



Georgian Milk Mark  
Federation

# Fair Terms of Trade

Trade Relationships between Georgian Dairy  
Producers and Supermarkets

April 2026

# About the Georgian Milk Mark Federation

The Georgian Milk Mark Federation (GMMF) was established in 2019 as a coalition of twenty-four Georgian Milk Mark dairies (GMM), facilitated by the Business Institute of Georgia (BIG), which administers the Georgian Milk Mark. Today the GMMF group unites fifty-one community based dairy factories who source raw milk from small-scale Georgian farmers and who use, or aspire to use, the [Georgian Milk Mark \(GMM\)](#). The GMMF dairies provide regular year-round income to sixteen thousand households. They also provide access to quality employment and other social and economic advantages such as advance payments, inputs for livestock, help purchasing milking machines, help accessing loans, support to local education, and community initiatives.

The GMMF advocates for its members, which currently involves reducing unfair competition through better control of unregistered dairies using milk powder for cheese making and selling as a raw milk product and removing unfair trading practices encountered by dairies in their relationships with supermarkets, including entry fees, hidden commission and delayed payments.

## Advocacy Campaign for Fair Terms of Trade

Back in 2021, facilitated by the ALCP, the GMMF together with BIG, developed an intervention to tackle unfair terms of trade in the dairy sector. Research conducted in 2021<sup>1</sup> revealed asymmetric power dynamics and unequal trade patterns between dairies and supermarkets, highlighting the need for a new regulatory framework. Advocacy efforts were extensive and brought together key stakeholders, including the Government of Georgia and the Ministry of Economy and Sustainable Development of Georgia, key players representing food industry suppliers and supermarkets. A draft law was developed<sup>2</sup> but at the end of 2023 the adoption process was abruptly stalled, ostensibly due to pressure from retailer lobbying groups (Please, see Figure 1 for a brief timeline and Annex 1 for detailed information).

In December 2025 the issue came to the forefront again, raised by the Prime Minister of Georgia in response to general concerns amongst the public about affordability and food prices in shops. This encouraged the GMMF dairies to become more active in advocating for their interests.

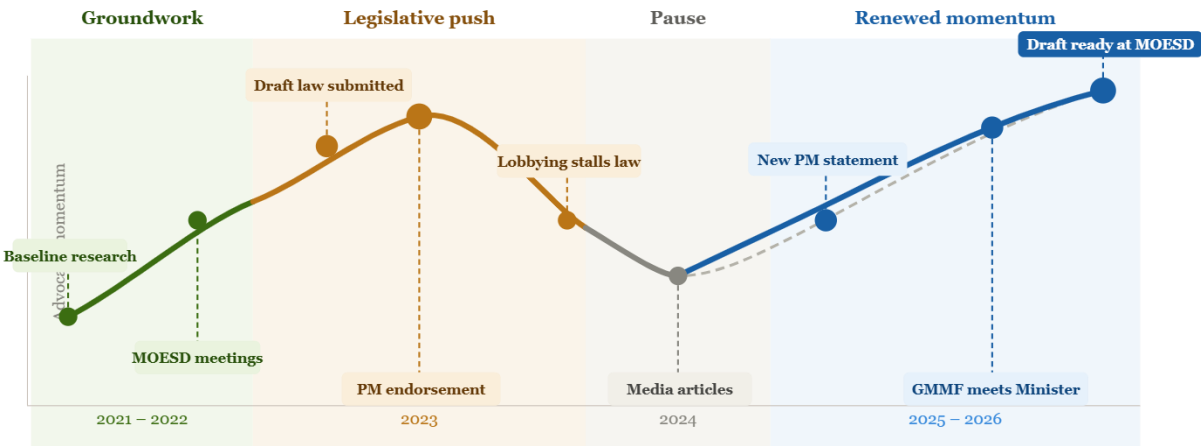


Figure 1 Brief Timeline for Advocacy Campaign

<sup>1</sup> Investigating an Unlevel Playing Field Experiences of Dairies Supplying Supermarkets in Georgia, September 2021

<sup>2</sup> Law on the Elimination of Unfair Trading Practices between Suppliers and Retailers, February 2023.

In 2026 GMMF members met with the Minister of Environmental Protection and Agriculture (MEPA), renewing momentum to address unfair trade practices and strengthen dialogue between the government and dairies. The meeting clearly demonstrated the growing unity, confidence and professionalism within the Federation. The dairies presented themselves as a coordinated and credible group, articulating their concerns in a structured and constructive manner. Regular communication among members and active information exchange through their WhatsApp group has strengthened mutual trust and enhanced their capacity to engage effectively with public institutions and market actors. Today the GMMF represents not individual businesses, but a cohesive group of dairies who are committed to the production, protection and promotion of a value-added product, cooperation and long-term sector development.

In February 2026, the ALCP2 conducted an Impact Assessment to evaluate the current state of trade relationships between dairies and supermarkets, updating knowledge from the baseline. The assessment aimed to identify both improvements and persistent challenges. This evidence is essential for ongoing monitoring and for actively supporting the GMMF in its advocacy to address unfair trading practices and strengthen the dairy sector.

## Methodology

The assessment used a mixed-methods approach, combining focus group discussions, an online survey, and in-depth interviews with supermarkets.

- Two focus groups involved 12 GMMF dairies from diverse regions, capacities and supermarket engagement levels.
- A mini survey was administered online via the GMMF WhatsApp group and completed by 12 producers, those who sell their products at the supermarket chains.
- Interviews with supermarkets had very low response rate, with nine out of ten managers<sup>3</sup> declining to participate. They were referring to questions to other departments or showing reluctance in the context of ongoing parliamentary discussions on food prices. As a result, sufficient data could not be collected to represent supermarket perspectives.

Quantitative data were analyzed in Excel, while qualitative data were analyzed thematically. Findings were triangulated across data sources to enhance reliability, and further substantiated using existing monitoring and evaluation data, including historical information from the ALCP2 qualitative monitoring plans. Finally, findings were compared against the 2021 baseline to identify key changes over time.

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<sup>3</sup> Contacted Gvirila, Zgapari, Fresco, Nikora, Billion, Family, Ori Nabiji, Madagoni, Magnifi, Spar and only Spar participated in the study.

## Key findings

The study captures persistent problems in supermarket dairy trade relationship, as well as significant improvements and signs for hope for further development. Before discussing them in detail, these are the key findings.

- GMMF members have improved their bargaining power, with larger, longer-established dairies holding the GMM mark benefiting most from stronger supermarket relationships.
- Entry fees have declined sharply, supermarkets now share real-time information with dairies on available stock, and in two cases, supermarkets also provided advance payments for orders.
- Improvements remain fragile and unevenly distributed and require a legislative framework to be formalized and extended to all suppliers.
- During the absence of legislative mechanisms, these three unfair trading practices persist:
  - *Delayed payments*: revenues from products sold that are withheld by supermarkets and not paid to suppliers within standard payment periods.
  - *Product returns*: a process where supermarket chains return products to dairy producers when items are either out of date or damaged.
  - *Cashback charges*: A percentage charge levied by the supermarket for selling the product in their supermarket, on the cost of the supplied goods sold during the month and not from the full order received from the dairy producer within the month.

## Positive trends

The assessment identified notable improvements in the relationship between the GMMF dairies and supermarkets. Among survey participants, 41% reported enhanced interactions, with focus group discussions providing further insights into the specific nature and underlying reasons for these changes. Overall, compared to the 2021 baseline, these improvements are tangible.

**1. Improved bargaining position:** In 2021, dairies largely accepted unfair terms without challenge due to fear of losing supermarket access. By 2026, the GMMF members confidence and negotiation capacity have strengthened significantly and this is especially true with GMM dairies, because the mark has become a negotiating asset. By 2026, 82% of respondents said the GMM certification had helped them build stronger relationships with supermarkets, with chains now actively trusting and preferring the GMM products.<sup>4</sup>

Simultaneously, the GMMF dairies are increasingly leveraging their collective strength and support from other members. WhatsApp groups, meetings and personal contacts established through GMMF allow them to stay informed and share knowledge. For example, by asking each other about best or worst trade practices from supermarkets and receiving feedback or advice. As a result, some dairies have been able to negotiate better financial terms and secure special arrangements, such as replacing recurring cash-back payments with a single-entry fee, avoiding placement commissions or benefiting from exceptions to annual cash-back increases.

**2. Entry fees:** These are payments required from suppliers to place products in supermarket chains. **While entry fees were a major issue in 2021, significant improvements have been observed:** most dairies (86%) no longer pay them, and where fees are still charged, they are at least halved compared to the baseline (decreased from around 500 Gel per branch to 250 Gel).

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<sup>4</sup> While this study did not directly measure the impact of the Georgian Milk Mark (GMM) on sales, it captures a clear trend: dairies report higher prices and increased sales when using GMM labels. For example, in one case, switching from a chain-selected generic brand to the producer's own GMM-labelled product resulted in a 300% increase in sales within a single year, demonstrating that the Mark now provides tangible market leverage that was absent at baseline. This findings are in line with ALCP2 regular monitoring data.

3. **Transparency around stock reporting has improved for a majority of producers.** In 2021, dairies reported that supermarkets almost never provided stock information, forcing them to guess remaining inventory and leaving them vulnerable to manipulation of sold quantities. By 2026, 58% of surveyed producers reported receiving regular stock reports from supermarkets, with only 25% saying they never receive this information.

4. **Advanced payments from supermarkets have been recorded in two cases.** Although still uncommon and largely dependent on informal relationships with supermarket managers, this represents a qualitative shift in certain dairy–supermarket relations from purely extractive to occasionally supportive. For instance, in 2026 longer-standing partners proactively offered advance payments to dairies in need; in one instance, 500,000 GEL was paid in advance, and in another, 65,000 GEL. At the 2021 baseline, such pre-payments were unprecedented.

5. **Diversification away from supermarket channels has increased.** In 2021, dairies felt trapped in supermarket supply relationships despite unfair terms because they had limited alternatives. By 2026, the GMMF member dairies have actively reduced their supermarket supply volumes and shifted toward HoReCa channels, tenders, exports and their own branded shops and restaurants. This further strengthens the GMMF dairies’ bargaining position.

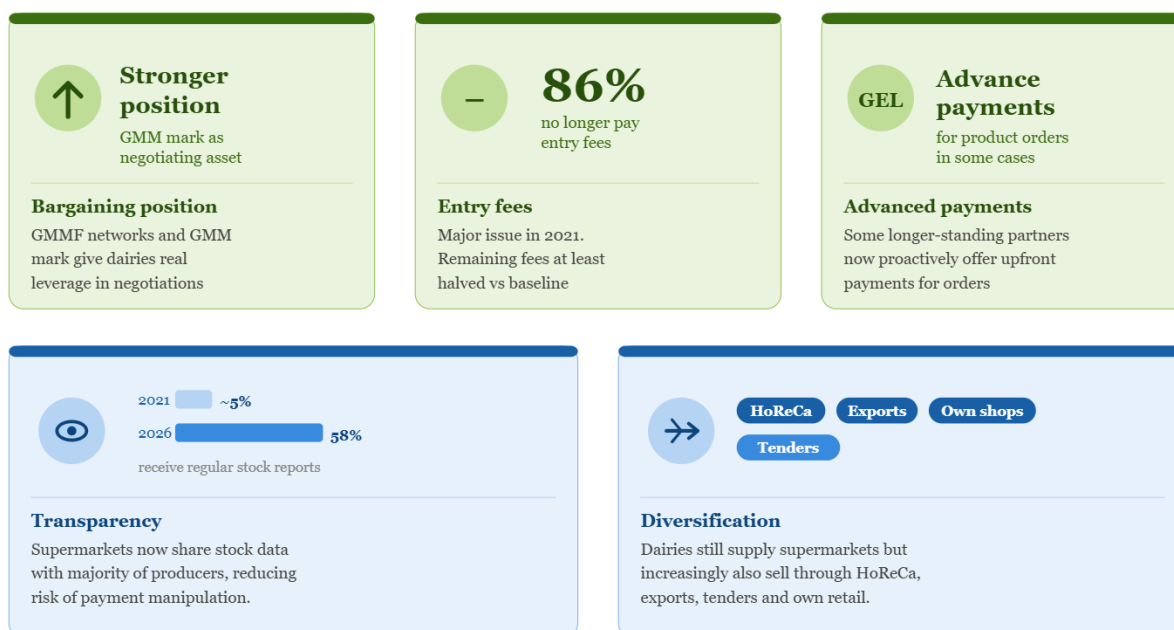


Figure 2 Improvements in supermarket dairy trade relationships

Overall, these improvements are meaningful, but they remain fragile. The focus group participants made it clear that positive changes in their relationships with supermarkets have largely depended on the goodwill of individual supermarket managers and informal contacts rather than on any formal standard. Terms which improved in one contract cycle can be reversed in the next.

## Persistent problems

Without legislative mechanisms, certain problems remain. When discussing the most pressing challenges in their relationships with supermarkets, the GMMF dairies consistently highlighted three issues that have persisted since the 2021 baseline. These include delayed or frozen payments, reported by 67% of respondents, product return rules, mentioned by 58%, and cash-back charges, noted by 42%.

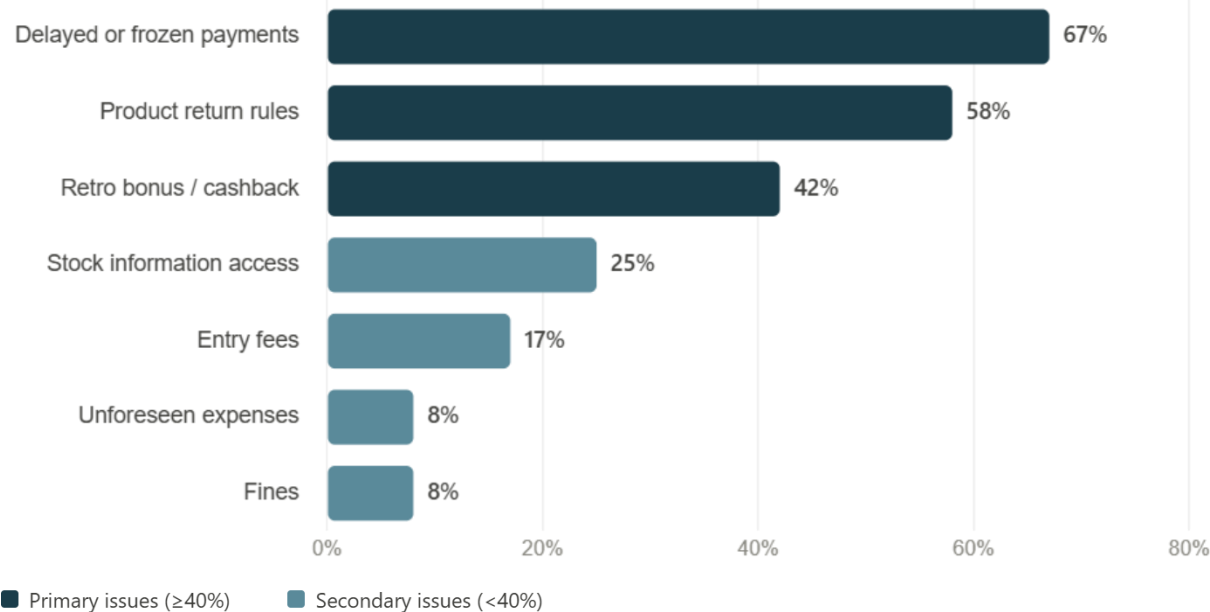


Figure 3 Most Pressing Issues in Dairy Supermarket Relationships

- 1. Delayed or frozen payments:** This refers to revenues from sold products that are withheld by supermarkets and not paid to suppliers within standard payment periods. Producers reported that they often do not receive formal documentation explaining these retained amounts. In some cases, unpaid balances reach up to 200,000–800,000 GEL and are only released when the supplier exits the supermarket chain. This generates substantial financial pressure on dairies, forcing some to take on loans and, in certain cases, reduce production due to insufficient working capital.
- 2. Product returns:** High levels of product returns remain a major issue, with some dairies reporting return rates of 20–25%, compared to 5–10% recorded in the 2021 baseline study. The focus group participants explained that unsold products are often due to poor internal logistics and stock management within supermarket chains. Participants also raised concerns about high retail prices, which are typically set by supermarkets. When prices are perceived as too high, consumers often turn to alternative channels, such as agrarian markets or small shops, where product quality is less controlled and producers may not comply with food safety and hygiene standards. This combination of high prices and logistical issues leads to unsold products being returned to dairy processors. This shifts commercial risk from retailers to dairies. Within the current trade relationships, most risks are borne by dairies, while supermarkets minimize their exposure.
- 3. Cashback (retro bonus payments):** While the term ‘cashback’ may sound beneficial, for dairies it represents a cost. This refers to payments that suppliers are required to return to supermarkets after sales, typically calculated as a percentage of total product sales value. The GMMF dairies reported that these payments range between 5–12%. In 2021, the cashback rate was even higher, sometimes reaching up to 17%. Although these rates have decreased, cashback payments still impose a significant burden on dairies: they reduce already thin profit margins and contribute to higher cheese prices for consumers.

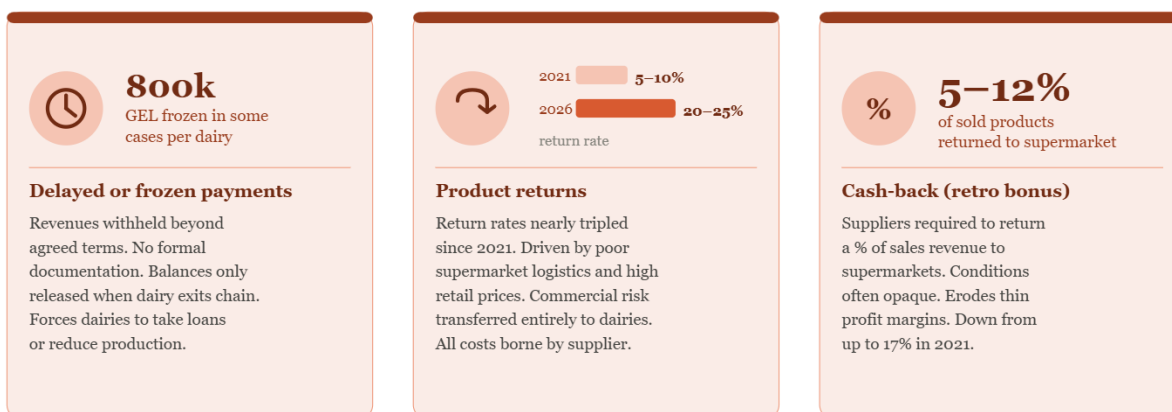


Figure 4 Persistent problems in supermarket dairy trade relationships

Apart from these concerns, the GMMF members also emphasized that they continue to face a broader competitive environment that undermines the viability of compliant, quality-focused dairy production. As in 2021, unregistered dairies using milk powder to produce cheese remain active in the market, undercutting the GMM producers on price whilst evading food safety and hygiene standards. This is compounded by the import of cheap dried cheese from Russia at approximately 7 GEL/kg (below the cost of locally produced cheese) and low-quality raw milk from Azerbaijan, both of which distort market prices and erode the competitive position of compliant dairy producers. These structural pressures fall outside the scope of supermarket and dairy relationships yet directly affect the financial resilience of dairies and their capacity to absorb the additional costs imposed by the supermarkets unfair trading terms.

## Conclusion

This impact assessment confirms that strengthening the GMMF and five years of sustained advocacy have yielded tangible results. The GMMF dairies' confidence and collective capacity have grown significantly, entry fees have been cancelled or declined and dairies have also started to diversify their markets. However, the three structural challenges at the core of unfair trading practices, delayed or frozen payments, high product return rates and cashback charges, remain largely unresolved.

Addressing these persistent challenges will require legislative change. Momentum for the advocacy campaign has returned and windows of opportunity are opening: the draft regulatory framework developed by the ALCP2 and J&T Legal Consulting in 2023 remains ready for adoption. The environment for legislative change is now considerably more favourable than at any point since the baseline, which raises the prospect that improvements in dairy supermarket relationships will be formalized and ongoing challenges resolved. The ALCP2 will continue monitoring the situation, supporting GMMF's advocacy and tracking legislative developments.

## ANNEX 1

Table 1 Advocacy Timeline on Fair Trading Practices 2021–2026

DATE	EVENT	OUTCOME
Sep – Nov 2021 Groundwork 2021–2022	ALCP, BIG, GMMF and J&T Legal Consulting facilitated meetings with producers (dairy, meat, honey, tea, bread, berry) and government bodies, donor organizations and sector associations including FAO, UNDP, USAID, Georgian Farmers' Association, Georgian National Competition Agency, Parliament Agriculture Committee and others.	<i>Stakeholder information shared on the advocacy initiative; feedback gathered; key actors engaged in campaign implementation.</i>
22 Sep 2022	Introductory meeting between ALCP2 and the Ministry of Economy and Sustainable Development of Georgia (MOESD).	<i>ALCP2 presented challenges in dairy–supermarket trade relations and requested support for regulatory framework development.</i>
7 Nov 2022	Working session with MOESD Deputy Ministers.	<i>ALCP2 survey findings and regulatory options discussed. Deputy Ministry requested an additional economic review.</i>
20 Feb 2023 Legislative push 2023	ALCP2 submitted two documents to MOESD: a draft law on Fair Trading Practices and a request for research on the Economic Review of Supermarkets and Producers.	<i>MOESD met separately with supermarkets to introduce the draft law and discuss its contents.</i>
20 Feb 2023	Prime Minister Irakli Garibashvili publicly highlighted rising food prices and endorsed development of a regulatory framework aligned with EU fair-trading standards.	<i>MOESD contacted ALCP2 requesting the draft law be submitted as a priority for the Prime Minister.</i>
27 Feb 2023	ALCP2 and J&T Legal Consulting finalised the draft law on fair terms of trade between supermarkets and food suppliers.	<i>Final draft submitted to MOESD upon request.</i>
28 Feb 2023	Meeting with MOESD Deputy Ministers to review the draft law.	<i>Further meeting with supermarkets scheduled, organised by MOESD.</i>

DATE	EVENT	OUTCOME
1 Mar 2023	Meeting with Deputy Ministers, supermarkets and the Retail Association to discuss the draft fair trading law. ALCP2 maintained regular contact with the Ministry thereafter.	<i>No final decision reached. Lobbying by supermarket groups appears to have delayed progress on the fair-trade regulations.</i>
Sep 2024 Pause 2024	ALCP2 contracted J&T Legal Consulting to publish an article and media report on unfair trade practices between supermarkets and dairy companies. Subsequent activities discontinued due to political instability and limited advocacy prospects.	<i>GMMF refocused advocacy on addressing unfair competition, recognising it as a more pressing barrier to sectoral development at this stage.</i>
24 Dec 2025 Renewed momentum 2025–2026	Prime Minister Irakli Kobakhidze again highlighted rising food prices in supermarket chains. Key problems remain unchanged: entry fees, delayed payments, cashback/retro bonuses and returns of unsold products.	<i>Working group established including MOESD Deputy Minister Genadi Arveladze — previously MOESD focal point for ALCP2's advocacy.</i>
27 Jan 2026	Georgian Public Broadcaster's Actual Theme programme hosted discussion on the Prime Minister's initiative. Former ALCP2 consultant Beka Natsvlshvili stated that price regulation is necessary and that the draft regulation developed by ALCP2/Mercy Corps sits at MOESD ready for approval.	<i>Expert confirmed the ALCP2 draft regulation can be approved by the Government immediately, providing concrete solutions to these challenges.</i>
26 Jan 2026	GMMF members requested and organised a meeting with the Deputy Minister of MEPA to discuss unfair competition from non-registered dairies, unfair supermarket trade terms, and weak HoReCa sector controls.	<i>Next step agreed: organising a full meeting with the Ministry of MEPA.</i>
17 Feb 2026	GMMF members met with Minister of Environmental Protection and Agriculture David Songulashvili to discuss challenges in the dairy sector including unfair terms of trade with supermarkets.	<i>Producers motivated and awaiting MEPA feedback. Next step: meeting with the Prime Minister to propose a regulatory framework.</i>