

ANALYSING SYSTEMIC CHANGE TRENDS IN THE DAIRY SECTOR



ALLIANCES CAUCASUS PROGRAMME
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INTRODUCTION

Since 2008 the ALCP programme has facilitated¹ and provided business development service consultancies to twelve dairy entities in Kvemo Kartli (KK) and twenty-one² in Samtskhe Javakheti (SJ). Before the ALCP facilitation, the dairy entities had not built proper factories, they only had custom built buildings with small investments. For the first time, the compliant factories were built in KK with the ALCP facilitation in 2012. Currently, eleven are working in KK and thirteen in SJ (*Please see Annex 1*). Since 2015 twenty-three crowding in cases have been captured in five different regions of Georgia³ attributable to the successful dairy entities full operations assisted by the programme. *Figure 1* below represents the average sustainability rating⁴ of the ALCP facilitated dairy enterprises in KK and SJ, which shows that sustainability is relatively high.

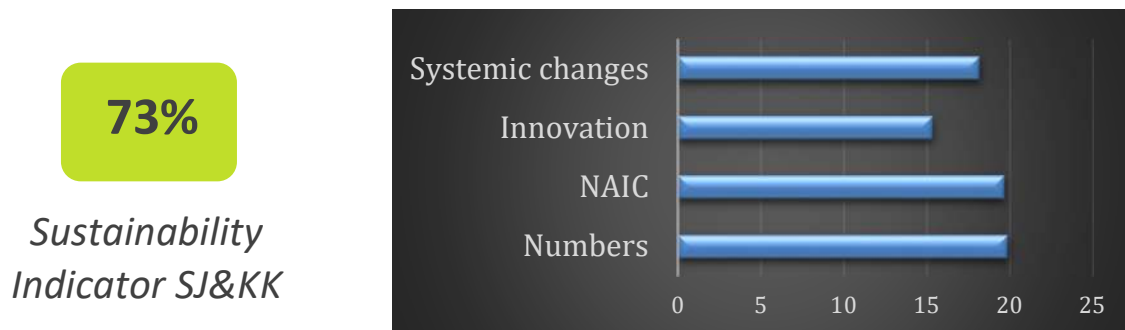


Figure 1. Sustainability dashboard of dairy entities in SJ and KK

The purpose of this report is to capture and analyze the sustainability of the ALCP facilitated dairy entities and crowding in⁵ cases occurring in the dairy sector from 2014 to 2018.

The survey was carried out in two stages. 1. Desk research: the analysis of systemic change log sheets, investment plans and other handouts/reports. 2. Field research: eleven interviews were conducted with representatives of crowding in cases of dairy entities and other stakeholders⁶ in Samtskhe-Javakheti and Kvemo Kartli.

¹ Full facilitation includes co-investment in necessary equipment, building reconstruction/ renovation, business plan and FS& H consultation, establishing HACCAP, etc; Partial facilitation means that some of the clients received support regarding rehabilitation of the building, some regarding new equipment and some car-refrigerators.

² The model for these 21 entities was still being piloted and the investment amounts were lower in order to reduce risks. Some of them were GMP and some not.

³ The ALCP has started capturing of the crowding in cases since 2015.

⁴ The sustainability dashboard seeks to give a sustainability rating to each intervention based on four Criteria-Numbers, NAIC, Innovation and Systemic Changes. The sustainability indicator is a combined score of these four criteria, where 0 means no sustainability at all and 100% - maximum rating and sustainability

⁵ Systemic change is change in the underlying causes of market system performance that leads to a better-functioning, more pro-poor market system. A systemic change must have three characteristics: scale, sustainability and resilience. If a programme aspires to systemic change, it must define what is, and is not, systemic change. The programme has been capturing systemic changes case by case in the Systemic Change Log Sheet documents and updating them on an ongoing basis. The ALCP has also been measuring why systemic changes occurred and its attribution to the programme.

⁶ Other stakeholders are farmers who are willing to open dairy entities and see dairy as a business opportunity

FINDINGS

Quality of facilitation influences crowding in quality. Those clients who received full facilitation⁷ from the programme tend to show more sustainable results compared to those clients who received partial facilitation⁸ by the programme and it seems that partial facilitation of the ALCP dairy interventions lead to partial crowding in, while full facilitation leads to full crowding in. The model works better when the ALCP is fully facilitating⁷ the clients and their co-investment is bigger than the ALCP's. The survey revealed that in case of closed entities the average percentage of their co-investment was 38%, while for still operational entities the same figure was 45%.

**LARGER INVESTMENT = FULL FACILITATION =>
MORE SUSTAINABILITY**

Dairy entities' success results in fast occurrence of systemic changes. The majority of the crowding in cases took place within a year period since the ALCP facilitated entities started operation. As illustrated in the *Figure 2* below, the biggest number of crowding in cases appeared in Ninotsminda municipality, because there were many homemade cheese producers who decided to shift from homemade cheese making to compliant factory cheese making after seeing the success of the ALCP facilitated enterprises. Besides, this municipality has bigger amount of livestock in comparison to other municipalities.

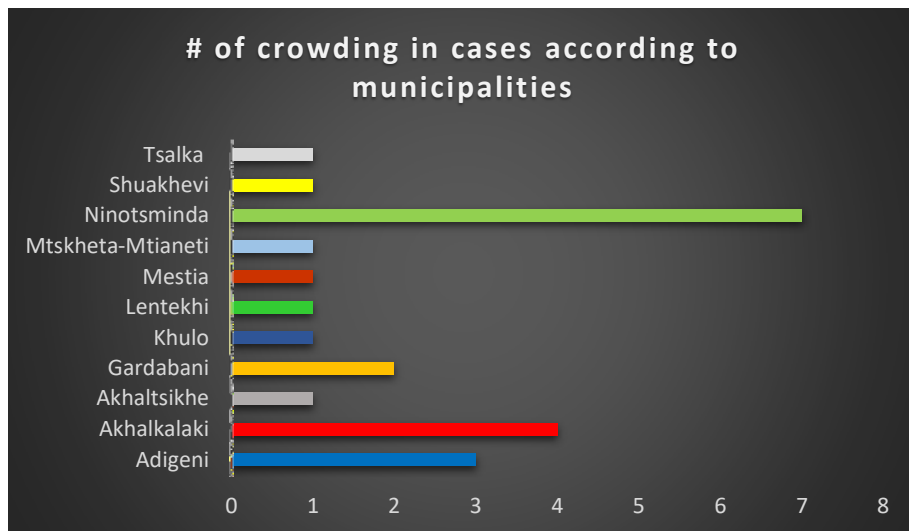


Figure 2. # of crowding in cases according to municipalities

Formalizing a successful business led to further financing. Some interviewed crowding in entities took cheap agricultural loans from *TBC* and *Pro Credit* banks, received financial support from the government grant

⁷ Full facilitation includes support in purchasing necessary equipment, building reconstruction/ renovation, business plan and FS& H consultation, establishing HACCAP, etc.

⁸ Partial facilitation means that some of the clients received support regarding rehabilitation of the building, some regarding new equipment and some car-refrigerators

programmes Agriculture Project Management Agency (APMA); EBRD, Fert (French organization), Ajara Water and the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD).

Success leads to diversifying the products. The majority of crowding in entities are diversifying and some of them are producing their own kind of cheese as well. Figure 3 shows kinds of cheese produced by the entities.

Further crowding in in an expanding dairy sector. Crowding in entities have been copied by three more entities who built factories in Mokhe and Dertseli villages (SJ).

Crowding in entities are understanding the value of FS&H for their business. All the crowding in entities are oriented on the quality of dairy products, they source raw milk from small livestock producers and are trying to fulfill all the FS&H requirements and establish HACCP. 60% of them are funded by the government grants and actively working with them and 40% cooperate with the ALCP clients, CNFA, USAID or to get information/funds to fulfill FS&H requirements and further establish HACCP.



Figure 3. Diversified dairy product

ANNEX 1: THE ALCP FACILITATED OPERATIONAL FACTORIES

N	Name of the enterprise	Date of establishment	Milk collection region	Milk collection municipality	Produced products	Period of facilitation	Current status
1	I.E Karen Simonyan	2006	Samtskhe-Javakheti	Akhalkalaki(Khaveti, Erinja, Davnia, Miasnikiani and Bozali)	Factory kind cheese, Sulguni, Ghee, Lori	06.05.2014 - 30.12.2016	Operational
2	Mziuri Javakheti Cooperative	2007	Samtskhe-Javakheti	Akhalkalaki (Varevani Khando, Orja, Kokhi,Totkhami, Majatia)	Factory kind cheese, smoked Sulguni, Lori, Guda	14.08.2013- 12.30.2016	Operational
3	IE Rafael Karoyan	2005	Samtskhe-Javakheti	Akhalkalaki (Gogasheni, Apnia, Okami, olaverdi, Kulikami, Khulgumo, Kartsebi)	Factory kind cheese, sour cream, butter, Sulguni, Lori, ghee	04.03.2013- 30.12.2016	Operational
4	IE Hakob Hambaryan	1995	Samtskhe-Javakheti	Ninotsminda (Ninotsminda, Spasovka, Diliti, Katnatu, Gorelovka,)	Georgian cheese, Sulguni, Chechili and butter	08.10.2012- 30.12.2014	Operational
5	IE Tsolak Grigoryan	2006	Samtskhe-Javakheti	Ninotsminda (Gandza, Saghamo, Poka)	Factory kind cheese, cheese (ham), Sulguni, Imeruli, butter and sour cream	14.08.2013- 30.12.2016	Operational
6	Georgian Business Zone LTD	2008	Samtskhe-Javakheti	Akhaltsikhe (Tskaltbila, Tskruti, Tsira, Tsnisi and other villages)	Factory kind cheese, Sulguni, butter	22.03.2010- 30.11.2011	Operational
7	IE Gorishkhan Eritsyen	2007	Samtskhe-Javakheti	Akhalkalaki (Abuli, Olaveri, Buzaleti)	Factory kind cheese, butter, Sulguni	20.06.2012- 30.12.2016	Operational
8	IE Simon Darbinyan	2005	Samtskhe-Javakheti	Ninotsmina (Uchmana, Eshtia, Tori, Satkha)	Factory kind cheese, butter, Sulguni	27.05.2014- 30.12.2016	Operational
9	LLC Sene	2009	Samtskhe-Javakheti	Aspindza(Oshora, Tmogvi, Zemo Vardzia, Mirashkhani)	Factory kind cheese, Sulguni, Imeruli	27.10.2011- 30.05.2012	Operational
10	LLC Tshipora Samtskhe	2011	Samtskhe-Javakheti	Akhaltsikhe (Uraveli, Sakudabeli, Orgora, Chobareti, Muskhi, Tskordza and Akhalsheni Settlement)	Georgian cheese, Imeruli, Sulguni, Tenili and Smoked cheese, Ghee, Curd, fat and fat free Chechili	21.10.2011- 30.12.2016	Operational
11	Cheese enterprise of the Association Mzianeti	2011	Samtskhe-Javakheti	Aspindza (Chobareti, Dzveli, Orgora, Sakudabeli, Muskhi, Kheoti)	Tenili cheese, Chechili	27.04.2011- 30.12.2014	Operational
12	I.E Otar Tedoradze	2012	Samtskhe-Javakheti	Akhaltsikhe (Tsnisi, Minadze, Chacharaqi, Klde, Ani, Tskhruti, Khizabavra, Sakhudabeli, Damala, Greli, Nakalakevi)	Georgian factory cheese, Sulguni	02.07.2012- 30.12.2014	Operational
13	I.E Misak Muradyan	2013	Samtskhe-Javakheti	Akhalkalaki (Sulda, Bozali)	Georgian factory Cheese , Lori cheese	22.06.2012- 30.12.2014	Operational

14	BMB LTD	2001	Kvemo Kartli	Dmanisi (Kizilajlo, Saja, Kirovisi)	Gauda, Lori, Plate, Georgian, Sulguni sticks, Braided Sulguni, Nadughi, butter, Matsoni	13.06.2012-21.04.2015	Operational
15	Dairy Products Company Tsezari LTD	2007	Kvemo Kartli	Tsalka (Sakdrioni, Gumbati, Nardevani, Aiazma, Gantiadi, Artsivani)	Sulguni, Braided, Smoked Sulguni, Imeruli, butter, Nadughi, Factory type of Cheese	02.04.2012-25.06.2015	Operational
16	J-T-A LTD, Brand name "Khino"	2008	Kvemo Kartli	Tsalka (Tsalka, Trialeti, Arsarvan, Kaburi, Kharaba)	Imeruli, Sulguni, Braided, Smoked Sulguni cheese, Matsoni, butter, and Nadughi	02.04.2013-31.08.2017	Operational
17	Tsalka+ LTD Brand Name Gumbati Dairy products	2003	Kvemo Kartli	Tsalka (Gumbati, Ashkala, Kizilkilisa, Avranlo, Arsarvan, Khachkov, Kuschi)	Imeruli, Sulguni, Braided smoked Sulguni cheese, Nadughi, Georgian Cheese and butter	02.04.2013-26.07.2017	Operational
18	Georgian Cheese-Marneuli LTD	2012	Kvemo Kartli	Marneuli (Algeti), Tsalka (Imera, Baret)	Imeruli, Sulguni, butter and Nadughi	29.09.2014	Operational
19	Cheeseline LTD	2012	Kvemo Kartli	Marneuli(Tazakendi, Algeti, Sarvani, Aziskendi), Tsalka	Sulguni, Braided smoked Sulguni, Imeruli, Nadughi and butter	15.01.2015-24.04.2017	Operational
20	Milken LTD	2010	Kvemo Kartli	Marneuli (Keshalo), Gardabani (Vakhtangisi, Nazarlo, Gardabani, Rustavi-laghluji)	Smoked braided Sulguni, Nadughi, sour cream and butter, Sulguni, cheese roulets, cheese sticks, buffalo Matsoni	26.09.2014 - 01.03.2017	Operational
21	Suren Gevorkyan IE	2006	Kvemo Kartli	Marneuli (Tsitelsopheli, Kulari)	Ayran, Factory type cheese, sour cream and butter	26.08.2015 - 01.03.2017	Operational
22	Aleksandre Naveriani IE	2005	Kvemo Kartli	Marneuli and Gardabani (Gardabani, Jandara, Kapanakhchi)	Sulguni, Factory type cheese, butter and Nadughi	14.04.2015 - 01.03.2017	Operational
23	Tsintskaro + LTD	2015	Kvemo Kartli	Tetrtskaro, (Tsintskaro, Kosalari, Iraga, Tetrtskaro, Samghereti), Tsalka (Imera, Karakomi), Marneuli (Tazaqendi, Algeti)	Imeruli, Sulguni and Nadughi, butter, Factory type cheese	30.01.2015-14.04.2015	Operational
24	Tanadgoma Cooperative	2016	Kvemo Kartli	Marneuli (Algeti), Gardabani (Krtsanisi, Giganti)	Sulguni, Imeruli cheese, butter, Nadughi	13.04.2018 - 31.03.2021	Operational