

# Competitiveness of Georgian Agricultural Products - Its Challenges and Opportunities

**Saghareishvili M\***

PhD Student, Ivane Javakhishvili Tbilisi State University, Georgia

**\*Corresponding author:** Mariam Saghareishvili, PhD Student, Ivane Javakhishvili Tbilisi State University, Georgia, Email: m.saghareishvili@iset.ge

## Opinion

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Agriculture has an important role in the development of the countries with transitional economies, such as Georgia. Notably, since 2012, Georgian government has recognized agricultural sector as one of their priorities [1,2]. Therefore, number of programs and projects are being implemented to support the sector [3]. The paper discusses the challenges that hinder competitiveness of Georgian agricultural products and opportunities for further development.

In 2018, compared to the previous year, the share of agricultural sector in country's total GDP declined by 1.0-percentage point and amounted to 8.0%. In addition, in 2017 there was a negative real growth (-1.5%). However, the budget of the Ministry of Environmental Protection and Agriculture of Georgia increased and amounted to GEL 322 million, which is almost 4-times higher, compared to its budget of 2011 [4].

According to the National Statistics Office of Georgia, 43% of employed people are operating in the sector from which 98% are self-employed [2]. Number of employed in business sector exceeds 12 thousand people; however, productivity in the sector is not high. In 2017, on average, GEL 5329 was produced per worker (on average, GEL 444 per month), while in business sector, GEL 10920 – per person (GEL 909 per month).

Agricultural development can be achieved through creating competition on agricultural markets. Competition on the markets is beneficial for both, consumers and producer, for the following reasons [5]:

- Prices become relatively lower; it allows consumers to buy agricultural goods in relatively low prices.

Competition results into lower prices, meaning that more people can afford and have access to specific agricultural products;

- Consumers get access to goods and services of higher quality;
- Consumers have more diverse choice of products and services;
- Firms introduce new technologies and methods in order to increase productivity;
- Domestic products become competitive on international markets as well as domestic ones.

Research of Georgian agricultural sector reveals that competitiveness of Georgian agricultural products on domestic and international markets is quite low. For instance, competitiveness of Georgian vegetables is hindered by international standards and requirements, which currently are not fulfilled by Georgian producers. In addition, the volume of vegetables produced in the country is relatively low, compared to the demand on vegetables in international markets [6].

High value added is not generated in the country. Value chains of agricultural products are underdeveloped. Research in this field reveals lack of storage and processing enterprises, meaning that mainly primary goods are supplied to domestic and international markets with relatively low value compared to the processed goods [7].

Georgian small and medium sized enterprises (SME) lack finances to increase their productivity and improve quality of their goods and services. It hinders SMEs' competitiveness on domestic and international markets [8].

Administration and maintenance of agricultural land is vitally important for development of the sector. Land fragmentation and land registration are still unsolved [9]. Businesses are unable to expand, increase productivity and get access to finances with fragmented and unregistered land.

Small countries like Georgia, is limited in resources. It does not have mass production of agricultural goods and struggles to be competitive against the countries, such as Turkey. Therefore, it is important to develop niche products and become competitive in this direction. In addition, creating cooperatives is the best decision to unite resources and increase the volume of production, which will result into increased supply on domestic and international markets. This will contribute to the competitiveness of Georgian agricultural products.

Introduction of international standards and requirements on domestic market will develop agricultural sector in the country. It will improve the quality of goods and services and will make Georgian products more attractive for Georgian and foreign consumers. Additionally, high quality Georgian products will become accessible for Georgian consumers.

Introduction of new technologies and machinery can also increase productivity. New technologies require additional expenses; however, it increases competitiveness and producers get increased profit.

Georgia has already signed free trade agreements with many partner countries. Such agreements are an opportunity to develop agricultural sector and increase its competitiveness. Free trade agreements promote

competition on domestic markets and make international markets more accessible for Georgian producers. Through free trade agreements, there is a flow of international experience, innovations and knowledge about new technologies in the country, which results into increased quality and competitiveness of Georgian agricultural products on domestic and international markets.

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