

Section 9. Economics and Management

<https://doi.org/10.29013/ESR-23-3.4-50-53>

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CHALLENGES AND PROSPECTS FOR THE EXIT OF GEORGIAN FARMERS IN THE EU MARKET (IN THE EXAMPLE OF GORI MUNICIPALITI)

Abstract. The article, based on the latest literary sources and rich actual data, has studied an important issue of economic theory and economic practice, such as the challenges and prospects of the EU market for Georgian farmers. The results of the opportunities for farmers living in the Gori district are presented to understand the situation in the area, what experience, information and plans are farmers in the EU market and what are the needs or challenges. There are recommendations that Georgian farmers should use to successfully use the EU market opportunities.

Keywords: EU market, farmer, small business, phytosanitary sector, agricultural cooperative, sanitation, financial benefits.

Introduction: The Free Trade Agreement between Georgia and the EU was signed in 2014 and came into force on September 1 of the same year, which is considered an important novelty and economic opportunity for Georgian entrepreneurs. However, for small and medium -sized businesses in Georgia, this has so far caused only minor changes and has not been universal benefits.

According to studies, the reasons of that include the lack of business partners in EU countries, the lack of information and resources among farmers,

small quantities and incompliance of production with standards and absence of other capacities necessary for obtaining certificates required to operate on the EU market (Ramaz & Merab [1]).

In 2020, the Economic Policy and Research Center (EPRC) conducted a research which involved survey of primary agricultural producers and small processing enterprises in five regions of Georgia, including in Shida Kartli. According to the survey, more than 70% of respondents had no information about preferential export tariffs for Georgia, while around 50% had

no information about DCFTA [8] requirements and standards although beginning in 2023, everyone will have to conform to DCFTA standards in sanitary and phytosanitary sphere, regardless of whether they export their produce or not (Vanishvili & Shanava [2]).

Given the above said, we deemed it interesting to explore the capacities of farmers of Gori district for the entry of EU market and find out the current situation in the district, the experience, information and plans of farmers concerning the EU market and needs and challenges they face now.

Aim of research: The aim of the research was to evaluate capacities of farmers in Gori district to enter the EU market.

To achieve the aim of the research, the following questions were formulated for the survey: 1) Have farmers of Gori district exported their products to the EU market or not; 2) What are the barriers faced by farmers in their efforts to export produce to the EU market; 3) Have they undertaken any efforts to establish a cooperative; 4) How and through what means do they sell their products now.

Interviews based on the above questions provide answers to issues such as types of produce most commonly grown by farmers in the city of Gori and the Gori district, experience in exports to EU member and non-member countries, a level of awareness of international standards and regulations, including DCFTA, barriers as they see them in the trade with the EU and their recommendations for the improvement of the situations.

Materials and Methods: The study used a qualitative research method, in particular, namely, in-depth interviews for which a semi-structured questionnaire was developed. The questionnaire was piloted with one respondent (farmer) and then revised. Potential respondents were selected in the following way: from among non-probability sampling types purposive sampling method was selected as it best suited the aim of the research.

Respondents of the survey were to meet the following criteria: 1) Farmers living in the city of Gori

and Gori district, who hold at least 5 ha of land; 2) Farmers living in the city of Gori and Gori district, who are not engaged in agriculture.

When selecting respondents and after piloting the questionnaire, we planned visits to farmers and conducted 15 interviews. Before starting an in-depth interview, respondents were informed of the aim and procedures of the survey; they were also informed that the participation in the survey was voluntary and their personal data would be kept confidential and results of the survey would be presented only in a generalized form. Information obtained through interviews was processed by us.

Results and discussion: Answers of 15 surveyed farmers showed that main produce the farmers in the city of Gori and Gori district grow for sale are: apples, black plums, red raspberries, peaches, tomatoes, cucumbers, beans, herbs. With regard to apples and peaches, they named specific species which farmers produce for sale. Among apple species the most frequently named were Golden, Banana, Brotski, Kekhura, Aidaridi, Fuji, Mutso. As regard peaches, the most frequently named species were yellow peach and white clingstone peach.

According to answers of 15 surveyed farmers, majority of them sell produce to resellers in their own villages, some sell their produce to shops and on local market in Gori, several farmers sell produce in other cities, namely in Batumi, Kutaisi and Tbilisi agrarian markets. Only one farmer said that he sold his produce in his village to a foreign reseller, an Azerbaijani citizen.

Various tendencies were seen in terms of exports. A segment of 15 surveyed farmers have never exported their produce, however, some have had such experience. For example, two respondents said that they exported their produce to Russia before 2004. A segment of farmers continues to export its produce to the Russian market. It is noteworthy that those farmers who export products to the Russian market, buy the produce from local farmers to increase the quantity of product as their capacities are not

enough for ensuring cost-effectiveness of export. According to interviews, the main export products are apples and peaches.

None of surveyed 15 farmers has any experience of exporting their own produce to the EU market. However, all of them would wish to do so. None of surveyed 15 farmers know a farmer who exports produce to the EU market.

A segment of farmers have never sought information on those assistance programs which would help them enter the EU market. Another segment of farmers sought such programs and even benefitted from them. They specified the following programs: Agroloan, and Plant the Future. Several of the farmers also benefitted from the state grants.

The majority of surveyed farmers has never had experience of establishing a cooperative while a segment of them intends to create a cooperative in the future. Some of the farmers do not deem it necessary and flatly reject the idea of cooperative. Only two farmers gave a positive answer to the question, though in both cases members of cooperatives were friends or relatives and they did not officially have any duties and responsibilities, conditions and obligations redistributed among them.

Reasons of reluctance to establish cooperatives vary. A segment of farmers think it is difficult to establish and manage a cooperative while the likelihood that it will end in conflict among members is high.

Interviewed farmers named different problems in exporting products to the EU market. Based on their interviews the following three barriers were identified:

Novelty of the market and lack of information: One of the main reasons which hinders the export of produce to the EU market, is lack of information. A segment of farmers think that they lack sufficient information about standards and regulations necessary for the entry to the EU market. In addition, this market is new for the majority of Georgian farmers and therefore, they do not have necessary contacts. For a segment of farmers it is unclear how to find partners on the EU market and how to export their

produce to the market of another country and cite a language barrier as a reason of this. It is also difficult for farmers to deal with transportation issues. Besides, lack of free time prevents them from searching more information which would help them export their produce to the EU market. A few farmers think that without the knowledge of a foreign language it is difficult to trust a strange person who knows the language and has contacts on the market of other country, because that person may deceive them.

Low interest of farmers: Yet another barrier named by them was a low interest of farmers since they sell their produce in local stores, supermarkets and agrarian markets and therefore, do not face a necessity to export it to the EU market.

High standards: Interviews also revealed “obsolete”, non-modern product as a barrier. According to them, the majority of farmers grow such products that are not new species, do not produce high yields, do not meet standards and do not look attractive for the EU market.

Quantity of produce and advantage of large farmers: Farmers with smaller holdings named the quantity of produce as a significant problem. They said that they do not grow that amount of product that would enable them to export it to the EU. According to them, those farmers who produce products in large amounts have more capacity to export them to the EU market. A segment of farmers deem the state involvement necessary to eliminate barriers. According to them, it is important for the country to have large resellers who would buy their products and then export the product to the EU market.

Farmers' expectations and possible solution: The majority of farmers believe that the state must allocate more funds for farmers to purchase new plants and diversify and renew production. The state should also provide them with necessary equipment. A large segment of farmers would like the state to assist them in procuring refrigerator and apportionment machinery; moreover, some farmers named the problem of irrigation system and expressed the wish that the state helped them to eliminate this problem.

Farmers complained about pesticides too; they would like the state to provide them with high quality pesticides. A large segment of farmers named the lack of information and contacts on the EU market as a rather serious problem; they would also like the state to assist them in exporting their produce to the EU market or in finding and establishing contacts. Interestingly, in one of the respondents' view, the state must give money to farmers on the condition that they will cultivate the land and produce yields. If the farmer fails to fulfill the condition, the state must not assist that farmer during 10 years.

Conclusion: The survey revealed that a large segment of farmers living in the city of Gori and the Gori district, sell their product on site to resellers, while another segment supply their produce to the city of Gori and other cities of Georgia. Despite the available potential, none of the surveyed farmer exports their own produce to the EU market at this stage; nor do they know a farmer who has succeeded in securing its place on the EU market. The only foreign market which they now use is the Russian mar-

ket. It is also noteworthy that only one farmer out of 15 has an international certificate.

Proceeding from the all above said, it is recommended:

- To raise the level of awareness of farmers about DCFTA; if this is achieved, farmers will have more possibilities and motivation to export their products to the EU market. The survey showed that one of main barriers to export of produce is the ignorance of the necessary procedures. Moreover, farmers do not know what in particular the EU market can offer them (stability, more possibilities of development, market diversity, large financial gains, etc.);
- To assist farmers in finding partners on the EU market to establish contacts and sell their produce to EU countries; the survey showed that the farmers participating in the survey have never had any experience of communicating with European partners. They noted that if they had contacted natural or legal persons in EU countries to cooperate with that would have raised their interest towards exports to that market.

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