

DIRECTIONS FOR DEVELOPING THE PRODUCTION OF LOCAL AGRO-FOOD PRODUCTS IN GEORGIA

Keywords: agro-food production, production potential, agriculture, export potential, post-pandemic development

Abstract. *In terms of globalization, effective use of potential opportunities for increasing agro-food production is essential for addressing food security problem. The paper analyzes the trends in the production of Georgian agro-food products in terms of the pandemic, identifies the factors that hinder the development of the agricultural sector and studies the export potential of Georgian agro-food products. The paper evaluates the role of the state in increasing the production of Georgian agro-food products; measures for promoting growth in agricultural production are identified by using appropriate methods.*

General and specific research methods are used in the present paper; in particular, analysis, synthesis, induction, deduction, comparison, statistical (selection, grouping, observation, etc.) methods.

Based on the analysis, conclusions on the trends and development of agro-food production are made and recommendations on the ways of using potential opportunities for agricultural production in the post-pandemic period are proposed.

Introduction. In recent years, Georgia has made some progress in finding and diversifying new export markets; however, for sustaining economic growth and reducing the country's negative trade balance a wide expansion of its export area is still needed. For this purpose, it is essential to study the problems that hinder the production of agro-food products in the country. Small scale of production which significantly reduces the competitive advantage of a company is considered to be a serious problem. Agriculture plays a special role in the development of local production in Georgia. According to 2021 data, this sector employs 48 percent of the population and accounts for 8 percent of the country's GDP (www.geostat.ge, 2021). The government needs to develop economic, legal and organizational mechanisms for promoting the production of Georgian agro-food products.

Given the role and importance of agricultural sector, measures for supporting this sector are exercised in almost every country around the world. These measures take various forms, starting

with the development of rural infrastructure and ending with the provision of certain subsidies to agricultural producers. The demand for locally produced products prevails in Georgia. The country has good climatic conditions for the production of diverse and high quality bio agricultural food products. Sustainable development of the sector will require development of bio-production to utilize export potential of Georgian bio-products both on Georgian and international markets (Natsvlashvili I., Kharashvili E., Lazariashvili T., 2020). The country is able to become self-sufficient in the production of agro-food products and replace imported goods with local production; therefore, development of agro-business can become one of the important components of economic growth. However, until current period, local production has not managed to replace imports, productivity and the level of self-sufficiency of the population with food products remains low, the growth rates achieved in agribusiness are not enough for sustainable development. The development of the agrarian sector in Georgia is hindered by the low level of agricultural lending. Due to the risks this sector faces, commercial banks refrain from lending to agriculture. This very important sector of the economy accounts for less than 2% of bank loans. Farmers are subject to special attention in almost all the developed countries in almost all developed countries, which is primarily expressed in providing them with interest-free loans. (Erkomaishvili G., Kobalava M; Lazariashvili T., Saghareishvili M; 2017). Investments in Georgia are less directed at supporting sectors such as agriculture (only 0.6% of total investments are directed to agriculture and the budgetary expenditures on agriculture constitute 3.0%) and the textile industry, for which Georgia has significant comparative advantages. They are less focused on job creation and productivity, but provide long-term prosperity and economic development (Erkomaishvili G; Kobalava M; Lazariashvili T; Damenia N, 2018). Therefore, these problems need to be studied and analyzed.

Results. The current scales of local agricultural production partially satisfy demand for bread and related products, wine, beer, vegetables, potatoes and fruits on food market in Georgia. The share of domestic products on food markets are as follows: fruits - about 45-48%, grapes - 40-45%, vegetables - 75-80%, beef - 25-27%, milk and dairy products - 38-42%. There are problems in the supply chain that hinder the production of local products (Kharashvili E., 2017).

The production of agri-food products is hindered by a number of factors; some of the most important are:

- Low productivity in the production of raw materials;
- Small scales of production;
- Inefficient use of resource potential; especially of agricultural land;
- Underdeveloped retail and wholesale food markets;
- Low level of cooperation in the field of primary production of agricultural products;
- Limited access to information and low level of knowledge in farmers;

- Imperfect legal framework; etc.

Resulting from the Covid-19, the agricultural sector has faced serious challenges. Lending by banks has been significantly reduced (Kharashvili E., 2018). Restrictions imposed in the country, including restrictions on transportation, have resulted in the problems of selling the produced goods. Closure of hotels, cafes and restaurants has led to additional problems in selling agricultural products. Low accessibility to agricultural facilities represents one of the serious problems as well. Most of the pesticides are imported; as a result of the existing restrictions due to the pandemic, there were problems in importing them; in addition, their price increased, mainly caused by the depreciation of the national currency. To support food production and food security in terms of the pandemic, the European Union, the Ministry of Environmental Protection and Agriculture of Georgia and the Food and Agriculture Organization of the United Nations (FAO) have allocated agricultural grants in the amount of GEL 2.2 million to 50 beneficiaries in Georgia. Financial support covers the production of vegetable, grain, potato, meat and dairy sectors, as well as honey and wine. The grants allow farmers, producers and small and medium-sized businesses to make capital investments, such as purchasing a tractor or other agricultural machinery and arranging a greenhouse. It should be noted that agriculture represents the sector which requires subsidies around the world. The current practice of deferred payment of taxes causes financial losses to exporting countries, which is mainly caused by exchange rate fluctuations. The fall of the national currency exchange rate hinders the import of products in many countries. The current crisis is exacerbating these problems and it is likely that food shortages will arise in importing countries in the short run. In the context of the global pandemic, the issue of self-sufficiency for the products of inelastic demand (products essential for existence) has come up on the agenda of any country. The shortest way to achieve this is effective dialogue between local government, business, education and science, which is ensured in entrepreneurial universities. These problems are actively studied by scientists today (Dominici & Gagnidze 2021; Vesperi & Gagnidze, 2019; Gagnidze, 2018). Despite the projects implemented by the state aimed at developing the agricultural sector, the situation in this sector is still unfavorable. However, growth trends are also observed (Natsvlishvili I., Kharashvili E., Lazariashvili T., 2020).

Elimination of the problems identified and development of agricultural sector require implementation of the following measures: development of the agricultural land market and introduction of modern approaches to land use - one of the urgent tasks for the development of the agricultural land market is the rational management of the agricultural land fund in the country; development of agricultural insurance market - development of agricultural insurance is considered as one of the important factors for the development of the agricultural sector. Agricultural insurance will help the rural population to reduce the damage caused by natural disasters and therefore, will

make their income more stable. The introduction of agricultural insurance will increase the interest of financial institutions in this sector. Financial resources will become available for farmers, which will contribute to stable development of the sector (G. Erkomaishvili, M. Kobalava, T. Lazariashvili, M. Saghareishvili 2017). Carrying out measures and marketing programs to promote popularization of national food products - a significant part of the food consumed in Georgia currently is imported, while the country has the ability not only to meet the demand of domestic market but also to become a net exporter of agricultural products. Export performance today is greatly influenced by globalization (Sobolieva, T.O., Holionko, N.G., Batenko, L.P., Reshetniak, T.I. 2021), as well as innovation factors (Sobolieva, T. & Lazarenko, 2019). The Ministry of Agriculture will closely cooperate with the private sector to help expanding the production of Georgian competitive products and advertise them to potential buyers and consumers in both local and international markets. It is important to develop international market entering strategies, establish an extensive marketing network, etc., which will create the basis for increasing the popularity of the country and growth of income. Georgian agricultural sector, with the right state policy and support, can achieve success and gain access to the world market with competitive agricultural products. (Erkomaishvili G., Kobalava M; Lazariashvili T; Saghareishvili M., 2017).

Conclusions. Priority directions for the production of local agricultural food products can be formulated as follows:

- Development of post-harvest technologies, expansion and modernization of storage and processing infrastructure;
- Improving knowledge of farmers and their competitiveness;
- Introduction of international standards in production;
- Diversification of export markets; promoting access to diversified markets;
- Cooperation among farmers;
- Development of alpine livestock;
- Development of information and consulting services, etc.

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ENSURING BALANCED BUSINESS DEVELOPMENT IN THE VUCA-WORLD

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