

## MISSION OF THE MONTH



Modern post-harvest handling technologies and new types of packaging allowed Georgian fresh herb companies to expand from existing markets in Ukraine and enter into higher-end European markets.

## Georgian Farmers Create Alternative Markets after Russian Embargo

By Stephanie Hilborn

*Note to our readers: Georgia was selected as the Mission of the Month prior to the mid-August Russian incursion.*

### Challenge

In early 2006, the Russian government launched a trade embargo against Georgia and closed its border to agricultural products originating in Georgia after that country arrested and deported four Russian military officers accused of spying. Some analysts said the embargo was also aimed at punishing Georgia for its efforts to become a NATO member.

Alleging product contamination, Russian authorities halted all imports of herbs, mandarins, hazelnuts, wine, and mineral water. The embargo had the potential to devastate the Georgian economy and the livelihood of thousands of rural producers.

Of Georgia's 4.6 million people, an estimated 400,000 are commercial farmers, although only about 1 percent own more than 4 hectares. Many earn less than \$200 a month. Traditionally, small-scale farmers would load produce in their cars, drive across the Russian border, and sell

goods at roadside stands. With Russia typically receiving up to 80 percent of Georgia's agricultural exports, potential losses due to the embargo were estimated at more than \$200 million.

The embargo also meant that farmers and agribusiness were burdened with a surplus of crops. The vast majority struggled to find new customers. However, small-scale farmers lacked access to consolidators, and agribusiness owners had little knowledge of the modern production requirements (sorting, storing, packaging, and shipping) needed to meet stringent European market standards. They also had no connections to international wholesalers or any experience with marketing at trade exhibitions.

"Although we had a very large obstacle, we also had a great opportunity to assist in rapidly modernizing segments of the agricultural sector since businesses were now forced to change," said David Gosney, director of USAID/Georgia's Office of Economic Growth. "We just needed to deepen and focus our efforts."

### Innovative Response

Through its AgVANTAGE program, USAID helped identify agricultural products with the greatest potential for export to other markets, including mandarins, hazelnuts, wine, bay leaves, and other fresh herbs.

"Most of these products also have a very significant social impact as they involve small-scale farmers," said Nika Grdzeldze, AgVANTAGE's chief of party for USAID. "We chose strategic and competitive crops demonstrating positive impacts on farmer employment and incomes."

USAID then focused on identifying farmers, consolidators, processors, and exporters willing to allocate the time and resources required to modernize their practices. The project developed a complete value chain assistance program for these export sectors, which provided opportunities for new market penetration. It also emphasized communication between buyers and sellers, especially in dealing with the agriculture and commercial obstacles each faced.

"Creating participatory approaches," said Grdzeldze,

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"was completely new for Georgia. The project design helped us to create the trust and commitment from industry representatives to set up the mechanisms for sustainable agricultural partnerships."

### Results

Since the Russian embargo, USAID programs have facilitated more than \$15 million in agricultural sales and have opened opportunities for expanded sales in the future. Georgian agribusinesses have established new markets in the United States, UK, Germany, Belgium, France, Italy, Sweden, Poland, Turkey, Ukraine, Latvia, and Belarus.

Today modern processing and consolidating centers exist for key markets, and their operators are actively developing relationships throughout the value chain. For example, Herbia, a Georgian fresh herbs consolidator that received assistance to design and construct a modern consolidation and packaging center, helped 150 small-scale growers obtain credit to build greenhouses that will boost production by up to 25 percent and supply 300 tons of herbs valued at more than \$1.3 million. Participating farmers' average income increased by over 20 percent. Herbia will then export its product to new international markets developed through participation in international trade expositions with assistance from USAID.

Other value chains are exhibiting similar successes. Georgian bay leaf is now sold to U.S.-based McCormick & Company through a contract expected to generate \$5 million in sales annually and result in 200 new jobs.

"Every day, in every way, I think that this activity must be one of the most tangibly successful USAID programs we have had in Georgia," said John Tefft, the U.S. Ambassador to Georgia. ★

## INSIGHTS

FROM  
**HENRIETTA H. FORE**



USAID is committed to transforming its business model to better exploit the Internet as a way to share development knowledge among our many partners and stakeholders. Simply put, the number of players and the complexity of the issues that face development officers today demand that we build a more comprehensive and efficient network of resources, skills, and information exchange. I have called this vision of greater information sharing and closer collaboration the Global Development Commons.

A Global Development Commons relies on the interconnections, information exchange, mutual interest, and coordinated action we generate between institutions, organizations, governments, sectors, and individuals – within a country, within a region, and around the world.

A concrete step toward advancing this vision is taking place on the African continent. In Zambia, we are working with public and private sector partners and African education leaders to launch an Education Commons. USAID was one of the early supporters of an education portal for Zambian teachers, which provides them with online and in-service training, electronic library access, and peer-to-peer best practice sharing. This portal also connects Ministry of Education officials with teachers and their counterparts in the provinces. Our goal in this endeavor is to help reinforce the Zambian government's own strong commitment to universal primary education by 2015.

The partnership pursuing this goal is remarkably diverse. It involves a range of in-country and international government agencies like UNESCO, leading private sector companies and foundations like Sun Microsystems and the William and Flora Hewlett Foundation, and InterAction members like the International Reading Association and the Academy for Educational Development.

In Rwanda, a pilot program called "The Rwanda Education Commons" has created a portal that operates as a site for public and private education officials internationally and locally. This is envisioned as a platform for information exchange that addresses a broader range of development concerns and other topical issues.

These initiatives in Zambia and Rwanda are introducing the kind of technology that will become part of a larger Global Development Commons, a community of continuous and real-time information exchange, coordination, partnership, and action. In linking donors in Rwanda with their counterparts in Zambia, Rwanda's pilot site has already taken a small, but significant step in this direction.

As the Global Development Commons expands, I am confident that it will help maintain USAID as the world's leading development Agency by showcasing its expertise and helping disseminate the lessons it has learned in more than four decades of development experience. ★