

EMBASSY OF INDIA  
YEREVAN

April 2005

Tea Market Survey  
Georgia

GEORGIA – FACT SHEET

Location	South Caucasus
Area	69,500 sq km
Capital	Tbilisi (1.3 mn pop)
Neighbours and Boundaries	Armenia-164 kms, Azerbaijan – 322 kms, Russia –723 kms, and Turkey-252 kms
Coastline	310 kms
Ports	Poti, Batumi
Land	Largely Mountainous
Land use	Agricultural 42%, water 2% and forest 34%, Irrigated land 4000 sq. km
Economy	Traditionally agricultural, producing fruit, wine, oils, tobacco and spices. Industries include manganese and coal mines, crude oil and gas production and food processing.
Natural resources	Hydropower (26,000 rivers), manganese, non-ferrous and rare metals, minor coal and oil, forests, coastal climate and soils allow for important tea and citrus growth
Electricity (2001)	Production 7.2 bn kWh, consumption 7.6 kWh
Population (2003)	4.4 mn (Urban 2.8 mn), Growth rate: - 0.2 per thousand. Regular migration abroad. Estimated 280,000 Internally Displaced Persons. Male/female ratio: 0.9:1.0
Ethnic groups	Georgians 84%, Armenian 8%, Russian 6%, Azeri 6%, Ossetian 3%
Life expectancy	73 years
Literacy rate	99%
Religion	The Orthodox Church of Georgia is one of the oldest Christian communities in the world, dating back to 337. Most Georgians belong to this faith. There are small communities of Muslims, Catholics, Slav Orthodox believers, Armenian Apostolics and Zoroastrians. Orthodox 75% (Georgian Orthodox 65%, Russian Orthodox 10 %), Islam 11%, Armenian Apostolic 8%, others 6%.
Language	Georgian, with 33 alphabets, written in a unique rounded alphabet. It is the largest among the Ibero-Caucasian languages, a non-Indo-European group.
History	Georgian history dates back over 2,500 years and Georgian is one of the oldest living languages. Tbilisi, located in a picturesque valley divided by the Mtkvari River, is over 1,500 years old. Much of Georgian territory was besieged by its Persian and Turkish neighbours along with Arabs and Mongols from 7 <sup>th</sup> to 18 <sup>th</sup> centuries. After eleven centuries of mixed fortunes, including a Golden Age from 11 <sup>th</sup> to 12 <sup>th</sup> centuries, Georgia turned to Russia for protection. Russia annexed Georgia and exiled the royalty in 1801. Pockets of Georgian resistance to foreign rule continued, and the first Republic of Georgia was established in May 1918 after the collapse of Czarist Russia. By March 1921, the Red Army had reoccupied the country and Georgia became part of the Soviet Union. On 9 April 1991, the Supreme Council of Georgia declared independence.
Political system	Presidential Republic (President is Head of State and Executive)
State structure	Federal country consisting of two autonomous republics (Abkhazia and

	Ajara), and 12 regions divided further into rayons (Abkhazia has broken away as has another region South Ossetia)						
Independence Day	9 April 1991						
National Holiday	May 26 (coinciding with establishment of first Republic of Georgia on 26 May 1918)						
Constitution:	Adopted August 1995						
Head of State:	President Mikheil Saakashvili elected President in January 2004. President is Head of State and Government, elected by popular vote for a maximum of two five-year terms						
Legislative branch	Unicameral Supreme Council (235 seats); last elections: March 2004.						
Currency	Georgian Lari ( US\$ 1 = 1.83 Lari April 2005)						
GDP (2004)	US\$ 5.4 bn (US\$ 12 bn ppp)						
Per capita GDP (2004) Per cap GDP ( PPP)	US\$ 1,200 (app) US\$ 2,500						
GDP growth rate(2004)	8.5% (2203=11.1%)						
GDP-composition	Agriculture:20%; Industry:23%, Services: 57%						
Unemployment	Officially 10.8%, actually close to 50%						
External debt (2004)	US\$ 2.4 bn						
Reserves end-2004	US\$ 300 mn						
Avg. monthly wage (2004)	US\$ 50						
Major crops	Potatoes, hazelnuts, tea, citrus fruits, grapes (excellent wines)						
Industry	Some 72 power plants, breweries and distilleries, chemical, petrochemical ("tea kettle" refineries), food processing and shipbuilding (at Batumi), cement (at Kaspi and Rustavi) are main industries. Surviving relics of Soviet era include SU aircraft factory, Kutaisi Auto Plant, machine tools, textiles, shoes, chemicals and wood products. Privatisation began after independence in 1991 and large-scale sell-offs of infrastructure enterprises are continuing						
Transport & Communication	Railways 1613 kms, Highways 21,000 kms, Airport- Tbilisi connected with all major European Countries						
Exports (2004) US\$ 515 mn (est)	Scrap metal, machinery, chemicals; fuel re-exports; citrus fruits, tea, wine, textiles. Major buyers are Russia, Turkey, Armenia, Azerbaijan, Switzerland, Ukraine						
Imports (2004) US\$ 1.25 bn (est)	Fuels, machinery and parts, transport equipment, grain and other foods, pharmaceuticals. Major imports from Russia, UK, Turkey, Azerbaijan, US, Germany, Ukraine, France						
Business opportunities for Indian companies	Mahindra Bolero vehicles assembled at Kutaisi Automobile Plant. Pharmaceuticals, small and medium scale industries, Information Technology and agriculture (tea, silk farming and meat) are priority sectors.						
International Organisations	Member of the CIS, OSCE, UN, WTO, Black Sea Economic Cooperation Organization, GUUAM, IMF, World Bank and NATO's Partnership for Peace Programme.						
Bilateral trade (US\$ mn)	1998	1999	2000	2001	2002	2003	2004
India's exports	0.7	1.4	1.2	2.1	4.2	5.5	5.77
India's imports	0.4	0.3	1.3	4.6	1.9	5.9 (scrap)	6.03 (scrap)
Main items of bilateral trade	India's major imports are scrap (aluminum and copper) while major exports are pharmaceuticals, polyesters, meat, machinery, tobacco, coffee and (since 2003) sugar						

## **Introduction**

This survey is based on information obtained through the Ministry of Agriculture of Georgia and various official and non-official sources.

The purpose of this survey is to assess the possibility and opportunity to export Indian tea to Georgia by analyzing the existing situation in the Georgian tea market.

Tea growing was one of the most important priorities of Georgian economy for the last century. In the nineteen eighties the annual harvest of tea leaves used to be more than 500 000 tones and Georgia was the 4<sup>th</sup> - 5<sup>th</sup> biggest tea producing country in the world. Tea growing share for the last century was more than 18% of the whole production in Georgian agricultural industry. For the last 10 years, tea-growing sector is in hard condition because of the well-known events occurred in the country.

Nowadays Georgia is using only 10 - 15% of the whole resources and potential of this sector. Tea plantations plot is reduced from 64.5 thousand hectares to 47.3 thousand hectares including Abkhazia and 37.3 thousand hectares excluding Abkhazia, tea leaves production is reduced from 581000 tones to 23000 tones in 2001. Tea export is also reduced and it figures up to 5.8 thousand tones in 2001. Most of the plantations need rehabilitation but tea factories to be reequipped.

## **Tea Production Tendencies**

Generally tea consumption, export and import tendencies are increasing in the whole world. In two years time it is expected that annual tea production of Georgia will increase to 80 000 tones and annual export will figure up to 78 000 tones according to the assessment made by the foreign experts of tea-growing and Georgia will take the sixth place among the 10 tea exporter countries in the world.

It shall be mentioned that in 1996-2001 tea market price started to slightly increase and the price of 1kg of unpacked black (Baykhi) tea became \$1.62 and \$1.66.

Considering the above mentioned information and current situation in tea sector black (Baykhi) tea production by 2006 shall figure up to 40 000 tones (including Abkhazia and 32-35 000 tones without Abkhazia). Also production of Green, Agura and Black Fila Tea, liquid and dry concentrates, solute tea and non-alcoholic drinks compositions shall increase.

### **The main reasons impeding the tea-growing field development**

- Because of lack of tea production motivation most of the companies established on the first stage of the reforms are not functioning and facing the financial problems.
- Investment environment is not really attractive in the field if not considering “Martin Bauer” LTD. Investment
- Tea factories debt to the state budget and state funds, suppliers and tea-growers figures up to 17.2 thousand Lari (to the 1<sup>st</sup> of February of 2002);
- Repeal of preferential terms for the Investors;
- Multiplicity of taxes and high rates;
- Destruction of production and social infrastructure;
- Loss of local market, lack of guarantee to sell the product;

### **Current Market Situation**

Georgia is mainly concentrated on import of Tea from different countries in not counting “Martin Bauer-Tbilisi” which is mainly oriented on export of tea. Georgian tea production does not really exist. Locally produced tea is not of the high quality but the prices are still quite high.

A wide assortment of tea is imported into Georgian market which is sold in shops, specialized shops of tea&coffee, chemist’s shops, super markets and markets (bazaar). You can find on market different sorts of tea: black, green, fruit tea and etc. Tea is imported from China, Russia, Sri-Lanka and some from Germany and India.

You can find brewed tea mostly sold in 80-100gm hard packets and 20-60gm mild packets. There are 2gm expendable packets with 20, 25, 50, 100 packets in each box. Design of boxes and packing quality of imported tea is mainly done on top level.

### **Customer Demand on Tea**

When carrying out the Market Survey the following factors shall be considered:

- Because of poverty of people tea demand increase exists only in Tbilisi, Batumi and Poti customer market;
- Tea customers in Batumi and Poti meet their requirements by buying tea directly from factories. So tea business can be built only for Tbilisi customers market.
- There are 270 000 families or 1122000 persons in Tbilisi about 50% of them live in poverty and meet their requirements accordingly. So it is a great risk to develop the business relying on their requirement dynamics.
- About 50% or 135 000 families in Tbilisi have stable requirement on tea, the rest 135 000 families belong to middle and low class.
- Prestige of Georgian Tea is very low in the population.

### **Products and Prices**

First of all it shall be mentioned that according to the information given by the two most popular Super-Markets in Tbilisi the best selling products are as follows:

1. “Lipton” - English tea imported from Russia;
2. “Ahmad” - English tea imported from Shri-Lanka.

“Twinings” - English tea imported from Russia is quite popular as well.

“Nadin” – produced and imported from Denmark is called as “Elite Tea” because of the price and quality.

Sale volume of Tea in these Super-Markets is about 15 - 20 kg monthly in total.

Please see the imported Tea sorts into Georgian market:

Name	Country of origin	Type of Tea	Type of Packing	Weight in gm	Price in \$
Ahmad – Ceylon tea	English tea packed in Shri-Lanka	Black	Leaf-tea	100	1.82
		Fruit	Tea-bags	50	1.58
		Green	Tea-bags	50	1.58
		Grey	Tea-bags	50	1.58
			Granular	250	15.79
Lipton	English tea imported from Russia	Black	Tea-bags	50	2
Twinings of London	English tea imported from Russia	Black	Tea-bags	200	12.7
		Black	Leaf-Tea	100	6.17
		Black Flavored	Tea-bags	50	3.42

Chinese Green Tea	Packed in Russia	Black	Leaf-tea	250	2.54
Mebmer	English tea	Flavored green Tea	Tea-bags	50	4.52
Whittard	English tea	Round Black Tea	Tea bags	125	7.10
		Caffeine Free Light	Tea-bags	35	9
		Black Tea	Leaf-tea	125	7.35
Maryam	Indian – Darjeeling and Assan Tea imported from Dubai	Black	Tea-bags	50	0.89
		Black	Leaf Tea	100	0.89

Please see the Georgian Tea sorts available on Market:

Name	Producing Company	Type of Tea	Type of Packing	Weight in gm	Price in \$
Black – Baikhi tea	“Gantiadi” LTD – Ozurgeti, West Georgia	Black	Leaf-tea	100	1.58
Black – Baikhi Tea	Ind. Entrepreneur “Askaneli”	Black	Leaf-tea	100	1.47
Green Gold Tea	“Green Gold” West Georgia	Green	Tea-bags	60	0.95
		Grey	Tea-bags	60	0.95
		black	Tea-bags	60	0.95

### **Other Locally operating Tea Companies**

Joint Stock Company “Kartuli Chai”

“Bako” LTD  
Joint Stock Company “Kobuleti Chai”  
Joint Stock Company “Zgvaia” and many others

“Sameba” LTD – green tea  
Tea is imported from Odintsovo, Russia. The price of green tea in chemist’s shops is \$45/per kg and \$30/per kg in super-markets which is obviously expensive for Georgian market.

“Martin Bauer-Tbilisi” LTD with foreign capital participation– nowadays holding more than 60% of Georgian tea segment but this company mainly oriented on export.

### **Taxation**

Taxation tariffs on Import into Georgia for Tea:

Customs fee – 0.3 %  
Customs duty – 12%  
VAT – 20%  
In Total – 34.7%

Y = Cost of product at Customs (includes cost of product in the invoice, transportation, insurance and other overheads).

**Calculation of Taxes in Total:**

**$(Y \times 0.3\%) + ((Y + Y \times 0.3\%) \times 12\%) + (Y + Y \times 0.3\% + (Y + Y \times 0.3\%) \times 12\%) \times 20\%$**

### **Conclusion**

The main elements of the strategy for developing and growing tea market are to have products of high quality and low prices; to reconstruct and reestablish local production. But before the local production rehabilitation process starts this happens there shall be reliable and stable suppliers of tea into Georgian market.