

Agro-exports to the EU: volumes, transport and logistics

Production volumes, as well as barriers in transport and logistics, play a key role in constraining agro-food exports from Georgia to the European Union. These challenges can be addressed by focusing on increasing exports through foreign direct investment and by accelerating exports of existing producers; by providing critical logistics infrastructure, including an airport cargo terminal in Kutaisi; by stimulating domestic demand for quality logistics; and by bundling interests and closing information gaps.

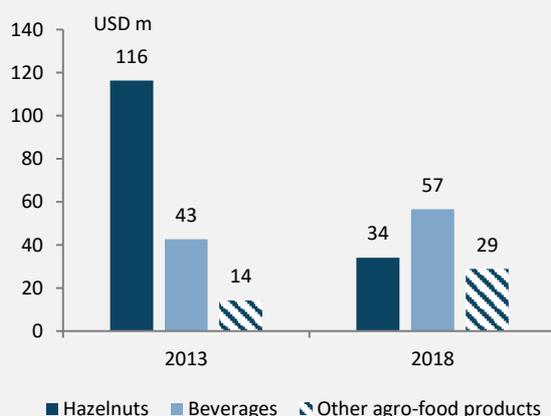
Potential of agro-exports to EU

In 2014, Georgia and the European Union established a Deep and Comprehensive Free Trade Area (DCFTA). Expectations were that this would increase Georgian exports to the European Union, especially in agriculture.

However, the actual exports of agro-food products to the EU have remained small and concentrated. The limited success is all the more of concern as Georgia has significant potential. A recent GET Policy Briefing listed more than a dozen products that should do well in the EU market, including fresh berries, fresh peaches, greens/herbs, and nuts.

Why, then, has there only been a limited expansion of exports? The limited volumes, as well as specific barriers in transport and logistics, constrain the growth of agro-exports to the EU.

Georgia's agro-food exports to the EU, 2013 vs 2018



Source: UN Comtrade, GET estimates; agro-food exports include codes HS 01 – 24; re-exports are not included

Georgia exported USD 120 m of agro-food products in 2018 and exports have reduced since 2013. The reduction has been due to the invasion of the so-called brown marmorated stinkbug, which caused a steep drop of hazelnut harvests in recent years. Non-hazelnut

agricultural exports grew, but from a low base. As data show, the exports of beverages grew by 33% from 2013. Other agricultural products increased by 104% but still only stand at USD 29 m for 2018. Exports now encompass a broader range of products, including nut mixtures and jams. However, the actual export volumes remain low. Limited volumes lead to higher unit costs.

Additionally, there is no regular provision of transport. As one exporter put it, there is “no established pipeline to Europe”. Consequently, essential logistics services (including advanced laboratories) often are not yet commercially viable. Georgian entrepreneurs can find it a struggle to bring their products to EU clients.

Main export routes to the EU

Currently, trucks typically take one of three routes to the EU. The majority (70%, by one estimate) takes the long road winding through Turkey. The least expensive variant is the ferry from Poti to Odessa, though transits through Ukraine are not without complications. The safest and fastest route, according to one European logistics company, is the ferry from Georgia to Bulgaria, which is carrying trucks with their trailers. The ferry, however, does not have a regular schedule.

The cost for a refrigerated truck to Western Europe will typically be above EUR 4,000, with seasonal peaks of up to EUR 5,500. For some fruits and vegetables, the low production cost in Georgia can be offset by high transport costs to the EU.

Transporting goods to the EU by ship is cheaper, at around EUR 2,000, but takes longer. Containers require reloading in Turkey or Greece, and 28 days to Antwerp. Trucks, by contrast, take about seven days. A second driver, at extra cost, can cut two days from the trip. For special products, cruising to their markets can be an attractive option. Otherwise, patience is not necessarily rewarded: products that can sail from Georgia could also travel e.g. from Chile, leading to fiercer price competition.

Exporting products by air is viable for a handful of products that are valuable relative to their weight, such as berries or herbs. While flight costs vary, they typically are around EUR 1-2 per kilogram. At this point, few airlines offer air freight, nor is there always a full cooling chain if blueberries have to catch a connecting flight.

An added challenge is that most exportable products require special packaging. As export volumes from Georgia are low, such packaging cannot be sourced domestically. Importing packing materials requires time, added cost and prepayment. One exporter says that

they import heat-treated pallets. This pallet sells for EUR 17 in Italy yet costs EUR 35 by the time it arrives in the Caucasus. Used pallets are available locally, but exporters do not want to risk contamination when sending their quality products abroad.

Exporting wine, blueberries and herbs

The logistics and transport play out in various ways for different products. Wine producers say that they can get their products to Western Europe on single pallets at approximately EUR 500, adding EUR 0.50 to the cost of each bottle. The main headache is organizational. Bundling pallets can help but has its hazards. Some exporters have had their consignment caught up with others' quality problems.

For blueberry, Tbilisi airport is too far away from the ideal soils close to the Black Sea shore. Similarly, the herbs grown close to Kutaisi could be exported by plane. If exported by truck, they mostly wilt when driven beyond Bulgaria.

Four suggestions to increase agro-exports

Four measures could improve export prospects. First, paradoxical as it may sound, volume should be increased for its own sake: more chicken means more eggs. In practical terms, targeted foreign investment would accelerate export growth. The best strategy may be to identify mid-sized investors with access to EU retail shelves to assist in building that export pipeline. Volumes can also be increased by accelerating the export of existing producers. Continued access to inexpensive capital, as well as facilities for absorbing growth risks, would help current exporters to expand faster. The use of the system of Pan-Euro-Mediterranean cumulation of origin can help to increase volumes also. Georgian producers can still keep the preferential access to the EU market if they use inputs from its FTA partners within the Pan-Euro-Med zone.

Providing logistics infrastructure is a key step. Current exporters would like to see more regular ferry service to Bulgaria (or Romania). Most exporters would also welcome a cargo terminal at Kutaisi airport. They believe this would accelerate exports to the EU, though there are several challenges. For example, budget airlines and destinations often do not have cargo facilities. People in the transport sector say they may invest more if there were dedicated logistics zones, in Kutaisi and other locations, close to major roads, with all utilities and building permits.

Stimulating domestic demand for logistics by implementing standards for the local market would increase

readiness for export. In that light, the wider adoption of the GeoGAP standard could develop the logistics value chain, including laboratories.

Lastly, business associations, donors and the government could bundle interest and close information gaps. There is, as of yet, no comprehensive map of key services, including refrigeration and storage facilities. A business-to-business platform might smoothen export transactions. Business associations could focus even more on addressing information gaps and facilitating exchange. Donors can help, but sustainability beyond their assistance will be essential.

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A more comprehensive analysis is provided by the Policy Briefing "[Promoting Georgian exports of agro-food products to the EU: The role of volume, transport and logistics](#)".

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