

Inter-Regional Trade & the Importance of the Goderdzi Road

Hay & Straw Fact Sheet

AJARA NUMBERS AT A GLANCE

46,830

Total number of households engaged in livestock production

94,805

Total number of livestock (head)

82

Average number of bales of hay/straw purchased per household (outside of Ajara)

1,777,594

Total number of bales of hay/straw purchased from Samtskhe-Javakheti & Kvemo Kartli

588

Additional kilometers to transport hay due to poor road quality and hazardous conditions on the Goderdzi road

0.61

Additional fuel expenses on transportation GEL per bale

542.166

GEL additionally paid by livestock producers annually in Ajara for hay transportation

50

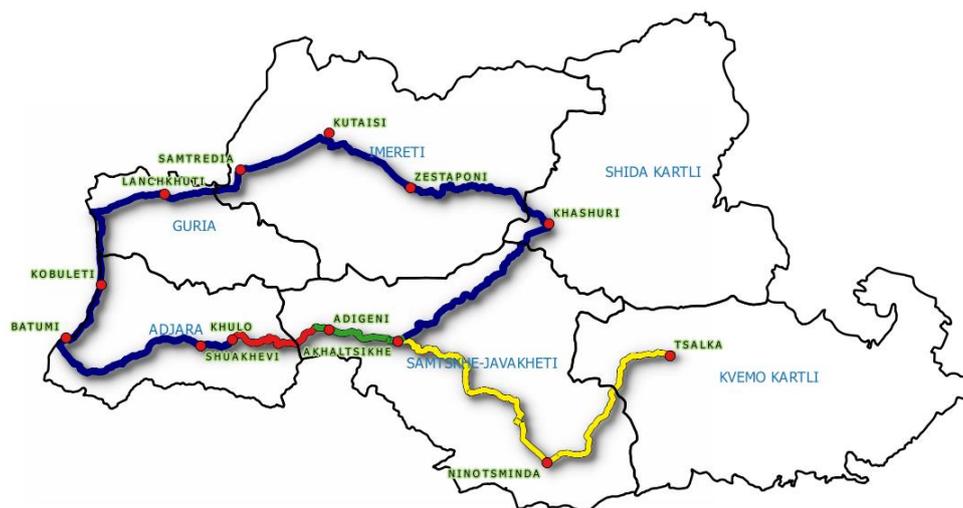
Number of large scale Hay intermediaries selling hay/straw

SUMMARY

- Hay & straw in winter months make up the predominant form of nutrition for livestock in Ajara. Consumption of all other feeds is relatively minor in comparison.
- A sufficient amount of hay over winter can play a determining role in the farmers' development in the expansion of the number of cattle.
- However, the vast majority of farmers in Ajara can't produce a sufficient amount of hay, due to the low availability of hay land. More than half of the hay consumed in Ajara is purchased from other regions of Georgia.
- Compared to hay, straw has much less nutritional value, but because straw costs less, some farmers, especially in high zone of Ajara (Khulo & Shuakhevi), are forced to purchase it.
- 75% of the hay/straw purchased by farmers outside of Ajara is produced in Samtskhe-Javakheti and Kvemo Kartli.
- As the main feed resource for livestock in Ajara, purchase and transportation of hay/straw has a major impact on farmers' expenditure.
- Similarly, sales of surplus hay is a significant source of income for some farmers in Samtskhe-Javakheti and Kvemo Kartli.

CONSTRAINTS OF HAY/STRAW TRANSPORTATION

- There are two routes for hay transportation from Samtskhe-Javakheti & Kvemo Kartli to Ajara. The short route, through the Goderdzi pass, and the longer one through Imereti.
- The long route is 294km longer (one-way) than the short route. Hay is transported on trucks all year round, mainly by hay intermediaries.
- The short route, through the Goderdzi pass is used for the transportation of hay & straw from August till the middle of November and from March till May. The road is closed for 4 months in winter.
- The length of the road from Akhaltsikhe to Khulo is only 81 kilometers, but 47km long Zarzma-Khulo section is in terrible condition, which significantly increases the transportation costs.
- Blind curves, poorly banked sections, landslides, lack of traffic signs make the road even more hazardous for overloaded hay trucks. Unfortunately, there have been several fatal accidents.
- Despite the huge difference in distance, only half of the total amount of hay is transported through the short route, mainly to the high zone of Ajara (Khulo & Shuakhevi).
- Due to the poor road quality and hazardous conditions hay intermediaries who sell hay at Batumi and Kobuleti hay markets, also in other parts of low zone of Ajara, prefer to transport it through the long route. As a result, more than half a million GEL is wasted annually, just on increased fuel expenses.



Inter-Regional Trade & the Importance of the Goderdzi Road

Livestock & Sheep Fact Sheet

Inter-Regional Trade

10,000

Number of calves sold from Ajara to Samtskhe-Javakheti & Kvemo Kartli

2,000

Number of milking cows sold from Samtskhe-Javakheti to Ajara

5,000

Number of sheep sold from Kvemo Kartli & Samtskhe-Javakheti to Ajara

588

Additional kilometers on transportation due to poor road quality

17,4

GEL Additional fuel expenses on transportation per cow

7,3

GEL Additional fuel expenses on transportation per calf

10

(Hours per trip) Additional time required on transportation

40

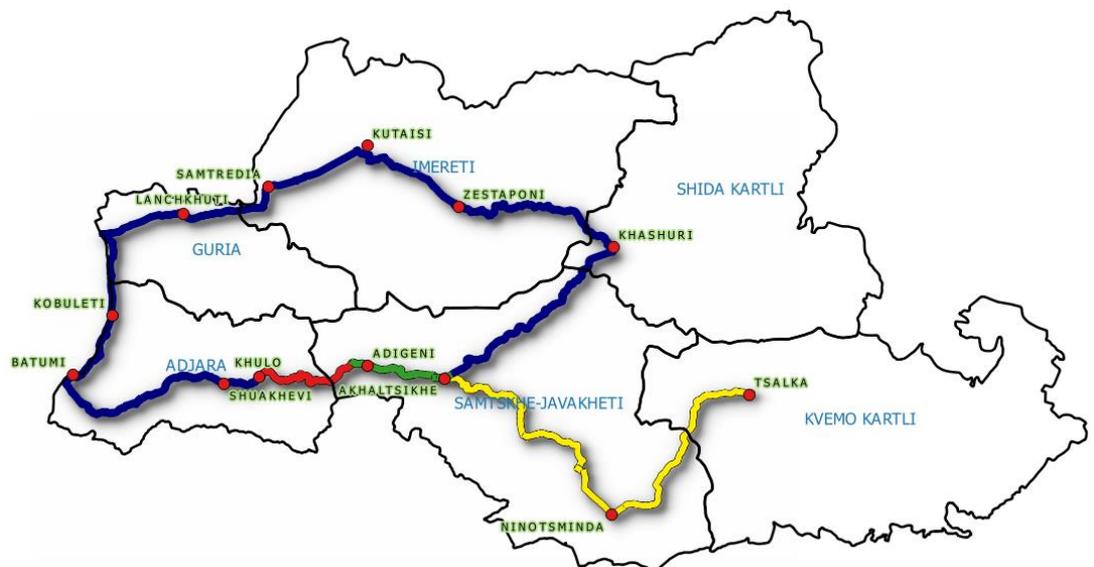
Number of intermediaries involved in inter-regional livestock and sheep trade

SUMMARY

- Ajara region is one of the largest consumers of meat products in Georgia (more than 30,000 tonnes per year) while the production of meat in the region remains one of the lowest at around 2.5 thousand.
- If we take into consideration, the dynamically growing mass tourism sector in Ajara, logically there should be huge opportunities for local farmers in the expansion of the number of beef cattle. However, there are several limiting factors, hindering further development.
- The vast majority of farmers in Ajara can't produce a sufficient amount of hay, due to the low availability of hay land. More than half of the hay consumed in Ajara is purchased from other regions of Georgia (out of which 75% is purchased from Samtskhe-Javakheti & Kvemo Kartli).
- Constraints with hay transportation through Goderdzi road results in an increased price of hay. A bale of hay costs 2-3.5€ more in Ajara compared to other regions.
- Accordingly, winter feeding is the most expensive part of cow/calf production in Ajara. "You are what you eat" - this statement is also true with cows and calves. Consuming a limited amount of hay, which is the predominant form of nutrient needs of livestock, results in poor performance.
- It is unprofitable to feed calves with the expensive/scarce hay during the wintertime. Thus, the farmers switch to milk production, which is more profitable. In order to produce more winter milk, farmers who are more business-minded, purchase better breed milking cows in Samtskhe-Javakheti. Produced milk is either sold to local milk processors, or processed into cheese and sold in the agrimarkets of Ajara.
- There is no livestock market in Ajara. Local farmers are served by slaughterhouses, which seem to be willing to source cattle from farmers. However, farmers state that livestock markets in Akhaltsikhe and Marneuli offer more transparency and better sales prices.
- Annually, more than 10,000 calves are sold and 5,000 sheep & 2,000 milking cows are purchased by farmers and intermediaries from Ajara in Akhaltsikhe and Marneuli livestock markets. There are two routes for livestock transportation. Short route, through Goderdzi and longer one through Imereti. The poor road quality, blind curves, poorly banked sections, landslides, make the short route troublesome for transportation. Cattle are distressed during the transportation and lose weight.

A BOTTLENECK LIMITING INTER-REGIONAL TRADE OF LIVESTOCK

The poor road quality and hazardous conditions on Zarzma-Khulo section of Batumi-Akhaltsikhe road adds additional expense to the feeding and transportation of cattle, increases risk, restricts the trade relations between the regions and hinders the further development of the sector. Rehabilitation of the above mentioned section would boost the livestock trade. Farmers from Ajara will have better access to livestock markets to sell calves and to purchase milking cows. Farmers from Kvemo Kartli and Samtskhe-Javakheti will have better opportunities for selling sheep in Ajara.



Inter-Regional Trade and the Importance of the Goderdzi Road

Rural Tourism Fact Sheet

NUMBERS AT A GLANCE

443 667

Tourists accommodated in hotels in Ajara (2015)

93 170

Tourists interested in mountain tourism in AJ (2015)

16 978

Tourists accommodated in rural AJ (2015)

AFTER THE REHABILITATION

170 897

Potential tourists in rural AJ & SJ (2017)

4 272 425

Potential benefit (GEL) for local economy (2017)

505 757

Potential additional income for local SSLPs (2017)

165

Km saved by the tourist travelling from AJ to SJ through short route

2

Hours saved by the tourist travelling from AJ to SJ through short route

1 127 920

GEL saving by potential tourists (travelling from AJ to SJ) on fuel (2017)

SUMMARY

- Ajara(AJ) and Samtskhe-Javakheti(SJ) with their picturesque environment, dozens of ancient historical sites, variety of landscapes, breath-taking waterfalls and wonderful gorges, delicious cuisine and traditional sense of hospitality, have unique selling points for the development of rural tourism, however, this potential is presently untapped.
- The development of a strong platform around the concept of Rural Tourism is definitely valuable for a country like Georgia, where 42.6% of the population resides in villages. Rural tourism development remains important for AJ and SJ regions also, as the rural population in AJ is 208 881 (55.7%) and in SJ 141 873 (68.7%) people.
- There are up to 118 registered guesthouses in SJ and 330 in AJ, 78 of which are located in high mountainous Ajara (Khulo, Shuakhevi, and Keda), but the occupancy rate of these guesthouses is only 11%.
- There are two main resorts on the Goderdzi pass: the summer resort Beshumi which hosts more than 6000 visitors yearly and the newly opened Goderdzi ski resort which hosted more than 3100 visitors in January-February 2016. Visitor numbers are naturally restricted by the condition of the road and putting themselves in danger particularly in winter when conditions are particularly perilous.

CONSTRAINTS FOR RURAL TOURISM

- There are 2 ways to reach AJ from SJ: the short route through the Goderdzi Pass that is 161 km (Batumi-Akhaltsikhe) and long route through Imereti that is 326 km (Batumi-Khashuri-Akhaltsikhe). Due to poor road conditions and the closure of the Goderdzi road for at least 4 months in winter, tourists travel via the long route spending an additional 2 hours per trip and bypassing the most beautiful parts of the region.
- Public transportation system between two regions throughout the Goderdzi pass is not adjusted to the tourists. *Marshutkas* depart to SJ once a day early morning. This is a problem for locals as well.
- Rural tourism stakeholders (AJ based guesthouse owners and tour agencies) state that the development and growth of private investment in rural tourism sector is hindered by the terrible condition of Goderdzi road and lack of road signs.
- Due to hazardous road conditions, only 5% of Ajara based tour agencies offer inter-regional tours through the Goderdzi pass.
- The poor road quality restricts access for tourists interested in mountains. In 2015 only 18% of tourists interested in mountains were able to reach upper Adjara.

DRIVERS AND PRO-POOR OPPORTUNITIES

- Government investments (more than 24 million GEL from the State and local budgets) allocated for the development of Goderdzi resorts will stimulate rural tourism development and add value to the importance of the condition of the Goderdzi road.
- Batumi Botanical Garden's (BBG) new project - the Alpine Botanical Garden on the Goderdzi pass will form an ecological hub for rural tourism, embodying the ethos of conservation, ecology, sustainability and the value of landscape. The BBG's plans to offer its visitors in Batumi (170 897 unique visitors in 2015) free access to Alpine Botanical Garden which will increase number of users of the Goderdzi road.
- The Alpine Botanical Garden will create an important interregional hub between popular tourism destinations of SJ (Vardzia, Rabati, etc.) and Batumi,AJ.
- The Georgian Government's new initiative - to grant up to 10 land parcels located at Goderdzi pass to the businesses interested in investing in tourism facilities - will increase focus on the Goderdzi road as well.
- The Department of Tourism and Resorts of Ajara plans to spend 127,000 Gel in 2016 for rural tourism development in mountainous Ajara.
- Good roads are the main drivers for tourism development. In 2015, the number of tourists and registered guesthouses in SJ increased respectively by 495% and 40% compared to pre 2010 when Akhalkalaki-Ninotsminda-Tbilisi road reconstruction was finished.
- After rehabilitation, the Goderdzi road will stimulate private investments in rural tourism, enhance employment, creating access to new markets or local SSLPs, and contribute to the development of other sectors of economy.

Inter-Regional Trade and the Importance of the Goderdzi Road

Cheese Market Fact Sheet

AJARA

Cheese Market

443,667

Number of tourists accommodated in hotels

165,682

Urban Population

3,7

(Thousand tonnes) Annual cheese consumption of urban population alone

350

Number of entities in HoReCa sector

43,7

(Million Liters) Milk production in Ajara

210,6

(Million Liters) Milk production in SJ & KK

2

Number of cheese producing enterprises in Ajara

70

Number of cheese producing enterprises in SJ & KK

330

Additional kilometers to transport cheese due to poor road quality on Goderdzi

2170

(GEL Annually) Additional fuel expenses on cheese transportation per enterprise

SUMMARY

- The number of tourists in Ajara has been increasing constantly over recent years. In 2015, the number of tourists accommodated in hotels increased to 443,667, foreign tourists made up 265,492 of this figure.
- Ajara, with a growing tourism sector and urban population of 172,594 is a source of huge demand for dairy products. The dairy market (excluding cheese) is dominated by the produce of large dairy enterprises from Tbilisi and imported dairy products. However, the same does not apply to the cheese market.
- Cheese is the main product of milk origin in Ajara & is an item of everyday consumption. Demand outstrips local production. Annual regional milk production in Ajara equals 43.7 million litres (theoretically equal to 5820 tonnes of cheese although not all milk is converted to cheese). The urban population alone consumes 3,700 t/year.
- Regional cheese production system is represented currently by two enterprises, producing approx. 7 tonnes of cheese per week at peak season (ALCP program clients: "Natural Produkcia" and "Elguja Baramidze"). Both enterprises are sourcing milk from local farmers.
- A considerable amount of milk is processed into cheese by farmers themselves, part for home consumption, and part sold to cheese traders in the agricultural markets of region. There are 3 agricultural markets in Ajara, 2 in Batumi and 1 in Kobuleti.

COMPLEXITIES OF CHEESE SUPPLY FROM SAMTSKHE-JAVAKHETI AND KVEMO KARTLI

- There is a huge potential for the supply of safe quality dairy products to meet the demand of growing tourism sector in Ajara. But due to the poor infrastructure, it's barely profitable to bring cheese to Ajara for the enterprises located in Samtskhe-Javakheti and Kvemo Kartli. The poor road restricts the trade relations between the regions and hinders the development of the sector.
- A significant proportion of demand (especially during active tourist season, from May to September) is met by cheese produced from Samtskhe-Javakheti and Kvemo Kartli regions, which is distributed into the market system through complex web of intermediaries.
- Imeruli and Chechili cheese are almost solely made in the households, in contrast with Sulguni cheese, which is also produced in dairy enterprises (Sulguni provides a higher profit margin). There are dozens of intermediaries operating in Samtskhe-Javakheti and Kvemo Kartli, who collect cheese from households and supply it to Ajara. Intermediaries who bring cheese in outside of Ajara subsequently sell it on to local market players: local distributors, traders in the agrarian markets and to their customers in the HoReCa sector.
- Out of 70 officially registered dairy producing enterprises and great number of small & medium-sized unregistered cheese factories in Samtskhe-Javakheti and Kvemo Kartli, only 2 enterprises sell cheese on regular bases in Ajara. (approx. 2.5 tonnes per week).
- There are two routes for cheese transportation. The short route, through Goderdzi and the longer one through Imereti. Due to the poor road quality and hazardous conditions on the Zarzma-Khulo section of the Batumi-Akhalsikhe road, cheese intermediaries and enterprises who sell cheese in Ajara, generally use the long route, which significantly increases the cost of transportation.

A BRIGHT EXAMPLE OF RECENT YEARS

- Until the construction of Akhalkalaki-Ninotsminda-Tsalka-Tbilisi road, Javakheti continued to remain largely excluded from Tbilisi. (The Russian Military base in Akhalkalaki was the main economic pillar of local population). The new road shortened travel time by car from Javakheti to the capital by several hours, avoiding the detour via Akhalsikhe. The new road provided the basis for increased economic activities, including small and medium-sized dairy enterprises.
- High demand on livestock products from Samtskhe-Javakheti resulted in 60% increase of number of cattle in the region, from 2008 to 2014 (24% - country average for the same period). A short time ago, known as one of the poorest regions in Georgia, Samtskhe-Javakheti has the lowest percentage of population below poverty line – 5.5%, according to 2015 statistics.