

Market Research:
Apiculture (Bee-Keeping) Sector
at Kvemo Kartli, Shida Kartli, Kakheti and Imereti Regions,
Georgia



Smeda LLC

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Introduction

This research, “Market research of Apiculture (Beekeeping) Sector at Kvemo Kartli, Shida Kartli, Kakheti and Imereti Regions, Georgia”, has been developed by Smeda LLC, a Small and Medium Enterprise Development Agency, initiated by International Organization Mercy Corps, under the frames of “Strengthening Farmer Cooperatives in Rural Municipalities of Georgia”, a project implemented by the European Neighborhood Programme for Agriculture and Rural Development (ENPARD).

1.1. Market research objects

The following apiculture objects has been researched:

- Honey
- Other apiculture products: wax, propolis, pollen, apitoxin (bee venom), royal jelly, beebread, honeycomb.

1.2. Objectives and tasks of the market research

The objectives of the implemented research were as follows:

- Investigation and analysis of current condition at beekeeping market in the target regions / municipalities of the project, in particular:
 - Obtaining and analyzing the comprehensive and updated information about today’s main players as well as current market environment in mentioned sector / market
 - Estimation of hindering factors and potential systematic solutions in mentioned sector / market to meet the needs of small farmers operating in apiculture sector in target regions and municipalities, leading ultimately to enabling the small farmers to produce and sale competitive products.
 - Embedding the results of the implemented market research into respective report and presentating the report to Mercy Corps thereof.

Research aimed at identification of:

- The approximate total volume of the apiculture products produced in target regions on regional and municipal levels; a weighted share of the large producers and small beekeeper farmers in

this volume; the weighted correlation and seasonality of the local and imported apiculture products at target markets

- The volume of existing and potential demand for apiculture products at target markets (both on regional and municipal levels), demand's satisfaction ratio by local production
- Type of consumer demand to apiculture products, consumer preferences to products in terms of following parameters: product origination, physical appearance, quality, taste, type / sort, package, etc.
- Main local players, producers, suppliers, wholesalers, distributors, importers in beekeeping sector, conditioning current situation on market
- Marketing connection level for local bee products at regional and central markets
- Level of support towards proper development of apiculture sector from current market, legislative, social-economic environment, as well as from supply, service, consultancy and other available systems
- Today's obstacles hindering local apiculture development, types of support, the shortage of which is most painful for small beekeeper farmers
- Opportunities to improve current environment for the local small beekeeper farmers (in terms of value added production, value chain development, markets diversification, export-oriented production development).

1.3. Applied Methodology

During research, we have applied the following methodology for collection, grouping, processing and analyzing of data and information: desk research, collection and processing of statistical or other data and information, on-site (field) survey in target regions and municipalities, and meeting with Focus Groups. Specially elaborated questionnaires have been applied for meetings with Focus Groups on site as well as for discussions of research topics.

1.4. Market research period and geographic area

The research has been implemented from February 7, 2017 to April 25, 2017 and has covered Kvemo Kartli, Shida Kartli, Kakheti and Imereti regions. For research purposes, field activities pertaining to local Focus Group meetings have been implemented in sixteen (16) municipalities of five (5) target regions:

- Shida Kartli:
 - Gori
 - Kareli
 - Khashuri
 - Kaspi
- Imereti:
 - Sachkhere
 - Chiatura
 - Vani
 - Samtredia
- Kakheti:
 - Sagarejo
 - Gurjaani
 - Kvareli
 - Sighnaghi
 - Dedoplistskaro
- Kvemo Kartli:
 - Gardabani
 - Marneuli
 - Tetrtskaro

1.5. Implemented activities for market research purposes

1.5.1. Obtaining and processing official statistical information and other unpublished information related to research

On initial period of survey, we have processed the latest statistical information pertaining to apiculture production and import, available in Georgia and particularly, in target regions of research.

In parallel to the official statistical information, we have also processed apiculture problems-related various reports, surveys, analytical articles, relevant publications, data received from local governments both on regional and municipal levels. Respectively, the general volumes of apiculture production and import could be determined and the major trends could be identified in Georgia and target regions for recent 3-5 years period.

1.5.2. Determination of Focus Groups for field works, development of proper questionnaires for surveys

Proper Focus Groups have been selected in target municipalities and meetings have been arranged with them.

The Focus Groups consisted of:

- Local bee keepers
- Local beekeepers unions, including associations, cooperatives, etc.
- The wholesalers / traders, mediators, acting in regional / municipal agrarian markets.

- Apiculture materials and relevant service providers
- Representatives of local restaurants, hotels, shops which purchase the apiculture products
- Representatives of informational consultancy centers of Ministry of Agriculture operating within target municipalities; representatives of local self-government and other respective bodies, other interested parties
- Local coordinators of ENPARD Georgia in the local municipalities.

In parallel to determination of Focus Groups, the proper survey questionnaires have been also developed.

1.5.3. Arranging meetings with Focus Groups

Sixteen (16) meetings have been arranged for field research purposes. In total, one hundred and forty seven (147) persons attended Focus Group meetings.

The meetings were interactive: Focus Group members were actively discussing the topics, enabling us to obtain the realistic and comprehensive information about the current situation and existing problems in apiculture.

1.5.4. Telephone interviews

In parallel to Focus Group discussions, telephone interviews with potential consumers of honey have been also implemented. The interviewers contacted randomly selected respondents and identified their preferences and criteria according to which consumers buy honey or other apiculture products.

The telephone interviews have been implemented in nine (9) main cities of Georgia: Tbilisi, Telavi, Gori, Akhaltsikhe, Kutaisi, Batumi, Zugdidi, Rustavi, Marneuli, where the major honey consumers are concentrated. In total, six hundred (600) respondents have been interviewed by telephone. Their opinions and preferences to apiculture products are presented in research report.

1.5.5. Sum-up and analytical processing of information collected through implemented arrangements for research purposes. Development of final market research report

On final phase, we have summed up and analyzed information obtained and collected by desk and field surveys and telephone interviews and developed the final document.

2. Main results of market research

2.1. Review of statistical data and desk research results

2.1.1. Local production

Per the data from GeoStat, a National Statistics Office of Georgia, during 2012 - 2015, honey was produced in following volumes:

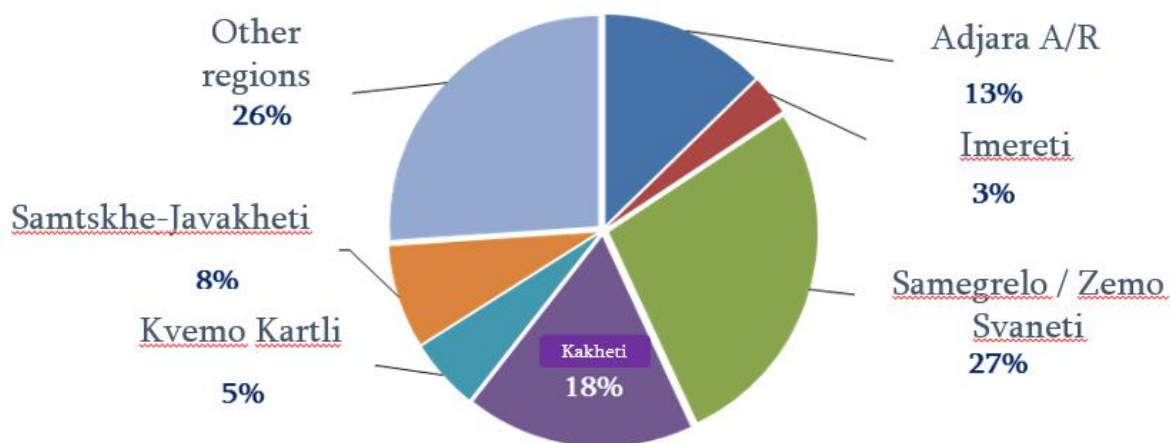
Table 1: Local production of honey per regions (thousand tons)

	2012	2013	2014	2015
Georgia	4.1	3.9	4.1	4.1
<i>Out of which:</i>				
Adjara A/R	0.6	0.6	0.4	0.5
Imereti	0.2	0.1	0.1	0.1
Samegrelo – Zemo Svaneti	1.2	1.3	1.1	0.9
Kakheti	0.5	0.6	0.9	0.9
Kvemo Kartli	0.2	0.2	0.3	0.2
Samtskhe-Javakheti	0.3	0.2	0.5	0.3
Other regions	1.1	1.1	0.9	1.2

Source: National Statistics Office of Georgia

Below we present percentage distribution of honey produced in Georgia per regions. More specifically, almost fourth of the total volume, 27%, is produced in Samegrelo-Zemo Svaneti region, 18% - in Kakheti, 13% - in Adjara, 3% - in Imereti, 8% - in Samtskhe-Javakheti and 5% - in Kvemo Kartli.

Chart 1: Honey production per regions



Source: National Statistics Office of Georgia

In addition to that, we have requested information from GeoStat about quantity of bee colonies in Georgia and target regions.

Table 2: Number of bee colonies per regions (thousand beehives)

	2012	2013	2014	2015
Georgia	347.5	398.6	403.4	421.5
<i>Out of which:</i>				
Adjara A/R	55.2	61.9	56.1	40.3
Imereti	15.2	13.9	15.2	16.7
Samegrelo – Zemo Svaneti	113.9	125.7	114.7	126.5
Kakheti	34.4	46.9	55.1	56.6
Kvemo Kartli	15.4	21.4	26.9	30.9
Samtskhe-Javakheti	30.7	33.4	38.4	33.6
Other regions	82.8	95.3	96.9	116.9

Source: National Statistics Office of Georgia

After analyzing the above figures, it seems that each beehive produced honey in following average volumes during indicated years:

Table 3: Quantity of bee colonies per the regions (thousand beehives)

	2012	2013	2014	2015
Honey volume produced in Georgia (kg)	4100000	3900000	4100000	4100000
Number of the beehives (units)	347500	398600	403400	421500
Average honey produced from one beehive (kg)	11.80	9.78	10.16	9.73

According to above results, number of bee colonies is growing in country; however, average volume of produced honey by each bee colony is declining. In average, 15 kg honey is produced in average by one bee colony in Georgia; therefore, we can conclude that efficiency of beekeeper farmers is low in Georgia. Looking at experience of and applicable practice in our neighbor countries where 45-60 kg honey is produced from one beehive, we can estimate beekeepers' productivity in Georgia as too poor.

Table below highlights information presented by GeoStat about retail prices on honey at cities and markets during different months in Georgia:

Table 4: Honey retail prices at cities and markets per the months across Georgia

Year	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Annual (Average)
2012	13.5	14.1	14.1	14.4	13.7	13.9	14.4	14.5	14.5	14.6	14.6	13.5	14.2
2013	14.4	14.6	14.5	14.6	14.4	14.6	14.4	14.6	14.7	14.7	14.9	14.4	14.6
2014	15.2	15.4	15.3	15.2	15.2	15.1	15.2	15.4	15.4	15.4	15.4	15.2	15.3
2015	15.4	15.5	15.4	15.8	15.7	15.8	16.0	15.9	16.9	17.1	16.5	15.4	15.9
2016	16.8	17.0	17.0	17.0	16.8	17.0	16.9	16.8	16.5	17.0	17.3	16.8	16.9

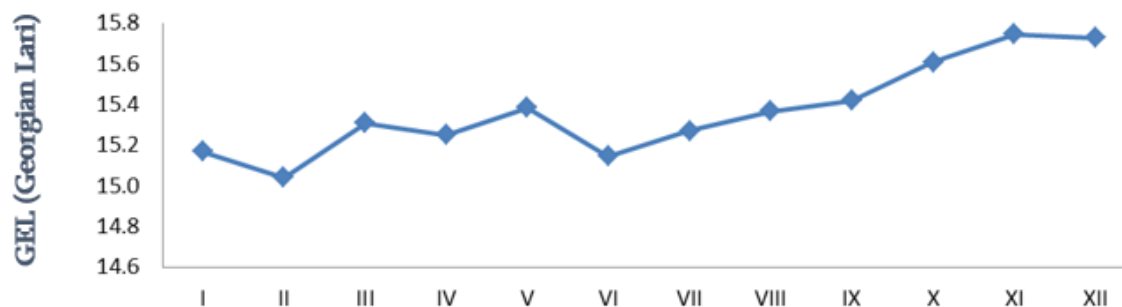
Source: National Statistics Office of Georgia

Table above shows that price on honey is increasing: in 2016, as compared to 2012, retail average price on honey had been increased by almost 20%.

Chart 2: Price Dynamics per Years



Source: National Statistics Office of Georgia

Chart 3: Price Dynamics per Months

Source: National Statistics Office of Georgia

Chart above shows variation of prices on honey per months. In spring, before production of new honey, honey is in shortage, thus price increases; however, in winter the price growth is conditioned by high demand on honey for New Year.

2.1.2. Export – Import Analysis

Below we show export-import dynamic and product prices and quantities:

Table 5: Export – Import Dynamics

Year	Honey	Import		Export ¹	
		Thousand \$	Ton	Thousand \$	Ton
2012	Natural	69.7	10.1	29.2	2.7
	Artificial ²	-	-	-	-
2013	Natural	48.5	7.9	116.7	17.0
	Artificial	0.1	0.0	-	-
2014	Natural	109.4	28.8	54.2	5.4
	Artificial	1.8	0.6	-	-
2015	Natural	99.0	32.4	73.1	8.3
	Artificial	1.4	0.6	-	-
2016	Natural	80.3	26.9	21.2	3.8
	Artificial	2.4	0.9	-	-

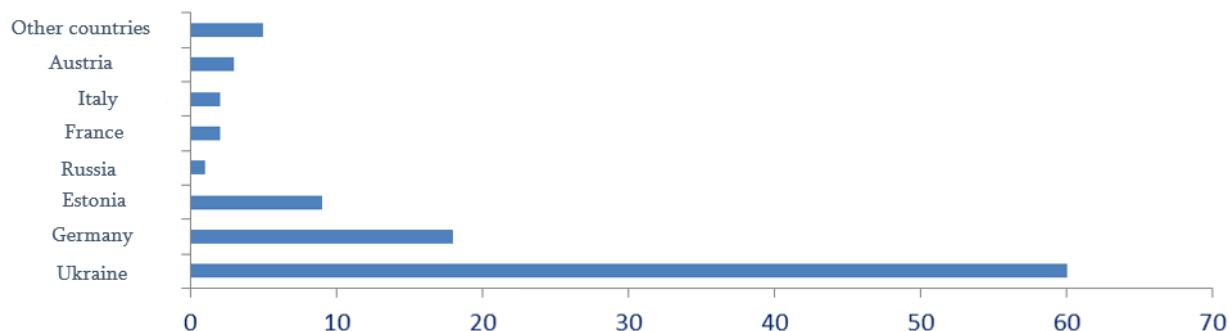
Source: National Statistics Office of Georgia

¹ Artificial honey was not exported in 2012-2016

² Artificial honey, either mixed or unmixed with natural honey

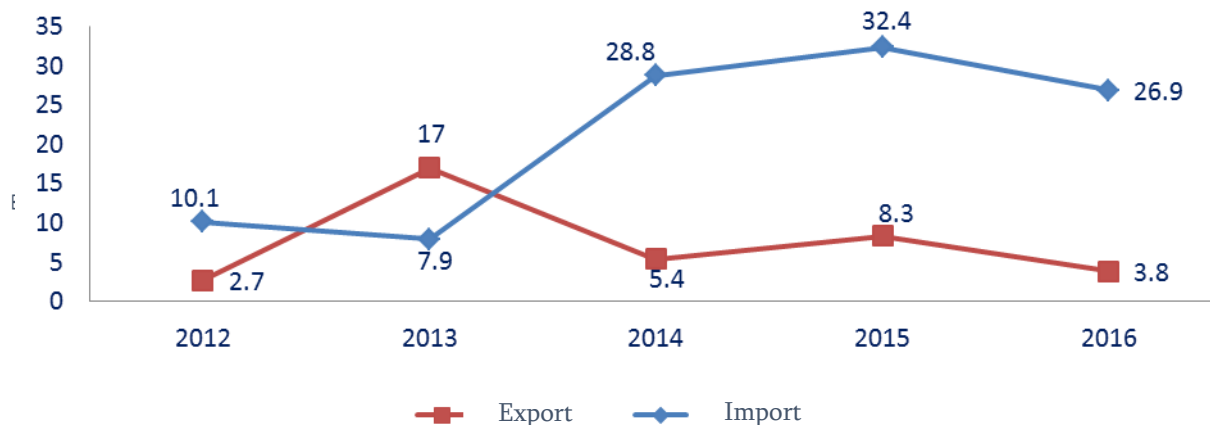
Main importers of honey to Georgia are Ukraine, Germany and Estonia, totaling to 87% of general import. The remaining portion of import is covered by other countries including Italy, France, Russia and Austria.

Chart 4: Honey Import per countries



As the chart shows, the product export volumes are quite variable per years. In 2016, due to unfavorable environmental conditions, honey yield was low, so drastically poor was the honey harvest, decreasing, in its turn, honey export.

Chart 5: Correlation of honey export and import per the years



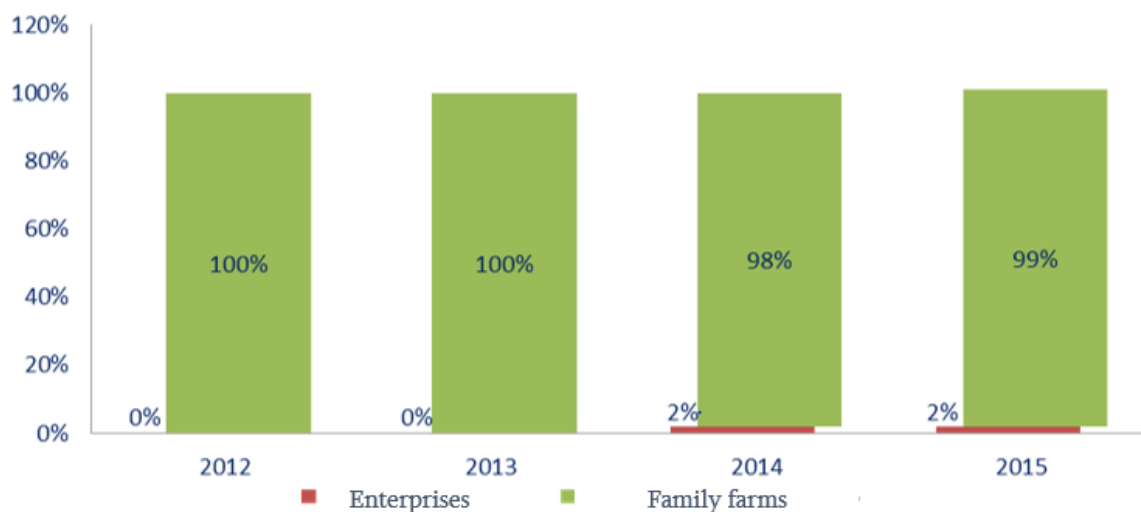
Source: National Statistics Office of Georgia

It is important to note about honey export that specific, not a small part of honey is exported to Azerbaijan and Turkey by physical persons. The product is often not even registered at customs and thus, at GeoStat. Importantly, honey producers and trade companies are less inclined towards honey export. Therefore, Georgia does not use trade quotas in Turkey and other countries. Small export obviously has its objective factors described below in more details.

2.1.3. Structure of players in apiculture sector

Below data from GeoStat shows structure of players in apiculture sector:

Chart 6: Share of family farms and enterprises in bee colonies' quantity



Source: National Statistics Office of Georgia

These data explicitly shows that mainly family farms are acting in apiculture sector of Georgia, and only in recent years, there has been a small tendency of entry by enterprises.

2.2. Results of Focus Group interviews and phone interviews

The meetings with Focus Groups have been implemented in four (4) regions of sixteen (16) municipalities, including:

- Shida Kartli:
 - Gori
 - Kareli
 - Khashuri
 - Kaspi
- Imereti:
 - Sachkhere
 - Chiatura
 - Vani
 - Samtredia
- Kakheti:
 - Sagarejo
 - Gurjaani
 - Kvareli
 - Sighnaghi
 - Dedoplistskaro
- Kvemo Kartli:
 - Gardabani
 - Marneuli
 - Tetrtskaro

The Focus Groups consisted of:

- Local beekeepers
- Local beekeepers unions, including associations, cooperatives, etc.
- The wholesalers / traders, mediators, acting at regional / municipal agrarian markets.
- Apiculture materials and relevant service providers
- Representatives of local restaurants, hotels, shops which purchase apiculture products
- Representatives of informational consultancy centers of Ministry of Agriculture operating in target municipalities; representatives of local self-government and other respective bodies, other interested parties
- Local coordinators of the ENPARD Georgia in local municipalities.

In parallel to identification of Focus Groups, we have also developed proper survey questionnaires.

What is the volume of honey average annual harvest from one (1) beehive?

According to information received from surveyed farmers in target regions, the majority of farmers ensures bee nomadism at least one per year. However, one farmer's honey harvest volume varies from previous year's harvest as well as from harvest volume of other beekeeper farmers. On average, 15 kg of honey to be sold is produced from one beehive annually. Volumes are conditioned primarily by weather (rain, wind, freeze during blooming, etc.) as well as by scarcity of nomadic grounds / honey crops. Actions, including changing the pasture fields' statuses, their application as arable, irrational use of pastures, destruction of available facies, lead to nectar flow decrease. Bee colony's productivity is also negatively affected by uncontrolled nomadism: the beekeepers coming from other regions place excessive amount of bee hives into

place of other region's nomadic base where the honey crop resources are not sufficient, causing the honey harvest decline per bee hive.

What is the annual cost per one beehive?

The discussions with Focus Groups have revealed quite unfavorable issue: majority of surveyed farmers in all regions do not make the accurate and periodic recording of own costs related to beehives maintenance and nomadism. They do not treat this issue as important and do not calculate the prime cost of their production. Especial trouble is found among small farmers (which own less than 20 bee colonies) where this issue is completely neglected. For such farmers, apiculture is just a part of the domestic farming and is less oriented on profit. They said that average cost for bee maintenance and treatment fluctuates between GEL 15-20 due to incomprehensive practice of preventive maintenance and treatment as well as usage of cheap, low quality medicines. These factors cause the chemical pollution of product and low honey yield. It should be also noted that majority of small farmers do not ensure bee's nomadism, respectively, bee colonies productivity is also low. Costs of medium and large farmers who apply higher quality medicines (anti-tick boards, etc.) and other materials total to GEL 30-40 per beehive annually.

Costs of beekeepers related to bee nomadism are preconditioned by three main factors:

- Own transport – if farmer does not own transport, costs are increased 3-4 times;
- Carriage for beehives transportation – its unavailability leads to additional costs payable to workers while charge and discharge of bee hives;
- Nomadic base rent fee – for private territories it fluctuates between GEL 10-15 per each beehive; for state territories (including reservation areas), beehives are placed for nomadism based on informal agreement with supervisors of territory.

Total cost related to bee nomadism per 50 beehives in average (the largest possible quantity of beehives to be shipped by carriage or delivery trucks) totals to from at least GEL 500 (own carriage, no rent fee) to at most GEL 1,500 (no own carriage / transportation, rent fee payable).

According to respondents, as far as the main honey yield is harvested during nomadic period, the own equipment (brace, slicing knife, squeezing cabin), essential for honey harvesting among nomadic bees, is especially required. Unavailability of equipment severely hinders honey production process, violates schedule and increases costs – beekeepers have to borrow equipment from each other and transport it to various locations.

Which major challenges do you face in bee maintenance and honey production process?

During field researches and Focus Groups discussions in target regions and municipalities, local farmers figured out problems, which, according to beekeepers, substantially hinder their operations, including the production and sale phases. List of problems is almost the same for each surveyed farmer. We formulated the problems as follows:

- Unavailability of proper information about medicines quality, application / dosage guidelines
- Scarce nomadic base and honey crop resources. Farmers informed us that the roads to zones with good nomadic base potential are poor, and transportation of beehives by carriage or truck is unfeasible. The accessible nomadic places are overloaded by excessive quantity of nomadic beehives.
- Shortage of qualified beekeepers and medicines on site (in target regions and municipalities). Local beekeepers have to search for and purchase medicines or preventive means as well as to receive proper consultations in shops, from apiculture specialist in Tbilisi. Cost for already expensive medicines is increasing more.
- Death rate of bees in some regions is high, especially within the zones of more active agricultural activities where the arables are treated by plant protection means. High death rate is also caused by contamination of diseases (fungal diseases, tick, etc.) during nomadism.
- Poor availability of modern equipment essential for beekeeper also hinders production process – farmers have to borrow equipment from each other and use them one after another (this is especially topical for equipment that squeeze honey from comb – brace, slicing knife, etc.).
- Farmers also mentioned problems related to honey sales, which can be considered in two - wholesale and retail – directions. Beekeepers in Imereti, Kakheti and Kvemo Kartli mainly work in wholesale direction. Their buyers are the foreign wholesalers (Azeri for beekeepers in Kakheti region and Marneuli municipality, and Turkish – for Imereti region). However, as compared to previous years, even in these places, the demand from foreign wholesalers has been significantly (approximate by 1/3) decreased. The farmers know nothing about the reason. Farmers do agree that if trade with foreign wholesalers continues down, they will face severe sales problems: at one hand, they would not be able to manage the wholesale at desirable price (just to compare, large honey wholesaler centers in Georgia pay only half of price offered by foreigners); on another hand, farmers still do not have place on the local retail market.

Beekeepers focused on retail sales of honey on site or in Tbilisi through personal channels, which is quite unstable. Beekeepers said that because they are not able to sell desired volume of honey at desired price, small income generated through honey sales is not used for development of operations, but instead spent for needs of the farmers' families. It can be concluded that demand on their production is substantially conditioned by honey yield rate in particular year in country.

The surveyed farmers mentioned market saturation by falsified honey as important obstacle for honey sales. This leads to decrease of honey market price and decline of sales of quality honey.

- Low level of proper education and generally low awareness about apiculture modern methods, technologies, verified innovations among farmers thus hindering their operations as well as limiting growth of production quality and volumes.

In addition to above factors, while Focus Groups discussion, farmers also mentioned bad weather conditions as one of the most significant obstacles, due to which they are unable to generate desired volumes of the honey yield. When this is the case, farmers have to add either honey or sugar syrup to fill the shortage of essential supplies for bees. Obviously, bad weather is an obstacle, which cannot be forced, nor severe results can be prevented. However, bad weather should be noted and considered as obstacle, significantly influencing honey plant conditions and bee productivity, also causing instability of honey harvest per years and seasons.

Which bee products do you produce? Which bee-keeping products do you sell? What is the share of each product sold by you in general income?

Main product for production and sales for surveyed farmers is honey, totaling to 90-95% of business income. Insignificant part (5-10%) of beekeeper's general income is covered by remaining products including propolis, royal jelly, pollen, beebread, apitoxin, mother bee, brood/packages, and honey spirits.

Other bee products (including propolis, pollen, beebread, royal jelly and apitoxin) are produced only by large farmers. Even then, harvested volumes and products specifics do not secure the opportunity for wide commercialization of these products, complemented by quite high price and limited and specific demand. For example, pollen costs USD 12 per gram. Only one company ("Akhali Teknika – Laboratoria" LLC, director Shalva Nadirashvili) purchases it from farmers and exports thereof. The price of propolis in region varies between GEL 40-80 per 1 kilogram, whereas the retail sale price in Tbilisi reaches GEL 200-300 per kilogram. In general,

low demand on such products is conditioned by poor awareness of population about useful features of such products as well as by absence of usage habits. Wax production is part of honey production, so each farmer has it and usually exchanges it for comb.

What is the average price for product, how does it change per the seasons?

The average sales price of product produced and sold by beekeeper farmer varies per regions/municipalities. For instance, sale price for 1 kg honey varies from GEL 12 to 30. Beekeepers said the highest demand on honey from consumers happens during honey harvest and before New Year, when the sale price is slightly changed. Significant change of honey price mainly depends on harvest volume on that particular year.

During Focus Group discussions, beekeeper farmers said that honey sales prices are the lowest at the harvesting period (summer), when the volume of honey for sale is the highest, and the price is the highest starting from the period before the New Year till May (demand on honey is substantially increasing before New Year, Christmas fast and East fast, also during honey deficit on spring).

Where and when do you sell honey and other bee products?

According to survey results, honey is sold during two main periods in general: July-August and November-January. Population purchases yearly stock of honey once or twice per year. Honey is most actively sold at the honey yielding and New Year.

The largest part of honey is sold by beekeepers personally on site, while the smaller part (including locally produced as well as imported honey) is sold in shops and super markets, packed in glass jars and disposable polyethylene cups, either labelled or unlabeled. Unpacked honey is also sold in agrarian markets, touristic objects and main highways (roads) of Georgia.

90-100% of consumers of honey, sold by small beekeeper farmers, are individual buyers (final consumers). The percentage distribution of consumers of medium beekeeper farmers is equal for wholesalers and individual buyers; however, 80-100% of consumers of large beekeeper farmers are wholesalers.

Do you pack and label the product?

Only two (2) cooperatives from surveyed beekeeper farmers pack and label product. These cooperatives are: Ore Et Labora (ENPARD program beneficiary), a cooperative located in Samtredia, and Taplovani, a cooperative located in Sagarejo municipality. Ore Et Labora initially targets tourist sector - the cooperative has negotiations with hotel networks chain in Tbilisi where product produced and packed by cooperative will be delivered and placed on the stand. Cooperative Taplovani packs and labels production only for participation in exhibition. Last year the cooperative took part in exhibition arranged by Ministry of Agriculture where product was much appreciated. This year, the cooperative is invited to international exhibition in Azerbaijan where the cooperative will present own packed and labelled product.

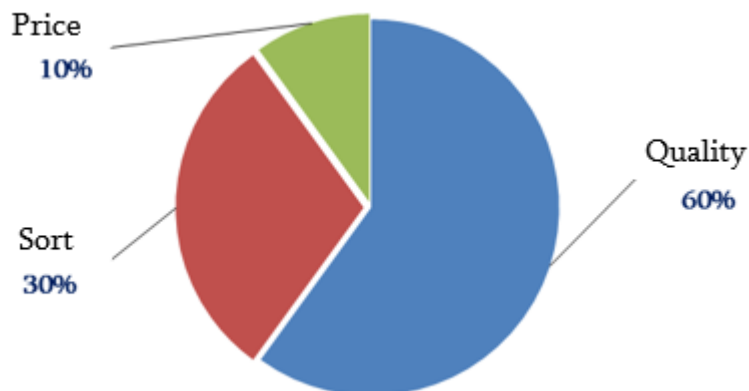
In which conditions the product is stored?

Majority of surveyed beekeepers store produced honey is special 40-liter capacity ware used for foods and in glass jars. However, several farmers among surveyed store honey in old aluminum ware (can) – this contradicts the contemporary standards and demands as far as using such ware for storing chemically pollutes the product.

The factors influencing product sales

While Focus Groups discussions and survey of beekeeper farmers and product sellers, we have revealed the major factors influencing buyers to buy product:

Chart 7: Purchase motivation



This chart shows that consumer's purchase motivation is mainly conditioned by quality. Approximately 60% of clients focus on product quality while 30% makes its decision based on honey sort. Only 10% of consumers are guided by price and this determines the purchase motivation.

Which measures should be undertaken to improve the situation?

While Focus Group discussions, beekeeper farmers figured out the most important arrangements that, considering the obstacles, can improve the situation and develop it further. Arrangements can be formulated as follows:

- Sales solution
- Control / restriction / regulation of the falsified honey
- Availability of the nomadic places
- Better availability of finances

Telephone interviewing

The specific phone interviewing was done to determine particular preferences of consumers in terms of honey purchasing in nine (9) cities (Tbilisi, Telavi, Gori, Akhaltsikhe, Kutaisi, Batumi, Zugdidi, Rustavi, Marneuli). The aim of telephone interview was to determine requirements set up by the honey consumers. Six hundred (600) respondents in total have been interviewed in target cities for survey purposes. The below table highlights findings of survey:

Table 6: Survey findings:

Formulated requirements		Tbilisi	Telavi	Gori	Akhaltsikhe	Kutaisi	Batumi	Zugdidi	Rustavi	Marneuli
Color	Light	28%	34%	46%	49%	34%	40%	62%	24%	41%
	Medium	55%	57%	42%	41%	31%	22%	13%	62%	35%
	Dark	17%	9%	12%	10%	35%	38%	25%	14%	24%
Consistence	Sweeten	5%	2%	4%	30%	5%	0%	10%	55%	9%
	Non-sweeten	30%	30%	8%	26%	27%	29%	6%	5%	28%
	Thin	36%	45%	60%	22%	19%	12%	5%	26%	41%
	Thick	29%	23%	28%	22%	49%	59%	79%	14%	22%
Which honey is preferential for you?	Acacia	15%	18%	12%	2%	22%	43%	51%	18%	41%
	Chestnut	13%	15%	6%	4%	41%	38%	26%	16%	22%
	Lime tree	14%	55%	21%	5%	22%	13%	3%	23%	8%
	Field flowers	45%	12%	61%	89%	15%	6%	20%	43%	28%
	No preference	13%	0%	0%	0%	0%	0%	0%	0%	1%
Who should pack the honey according to your preference?	Peasant	99%	99%	10%	99%	94%	96%	99%	95%	92%
	Plant	1%	1%	0%	1%	6%	4%	1%	5%	8%
Which size of package is preferential for you?	0,450 gr (30 milliliter jar)	8%	38%	16.7%	26%	11%	36%	16%	17%	9%
	0,750 gr (50 milliliter jar)	33%	36%	16.7%	23%	33%	25%	8%	32%	29%
	1,5 kg (1-liter jar)	39%	19%	34.7%	35%	37%	25%	55%	34%	41%
	3 kg (2-liter jar)	4%	6%	13.9%	10%	9%	11%	15%	15%	13%
	4,5 kg (3-liter jar)	16%	1%	18%	6%	10%	3%	6%	2%	2%
Which production of honey is preferential for you?	Local	99%	10%	97%	10%	96%	98%	10%	97%	10%
	Imported	1%	0%	3%	0%	4%	2%	0%	3%	0%
Where do you buy honey?	At the nearest shop	9.5%	19%	0%	3%	3%	1%	2%	5%	6%
	Market	8.5%	29%	14%	17%	24%	9%	11%	6%	5%
	Super market	1.5%	0%	0%	2%	5%	7%	0%	0%	0%
	Bee keepers I know	80.5%	52%	86%	78%	68%	83%	87%	89%	89%

- In terms of color, medium dark is preferential in Tbilisi and Telavi. Batumi population equally prefers dark and light color honey. Dark honey is less popular in Telavi, Rustavi, Gori and Akhaltsikhe. Honey consistency is not given importance in Rustavi whilst population of other cities requires unsweetened honey.
- In terms of origination, the East Georgians prefer honey made from field flowers. Consumers in Telavi are more inclined to buy honey from lime trees, and in Marneuli – from acacia. The West Georgians mainly buy honey from chestnut and acacia.
- The citizens of all cities especially prefer the plant origination of honey.

- The majority of consumers do prefer honey of the Georgian production and only little portion is interested in buying imported honey.
- Almost nobody trusts honey packed in plant, thus preferring honey packed by the beekeeper.
- The majority requires locally produced honey, packed in 0, 5 and 1-liter jars.
- The vast majority of surveyed respondents (80%) buys honey from beekeeper he knows personally.

We have processed and analyzed information collected through telephone interviews and concluded that honey consumption can be summed up per main cities as follows:

Table 7: Honey Consumption

City	Honey consumption		
	Kilogram per person annually	(ton) annually	(ton) monthly
Tbilisi	1.1	1,234.0	103.0
Telavi	1.2	34.0	3.0
Gori	1.0	52.0	6.0
Akhaltsikhe	1.0	25.0	2.0
Kutaisi	1.2	221.0	18.0
Batumi	0.8	99.0	8.0
Zugdidi	1.2	29.0	2.0
Rustavi	0.7	51.0	4.0
Marneuli	0.5	12.0	1.0

Chart 8: Average consumption annually (kilogram / per person)

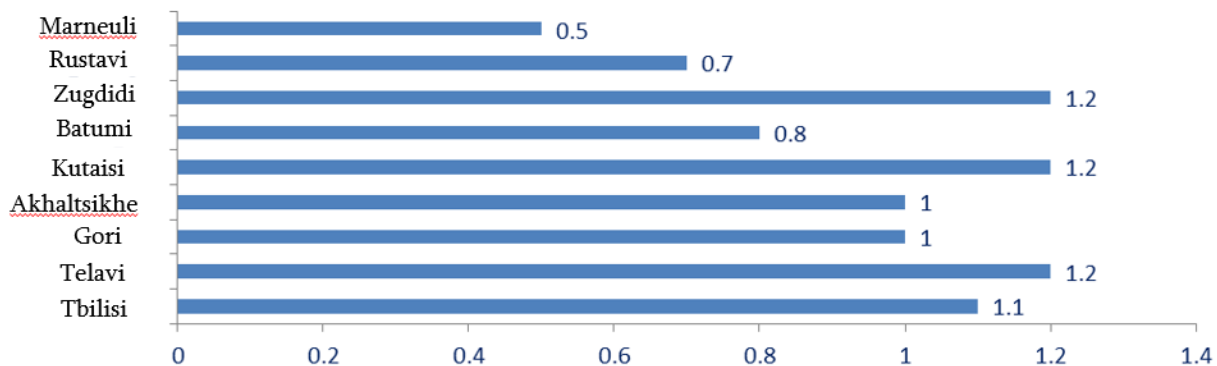
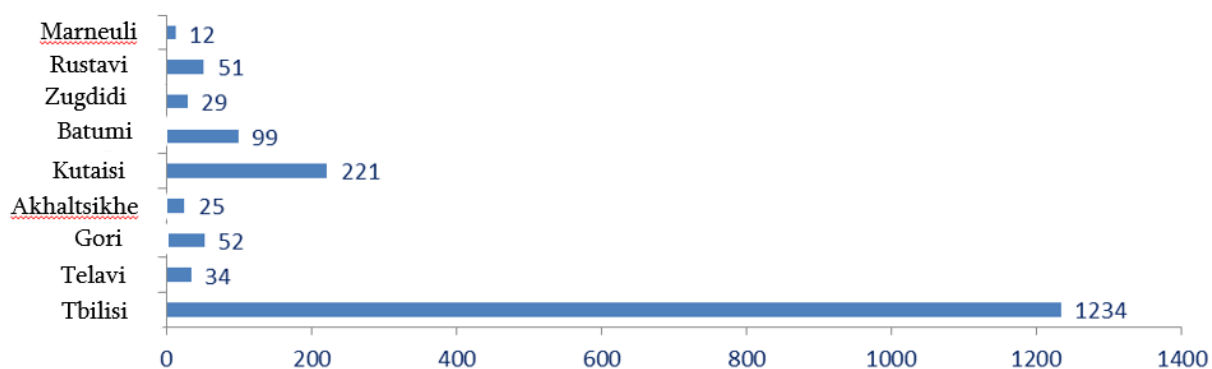


Chart 9: Average consumption annually (ton)



Based on chart we can conclude that honey consumption per 1 person fluctuates between 0, 5 – 1 kilograms per main cities. Population of Kutaisi, Zugdid and Telavi consumes more honey per person; however, the largest demand on honey is in Tbilisi due to high number of capital inhabitants.

Based on processing and analysis of information generated through implemented survey, the rate of consumption of other bee products (wax, propolis, pollen, beebread, royal jelly, apitoxin) is very low, bringing Tbilisi on a leading position here too.

Table 8: Sales price on honey in cities per the seasons

City	Period	2016	
		Retail	Wholesale
Tbilisi	December - April	10.00 - 20.00	10.00 - 16.00
	May - August	10.00 - 20.00	10.00 - 16.00
	September – November	10.00 - 20.00	10.00 - 16.00
Batumi	December - April	16.00 - 25.00	12.00 - 21.00
	May - August	16.00 - 20.00	13.00 - 16.00
	September – November	16.00 - 25.00	12.00 - 21.00
Kutaisi	December - April	12.00 - 20.00	10.00 - 16.00
	May - August	10.00 - 20.00	8.00 - 12.00
	September – November	12.00 - 20.00	10.00 - 16.00
Gori	December - April	20.00 - 30.00	16.00 - 26.00
	May - August	20.00 - 24.00	12.00 - 24.00
	September – November	24.00 - 28.00	16.00 - 24.00
Telavi	December - April	18.00 - 20.00	16.00
	May - August	18.00 - 20.00	16.00
	September – November	18.00 - 20.00	16.00
Marneuli	December - April	20.00 - 24.00	16.00 - 18.00
	May - August	20.00 - 24.00	16.00 - 18.00
	September – November	20.00 - 24.00	16.00 - 18.00
Rustavi	December - April	16.00 - 20.00	12.00 - 14.00
	May - August	16.00 - 20.00	12.00 - 14.00
	September – November	16.00 - 20.00	12.00 - 14.00
Zugdidi	December - April	14.00 - 18.00	8.00 - 12.00
	May - August	12.00 - 20.00	6.00 - 12.00
	September – November	16.00 - 20.00	12.00 - 14.00
Akhaltsikhe	December - April	10.00 - 30.00	10.00 - 16.00
	May - August	10.00 - 30.00	10.00 - 16.00
	September – November	16.00 - 20.00	10.00 - 16.00

The table makes the difference among the cities too obvious. Surveyed respondents mentioned that sellers are unable to guarantee honey quality thus negatively influencing trust of consumers. Only very small part of consumers buy honey at markets and shops. Honey of unverified quality is mainly used for culinary reasons. As usual, each family personally knows the beekeeper from whom they purchase whole stock of honey once or twice per year.

3. Results of quantitative and qualitative analysis – description of current conditions and trends on target market / sector

Based on an information generated and analyzed in the course of so called “desk” and field researches during preparation of this report, current conditions and established trends at apiculture target market / sector can be characterized in line with the below aspects and parameters:

3.1. Size of market / sector – volume of local production, volume of import, current demand and supply, current market trends

Implemented survey confirmed that consumer drives the honey and other bee product markets across Georgia including target regions and municipalities of the survey.

The official statistics sets forth that in 2012-2015, 3.9 – 4.1 tons of honey was produced in total across Georgia. From 2016 until 2015, honey production increased by 11% thus counting 4.1 tons.

3.2. Weighted shares of locally produced and imported honey, export

The table below highlights GeoStat data on volume of local production of honey, as well as import and export of natural honey according to the years:

Table 9: Honey sales prices in cities per the seasons

Years	2012	2013	2014	2015
Local production (tons)	4,100	3,900	4,100	4,100
Imported natural honey (tons)	10.1	7.9	28.8	32.4
Honey export (tons)	2.7	17	5.4	8.3

The figures in table show that volume of imported honey is increasing from year to year but is still 1% less than locally produced honey.

According to the official data, export fluctuates between 0.2% of local production. We should also consider that illicit trade to Azerbaijan and Turkey is not registered at customs. Therefore, actual export volume from Georgia is larger.

3.3. Major players on target market: suppliers and buyers

Main consumer of honey is population, which, according to the survey, trusts the producer beekeepers and buys honey directly from him. Such transactions happen both in cities and in villages. There are no shops trading with specifically honey or other bee products in small cities. Such shops operate only in Tbilisi, Batumi and Kutaisi, trading with honey, other bee products, beekeeper's supplementary materials and equipment. From three to five sorts of honey is sold in such shops usually. The shops are generally supplied by the producer beekeepers, based on preliminary negotiations.

Honey presents in almost each retail shop in all cities. Both imported and local honey is sold here but the management claims on low volume of sales. Population buys honey in shops before New Year or at sudden shortage for culinary purposes. The shops are generally supplied by the medium and large enterprises, which pack honey and sale it further through the retail networks. The large supermarkets (Goodwill, Smart, Carrefour, other super markets) do not pay the price for the sold product for quite long time (they delay the payment) to these enterprises, which negatively affects the cash flow of enterprises.

Other bee products including wax, propolis, pollen and royal jelly are not sold at retail shops due to extremely low demand on such products. Wax, propolis and pollen is sold only in specialized shops and so called "collective-farm" markets. The royal jelly is sold only in two shops in Tbilisi; in other shops it can be purchased only based on preliminary orders.

The beekeepers personally supply specialized shops with honey and other bee products, without mediatory chain.

The following companies are engaged in production and sale of the bee products in Georgia:

- JSC "Api-Phyto and Traditional Bio Products"
- LLC "Begheli"
- LLC "Metaplia"
- LLC "Meputkre"
- LLD "Pepe"
- LLC "Putkara"
- LLC "Breti"
- LLC "Machakhela"

3.4. Market environment (legislative and social-economic patterns, availability of materials and service essential for farmers)

As of legislative environment within apiculture, we should note the Governmental Order “On technical regulation of honey” that was adopted on December 24, 2014 and enacted on June 12, 2015 to regulate the apiculture sphere. The aim of regulation is to determine the unified principles towards honey production, processing and distribution phases, it sets forth requirements towards natural honey and covers the issues pertaining to honey production and placement on market. According to regulation, all honey producers shall get registered within the entrepreneurial register as an entity with the determined entrepreneurial status (Individual Entrepreneur, LLC, Cooperative, etc.) in order to place own production at market. Afterwards, honey producer shall be registered as a business operator, and later on, once the respective procedures are undergone, shall be recognized and awarded with the respective certificate by the National Food Agency.

More specifically, the regulation sets forth the requirements towards:

- Honey
- Honey labeling
- Business operators
- Honey conformity control procedures.

Materials and services essential for farmers are not easily available yet, regardless numbers of supportive arrangements and grants allotted by agricultural, agribusiness development international programs and projects to local organizations and structures, aimed at improvement of local availability of materials and services essential to farmers.

Government of Georgia offers supportive programs in two main directions to beekeeper farmers and companies through the Project Management Agency:

- Preferential agri-credit
- Agri-production support program.

Purpose of agricredit is to support agricultural primary production, processing, storage and sales processes by making the financial resources cheaper and more accessible for physical and legal entities.

Under the frameworks of the project, enterprises involved in primary production, value chain and storage-sale of products receive the preferential agricredit / agricultural leasing from financial institutions for main and operational assets. The preferential credit shall be only used for purchasing the general assets and development of processing enterprise and primary production.

Agricultural production support program is being implemented under the Agricultural Modernization, Market Access and Resilience (AMMAR) project, funded by The International Fund for Agricultural Development (IFAD) and Global Environmental Facility (GEF). The program has been initiated by Ministry of Agriculture of Georgia and is implemented under the “Unified Agri-Project” by N(N)LE “Agricultural Project Management Agency”.

The objective of the program are as follows:

- Support improvement of quality and growth of productivity of primary production
- Support to maximal application of potential of existing gardens
- Support to enlargement and modernization of applicable processing and storing agri-enterprises
- Introduction of international standards and modern technology.

The program consists of components for co-funding of both individual farmers as well as processing enterprises and agricultural cooperatives.

- Component of primary production - funding of individual farmers, registered commercial legal entities and agricultural cooperatives. The terms for primary production financing are as follows:
 - The agency’s matching contribution according to the program is 40% of total value of presented project, and the beneficiary’s matching contribution – 60%.
 - Maximum amount to be allotted for primary production under the program to individual farmers or commercial entities (including agricultural cooperatives) registered according to the Law of Georgia “On Entrepreneurs” is USD 15 000 equivalent in national currency. The maximum amount to be allotted to the agricultural cooperatives is USD 150 000 equivalent in national currency. In addition to that, the matching contribution to cooperative shall be allotted in line with number of cooperative members, maximum USD 15 000 equivalent in national currency per each member.
- Value chain component – funding of operating processing and storing enterprises and agricultural cooperatives. Co-funding terms for value chain are as follows:

- The matching contribution from the Agency according to the program shall be equal to 40% of the total value of presented project, while the beneficiary shall contribute 60%.
- Maximum amount to be allotted to the value chain enterprises, legal entities (including agricultural cooperatives) under the program shall be USD 100 000 equivalent in national currency.

Target geographic area for program implementation covers all municipalities and self-governed cities except the following self-governing cities: Tbilisi, Rustavi, Batumi and Poti.

Among other agricultural crops eligible to financing, honey and honey crops are also presented within the primary production and value chain components.

There is additional state support program that particularly focuses on apiculture development now: “State program of support to beekeeper agri-cooperatives”, implemented by Cooperative Development Agency. The program aims at delivery of main assets (bee hives) and other equipment essential for beekeeping to cooperatives engaged in apiculture in the form of the grant. The objective of program is to improve the material and technical base of agricultural cooperatives and beekeeper farms, growth of quality and quantity of bee products as well as ensuring the traceability of the produced honey. If the program criteria are met, the cooperatives will receive the following equipment at 30% of the price:

- Bee hives, equal to owned, not more than 100 units
- 1 unit of 12-frame honey squeezer (brace)
- Reservoirs to store honey of various capacity (40, 60 and 220 liters), not more than 2 200 liters total capacity
- Comb slicing knife with electric heater and comb slice reservoir.

The cooperatives with 50% of refugee shareholders or cooperatives with 100% of women shareholders will receive the capital investment at 20% of the price.

The program participant is empowered to request any desired equipment, either fully or separately. Sample of honey produced by cooperative will be tested without costs at laboratory under the Ministry of Agriculture. The participant is also eligible to receive the technical support in terms of introduction of general requirements set forth by Order # 714 of Government of Georgia on “Approval of technical regulations on honey” (dated December 26, 2014).

Notably, the Focus Group discussions and interviews with the beekeepers within the target regions explicitly showed that the majority does not have any information about the state or international support programs and, respectively, they do not use the available opportunities.

Specifically regarding “State Program of Bee keepers agricultural cooperatives development” implemented by the Cooperatives Development Agency, the surveyed members of the beekeepers cooperatives within target municipalities explained that this program does not respond to the actual needs of the beekeepers cooperatives because of:

- Low quality and inconformity of the transferred bee hives to the necessary standards
- Insufficient quantity of the delivered equipment (brace, squeezer, slicing knife) towards the cooperative’s production volumes
- High demands, unrealistic and unfeasible for implementation by the cooperatives (for example: transferred beehives to be completely full by bee colonies before completion of economic year) due to the apiculture production specificities.

These problems evolve to critics by the members of participant cooperatives. It is obvious that implementation of this project in this form by the Cooperatives Agency will not lead to success, neither the set objectives will be achieved.

It should be also noted that during 2013-2017 Mercy Corp’s ENPARD program implemented project “Strengthening farmer cooperatives in agricultural municipalities of Georgia”. Twelve (12) bee production cooperatives were financed in several target municipalities of this survey and they received target grant support (including beehives, bee colonies, carriages, transportation means, various equipment, operational means, etc.), tailor-made to specific needs to cooperatives. Such approach ensured the cooperatives’ satisfaction and successful operation.

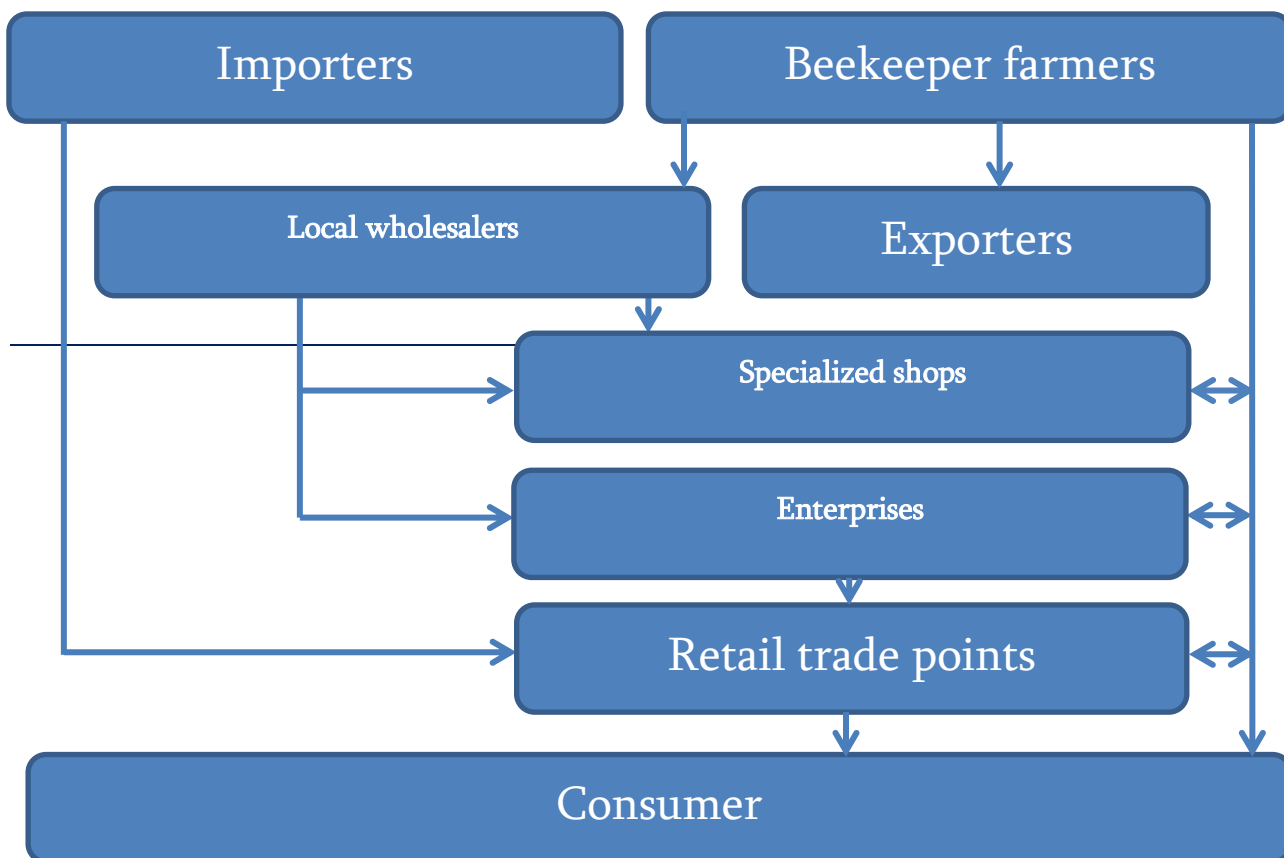
3.5. Market connections for local apiculture producers / products to main regional and central Tbilisi markets

Honey is sold per three main schemes:

1. The beekeeper farmer personally sells product in small volumes to individual consumer, directly, without any mediatory. The farmer sells honey on site and/or delivers / sends honey to permanent consumer in cities (generally, Tbilisi).

2. The beekeeper farmer delivers product to wholesaler who visits farmer on site. Wholesaler can be either specialized shop or/and foreigner (Turkish or Azeri) exporter.
3. The beekeeper farmer delivers honey to enterprise, which packs and further distributes the product into the retail network.

Scheme #1: Available market connections



Vast majority (approximately 80%) of farmers follow the first scheme for sales of honey. Respectively, it can be concluded that there are no stably established market connections of the local beekeepers to regional as well as Tbilisi central markets within target regions and municipalities (like in Georgia as a whole).

Importantly, the agreements on purchase of locally produced honey between the beekeeper farmers and Turkish and Azeri wholesalers are not stable. They are rather based on verbal agreement and exporter is empowered to object product purchase any time. Instability causes

severe problems to beekeepers (especially in high mountainous village zones of Imereti) in terms of sales as far as they generally have lost the connections to the retail markets.

3.6. Hindering factors revealed towards development of market / sector and urgent needs of the beekeeper farmers

The first and most important factor negatively affecting the sector development is low productivity of the product and, respectively, high prime cost. This is, in general, caused by the factors set forth:

Low awareness of bee keeper farmers, non-existing educational system, shortage of informational and consultancy resources

Low awareness of farmers is one the most important obstacles towards development of apiculture. Both the level of education of small and medium-size farmers is low. The educational programs and respective learning systems, which could widely increase the level knowledge among small farmers, either do not exist or are not sufficient. Strong informational consultancy system, which could enable farmers to increase knowledge and improve bee production management, increase their efficiency and gain more income, does not actually exist. Notably, some field associations really try to improve the situation but their efforts are not sufficient to fundamentally change conditions.

Inefficient usage of nomadic resources

There are sufficient natural resources in Georgia, which can empower farmers to implement the efficient nomadism and thus increase the business efficiency. Never the less, the majority of the beekeepers cannot access the territories rich with cenosis due to poor or not existing roads.

Limited access of beekeeper farmers to essential materials and equipment

Beekeeper farmers can buy essential materials and equipment in large cities only. Quality medicines are hardly available. Beekeepers spend financial and time resources to purchase essential equipment and materials.

Limited access to financial resources

Small farmers suffer from limited access to financial resources, thus majority faces shortage of equipment essential for bee keeping (carriages to ship beehives, braces, knives, etc.). This issue negatively affects productivity of honey and increases the prime cost of product.

Limited access of beekeeper farmers to markets

We have already mentioned that majority of farmers sells product to final consumer or wholesaler. Only very small portion of produced output is sold through the retail network. Majority of farmers in Georgia own less than twenty beehives. They produce small volume of output, can neither independently penetrate the retail network nor export the product.

Problems with export of honey

Honey export is not properly supported. Notably, beekeepers and distribution companies do not possess respective market connections with the companies abroad; they do not have required knowledge and experience in foreign trade and product export procedures. Georgia possess the official quota for honey delivery to Turkey but this opportunity is not used so far. Obviously, product export is not an easy business; it is connected to numbers of problems: searching for the appropriate trade partner(s) in target country, securing stable delivery at pre-set volumes and prices, securing conformity of product quality with the respective standards (antibiotics free product in conformity with the quality standards, etc.). Importantly, product export requires honey coupage too, so coupage equipment with 6-10 tons capacity is required. Unfortunately, currently there are no coupage equipment of such capacity in Georgia. The largest coupage equipment available in country fits 1 ton (owner is cooperative “NatureGift”).

Problems pertaining to honey quality testing and respective laboratories

Laboratory testing is required to check quality of product, particularly for its export. Until now, labs in Georgia do not test honey versus all parameters that could verify the product’s conformity with the international standards. Respectively, local labs do not issue international certificates. However, interested persons could send honey for testing to accredited labs abroad, subject to increased costs. Such laboratory has been already established in Georgia to mitigate current problems; however, the accreditation process is not yet completed.

Absence of product in demanding package on market

As we already mentioned, sale of packed honey is too limited. Simultaneously, hotels do highly require honey packed in 30-40-gr ware. Majority of the surveyed hotels managers noted they are searching for honey packed properly this way. They have to purchase imported honey due to absence of properly packed locally produced honey on market.

4. Recommendations targeted at mitigation of hindering factors in apiculture market / sector within the target regions / municipalities

The following arrangements are recommended:

Increase beekeepers awareness and education level, establishment of efficient educational and informational consultancy system

As already noted, one of the most important obstacles towards sector development is low level of beekeepers knowledge. State should play the main role in mitigation of current situation; it should establish the effective educational and informational consultancy system for increasing the level of awareness among beekeepers through close cooperation of the public and private sectors. The vocational institutions, high educational institutes, sectoral associations, respective NGOs and business consultancy companies should be actively engaged in the process.

Inefficient use of nomadic resources

Georgia is rich with natural resources. Respectively, beekeepers are able to manage efficient nomadism. However, due to poor conditions or non-existence of the roads, resource usage is limited. It is the competence of the state to solve this issue. Local or central government bodies should ensure rehabilitation of poor roads and construction of new roads.

Limited access to financial resources

The survey obviously evidenced that the majority of beekeeper farmers do not have information about the state programs targeted at preferential funding of beekeeper farmers. More intense and effective informational campaign should be implemented about the state support programs to increase engagement of the target farmers.

Limited access of beekeeper farmers to essential materials and equipment. Limited access of beekeeper farmers to the markets

These two issues can be solved simultaneously. In particular, consolidation of the farmers within the cooperatives will secure the possibility to jointly purchase various equipment and materials. Joint operation will also improve the access to the required materials and equipment (materials will be purchased at cheaper price, the time will be saved). Joint operation will also lead to stock setup that can be delivered onto more perspective markets.

Medium- and large-sized companies engaged into products purchase and distribution should be supported so they are able to establish the modern honey collection centers at production spots. Best practice in other countries shows that these enterprises (collection centers) can play the important role not only in terms of product marketing but for production cycle also. More particularly, these organizations should supply the farmers with the quality materials, assist and support farmers to operate with the modern technologies. Such target can be achieved through so-called Futures Contracts with farmers, according to which the farmer shall deliver the part of the produced output to the collection center at pre-established price, safeguarding at the same time the agreed quality of the product.

The collection centers will be able to stock high quality product, thus will be able to penetrate the retail network and enter the export markets. Both cooperatives and distribution companies should develop the special trademarks to identify the output produced by definite enterprises. This way the product made by the specific company (enterprise) will become known for the customer.

Problems pertaining to honey export

Close cooperation with the potential exporter company and increase of their production export potential is necessary. Such companies should be connected to the state programs or international projects aimed at support of entry of potential exporters onto new markets. Markets not only in European Union but also in Arabia peninsula, middle and central Asia should fall under the special focus. The enterprise(s) with export potential should be equipped by 3-10-ton capacity coupage equipment. However, on an initial period, it would be possible to blend small volume of honey in even 1-ton capacity equipment and export it thereof.

Problems related to testing honey quality and respective laboratories

It is necessary to speed up the accreditation process of the laboratory of international level in Georgia so the laboratory is able to allot the respective certificates.

Absence of product in demanding package on market

The enterprise packing honey in 30-40 gram plastic ware should be necessarily established in the country.