, the fact is, that the country is not able to achieve the growth of export of agri products, moreover, its consumption of agri products is largely depending on import.

What is more to be noted is that agri-food products are firmly connected to healthy nutrition topic. Nowadays more and more attention is paid to the healthy nutrition among Georgian population. Especially it concerns to the youth of our country who outlines the importance of healthy nutrition, food security and is ready to pay more for healthy food. (Todua, 2017).

**FIGURE 1**  
**SHARE OF AGRICULTURE IN GDP (%) IN GEORGIA**



While defining specific ways of development of the agrarian sector of the country, it is necessary to take into consideration the processes and events existing on the global agricultural market. The global agri-market represents a large-scale trend of interdependence between countries with the role of internationalization and globalization in the direction of modern humanitarian problems. Exactly the progressive globalization is the main characteristic of the agro-market, which is linked to a new reality in the development of internationalization of the agricultural sector (Okruashvili N. 2016). The world market of agri products has been developing in the direction of organic product growth. The Organic product production can be explained by many reasons, including the fear possibility of the human beings to the possible undesirable results of modified products.

Nowadays, throughout the world, it is believed, that the production of organic products ensures the health of the population. Since only the production of agricultural products is under full systemic control. It is forbidden to use all the substances that can harm human health, plant protection products, antibiotics, growth hormones. Bio-safety enhancement in the World and creation of effective regulatory systems is directly related to the coordinated action of many countries of the world. For this purpose, the international legal document was elaborated within the framework of the Biodiversity Convention-The Cartagena Protocol of Bio-safety, which came into effect on September 11, 2003. Currently, more than 80 countries are considered to be part of the Cartagena Protocol. In the autumn of 2010 year, Georgia ratified and joined the participating countries of the Cartagena Protocol. These countries are obliged to regulate, control and reduce the use of genetically modified organisms obtained by biotechnology of nature. The above mentioned environment has significantly increased the interest on bio-products in the world market. In modern conditions, the number of the countries, which produce organic agricultural products, is still increasing.

Growing demand for organic products, significantly determines the fact that a healthy lifestyle is becoming more and more pressing in the modern world. The world market of organic products is actively developing over the last 30 years. At the same time, annual growth is 15-30%. The agri-vegetable market of "Bio" segment has been developing his first steps in many countries of the world, including Georgia. Considering the Western lifestyle and other factors, the further development of the "Bio" segment is expected to develop in both - highly developed and developing countries.

According to IFOAM data, in 2012 the eco-products market was \$ 65-67 billion, now it is over 80 billion. According to the organization's prediction, the turnover can reach 200-250 billion dollars. In modern conditions of globalization and technological progress, the role and demand of ecologic production of agri-food products has been still increasing.

Based on the latest trends in the world, Georgian agrarian sector involvement into these integrative processes can be considered as is one of the most important factors for our country. In developed countries this field has been successful for a long time, we believe, that it is necessary to develop a state system for the further development of organic production. It will ensure important growth of export potential. It will be an adequate activity for the challenges and possibilities associated with the growing demand for organic products in the modern world.

Together with the development of organic production, the rich agricultural heritage of Georgia must be positioned on the world market. We think that only by using the right marketing strategy will give ability to increase competitiveness of Georgian agricultural products on Global agro-food market. Otherwise, we think it's incredible to reach any kind of success of agricultural products of a difficult mountain landscape. Production development of Organic agricultural products was to be a priority direction of agrarian policy of our country long ago. Sadly this happened quite later.

The Government of Georgia approved the "rules of bio-capping" in 2013, which defined the rule of production, processing, labeling, distribution, realization, voluntary certification of biomaterial management, bio-production. Regrettably, state support for organic agricultural production is limited to this legislative activity, which is inadequate and incorrect.

The emphasis on organic agriculture production has been made much earlier in highly developed, socially oriented countries. In 1972, in Versailli was founded as organic agriculture (IFOAM), which was aimed to develop and promote organic farming.

Such activity in Georgia is carried out by the organic farming association named "Elkana", which has been a member of IFOAM, since 1996. Today, the association combines more than 900 members.

According to IFOAM reports, in 2005, in Georgia, area changing of certified organic farming was increased for 130 hectares and in 2011 it was increased to 1999. It must be mentioned that this is only 0.8% of agricultural land. In 2013 the area of organic farming was 6000 hectares (Laperashvili, 2013) According to the official news by Caucasus news agency, which is carrying out inspection of biological products in Georgia; it is reaching about 7400 hectares.

This indicator is a small share of agricultural land, and its growth rate is also very low. It is most important for Georgia that such countries as India and Mexico, which are considered as leaders in production of organic products have achieved significant economic growth. This confirms that organic products can make significant development of the Georgian agricultural sector and increase its export potential. The main condition of agricultural production development is the volume, structure, and effective use of land resources. Analysis of the existing studies has shown that Georgia is quite rich in agricultural potential.

The soil has a high structure that creates appropriate conditions for the organic agriculture development. Required moisture and fertile soil provide with microbial viability and creates bioclimatic potential, which is the basis of economic and efficient fertility of soil. All of this creates a favorable environment for organic production. Mountain landscape and land fragmentation cannot create conditions, for Georgian farmer to earn a profit by production increasing. Accordingly, it is difficult for Georgian agricultural product to compete with cheap food that is enough in global markets. That is why, high-quality bio-production production will make Georgian products competitive on the world market, which is the only market in the world and is constantly growing in any case.

More than 3 million hectares of Georgian territory (43.4% of the territory) are agricultural lands, the rest 43% of the territory is covered by forest cover. According to the 2014 agricultural census, almost half of agricultural land (47.9%) is an arable land, 30% of which is unproductive. The hampering factor in the development of agriculture and the growth of competitiveness is incorrect (1992-1998) implemented land reform, causing farming into small areas and the naturalization of production.

According to the agricultural census, 1 hectare land holds 73.1% of land users, from 1 to 5 hectares - 25.5% and more than 5 hectares - only 1.5%. The problem is exacerbated by the fact that 1 hectare land owned by the farmers is represented on average 2-3 plots.

The above mentioned facts confirm one more time that development of bio-agri-production is one of the important directions of the agrarian policy of the country, which requires appropriate legislative regulation.

The Ministry of Agriculture has prepared and the Government of July 30, 2013 N198, approved "organic rules", which defined the organic farming management, organic production, processing, marking, labeling, distribution, sale, voluntary certification and use of permitted substances to the list. However, the above-mentioned regulatory requirements are not sufficient for the development of large-scale organic agriculture in the country. One of the main barriers to small and medium entrepreneurs and agriculture farmers is the lack of awareness of the importance of organic production.

To date the most important fact for farmers Successful functioning and for exporting of their products to the international market is the following: DCFTA is giving a unique opportunity for the agricultural products produced in Georgia, without any tariff barriers on the EU market, it requires effective functioning of appropriate institutions and systems in the country, form farmers DCFTA requires to be in compliance with the EU regulations, determined by the DCFTA. In general, the legislative framework provides the grounds on which economic agents interact, and sets legal boundaries based on formal and informal regulations and conventions for socioeconomic activity. Its objective is to support an increase in the competitiveness of local companies. (Paresashvili N. 2015). The adaptation to these requirements is particularly painful for small and medium entrepreneurs. It is difficult for them to find financial and appropriate workforce. According to the Food / Animal Feed Safety, Veterinary and Plant Protection Code, Simplified requirements concern to the business operators who have: A)Small business status (annual turnover does not exceed 200 000 GEL) which produces food, animal feed

production, processing, first production and distribution, B) the same activities with traditional methods. Accordingly, this type of business will not have to pay additional costs, which is important for maintaining their competitiveness. C) Hold the same activities in the high mountainous region using no factories.

Consequently, this type of business will not have to pay additional costs, which is important for maintaining their competitiveness despite the priority of Georgia's agreement with the EU, organic production in Georgia is very low. The reason for this is the wrong and passive policy of the Government of the country, that failed to manage the opportunities in the world agricultural markets, was not able to evaluate the country's role and role in the global agri-products market. It should be noted that the promotion of organic food in Georgia will increase the number of eco-tourists from EU countries. It should be noted that the potential of Georgia to become one of the important European countries of eco-tourism is quite huge. (Paresashvili N. 2017).

Georgia is considered among 200 global eco-regions identified by the World Wildlife Fund (WWF). So, it is important to change the policy to work out this potential of the country. (Paresashvili N. 2014). The wrong approach has been continuing up to date. Globalization determines the quality and scope of national economies. Globalization in the field of agriculture significantly exacerbates competition. The significant factor of increasing competition is a liberalization of agribusiness products trade, which is strengthening the instability of the world agri-food market. The above mentioned environment has significantly increased interest in bio-products in the world market.

In modern conditions, the number of the countries producing organic agricultural products is increasing more and more. In our opinion, the mentioned global challenge must become priority of agricultural sector development of our country.

## **SUMMARY AND CONCLUSIONS**

On the basis global scale trend in the agrarian sector - increase demand for organic products - the authors came to the conclusion: development of organic agriculture products should be in the priority direction of agricultural policy of Georgia, which will enable the country to actively utilize its largest agrarian potential and to obtain decent place in the global agri-market. This strategy will enable the country to effectively compete with other countries in the global food market. With proper regulations, Georgia can attract foreign investments and gain a competitive advantage in the global organic food market. Capitalizing on these trends will lead to better conditions for providing new opportunities for Georgia to develop its economic and export potential.

Contemporary world experience of the production and consumption of organic products and the modern trends of global agri-market development indicate that organic farming is the dynamic and highly developed direction of the agrarian sector. The state should ensure the preferential lending of these farmers. Development and implementation of such state policy will enable the country to actively utilize its largest agricultural and export potential, which has a decent place in the global agri-market market.

On the basis of the assessment of the foreign trade and export activity it can be concluded that the country's foreign trade of undesirable practices of the negative trade balance is closely related to the strategic decisions of leaders that are unjustified and unreasonable, because it did not cover the global changes and challenges, fold trends. The country has had an important opportunity to develop the agrarian sector and the prosperous village to actively engage in international integration processes and take over the distinctive role that deserves a country with a rich historical heritage.

Considering the production of organic agricultural products as a priority direction for the country's agrarian sector development strategy, will significantly facilitate efficient and sustainable development of the sector. Therefore, we consider the problems of organic production development at the state level. It is essential to provide the farmers with the information about the advantages of producing organic products, support development of skills, tax and credit benefits, as well as marketing support; also, to improve existing conditions, develop the country's agrarian sector, increase its role and importance in the export of agri-food products. The growth is directly related to the development and

implementation of urgent and timely policy of the Government which will contribute to the promotion of organic agricultural production in the country. The state should ensure the developed conditions of these farmers.

Raising competitiveness of our country in the world agricultural market is naturally associated with the agri-ecological activities. The production of "ecologically clean product" or organic product must become the main prospective direction of Agriculture and food industry of our country. Only by this way Georgia will be able to detain a worthy place in World Trade. Thus Georgia is able to have an ability to increase competitiveness of its own agri products in World agri-food market. With state support of agri-ecological activities will be created new terms of investment attractiveness in our country. All this should be considered as a part of a long-term strategy of food safety of the whole country, especially in rural areas, it must be considered as the main means for social problems solving.

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