



## **Communiqué about the Stakeholders' Forum on the Tea Sector**

On July 1, 2015, the Stakeholders' Forum on the Tea Sector took place at the Bagrati Hotel in Kutaisi. This was the first event in a series of dialogues about agriculture and rural development in Georgia organized by the *ISET Policy Institute* 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*". Similar forums are also being organized by other ENPARD consortia for various relevant value chains.

The main goal of this forum was to analyze the challenges and opportunities faced by the various actors involved in the tea sector, including input suppliers, farmers, cooperatives, processors, market intermediaries, consumers, and exporters, with the overall goals of improving productivity in the sector, connecting farmers with new business opportunities, exploring new export markets, and developing and managing Georgian tea brands.

The forum was attended by Juan Echanove (Delegation of the European Union to Georgia), Gocha Tsopurashvili (Ministry of Agriculture of Georgia), Giorgi Misheladze (Agricultural Cooperative Development Agency), Nino Zambakhidze (Georgian Farmers Association), Adam Pellillo (ISET Policy Institute), Shota Bitadze (Bitadze, Ltd.), Tengiz Svanidze (Tea Producers' Association of Georgia), Silvia Sanjuan (CARE International in the Caucasus), representatives from the Food and Agriculture Organization of the United Nations (UN FAO Georgia), Oxfam, and tea producers' cooperatives (including Guria Compani 2014, Nagomari Tea, Chibati, Duki, Mamati 2020, Tea Essence, Fandiseuli 2014, Kibula 2014, Mountain Tea, Kontchkati 2015, and Eco-migrant, among others). There were also representatives from the regional information and consultation centers of the Ministry of Agriculture, from regional and municipal governments, from scientific institutions and from the private sector including: Georgian Tea, Natura Tea Company, Bitadze, Ltd., Geo Plant, Ltd. (Gurieli), Aroma 91, Ltd., Institute of Tea, and Subtropical Cultures and Tea Industry.

Nino Zambakhidze and Juan Echanove opened the forum with a discussion regarding the sector's importance in Georgia. Adam Pellillo from ISET-PI presented facts and figures about the sector and introduced the goals and structure of the forum. According to the latest data from Geostat, tea leaf production in Georgia decreased from 6.6 thousand tons to 1.8 thousand tons during 2006-2014. In 2014, the total value of tea exports varied across tea type, from black tea (\$1,377,000) to green tea (\$952,000) and also for tea concentrates (\$315,000). In contrast, the total value of tea imports was much larger, with about \$8,008,000 being spent on imported black tea and approximately \$565,000 being spent on green tea. There are a number of actors involved in the sector with potentially thousands of household producers, 27 agricultural cooperatives, a handful of small and medium-scale processors, and four large-scale processors.

At the beginning of the forum, Gocha Tsopurashvili, Deputy Minister of Agriculture, discussed the current situation in Georgia with regard to tea plantations. According to Mr. Tsopurashvili, up to 9,000 ha of tea plantations could be rehabilitated. Yet, currently, only 1,970 ha of plantations are in production. The Ministry of Agriculture has developed a Tea Rehabilitation Strategy and a 5-year action plan. Also, a sectorial committee has been created mainly addressed to the description and rehabilitation of inactive tea plantations (enclosing, semi-heavy pruning, etc.) and to searching for proper techniques and financial resources for re-cultivation. Collaboration with the private sector is seen to be of crucial importance, yet external factors and the interests of various stakeholders must also be taken into account.

Given that the rehabilitation of tea plantations is rather expensive, the Deputy Minister encouraged precise definitions of priorities of the areas to be tackled first. The main investments will be undertaken in Guria, Samegrelo, and Adjara. The Georgian National Agency for Standards and Metrology should define quality standards for tea. Also, the need of geographical indicators should be considered. The next stage involves supporting small enterprises. Bringing tea seedlings from China and general cooperation on tea production is also planned.

According to Nino Zambakhidze, the Head of the Georgian Farmers Association (GFA), GFA will collect questions from farmers regarding the problems in tea sector and will work with the ministry to ensure timely and accurate responses to farmers' concerns.

George Misheladze, Chairman of Agricultural Cooperative Development Agency, said that there are 27 registered tea cooperatives including second-level cooperatives. According to Misheladze the government's vision is to promote the development of agricultural cooperatives and the ACDA will be cooperating together with other government agencies and donor organizations to help farmers cultivate tea plantations. Cooperation provides them with the opportunity to produce high-quality tea that will replace low-quality imported products.

Shota Bitadze, tea industry expert and president of Bitadze, Ltd., explained that one of the biggest problems in the tea sector is the lack of production and processing standards. Spearheading a tea standardization process that will be accepted by all tea producers is necessary. Moreover, improving existing tea varieties by establishing nurseries and demonstration plantations is critical to the success of the industry. Each region should have model tea factories with their own plantations and raw materials. The government's intervention, Mr. Bitadze added, is important to help tea exportations. According to him tea plantations can be owned by the government while cooperatives will have the opportunity to lease them. Tea plantations should be certified in order to determine which ones should be re-cultivated. Producers should be aware of the right technologies in order to produce high-quality products, while the National Food Agency should control the product's quality.

Tengiz Svanidze, the Director of the Tea Producers' Association of Georgia, alerted the forum participants about the importance of the domestic market. Georgian tea brands should strengthen their positions in local Georgian market as the majority of imported tea is low-quality and full of chemical additives. Also, there is a deficit of tea leaves in Georgia and the size of operational tea plantations continues decreasing.

Mikheil Tchkuaseli, the Director of Gurieli, also shared his opinions, claiming that there is enough space for all actors in the tea market if a proper connection will be established among large and small enterprises (including smallholder farmers and agricultural cooperatives). Gurieli expressed its readiness to purchase tea leaves from local farmers/cooperatives. He further argued that it is essential to make adjustments in production and processing, for example, using

Japanese and Chinese tea varieties and processing methods that may increase the value of Georgian tea brands in domestic and international markets. Furthermore, it is necessary to ban the use of herbicides and pesticides so that Georgian tea could be branded and marketed as organic and thereby increase its value to consumers.

A representative of the Guria Company 2014 cooperative talked about the necessity of involving farmer cooperatives in tea sector related policy-making processes. Supporting tea producers is key, he argued. The government should hand over tea processing plants and plantations to tea producers through leasing arrangements, provide them with agricultural credit with low interest rates, and exempt them from paying land taxes for 3-5 years.

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


- *Implementing reforms in tea sector, supporting tea cooperatives and connecting the value chain actors in the tea sector.*
- *Mobilization of additional financial resources, particularly from the private sector, to support the re-cultivation of tea plantations*
- *Development of mechanisms for selling/leasing state-owned plantations.*
- *Prioritization of domestic markets, potentially following a branding strategy that emphasizes the organic qualities of Georgian tea production and processing*
- *Establishment of linkages between farmers' groups and tea cooperatives and large-scale processing facilities*
- *The potential profitability of following an import-replacement marketing strategy*

Silvia Sanjuan, Director of the project organizing the forum, thanked the participants for their active participation and reminded them that the dialogue platform on tea would be kept open and the project will follow up the main challenges and opportunities discussed during the forum, keeping informed the different stakeholders about the progress made, and organizing meetings for in-depth discussions on tea and tea farming issues.

At the closing of the forum, Gocha Tsopurashvili, Deputy Minister of Agriculture, noted that the organizations involved in agricultural production shall be strengthened and during this process the tea sector will receive special attention. Agricultural insurance will also become one of the main priorities for producers, the Deputy Minister added, though the first stage involves an assessment of the current conditions of existing tea plantations.


You can read more about the Georgian tea sector here: <http://iset-pi.ge/index.php/en/component/easyblog/entry/tea-a-potential-gold-mine-of-georgian-agriculture?Itemid=470>. A formal value chain study of the sector is expected to be completed by October 2015. The final results will be presented in Tbilisi at ISET and the analysis will be shared with the stakeholders participating in the forum. The study will contain a specific set of recommendations based on the comprehensive analysis of the value chain and on the ideas shared during the forum.



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