



## **Tea Cooperatives' Round Table Discussion**

### ***Communiqué***

On June 3, 2016, a Round Table Discussion of Tea Cooperatives was held at the Argo hotel in Kutaisi. This was the third event in a series of dialogues about the agriculture and rural development in Georgia organized by ISET Policy Institute (ISET-PI) in partnership with CARE International in the Caucasus, the Regional Development Association and the Georgian Farmers Association, within the framework of the EU-funded ENPARD project “*Cooperation for Rural Prosperity in Georgia*”.

This meeting, which was a follow-up of the first Tea Forum held in July 1, 2015, aimed to facilitate the round table discussion among the variety of stakeholders of tea sector and discuss the challenges faced by tea cooperatives while applying for the State Program of Tea Plantation Rehabilitation, called “Georgian Tea”.

The forum was attended by Gocha Tsopurashvili (Ministry of Agriculture of Georgia), Giorgi Misheladze (Agricultural Cooperatives Development Agency), Levan Urotadze (Agricultural Projects' Management Agency), Silvia Sanjuan (CARE International in the Caucasus), Nino Zambakhidze (Georgian Farmers Association), Irakli Kochlamazashvili (ISET Policy Institute), tea producer cooperatives (including Guria-Company 2014, Nagomari, Chibati, Duki, Mamati 2020, Chais Surneli, Mtis Chai, Eko-migranti, Ormeti 2012, Lashisghele 2014, and Khaverdovani Chai, among others). There were also representatives from the Regional Information and Consultation Centers of the Ministry of Agriculture; representatives from the private sector, including: Milmartea LTD, Geo Plant LTD, Kesane LTD, New Georgian Tea LTD, and Ternali Tea LTD, among others.

Nino Zambakhidze (Georgian Farmers Association) opened the forum with the discussion about the importance of the State Program of Tea Plantation Rehabilitation for Georgia and challenges faced by tea cooperatives while trying to participate in the program. Silvia Sanjuan (CARE International in the Caucasus) talked about the importance of the ENPARD programme and the role of CARE consortium in the development of tea sector in Georgia. Ms. Sanjuan stressed the high number of applications from the tea sector in the project grant competition, though only a short number could be selected due to the difficulties from applicants of proving improved tea productivity during the project period.

Gocha Tsopurashvili, Deputy Minister of Agriculture, talked about the necessity of proper policy and the importance of ENPARD in Georgia's agriculture and rural development. He mentioned that it has been only one year since the Ministry of Agriculture started talking about the tea sector, and now the program “Georgian Tea” is already in progress. As of now, the program has signed the agreement with two LTDs and one cooperative. According to the Deputy Minister, active involvement of cooperatives is very important, and the specifics of the program must be formulated more accurately and goal-oriented.

George Misheladze, the Head of Agricultural Cooperative Development Agency, said that there are already 1496 registered agricultural cooperatives, and up to 40 of them are the tea cooperatives. Unfortunately, only 21 of them are operational today. These 21 cooperatives own 46 ha of land in total (among them, already financed cooperative Khaverdovani Chai owns 10.5 ha in Chiatura), though cooperative members own about 200 ha land. The program “Georgian Tea” requires that the land must be in a cooperative's ownership to be able to participate in the program. For this, land plots need to be registered, and cooperatives need help with this, Misheladze added.

Levan Urotadze, the manager of the program “Georgian Tea” at Agricultural Projects Management Agency, delivered the presentation about the program. Only legal entities can participate in the program; the state co-finances maximum 2500 GEL for 1 ha tea plantation rehabilitation. Compared to other legal entities, cooperatives have advantages in terms of co-financing by the state. However, some other the requirements are tougher for cooperatives. Overall, the tea plantation analysis conducted by Anaseuli Tea Research Institute laboratory is an expensive component of the program and so farm enterprises are in charge of covering this cost. However, it is under consideration that this cost will be financed by the program. The program does not finance the fencing and hoeing as well. At the same time, the Ministry of Economy has unprecedented offer for program participants the state-owned tea plantations to be leased at a reasonable price (50 GEL per 1 ha). If beneficiary presents all required documents, the agreement will be signed in the few days and rehabilitation activities will start. Some requirements are strict, but this provides a guarantee that all financial support given through the program will be spent reasonably.

Presentations were followed by an open discussion, in which cooperatives and other business entities expressed their opinions about the challenges they face today while applying for the program “Georgian Tea”.

The representative of the cooperative Mtis Chai talked about bureaucratic issues in the program. His cooperative was among the first ones who applied for the program, but unfortunately they still could not manage to receive financial support because of lacking certain documents. Bureaucratic processes should be simplified, as dealing with complicated legal issues are very problematic for the participant enterprises. One suggestion was to move the institutional structure of the program to Kutaisi, as tea production is done only in the western Georgia; frequent visits in Tbilisi is very uncomfortable, costly and time consuming for farmers.

The representative from cooperative “Chibati” also talked about the challenges faced by cooperatives. According to the requirements of the program, cooperatives with less than 5 ha tea plantations are left behind the program; there is the restriction for the cooperative if it does not plan to have a processing but it is only oriented on tea leaf production. There are also land registration problems and the program does not cover the fencing costs, which is very important in order to keep the rehabilitated plantations safe from livestock. In addition, if beneficiaries will do the rehabilitation activities by themselves, it would be less costly. Also, the constraint that no less than 75% of cooperative members must put their tea plantation (minimum 0.25 ha) on cooperative balance, is a big impediment factor as far as many cooperative members own less than the required amount.

Besides above stated challenges, participants stressed the following issues: cost of analysis done by Anaseuli Tea Research Institute; labor force migration from the countryside; land registration problems and related costs; necessity of imported product control mechanisms; problem of required collateral by financial institutions; problem of access to information because the activities done in the sector are not covered by leading TV channels; scarcity of tea leaves; and lack of coordination among state agencies, and between them and farmers.

The head of the Department of Food and Agriculture at the Ministry of Agriculture Tengiz Kalandadze talked about the Technical Regulation of tea. This Regulation is drafted already and when it will go into force, it will be obligatory for all producers. Besides the standards indicated in this regulation, enterprises will be able to set their own voluntary standard. Mr. Kalandadze talked about the importance of geographical indicators (GI) and pointed out that given Georgia’s limited production capacity, Georgia should take orientation towards the niche markets that mainly will be production of high quality tea (bio tea, GI, etc.).

According to the opinion of Giorgi Misheladze, first level cooperatives should be only raw material producers and second level cooperatives created by first level cooperatives, should focus on processing. So, in this case processing equipment should be given to second level cooperatives only.

Some of the proposals with a certain degree of agreement amongst the participants were:

- Need of financing the costs of fencing and costs for the analysis done by Anaseuli Tea Research Institute;
- Review the requirement about the transference of at least 0.25 ha from each cooperative member (minimum 75% of members) to the cooperative; and modify this constraint according to the specifics of different municipalities;
- The program should discuss the cases of cooperatives which do not possess tea plantations in ownership (or own less than 5 ha), to allow them to participate in the program;
- Review the obligation set for cooperatives to build processing factory in the time-frame indicated in the current version of the program;
- The representatives from ACDA and CARE consortium should be involved in the revision process of the program.

At the closing remarks of the meeting, representatives of the government (the Ministry of Agriculture, Agricultural Cooperative Development Agency and Agricultural Project Management Agency) pointed out that in order to find solutions for the stated problems, they plan to make changes (amendments) to the program during summer and are ready to consider the issues and recommendations discussed during this meeting. Also, they are open that ENPARD implementers from CARE consortium will be involved in the amendment process, together with the Agricultural Cooperative Development Agency.

In turn, the CARE Consortium representatives thanked the participants for active participation and added that all the issues discussed during the meeting will be followed up and monitored. They are ready to continue close cooperation with the state agencies as well as with business entities, in order to solve the problematic issues in a short period of time and make the program “Georgian Tea” more accessible for potential beneficiaries.

For more information about the challenges faced by tea enterprises, please see the annex 1.



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