



National Cheese Sector Research

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PURPOSE OF THE RESEARCH	3
METHODOLOGY	4
INTRODUCTION	6
CHEESE OVERVIEW	6
CURRENT SITUATION OF THE CHEESE SOLD IN SUPERMARKET CHAINS	7
ALCP INFLUENCE IN THE CHEESE SECTOR IN DETAIL.....	10
CONSUMERS' ATTITUDE TOWARDS CHEESE	15
CONCLUSIONS AND RECOMMENDATIONS.....	15
ANNEX 1 DIRECTORY OF BRANDED CHEESE PRODUCERS	17
ANNEX 2. LIST OF UNBRANDED CHEESE FOUND BEING SOLD IN SUPERMARKET CHAINS WITH NO SUPPLIER INFORMATION AVAILABLE.....	20

PURPOSE OF THE RESEARCH

The cheese market in Georgia has changed rapidly in the last couple of years with a very definite shift apparent in the amount of branded Georgian cheese, mostly Sulguni, produced in largely compliant dairy factories and supplied predominantly by small scale livestock producers, being sold in supermarkets. There is also a considerable amount of vacuum packed unbranded but labelled cheese available in these supermarkets. This cheese (mainly Sulguni) is bought in by the supermarkets and labelled and often packed in the supermarkets. The label shows the type of cheese, date stamp, weight and price. The origins of this cheese has been much harder to trace. (See *Main challenge of the research* below). It seems to mainly come through intermediaries who are sourcing from agrarian markets and non-compliant and non-registered producers. There are also concerns currently that some of this cheese and cheese significantly cheaper than other cheese on the market is utilizing cheap milk powder without clearly making it known to the consumer.

The current situation is leading to unfair competition for those factories making cheese from raw milk. A current lack of enforcement in this sphere is hampered by the test which checks for the presence of vegetable oil used with milk powder to make cheese, being mainly used reactively when somebody reports suspicions to the NFA regarding a particular batch of cheese or supplier. A more systematic approach by both the supermarkets on checking their own suppliers and providing consumer information and transparency of labelling as well as enforcement by the NFA needs to be put in place. Testing, enforcement, labelling and consumer information would significantly influence the production of cheese using milk powder and reduce this unfair competition. Georgian consumers are clear in their preference for 'natural' products (see *Consumer Information*) but are unaware of labelling requirements and rarely read the labels on those milk products which are labelled correctly.

The main external factors influencing this shift in the development of a mid-tier cheese market segment in addition to work by the Alliances programme and other SDC and donor support to the sector are:

- the huge expansion in the number of supermarkets both within Georgia,
- a rapid increase in the systematic enforcement of FS and H regulations with regard to registered dairy producers,
- a thickening of the business services sector (i.e.) consultancy firms
- and the effect of cheap Government Loans to the Agri business sector.

The Alliances programme operating in the dairy sector since 2008 has had considerable influence in the sector. This survey was commissioned to:

- Track the changes in the sector in terms of the scale of the move to branded cheese produced in factories and being sold in supermarkets.
- Detail the contributions and share of Alliances and SDC support to this development.

METHODOLOGY

This Cheese Market Research was carried out from 15th of November 2015 to January 15th 2016. The research was conducted in **39** supermarket branches out of **313** located in Tbilisi, as well as Marneuli, Akhaltsikhe, Batumi and Rustavi cities. They represent a selection of all the chains of supermarkets in Georgia. *Please see below the Table 1 for the list and location of the supermarkets.*

The data gathered during the research includes:

- In depth interviews conducted with 39 supermarkets and cheese factories on: amount, type, supply, market for branded and unbranded cheese
- Information concerning consumers was provided by First Consulting Company Ltd (Business and Marketing Consulting Company)
- The survey was conducted by Deputy of manager of KK programme and senior business development officer. The in depth interviews were conducted either by phone or in person.

The main challenge encountered during the research:

22 suppliers to the supermarket of unbranded cheese could not be identified as there was no label or information about the producer on the packet. In addition none of the supermarket chains were willing to provide information about their cheese suppliers or the amount of cheese they are selling. It is considered to be confidential information. The information in this survey therefore was derived from the supply side. When information was requested in person or via a phone call all supermarkets asked for an official letter via email requesting the information. However none of them responded to this official email or further follow up emails.

Table 1: Names of supermarket chains and the number of their branches throughout Georgia visited during the research

#	Names of Supermarkets	Branches in Tbilisi	Branches in the regions	Total number of branches in Georgia	Number of visited Branches (during the survey)
1	Carrefour	5	0	5	3
2	Fresco	7	0	7	3
3	Furshet	6	2	8	3
4	Foodmart	52	6	58	3
5	Goodwill & Marshe ¹	3	3	6	4
6	Ioli	14	1	15	2
7	La Family	2	0	2	1
8	Libre	1	0	1	1
9	Madagoni	0	2	2	1
10	Nikora	79	36	115	4
11	Ori nabiji	59	0	59	3
12	Smart	7	8	15	4
13	Vejini	3	2	5	2
14	Will mart	0	3	3	1
15	Zgapari	12	0	12	4

¹ “Marshe” is “Goodwill’s” authorized company, which produces different types of products and these are mostly meat products. It also produces semi-finished products, fish, “Khachapuri” and others.

INTRODUCTION

Cheese OVERVIEW

Georgia is a country where cheese is eaten three or even four times a day – i.e. at every meal. Cheese is also the main ingredient in *khachapuri*, the most popular dish in Georgia.

Cheese is a food derived from milk that is produced in a wide range of flavors, textures, and forms by coagulation of the milk protein casein. It comprises proteins and fat from milk, usually the milk of cows, buffalo, goats, or sheep.

Cheese is valued for its portability, long life, and high content of fat, protein, calcium, and phosphorus. Cheese is more compact and has a longer shelf life than milk, although how long a cheese will keep depends on the type of cheese;

In supermarkets branded ²cheese and un-branded but labelled cheese ³ are sold; outside of the supermarkets chains in mini markets, informal sales points and agrarian markets unlabeled and usually unpackaged cheese is commonly sold. This unlabeled cheese is mostly still produced in households and collected by intermediaries who deliver to the agrarian markets, mini markets or distributors who supply city outlets which include hotels and supermarkets.

Unlabeled unpackaged cheese is mostly sold according to the region where it has been produced: e.g. Bogdanovka, Svaneti, Bolnisi, Alvani, Ninotsminda, Akhaltsikhuri, Zestaponi, etc. or by cheese type: Imeruli, Sulguni, Factory or Guda (sheep cheese).

The main cheese varieties are:

Imeruli: It is a white fresh cheese produced from cows milk. Imeruli cheese accounts for the majority of the market for Georgian cheese. It is used in making *khajapuri* and is the most commonly consumed cheese

Factory: A salty white cheese produced in bulk type of cheese produced in the same way as Imeruli but kept for longer. An eating cheese.

Sulguni: Imeruli cheese is boiled to produce Sulguni. Considered a higher value product by consumers and sold at approximately 25% more per kg than Imeruli.

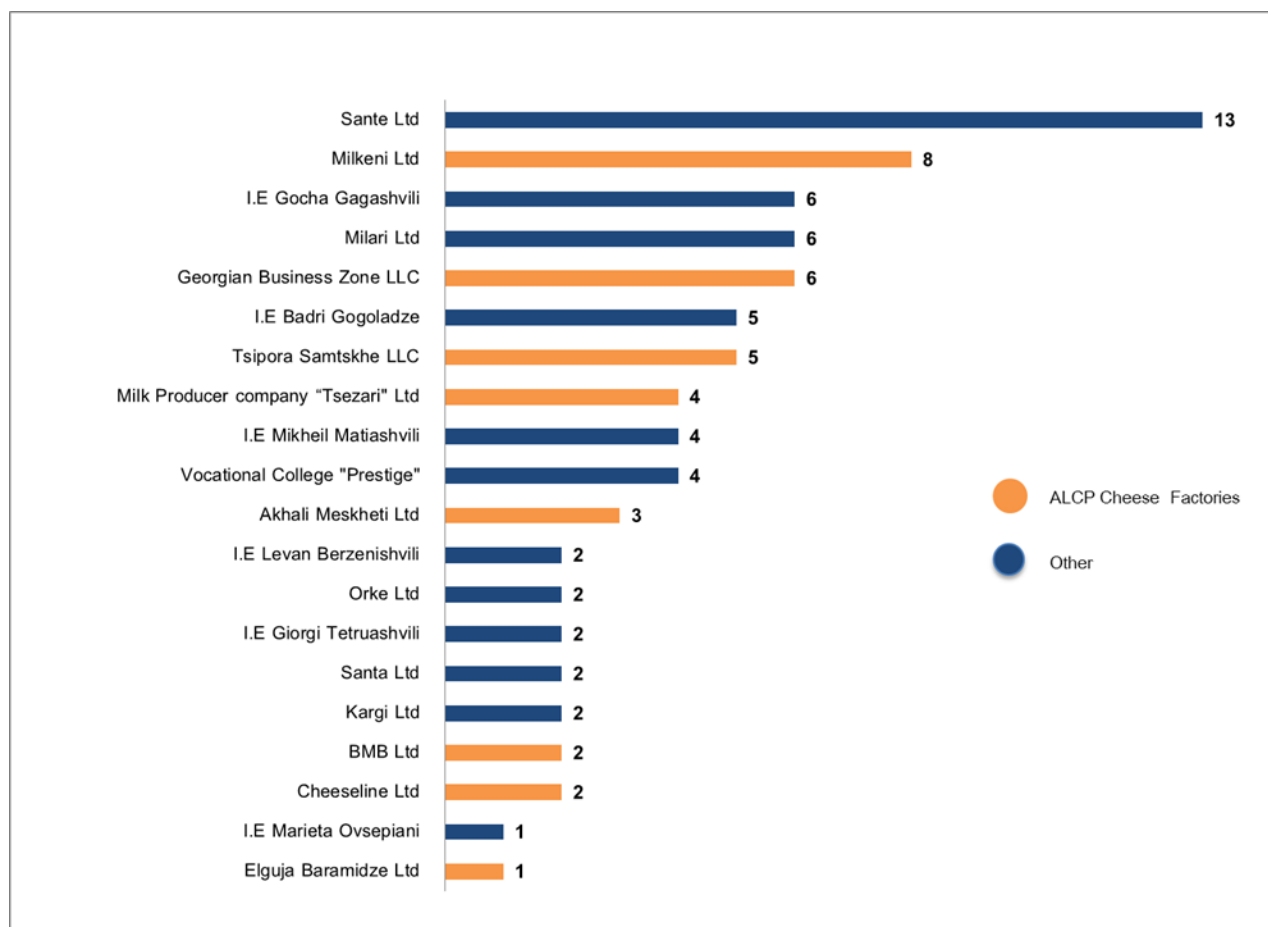
Smoked Sulguni: Sulguni that is braided, cut or shaped and smoked over wood shavings. A popular snack with beer.

Guda: Georgian Sheeps cheese traditionally produced in Tusheti by shepherds on the summer pastures.

² Means that the factories are in compliance with Food Safety standards and all the information (Description, consistency, validity, storage conditions and etc.,) about cheese production is presented on package label and the cheese is packed properly

³ Possibly means that the producers are uncompliant unchecked and un-registered premises.

CURRENT SITUATION OF THE CHEESE SOLD IN SUPERMARKET CHAINS



GRAPH 1: SHOWS THE NUMBER OF SUPERMARKETS CHAINS WHICH GEORGIAN PRODUCERS OF BRANDED CHEESE ARE SUPPLYING.

According to Figure 1 Sante is supplies the largest number of supermarket chains with its cheese. Milkeni also supplies to a large number of outlets. However if we compare the amount of cheese they supply⁴ the picture changes.

⁴ The amounts given represent amounts in Kg per week in a peak season

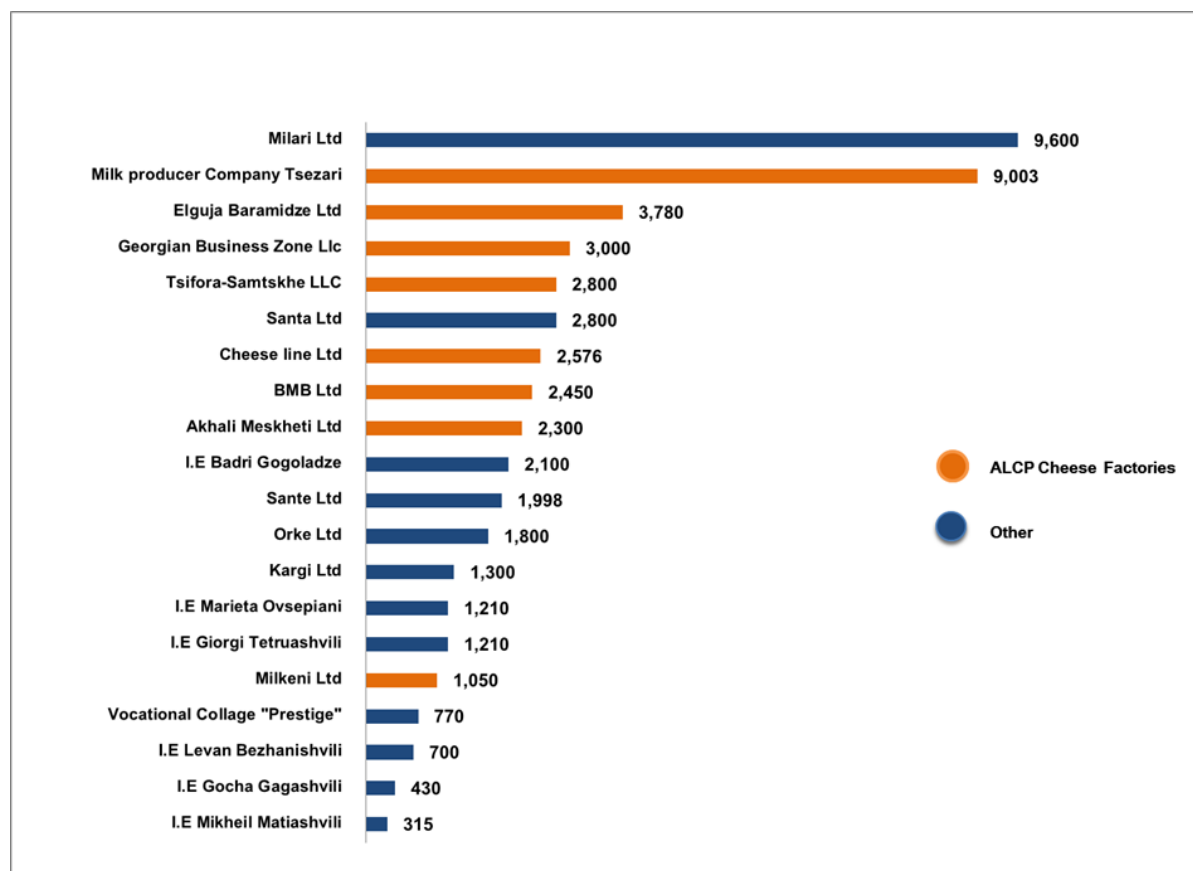


FIGURE 2 SHOWS THE AMOUNT (KG/WEEK) OF BRANDED CHEESE SUPPLIED BY CHEESE PRODUCERS TO SUPERMARKET CHAINS

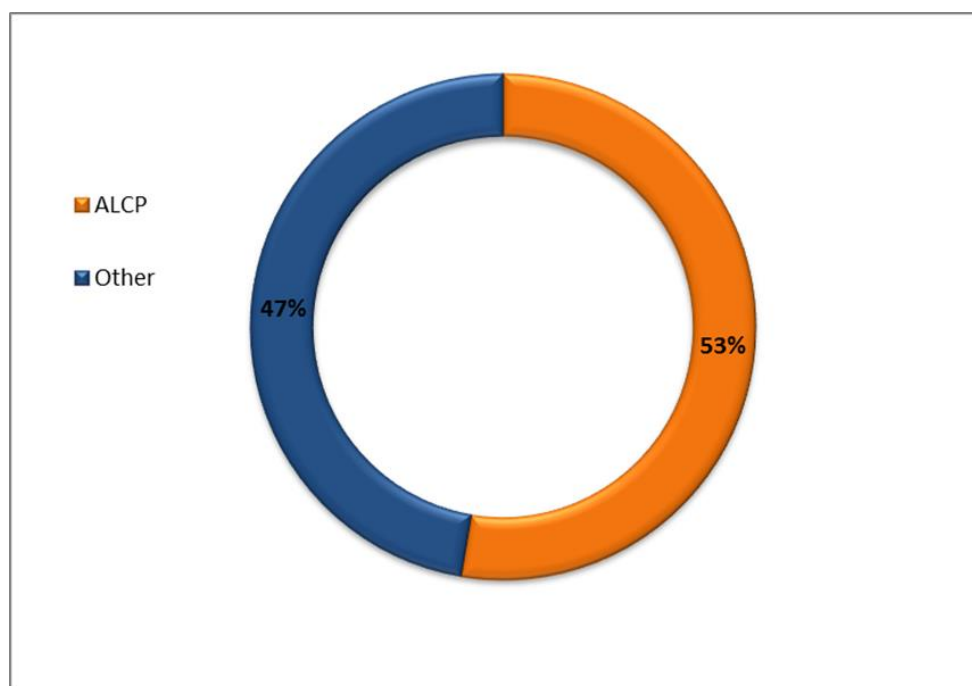


Figure 3 shows the % of Branded cheese supplied by ALCP funded cheese producers per week to the Supermarket chains

53% supplied by ALCP facilitated producers - includes **8** cheese producers selling branded cheese (KG/Week) in supermarket chains and funded by ALCP.

- Dairy Products Company Tsezari;
- Elguja Baramidze Ltd;
- Georgian Business Zone LLC;
- Tsifora-Samtskhe LLC
- Cheese line Ltd;
- BMB Ltd;
- Akhali Meskheti Ltd
- Milkeni Ltd

47% includes **12** cheese producers selling branded cheese (KG/Week) in supermarket chains, some of them are funded by different donors: Moli Project, UNDP, RED, Millennium, Ministry of Education and Government stated Preferential Agro Credit Project “Enhanced enterprises. Please see below more information about funded 6 producers out of 12:

- Milari – The producer have two factories: one is located in Dedoplistskaro and funded by MOLI and Preferential Agro Credit Project “Enhanced enterprises, the other factory in Tbilisi
- Santa Ltd - Millennium + RED
- Vocational Collage "Prestige" - UNDP + Ministry of Education
- I.E Gocha Gagashvili - Preferential Agro Credit Project “Enhanced enterprises
- I.E Mikheil Matiashvili - Preferential Agro Credit Project “Enhanced enterprises
- The information on the remaining 6 cheese producers is not available

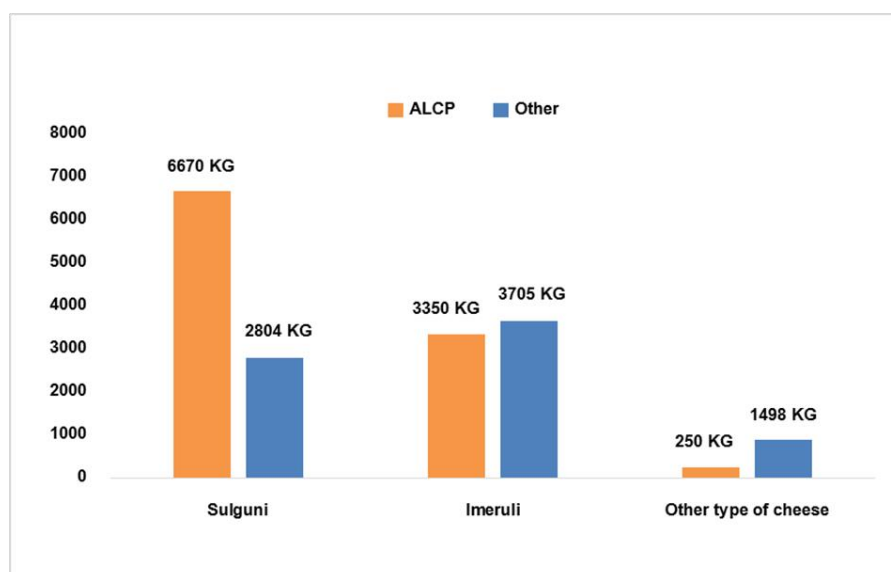


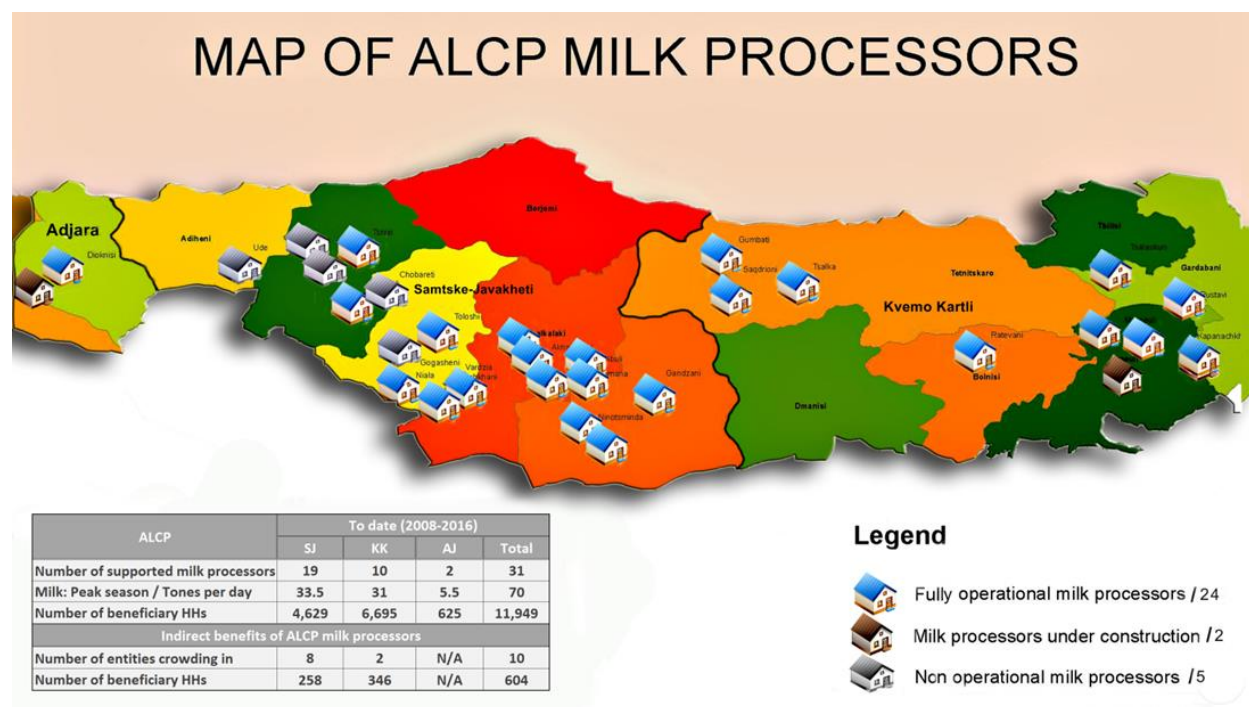
FIGURE 4: SHOWS TOTAL AMOUNT (KG/WEEK) OF BRANDED CHEESE SELLING IN SUPERMARKET CHAINS IN LOW MILKING SEASONS

In the cheese ⁵segment the production of Imeruli cheese, vital in the production of *Khachapuri*, is almost solely made in the HH and distributed into the market system through complex webs of intermediaries, informal trading relationships and agrarian markets. This is due to the cheaper price of Imeruli compared

⁵ Source of information MARKET ANALYSIS AJARA ALLIANCES LESSER CAUCASUS PROGRAMME

to Sulguni, when a cheese producer invests in a cheese making enterprise they will automatically produce Sulguni as this commands a higher prices which covers the cost of production and provides a profit margin .

ALCP INFLUENCE IN THE CHEESE SECTOR IN DETAIL



MAP 1 ALCP CHEESE FACTORIES

Map 1 shows that the ALCP programme now runs to 31 dairies with 11, 949 HHs milk suppliers supplying 70 t of milk/day in peak season in three regions of Georgia

MAP 2 SHOWS INCREASE NUMBER OF SERVICES PROVIDED BY ACLP FUNDED MILK PROCESSORS PER VILLAGE



Women's Economic Empowerment - Dairy

She lives in Kvemo Kartli and supplies milk to the local ALCP supported milk processor

"After I stopped cheese making I have much more free time. Furthermore, I generate more money. Last month I brought the washing machine".

During one year she...

- Generated income: 619 USD
- Saved: 730 hours
- Spent more time and money on children, healthcare and education
- Increased # of cattle by 10%



Total benefits of women from milk processors (2008 - 2016)

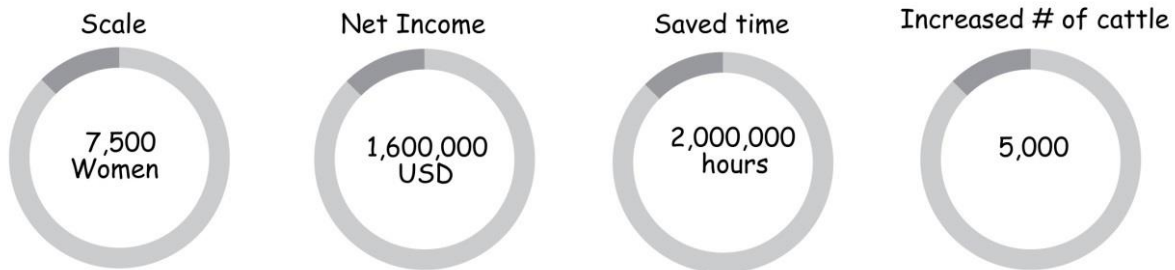


FIGURE 5: SHOWS WOMEN'S ECONOMIC EMPOWERMENT IN DAIRY SECTOR WITH GENERATED INCOME, TIME SAVED AND INCREASED CATTLE DURING ONE YEAR

TABLE 1: SUPERMARKET CHAINS, WHERE THE ALCP CHEESE PRODUCERS ARE SELLING BRANDED CHEESE

ALCP cheese factories in the supermarket chains										
Name of the supermarket chains	Kvemo Kartli region				Samkhe Javakheti region			Ajara region		TOTAL
	Milk Producer company "Teezan" Ltd	Milkeni Ltd	BMB Ltd	Cheeseline Ltd	Akhali Meskheti Ltd	Tsipora Samtskhe LLC	Georgian Business Zone LLC	Natula Produkcia Ltd	Eguja Baramidze Ltd	
Fresco			●			●				2
Goodwill					●	●	●			3
Nikora		●			●		●			3
Smart		●			●	●	●			4
Carrefour	●		●		●		●			4
Libre						●	●			2
Madagoni	●	●		●						3
Or nabiji		●				●	●			3
Furshet				●						1
Vejini		●								1
Foodmart		●								1
Ioli										0
Zgapari		●								1
Will mart									●	1
Nikora west part of Georgia								●		1
Nugeshe west part of Georgia								●		1
La family		●								1
Total	2	8	2	2	4	5	6	2	1	

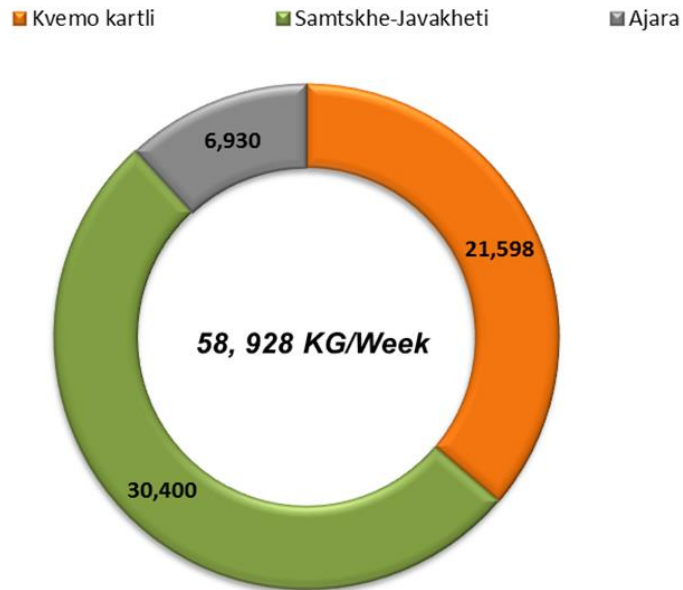


FIGURE 6: SHOWS AMOUNT (KG/WEEK) OF CHEESE PRODUCED BY ALCP FUNDED CHEESE PRODUCERS DURING THE PEAK MILK SEASONS

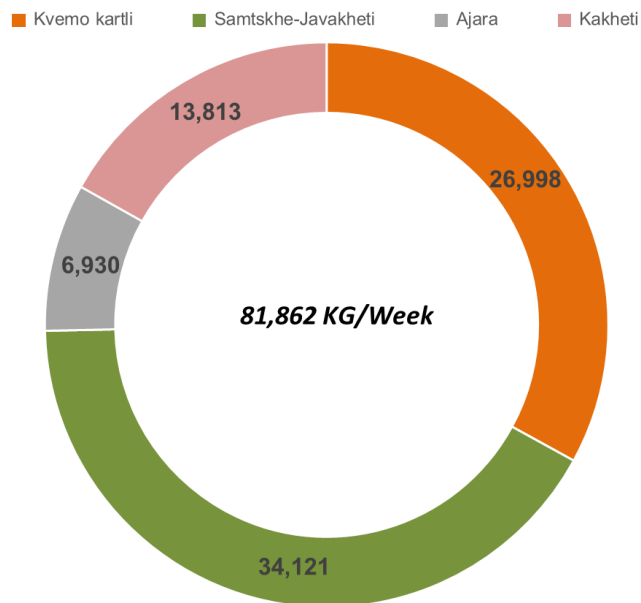


FIGURE 7: SHOWS AMOUNT (KG/WEEK) OF CHEESE PRODUCED BY REGIONS DURING THE PEAK MILKING SEASON

Figure 7 shows that Samtskhe Javakheti region is #1 largest producer of branded cheese. It produces 30,400 KG/Week of branded cheese in peak milking season. Kvemo Kartli is the second largest branded cheese producer and Ajara is the third. Ajara has started production of branded cheese since September 2015 and amount of produced cheese for 5 months is 6,930KG/Week.

ALCP FUNDED CHEESE PRODUCERS BY REGIONS

ALCP	To date		
	SJ	KK	AJ
Cheese: Peak season /KG per Week	30.400	21.598	6.930
Operational Cheese producers	14	9	2

CONSUMERS' ATTITUDE TOWARDS CHEESE

- **Cheese is for the family:** people rarely buy it for themselves as an individual (Guda (sheep) cheese is exception because of its specific taste/smell). Producers should consider this while planning advertising campaign – they should focus on families and not individuals.
- **Most consumers have negative attitude towards the products made of milk powder but** a) big majority of consumers (almost 100%) do not read the information about ingredients on the product label b) cannot check the quality of unpackaged product at all c) know that it is made from milk powder but cannot find the alternative product or find it expensive, therefore, ignore the fact (that it is made from milk powder).
- **Buyers/consumers have positive attitude towards Georgian production.** Quality and purity are priorities.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this research, it is clear that the medium tier of the cheese sector is expanding rapidly with more compliant producers focusing on entering the Tbilisi market and supermarket chains across Georgia. A main finding is that unbranded cheese whose provenance is unknown is being sold in bulk in supermarkets and that it is highly likely that this cheese is being produced under uncompliant and unchecked conditions.

The research also highlighted:

- Unfair competition due to cheese being made with milk powder being sold as cheese made with raw milk and the subsequent need for improved controls on the use of milk powder mainly in Imeruli cheese production.
- NFA controls on cheese in supermarkets are currently insufficient.
- Lack of enforcement and controls by supermarkets over their supply. E.g. checking premises of suppliers to see if they are compliant. However most Imeruli cheese is not made in factories but in HH's and uncompliant premises. The supermarkets must supply this

- commodity to customers but are faced with a conundrum of obtaining compliant supply which the market is only beginning to supply.
- Lack of transparency by supermarkets towards information provision to consumers.
 - Low awareness amongst consumers of their rights and knowledge towards issues such as labelling. Most consumers assume that buying vacuum packed cheese in a supermarket guarantees quality and hygiene.

Recommendations going forward:

- Consumer awareness needs to be improved on what their rights are, what they are buying, where it comes from and where and how it is produced.
- Supermarkets need to operate to stricter controls on sourcing and transparency concerning sourcing and product composition.
- Tighter controls and testing concerning the use of powdered milk, including appropriate labelling and improved systematic testing are needed to reduce unfair competition and fulfill supermarkets obligations to their customers to guarantee the quality and safety of the food they are selling.

ANNEX 1 DIRECTORY OF BRANDED CHEESE PRODUCERS



Brand Name: Shiraki
Name of producers: Milari Ltd
Location: Arkhiloskalo village, Dedoplistskaro
Type of cheese: Imeruli Sulguni, Smoked sulguni
Selling points: Goodwill, Nikora, Smart, Libre, Foodmart, Carrefour
Financing organization: has two factories: Dedoplistskaro and Tbilisi, MOL Project and Preferential Agro Credit Project "Enhanced enterprises funded factory in Dedoplistskaro."



Brand Name: Tsezari
Name of producer: Dairy Products Company Tsezari Ltd
Location: Sakdrioni village, Tsalka Municipality
Type of cheese: Sulguni, Smoked cheese
Selling points: Carrefour, Madagoni,
Financing organization: ALCP KK



Brand Name: "Elguja Baramidze"
Name of producer: I.E Elguja Baramidze
Location: Khelvachauri municipality
Type of cheese: Sulhuni, Smoked sulguni
Selling points: Will mart
Financing organization: MC AJ



Brand Name: Akhaltsikhuri
Name of producer: Georgian Business Zone LLC
Location: Tsnisi village, Akhaltsikhe municipality
Type of cheese: Imeruli, Factory Cheese
Selling points: Nikora, Smart, Libre; Ori Nabiji; Carrefour; Goodwill
Financing organization: MC SJ



Brand Name: Tsipora Samtskhe
Name of producer: Tsipora Samtskhe LLC
Location: Uraveli village, Akhaltsikhe
Type of cheese: Sulguni, Smoked cheese
Selling points: Fresco, Ori Nabiji
Financing organization: ALCP SJ



Brand Name: Alpia
Name of producers: Santa Ltd
Location: Santa village, Tsalka municipality
Type of cheese: Imeruli, Gauda in summer, Lori, Factory cheese
Selling points: Goodwill; Smart
Financing organization: Millennium + RED



Brand Name: Kazala
Name of producers: BMB Ltd
Location: ratevani village, Bolnisi municipality
Type of cheese: Imeruli; Sulguni
Selling points: Carrefour, Fresco
Financing organization: Millennium +ALCP KK + RED



Brand Name: Akhali Meskheti
Name of producers: Akhali Meskheti Ltd
Location: Toloshi village, Akhaltsikhe
Type of cheese: Sulguni, Imeruli, Georgian cheese
Selling points: Goodwill; Smart Carrefour; Nikora
Financing organization: MC SJ



Brand Name: Cheese Hut
Name of producer: I.E Badri Gogoladze
Location: Ratevani village, Bolnisi municipality
Type of cheese: Sulguni; Smoked Sulguni; Sulguni plates
Selling points: Smart, Goodwill & Marche; Fresco; Smart
Financing organization: No one



Brand Name: Sanebo
Name of producer: Sante Ltd
Location: Kakheti highway 10th km. Tbilisi
Type of cheese: Sulguni, Smoked sulguni, Factory cheese
Selling points: Carrefour; Fresco; Ori Nabiji Smart, Goodwill; Vejini; Zgapari; Nikora, Libre; Furchet; Madagoni; Foodmarti; Ioli
Financing organization: N/A



Brand Name: Kargi
Name of producer: Kargi ltd
Location: Gorilovka village, Ninotsminda Municipality
Type of cheese: Factory cheese
Selling points: Libre, Nikora
Financing organization: Non one



Brand Name: Sagamo
Name of producer: I.E Marieta Ovsepien
Location: Hestia Village, Ninotsminda Municipality
Type of cheese: Sulguni, Smoked Sulguni
Selling points: Carrefour
Financing organization: Non one

 <p>Brand Name: Kartuli Kveli Name of producer: I.E Giorgi Tetrushvili Location: Gldani district, Tbilisi Type of cheese: Factory cheese Selling points: Furshet; Nugeshi Financing organization: No one He collects cheese from Ninotsminda municipality from factories and big farmers</p>	 <p>Brand Name: Milkeni Name of producer: Milkeni Ltd Location: Rustavi city Type of cheese: Smoked and braided Sulguni Selling points: Nikora; Ori nabiji, La Family; Vejini, Madagoni, Foodmart, Zgapari, Smart Financing organization: ALCP</p>	 <p>Brand Name: Delamo Name of producer: Vacational Collage "Prestige" Location: Akhmeta Municipality Type of cheese: Imeruli Selling points: Goodwill & Marshe, Smart, Libre Financing organization: UNDP + Ministry of Education</p>
 <p>Brand Name: Shuamta Name of producers: I.E Levan Bezhanishvili Location: Telavi municipality Type of cheese: Sulguni, braided smoked sulguni, sulguni with Mint, Cheese "Guda" Selling points: Goodwill; Smart Financing organization: no one</p>	 <p>Brand Name: Tsivis Kveli Name of producers: I.E Gocha Gagashvili Location: Kurdgelaure village, Telavi Municipality Type of cheese: Buffalo cheese, Sulguni, Smoked sulguni, Sulguni matured in honey, wine Selling points: Ori Nabiji; Fresco; Furchet; Careffor, Foodmart, Smart Financing organization: Preferential Agro Credit Project "Enhanced enterprises"</p>	 <p>Brand Name: MM Name of producers: I.E Mikheil Matiashvili Location: Gurjaani municipality Type of cheese: Sulguni, rolls, Sulguni with Mint flavored with different Spices; smoked braided sulguni and smoked sulguni sticks Selling points: Goodwill, Libre, Smarti, Zgapari Financing organization: Preferential Agro Credit Project "Enhanced enterprises"</p>

ANNEX 2. LIST OF UNBRANDED CHEESE FOUND BEING SOLD IN SUPERMARKET CHAINS WITH NO SUPPLIER INFORMATION AVAILABLE

#	Name of Producer	Location	Type of Cheese	Selling Amount of cheese in a week	Product name	Selling points	Financing organization
1	N/A	Packed by shop	Sulguni Imeruli	N/A	Georgian Production	Goodwill	N/A
2	N/A	Packed by shop	Sulguni Lori	N/A	Svanuri	Fresco	N/A
3	N/A	Vacuum packed	Smoked sulguni	N/A	N/A	Fresco	N/A
4	N/A	Packed by shop	Sulguni	N/A	Bolnisi	Goodwill	N/A
5	N/A	Packed by shop	Sulguni	N/A	N/A	Vejini, Zgapari, Goodwill, Nikora	N/A
6	N/A	Packed by shop	Sulguni Plates	N/A	N/A	Furshet	N/A
7	N/A	Packed by shop	Factory cheese	N/A	Bogdanovka	Fresco	N/A
8	N/A	Packed by shop	Factory Cheese	N/A	Cheese Factory Alpuri	Fresco, Ori Nabiji	N/A
9	N/A	Packed by shop	Factory cheese	N/A	G.B.C	Nikora, Furshet	N/A
10	N/A	Packed by shop	Factory cheese	N/A	Ninotsminda	Madagoni	N/A
11	N/A	Packed by shop	Factory cheese	N/A	N/A	Furshet, Vejini, Goodwill, Zgapari	N/A
12	N/A	Packed by shop	Sheep cheese	N/A	N/A	Fresco	N/A
13	N/A	Packed by shop	Alvani sheep Cheese	N/A	N/A	Fresco	N/A
14	N/A	Packed by shop	Guda cheese	N/A	from cow Mta Tushetis	Fursheti, Carrefour,	N/A
15	N/A	Packed by shop	Guda Cheese	N/A	Tushuri	Libre	N/A
16	N/A	Packed by shop	Greek	N/A	Ardena	Fresco, Nikora, Vejini Goodwill, Carrefour,	N/A
17	N/A	Packed by shop	Imeruli	N/A	N/A	Fresco, Carrefour, Zgapari, Vejini, Madagoni	N/A
18	N/A	Akhaltzikhe	Imeruli ,	N/A	Abuli Naturaluri”Ltd	Ori nabiji, Goodwill	N/A
19	N/A	Packed by shop	Imeruli	N/A	Zestafoni	Madagoni	N/A
20	N/A	Tsnisi	Packed by shop	N/A	Akhaltikhuri	Ori baniji, Smart	N/A
21	N/A	Packed by	Georgian	N/A	N/A	Furshet	N/A