



Value Chain Analysis of the Georgian Sheep Sector

SDC Meeting, Tbilisi, 4th of July 2014
Presented by the Project Team



Heifer Georgia &
SAG - Sheep breeders
Association of Georgia





Content

1. Introduction and Objectives
2. Methods
3. Results
 1. Cheese
 2. Meat
 3. Wool
4. Discussion and Recommendations
5. Outlook





Introduction I

- High importance of sheep farming for Georgian rural population over centuries, especially in mountains
- Historically, three systems of sheep farming have developed and been practiced in Georgia: ***pastoral-nomadic, pastoral-stationary and pastoral-semi-stationary***
- Way of sheep farming today still very similar
- 850 000 heads (estimated number of sheep in Georgia)
- 50 000 households (estimated) involved in sheep farming
- For many mountain families: primary source of income
- Sheep farming is the best way to use high mountain pastures (app. 55% of Georgia's territory is above 1000 meters from sea level)

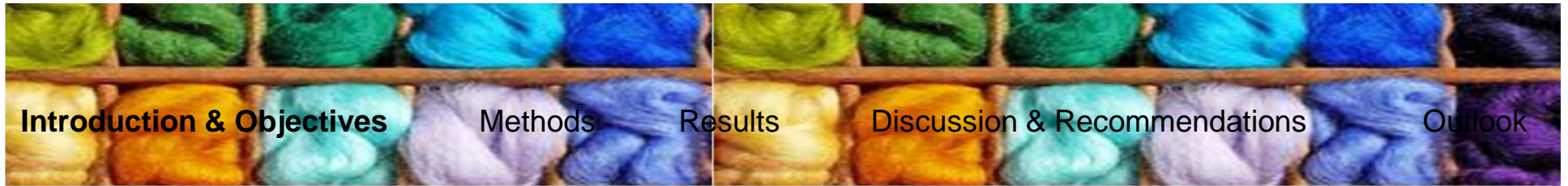




Introduction II

- Sheep sector is important for agricultural export ; lamb export ranking 8th on Georgia's list of exported agricultural products in 2012 (18 million USD)
- Main export products: living sheep (mainly lambs), sheep meat (mutton), wool, leather and cheese (Total: 21 million USD in 2012)
- Sheep sector is important for domestic market of Georgia; tradition to slaughter sheep during religious holidays





Introduction III

- Various challenges today: diseases, tax on pastures, pasture management, environmental contamination with wool, outdated machinery, transportation, professional training, attraction of job etc.
- Soviet time: wool was one of the main source of income for sheep farms
- Today: wool ~1% of income for sheep farmers, ~90% through selling meat (lamb) on the export market
- Sheep breeding system affected by the collapse of the Soviet Union





Objectives

Overall goal: identify key areas of intervention in the sheep value chain to enable smallholders to receive a proportionate share of the trade margins across the value chain and to strengthen the wool value chain in general.

Objectives of the study:

- document the current situation of the Georgian sheep sector
- show its structure and the interrelations between the different links of the value chain
- identify strengths and weaknesses
- give recommendations for further development





Methods

Value chain analysis chosen as approach to identify current situation and key intervention areas

- Data:
 1. review of literature and statistical data
 2. collection of primary data through expert interviews (55 in total)
- Value chain mapping: flow charts and grid maps
- Estimation of the share of value added at each link
- SWOT analysis
- Development of recommendations

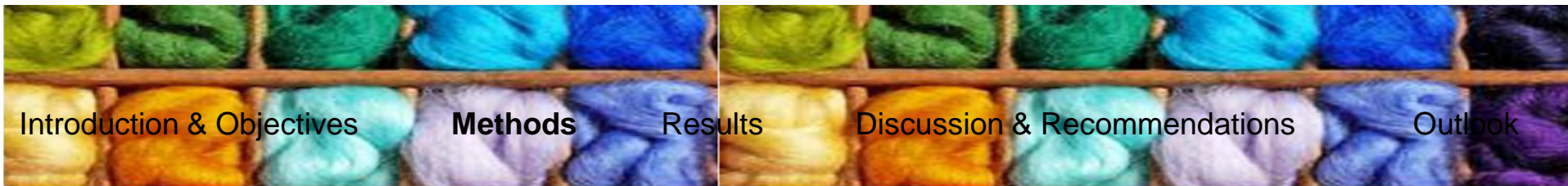




Study Area I

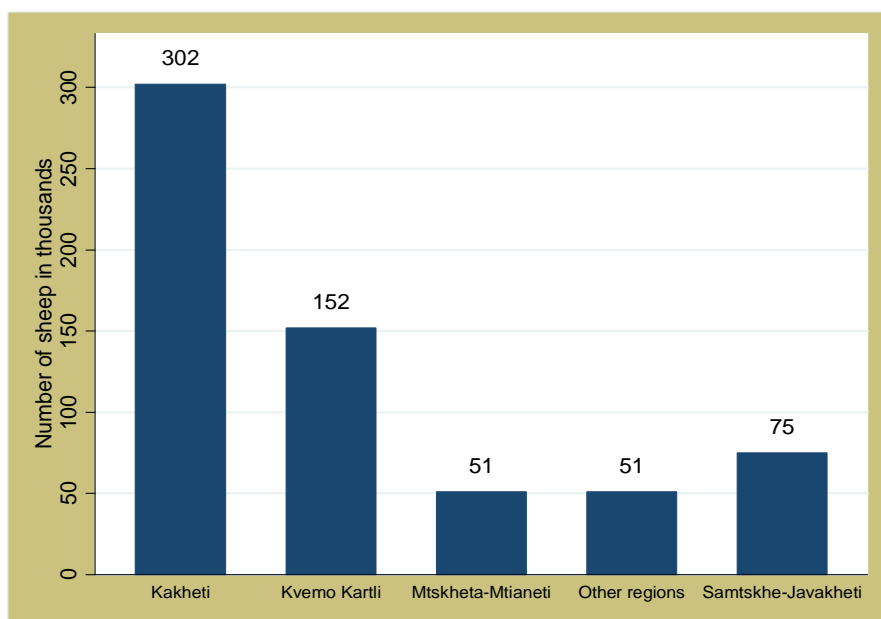
- Regions: Kakheti, Kvemo Kartli, Samckhe-Javakheti, Mckheta-Mtianeti, Imereti and Samegrelo
- Kakheti is the main sheep farming region followed by Kvemo Kartli
- In many regions, sheep farming has a long tradition - especially in the mountains - but today only a small part of the population continues to breed and herd sheep (Tusheti); others have given up sheep farming almost completely (Kazbegi, Pshav-Khevsureti, Tianeti).





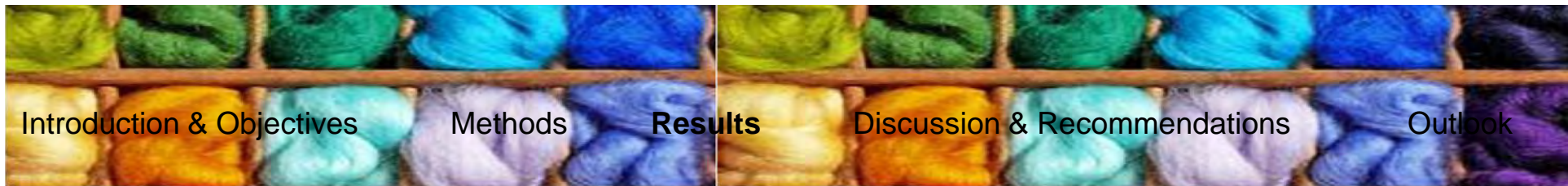
Study Area II

NUMBER OF SHEEP BY REGIONS (AVERAGE 2008 – 2012, IN THOUSANDS).



Source: Geostat





Results Cheese I

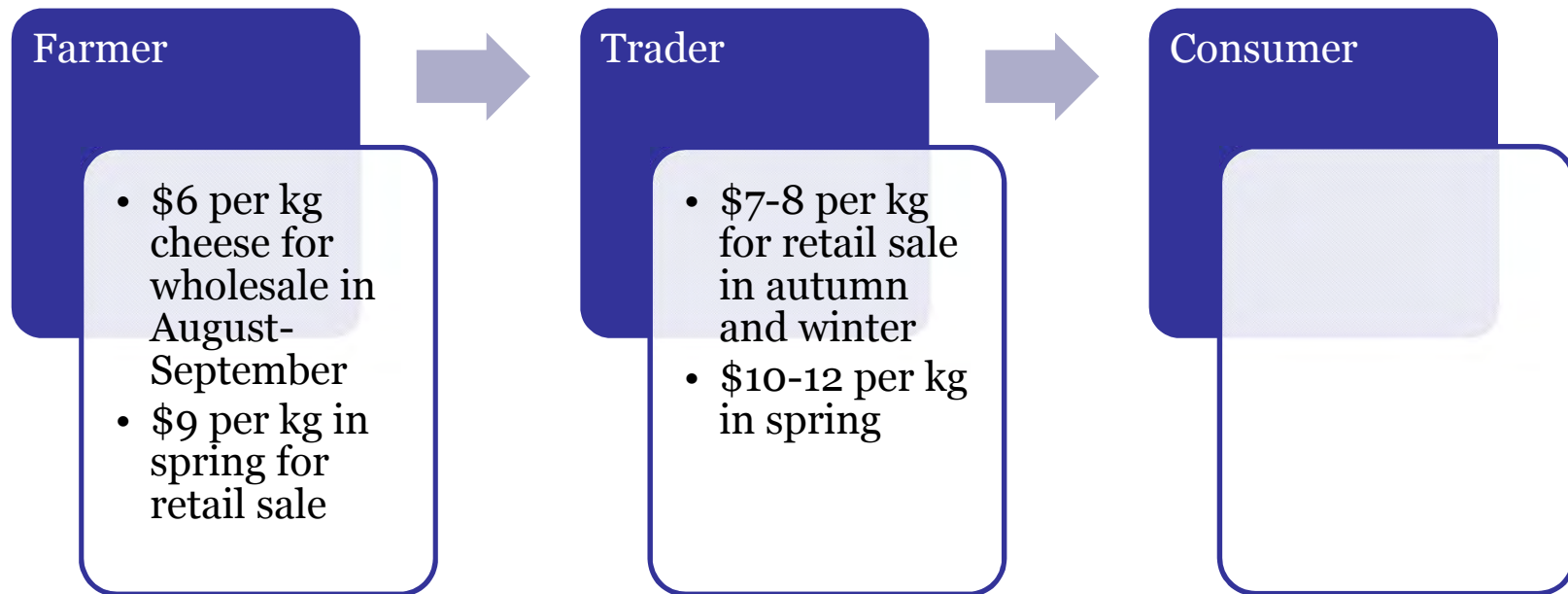
- Facts and Figures:
 - Cheese producing region: Tusheti (Akhmeta municipality, Kakheti region)
 - Volume of cheese produced: 180 tones in 2012
 - Number of milked ewes: 30'000 (27 liters milk per ewe)
 - Cheese per ewe = 6 kg (1 kg cheese requires 4.5 liters of milk)
 - Milking period: 3.5-4 months





Results Cheese II

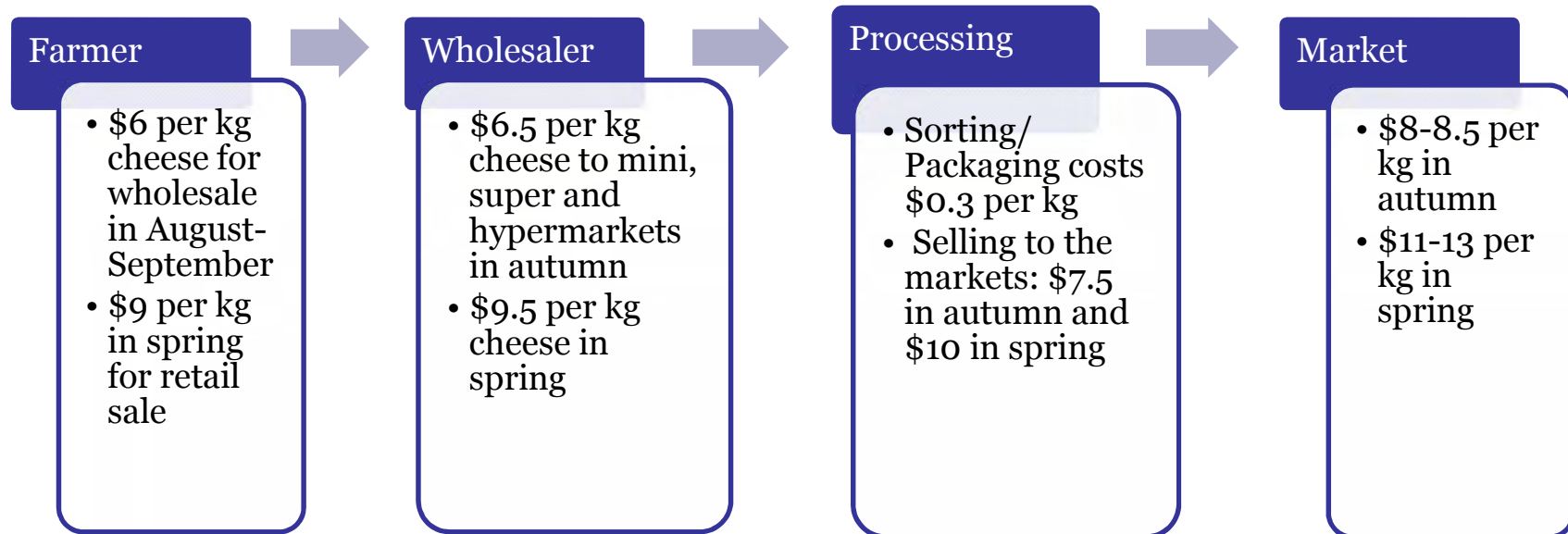
SHEEP CHEESE FLOW CHART (PRIMARY PRODUCTION, SELLING DIRECTLY FROM BAZAR)





Results Cheese III

SHEEP CHEESE FLOW CHART (PROCESSING AND SELLING THROUGH MINI, SUPER AND HYPERMARKETS)





Results Cheese IV

Main findings of SWOT - Analysis

Strengths:

- Long tradition, know-how
- Main income source for Tushetian sheep farmers -> strong interest in vc
- Tushuri Guda well known on domestic markets

Opportunities:

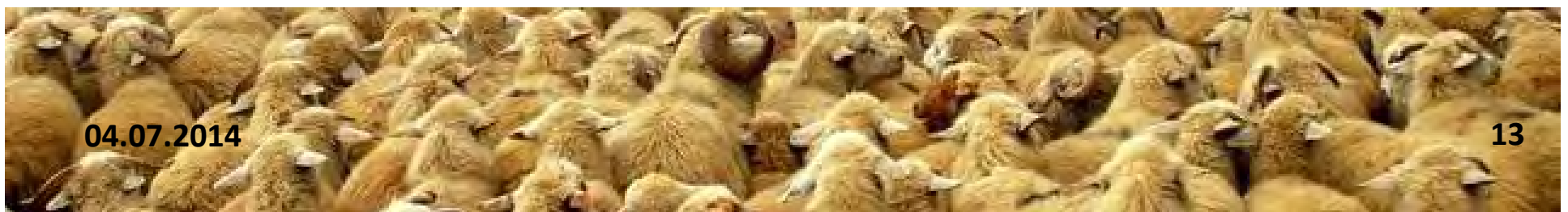
- Only 10% of ewes milked -> potential
- Certification of organic cheese and higher price segment
- Access to EU market if standards are met (DCFTA agreement)

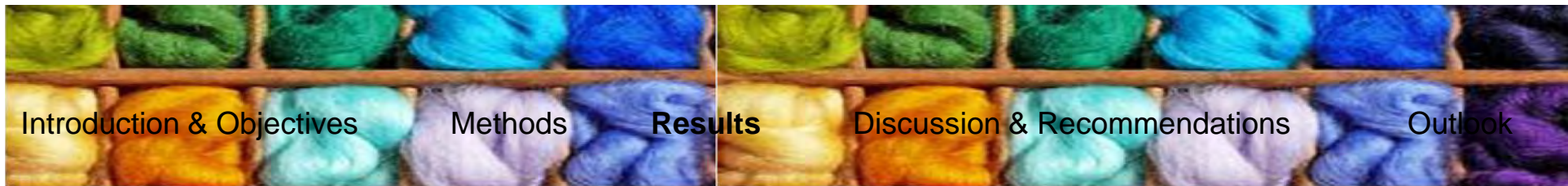
Weaknesses:

- No milking machines
- Use of plastic instead of skin bags
- No sheep-milk processing factory
- Relatively low quality, quantity and prices compared to global market

Threats:

- Relatively low support through ministry of agriculture due to a lack of a continuous strategy
- Technical barriers for trade





Results Meat I

Facts and Figures:

- Demand for Georgian sheep (lambs) is mostly determined by religious festivals
- Since 2009, Georgian sheep is exported to Azerbaijan, Lebanon, Libya, Saudi Arabia, Iran, Iraq, United Arab Emirates and others more.
- In 2013, only Azerbaijan, Jordan and Iran were importing countries of Georgian sheep



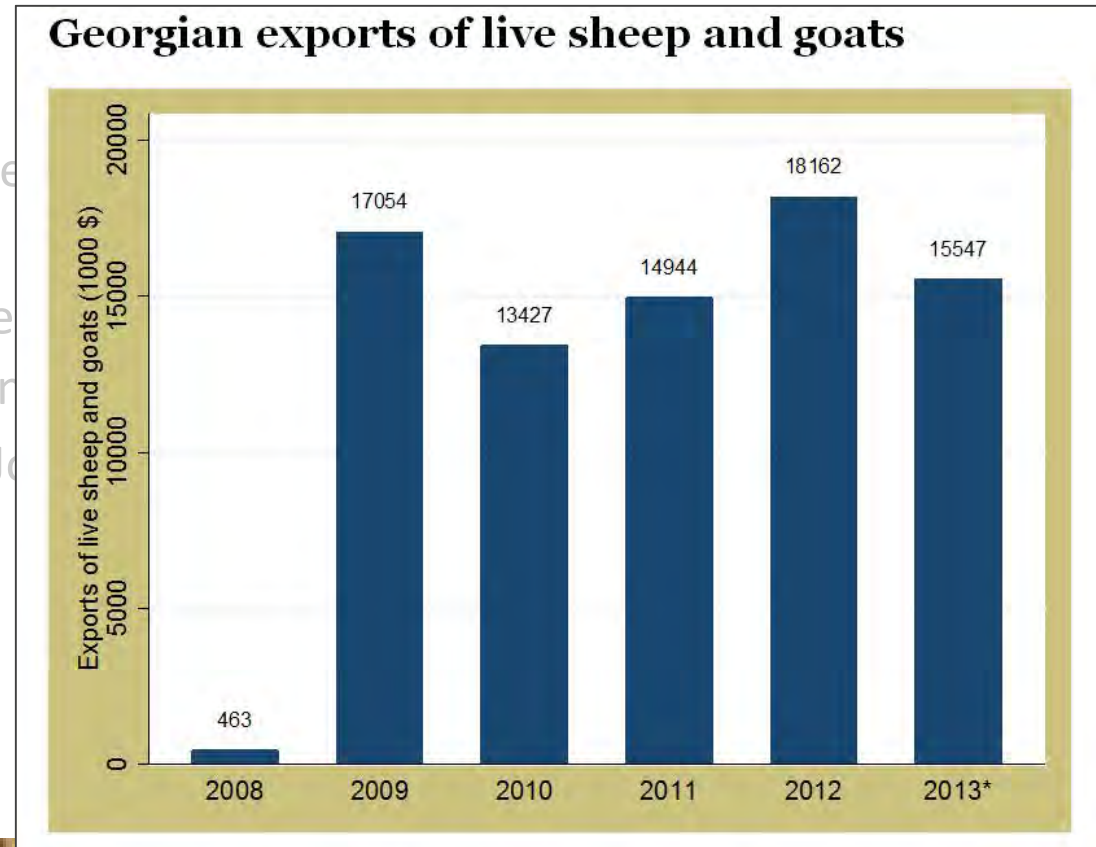


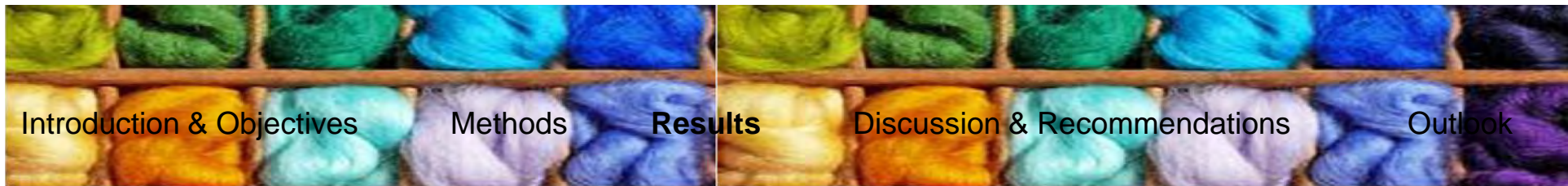
Results Meat I

Facts and Figures:

- Demand for Georgian sheep at festivals
- Since 2009, Georgian sheep exports to Saudi Arabia, Iran, Iraq, U.A.E
- In 2013, only Azerbaijan, Jordan and Georgia imported Georgian sheep

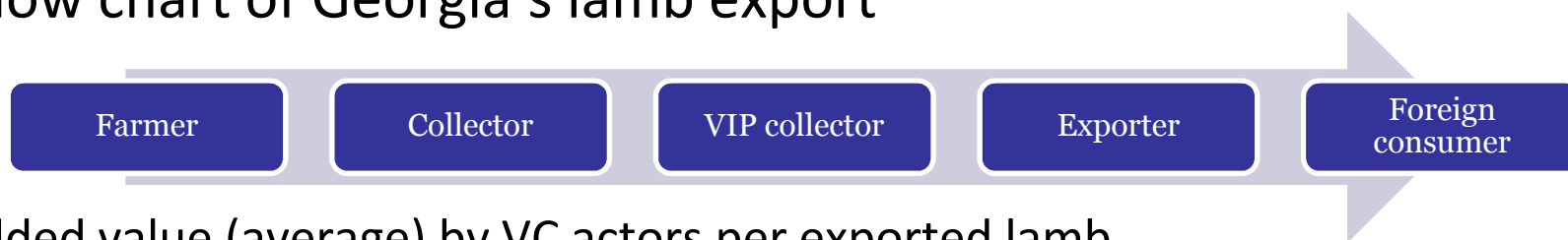
Source: Geostat, Revenue services





Results Meat II

Flow chart of Georgia's lamb export



Added value (average) by VC actors per exported lamb

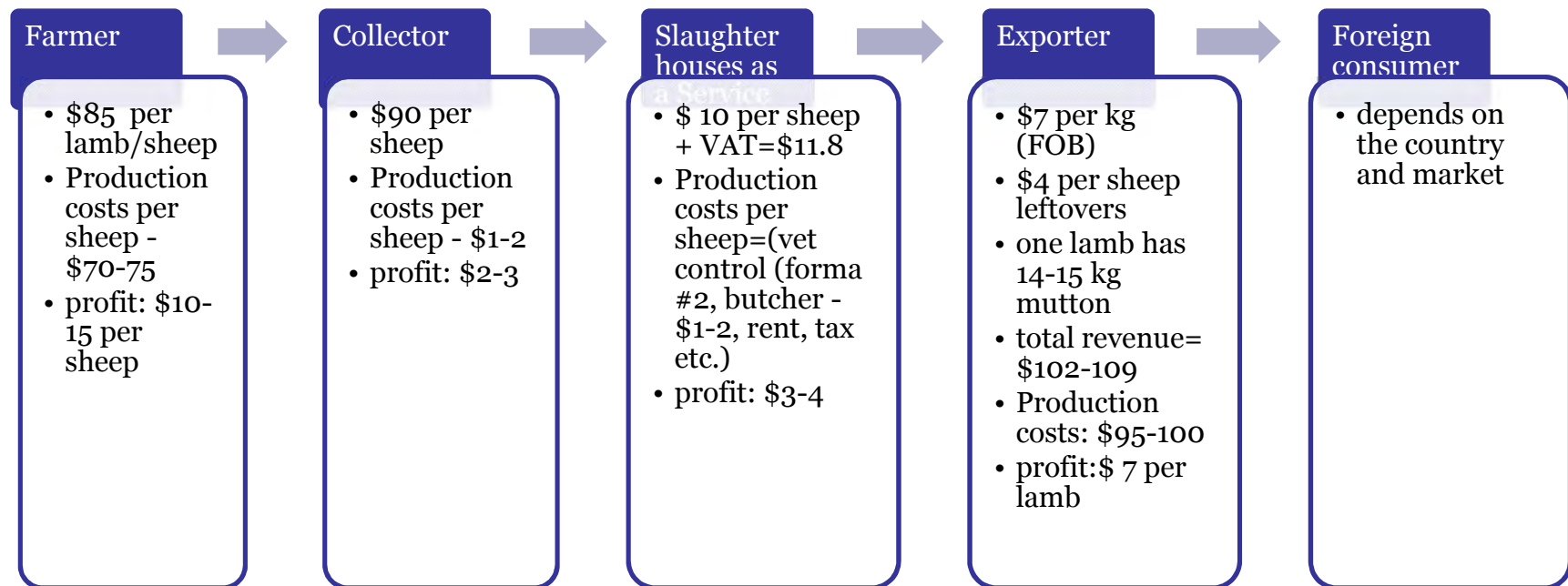
1. Farmer – \$12-17 (price: \$85)
2. Collector – \$2-2.5 (price: \$89)
3. VIP (large) collector – \$2-2.5 (price: \$92)
4. Exporter – \$1-2 (price: \$100-115)
5. Foreign consumer – depends on the country





Results Meat III

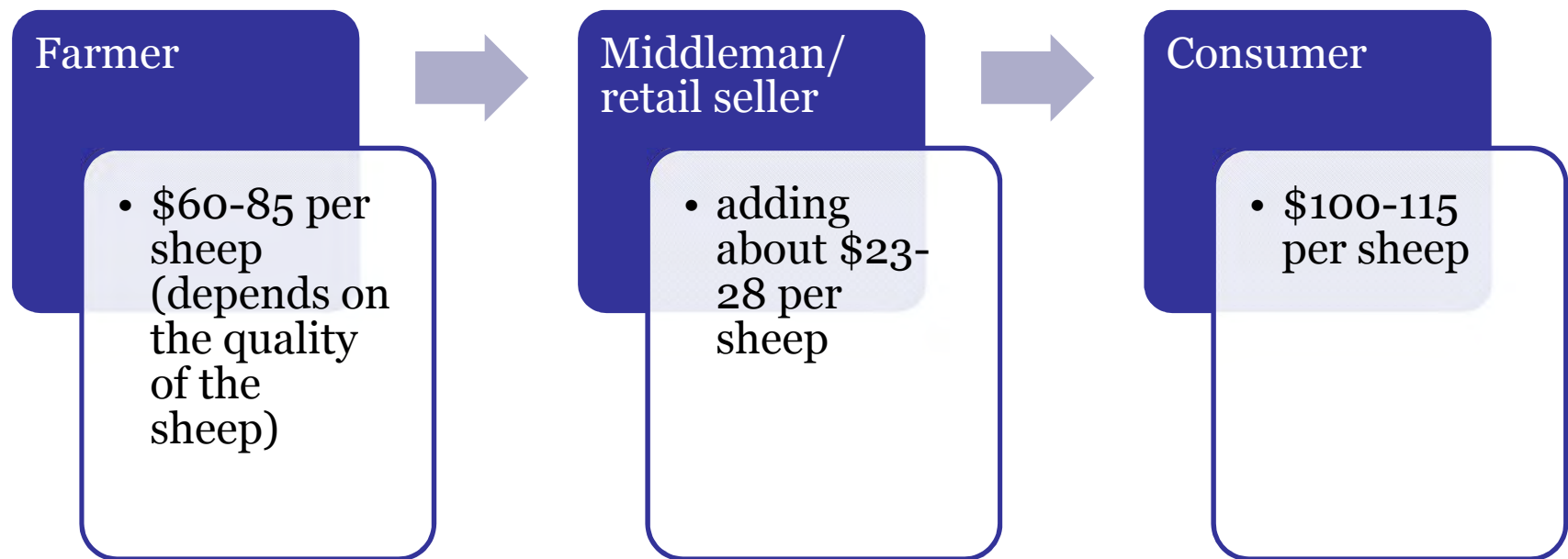
Flow chart of sheep meat export value chain





Results Meat IV

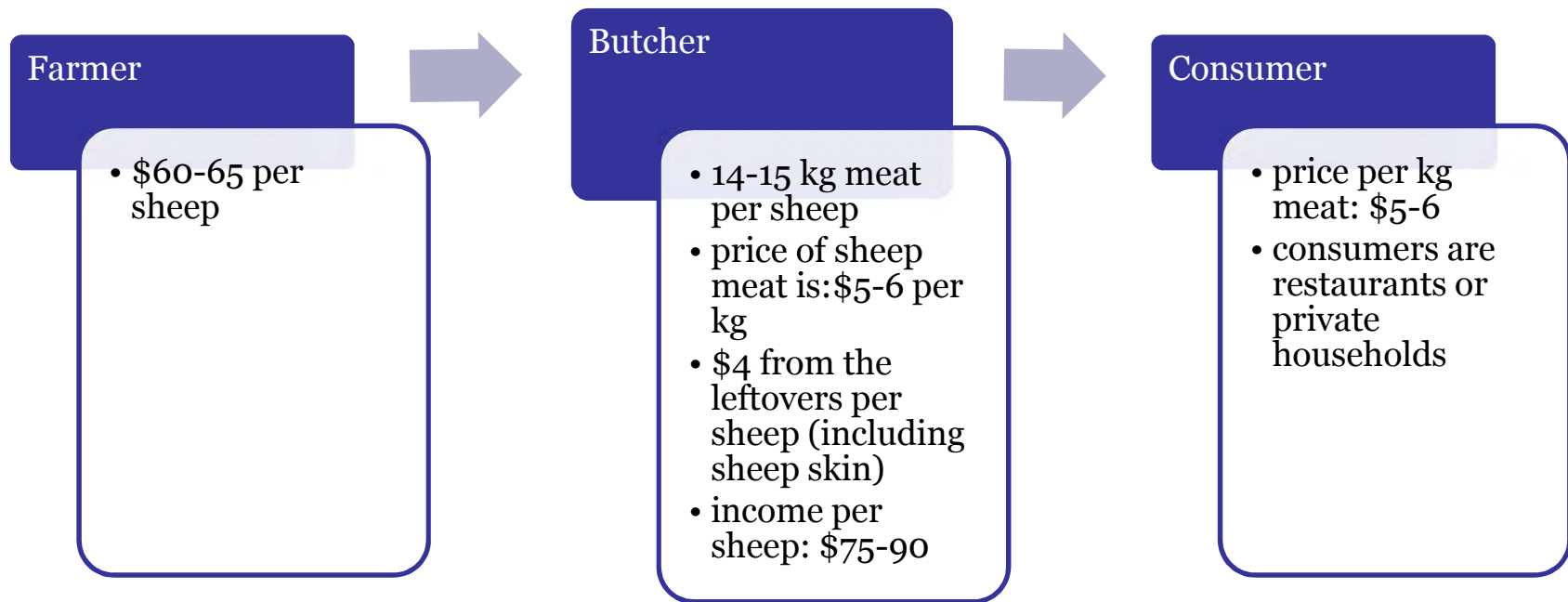
Flow chart of value chain of living sheep on the domestic market





Results Meat V

Flow chart of meat (mutton) value chain on the domestic market





Results Meat VI

Main findings of SWOT Analysis

Strengths:

- Tradition, Tushuri semi-fat tale sheep breed well adapted to system
- Selling lambs is main income source for many farmers

Weaknesses:

- No registered local breeds
- No sheep research in Georgia
- Overgrazing of winter pastures
- No alternative sheep feeding

Opportunities:

- Increasing foreign demand
- Strategically good location of Georgia for exporting sheep to Muslim countries
- Organic certification of sheep meat

Threats:

- High taxes on pasture land
- Difficult financial situation
- Degradation of winter pastures can cause enormous economic and environmental damage





Results Wool I

Facts and Figures:

- We assess that 2000 tones were shorn wool in 2012, including: 600 tons of sheep spring wool, 300 tones of lamb wool and 1100 tones of sheep summer wool
- 45% of wool was thrown away or burned in 2012
- About 30% of wool (mostly greasy) was exported to Azerbaijan, Turkey and Ukraine in 2012



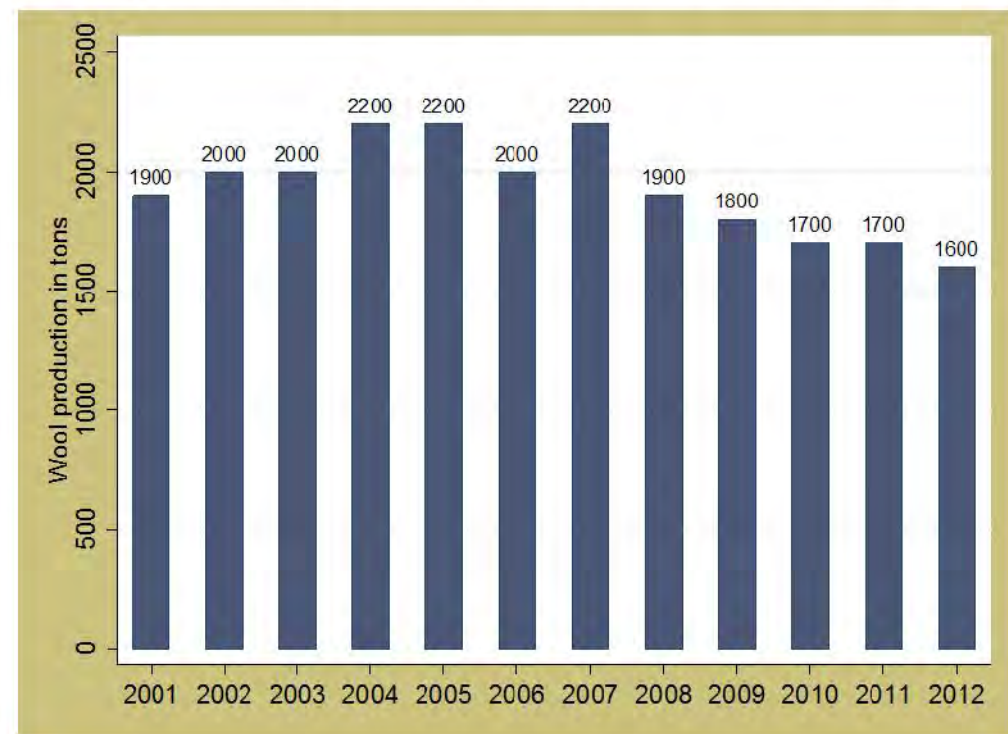


Results Wool I

Facts and Figures:

- We assess that 2000 tones of sheep spring wool, 300 t summer wool
- 45% of wool was thrown away
- About 30% of wool (mostly in Ukraine and Ukraine in 2012

Georgian wool production from 2001-2012.



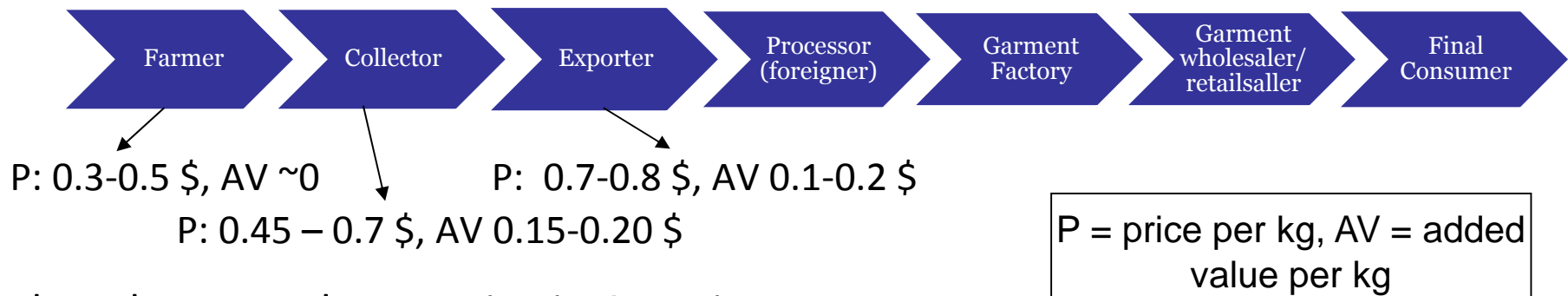
Source: Geostat



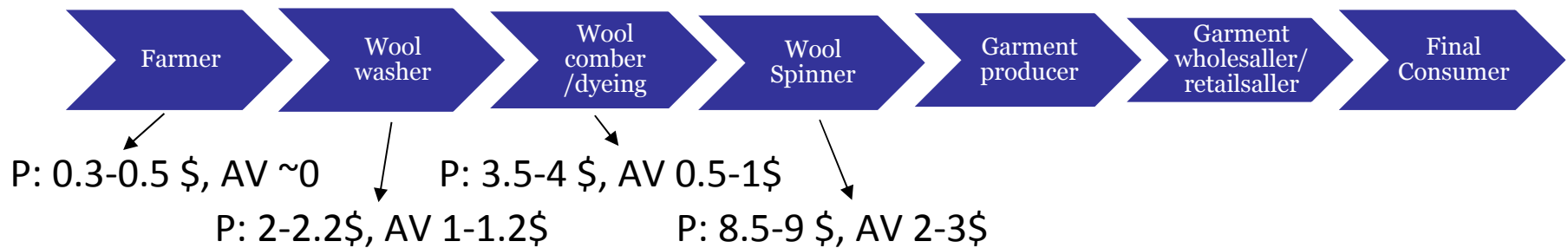


Results Wool II

Flow chart: Export of greasy fleece to Turkey, Ukraine and Azerbaijan



Flow chart: Wool processing in Georgia.



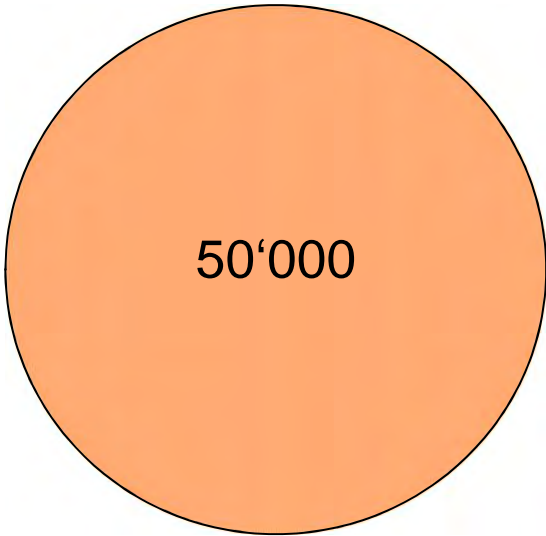


Results Wool III

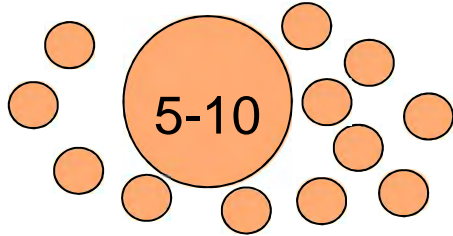
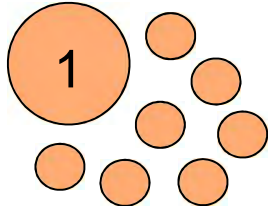
Sheep farmers

Processing factory

Export entities



Production of final products





Results Wool IV – Main findings SWOT

Strengths:

- Tradition and popularity of needlework
- Processing industry flourished in the past
- Characteristics of wool

Weaknesses:

- 45% of sheared wool burned or thrown away
- Underdeveloped infrastructure
- Low labour skills, old machinery

Opportunities:

- Supply of greasy wool
- High export potential of washed wool
- Workforce available at processing site
- Additional income possibilities for current chain actors
- Job creation potential if improvements
- Organic certification

Threats:

- Environmental hazards: contamination of pastures and waters through wool, spread of diseases
- Increasing demand on synthetic wool production
- Technical trade barriers
- Political instability, governance





Discussion of wool results

- Employment possibilities
 1. ~500 jobs in processing (some full time, some part time and some contracted jobs). Besides this, many ladies are working at the household level to make wool handicrafts
 2. Further jobs if wool shearing, classifying, collecting and washing will be better organized (~500)
 3. In total, over 3000 additional jobs could be created, but marketing would have to be developed strongly
- Incremental income generation for rural areas
 - Today, wool represents less than 1% of total sheep farm gross incomes
 - If shearing, classifying, washing and marketing will be improved (organized by farmer cooperatives), wool can easily contribute up to 8-10% of total sheep farm gross incomes





Discussion – study in general

- Limitations of the study
 1. Availability and reliability of data
 2. Non-existence of recent research (since 1990) is a problem
 3. Time constraints
- Results show structure of current sheep sector, strengths, weaknesses and challenges could be identified
- For better understanding of each sheep product line, a more in-depth research could be carried out





Recommendations sheep vca I

Sheep farming

1. Improve pasture management, develop infrastructure for additional nutrition production -> better fed sheep, more profitable sale
2. Research on establishing intensive sheep farming -> higher output on territories with the possibilities to produce feed locally, water facilities etc.
3. Establish organic sheep farms in Georgia -> ideal for farms high up in the mountains (e.g. in Tusheti, close-to-nature sheep keeping and less polluted areas) to increase the revenues from sheep farming
4. Diversification of the sheep market (find new sheep markets worldwide) -> improved marketing leads to increased sales and increased revenues





Recommendations sheep vca II

- Research and register local breeds -> keep rights on breed, better access to EU and other markets
- Establish experimental demonstration farms in Georgia -> improve breeds used in Georgia
- Introduce foreign sheep breeds to Georgia in order to check whether they are suitable for Georgian natural conditions -> improved breeds used in Georgia
- Spreading / improving sheep farming in Western Georgia, especially in the mountains, e.g. Achara -> high percentage of muslim population, demand for sheep meat
- Developing more efficient sheep processing lines -> increase of value added in the country, e.g. through making yarn domestically





Recommendations wool I

Environmental impact

- Better collection -> less wool burnt and thrown away
- Improved processing and colouring methods -> less environmental damage through chemicals
- Re-organisation of transport -> less CO2
- Pasture management -> less overgrazing and degradation of landscape
- Additional winter feed -> less overgrazing
- Increase environmental awareness among shepherds/farmers by trainings/workshops
- Tax cuts, subsidies or low interest rates on credits can decrease the costs for farmers -> less overgrazing by using additional feed and renting more land





Recommendations wool II

Shearing / Collection and Processing:

1. Wool shearing should be organized by professional service providers (shearers' groups) -> higher quality, no leftovers on pastures
2. ~10-11 people in each group (6 shearer, 3 classifier, 1 technical manager and 1 supervisor) should be equipped with shearing machines, frequent trainings on how to use the machines, how to classify the wool in different parts, keep it clean, package and store it properly -> improved skills & awareness about how to produce high-quality wool
3. Wool collecting and storage should be organized by e.g. cooperatives or farmer groups -> economies of scale, higher margins of profit by farmers
4. Improve and reorganize export of washed wool -> increase of farmers' income derived from wool





Outlook

- Follow-up Projects by Heifer Georgia





Thank you for your attention



Project Team:

Phatima Mamardashvili
Loredana Sorg
Beka Gonashvili
Nino Chanturia
Irakli (Rati) Kochlamazashvili



Questions?

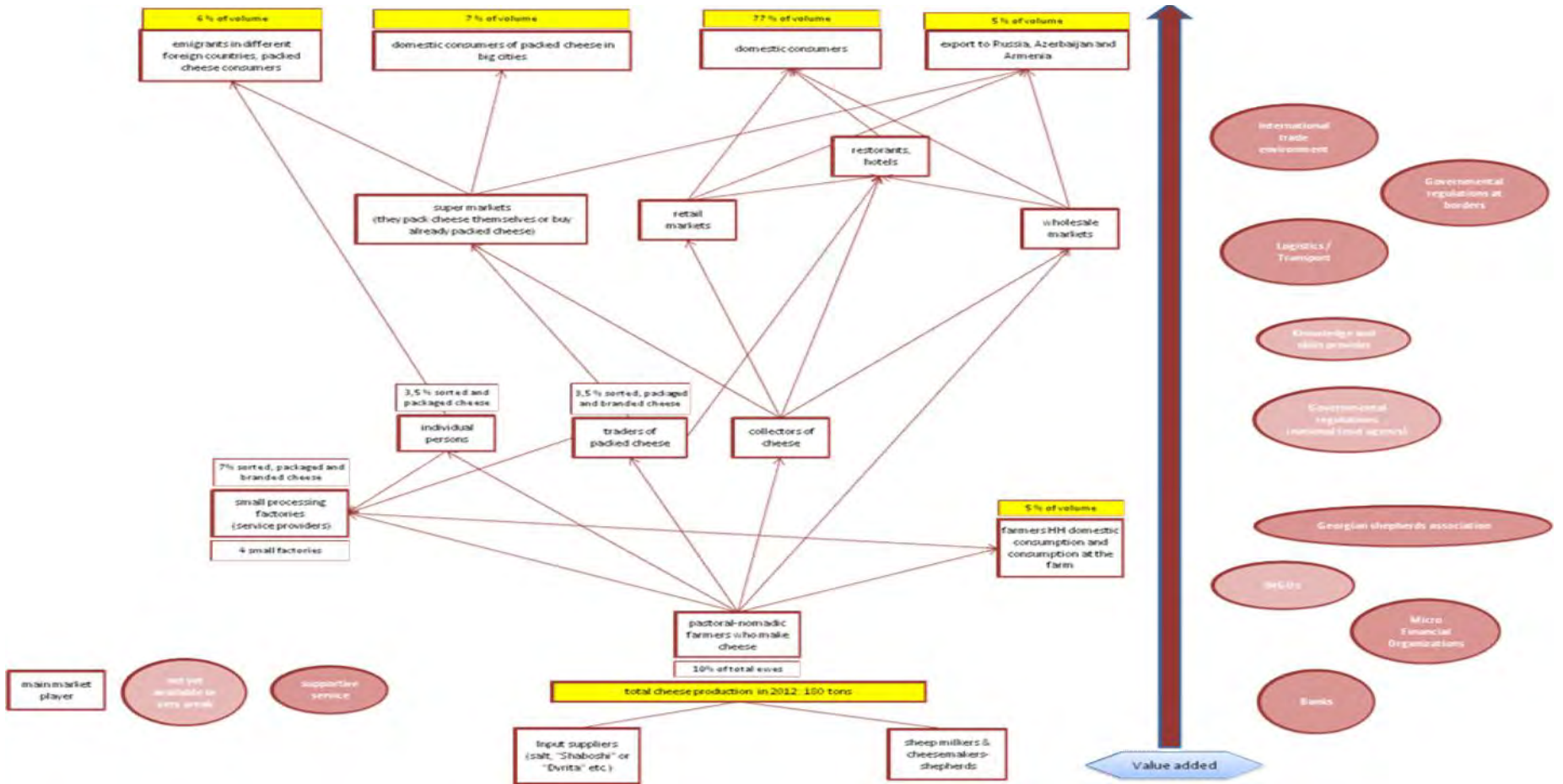


04.07.2014

33



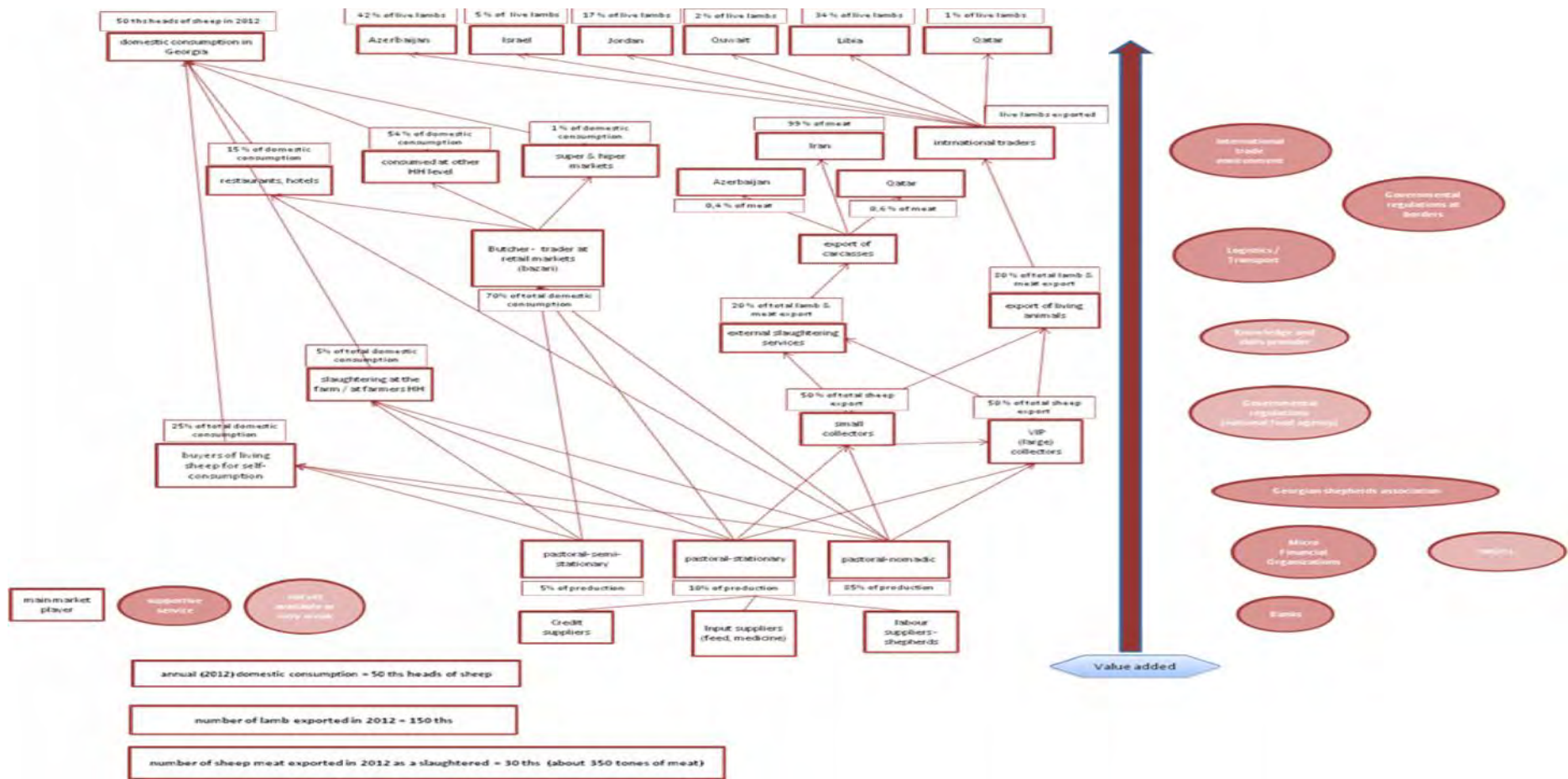
Back-up slides



04.07.2014



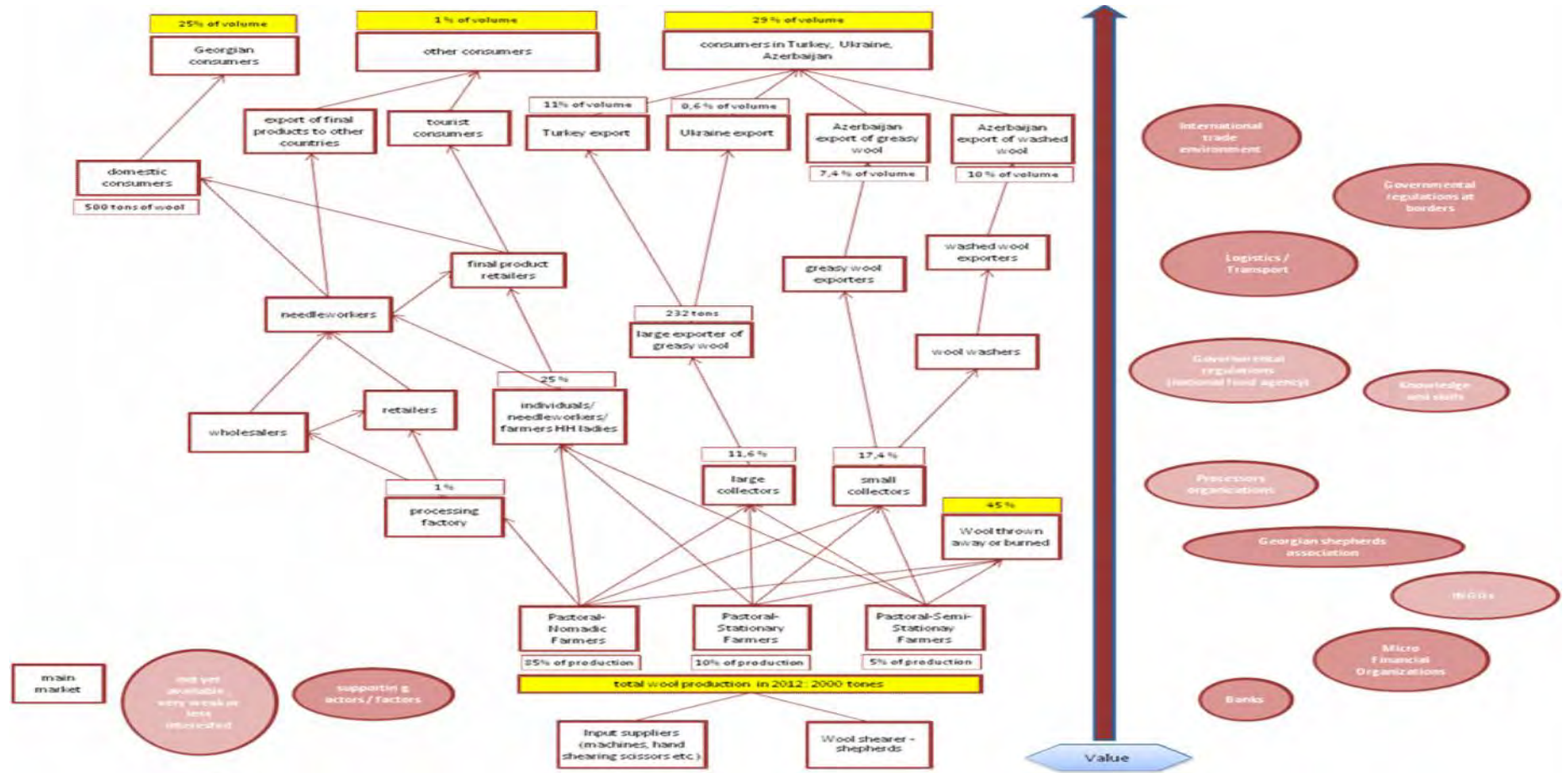
Back-up slides



04.07.2014



Back-up slides



04.07.2014