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Market Development Brief	



Armenia-Georgia Cross-Border Trade: A Market Development Brief

Prepared by

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Report Highlights:

Georgia offers Armenia numerous opportunities for cross-border trade in a range of agricultural sectors. Armenian cheeses, processed meat products, and natural fruit juices have already attracted buyers, and other food and beverages should be selectively introduced. Armenia can take advantage of underdeveloped agribusinesses in Georgia and fill product gaps. Equally, however, Georgia can take advantage of Armenian trade with exchange backhauls for its own counter-traded products. Between USDA-MAP and USDA-Georgia, a regional strategy can be developed to benefit both countries.

1.0	Introduction	1
2.0	SEG Importing/Distribution	1
3.0	USDA-Georgia	2
4.0	Wine Man LLC	2
5.0	Georgian Wine & Spirits (GWS)	3
6.0	Contact Associates, England	4
7.0	Aroma Products Ltd.	4
8.0	Gorkoni Cannery	4
9.0	Batumi Central Market	5
10.0	Agricultural Institute of Batumi	6
11.0	Chakvski Tea Press Factory	7
12.0	Geomar Co. Ltd.	8
13.0	The Bagdanovka Cheese Plant(s)	8
14.0	Mari Creations	9
15.0	Conclusion	10

1.0 Introduction

Between 3 and 10 August 2003, USDA-MAP's Marketing Team Manager Jeffrey Engels and Economic Advisor Gagik Sardaryan traveled to Georgia as a follow up to their trip of 26 April-3 May to investigate cross-border trade opportunities. They transported Armenian cheeses (Chanakh; Tashir; Alpine; Yeghegnadzor; and Dzor), natural fruit juices (apricot; tomato; and seabuckthorn), tomato paste, beef jerky, and Vedi Alco and Getnatoun wine as a trial shipment for Vladimir Volodya, a Georgian food and beverage importer who distributed these to nine major grocery stores in Tbilisi. Mr. Engels and Mr. Sardaryan also met Jim Richardson with the newly opened USDA-Georgia office, discussed his Project strategies, and helped identify potential agricultural sectors and clients ripe for development assistance. During their trip Mr. Engels and Mr. Sardaryan assessed the competitiveness of Georgian agribusinesses against Armenian ones, surveyed the Georgian market for potential openings for Armenian food products, and identified prospects for mutual cooperation between USDA-MAP and USDA-Georgia toward developing a regional strategy to benefit both organizations and countries. They also toured the Black Sea ports of Batumi and Poti, the only warm water ports Armenia has access to and through which previous MAP-sponsored clients' shipments to Russia, Ukraine, Belarus, and Latvia have transited.

2.0 SEG Importing/Distribution, Tbilisi, Georgia; Vladimir Volodya (Tel: 995.32.935.989)

The Marketing Team met Vladimir Volodya on 30 April 2003 in Georgia, and again when he visited USDA-MAP in Armenia on 24 July 2003. In 2002 Mr. Volodya imported two tons of Emmental cheese from the Ashotsk Cheese Plant and Holland cheese from Village Group LLC to Georgia. This sold well in Tbilisi---as much as one wheel/day in some retail outlets---and Mr. Volodya wanted to expand on this, importing more Armenian food items. The Marketing Team brought Golden Goat's Yeghegnadzor, Feta-in-oil, Dzor, and Alpine cheeses; Doustr Melanya's Chanakh cheese; Village Group's Tashir cheese; Artashat Cannery's tomato paste; Noyan Juices' apricot, tomato, and seabuckthorn juices; Atenk's beef jerky; and Vedi Alco and Getantoun wine. These products were distributed in nine high-end grocery stores in Tbilisi---Zemeli, Supermarket Mix, Margi, and Popui supermarkets. All products appeared prominently on store shelves and sold briskly within the first 24 hours. Each product was priced higher than in Armenia---goat cheese sold for 40-100% more; beef jerky 20% more; and juices 10-15% more.

Recommendation(s): *Monitor all sales and assist Mr. Volodya with his next shipment once the market determines which products are best sellers. Mr. Volodya should include Henry Gor fish products in his next shipment, which he is eager to launch into the Georgia market.*

3.0 USDA-Georgia, Tbilisi, Georgia; Jim Richardson (Tel: 995.32.912.833)

Discussions were held with Jim Richardson regarding the recently opened USDA office in Georgia, its direction and approach to assistance.

Recommendation(s): *To help USDA-Georgia become better acquainted with the market, a copy the ACDI/VOCA SAVE Market Analysis and Identification Report should be requested from Richard Hurelbrink, Project Director: this is the culmination of a year's worth of research, analysis, and feasibility studies on selected products or product clusters. Equally, it would be prudent to meet with Magda Menabe, ACDI/VOCA Farmer-to-Farmer Project Director, to see what agricultural sectors and agribusinesses are being supplied technical assistance by their twenty volunteers in 2003.*

In July '03, Ron Stratton of USDA-MAP visited Georgia and invited five meat-processing plants to submit business plans to USDA-Georgia for assistance to build a first-class slaughtering facility. One will be chosen and Mr. Stratton will return to Georgia to oversee this project. Concurrently, Mr. Engels is in correspondence with Bill Aosse, President of Islamic Services of America (ISA), which provides Halal certification. ISA, in collaboration with Development Alternatives, Inc. (DAI), is working toward certification with Geghard LLC in Armenia, and could potentially provide the same service for a Georgian meat processor. Mr. Engels will follow up accordingly for a potential regional strategy, understanding a reduced price for Halal certification might be negotiated if two countries are involved.

4.0 Wine Man LLC, Tsinandali Village, Kekheti Region, Georgia; Giorgi Piradashvili (Tel: 995.32.252.056; Mobile: 995.99.571.163; email: pecprosperocav@hotmail.com)

Established in 1999, located between Telavi and Vachnadziani, this vineyard includes 15 hectares of Saperavi grapes with another 17 hectares of Sauve grapes to be planted next year. In 2004 a "Wine House" will be built on the property from a reconstructed building: this will include a winery and Tasting Room. Meanwhile, 65,000 bottles of Saperavi will be bottled in '03, 100,000 bottles in '04, all processed at a rented winery in Telavi, and all bound for export—to Ukraine and Switzerland, leaving nothing left for the domestic market. Pricing is \$5.00-7.00/bottle.

In addition to this business, Mr. Piradashvili manufactures stainless steel tanks for the wine industry, in sizes of 700, 1500, and 21,500 liters. These are high quality and could be of used by Armenian winemakers, perhaps less expensive than Bulgarian equipment purchased in the past.

This visit was made at the request of Pat Moller, US Embassy Georgia DCM, who was introduced to this boutique winery via Nino Kumsishvili, the Mission's Economic/Commercial Assistant.

Recommendation(s): *Mr. Piradashvili requires a bottling line, pumps, a refrigerator and other equipment worth \$150,000. He needs to borrow \$90,000 at 11-12% for 3 years. Mr. Richardson will contact Rusty Schultz, Country Representative for ACDI/VOCA, which has loaning capability, and forward this lead.*

Presently, wineries in Kekheti have wine tested at one of several labs in the region but none have in-house capability for simple on-site quality testing. Ernst Graf, USDA-MAP's Food Scientist, has for over a year set up just such labs in Armenia and will email a short list of equipment necessary to establish one for Wine Man LLC in Georgia.

A Price List for stainless steel tanks for Armenian wine makers should be procured by Mr. Piradashvili and compared with pricing from present Eastern European suppliers. It might be advantageous for Armenian wine makers to purchase equipment in Georgia, which could be cheaper, cost less to freight, and have a shorter lead time.

Mr. Piradashvili would like to enter the UK market and Mr. Engels and Mr. Sardaryan shared with him their experiences from the London International Wine Fair '03 where they exhibited Armenian wines and can provide guidance for launching Georgian wines in that market next year. As Armenia has the Areni grape, Georgia, too, has indigenous varieties that can find niche markets. If USDA-MAP and USDA-Georgia both have wineries in their portfolios, efforts to promote "Eurasian" wines could be combined to reduce costs.

5.0 Georgian Wine & Spirits (GWS), Alaverdi Valley, Kekheti Region; Giorgi Tavzade, Production Quality Control Director (Tel: 995.32.934.483; mail: gtevzadze@hotmail.com

Established in 1993, GWS was founded by Georgian investors and Pernod Ricard. Today GWS produces 30 types of wine, brandy, and vodka and sells to 17 countries. GWS produces 4 million bottles of dry, semi-sweet, and sweet wine annually, ships 60% to Russia, and thereafter Ukraine, USA, Japan, and the EU, marketing under two brands: "Old Tbilisi" and "Tamada". Bottled straight or blended, these wines include the following varietals: Rkatsiteli, Mtsvane, Saperavi, Alexandrueuli, Mujuletuli, Odjaleshi, and Tsolikauri. They also market wine online in the States via "Select Wines LLC" (www.selectwinesllc.com). Giorgi Tevzade provided a full tour of their impressive facility and shared a lot of information about the Georgian wine industry.

Recommendation(s): *Mr. Sardaryan met Mr. Tevzadze in 2002 during a UC Davis Extension Wine Course and have kept in contact. Mr. Tevzadze was very informative and well worth consulting with on wine issues concerning present Armenian and potential USDA-Georgia clients.*

GWS has numerous winemakers on staff, some who began with a small operation closer to the size of Armenian wineries. Their knowledge and willingness to help their Armenian counterparts should be explored. Also, winemakers from GWS, or other wineries in Georgia, should be invited to attend the Wine Conference being planned fall

'03 in Yerevan by the USDA and Avag Harutyunyan, Director of the Armenian Winemakers Association.

6.0 Contact Associates, London, England; Sally White, Director
(Tel: UK: 0207.731.0354; Georgia: 995.32.22.55.94; email:
sally@sallywhite.fsbusiness.co.uk)

The Marketing Team initially met Sally White at the London Wine Fair in '02 and again in '03, when she expressed an interest in importing Georgian and Armenian products for the UK market. Ms. White was very familiar with Eurasian foods and is working with USDA-MAP on a trial order of an assortment of Armenian items. While visiting Georgia, she met with Mr. Engels and Mr. Sardaryan and expressed a desire to do the same with Georgian products. Her intention is to distribute to ten ethnic grocery stores in London, at a Borough Market stall, which attracts restaurateurs and hoteliers from the city, one restaurant and through a few wholesalers. She is thorough and methodical in her approach and a viable channel through which to launch Armenian and Georgian products.

Recommendation(s): *Ms. White was given information on USDA-Georgia and encouraged to contact them. When she speaks with Mr. Richardson, he can evaluate her request for export assistance and determine how USDA-Georgia should proceed.*

7.0 Aroma Product Ltd., 17 Guramishvili Ave, Tbilisi, 380092, Georgia;
Vladimir Gugushvili, Director (Tel: 995.32.613.356; email:
v_gugushvili_aro@gol.ge

While Aroma Product has been operating more than 20 years, it was just privatized in 1994. After restructuring, it now produces a wide range of juices, sauces, jams, syrups, and spices. Mr. Engels met Vladimir Gugushvili last April, and reconnected via Sally White of Contact Associates, who was negotiating a shipment of Aroma Product canned goods for England. Mr. Gugushvili asked Mr. Engels where he could obtain IQF strawberries, and was directed to Boris Hovhannisyan of Tamara-Fruit, which packages frozen Armenian strawberries.

Recommendation(s): *Follow up with Tamara-Fruit regarding this business lead/potential export order for Armenian strawberries to Georgia and see if any assistance can be offered. In addition, Aroma Product produces a rare, excellent watermelon jam, which could be produced in Armenia. Watermelon jam should be introduced to Meghri Cannery, Karmir Lolik Cannery, and Euroterm, Armenian fruit processors interested in product expansion. A trial production can be test marketed in Yerevan.*

8.0 Gorkoni, Gori, Georgia; Marina Kitiashvili, General Manager;
Teimuraz Tatischvili, President (Tel: 995.99.58.36.51; 995.370.720.00)

The Gori Cannery was established in 1919 and in their peak during the Soviet period shipped 3x40' containers/day of 120 different finished fruit and vegetable products to 15 countries. Today, scaled back, they produce nine natural juices; ten jams; eight different

types of pickled vegetables, and their strongest suit—red, green, and yellow Tkemali and Satsivi (nut) sauces. All their products are 100% natural (no preservatives; next year they will work toward organically recognized certification), 80% of which are exported, 20% consumed by the domestic market. Gorkoni ships to Russia, where they purchase jar lids. They buy glass bottles from Saranist LLC, in Abovian, Armenia. Raw materials (apricot, carrot, and cumpers) are also bought from Armenia. They buy local peaches, cherries, apples, *etc.* from 250-300 Georgian farmers. Gorkoni's largest export item is apple concentrate, which they ship unfiltered as foreign buyers do this themselves and produce juice. To handle the 2000 tons of waste left from apple processing, Gorkoni wants to use California Red Worms (CRWs) to convert this material into organic fertilizer. They are also interested in expanding into new product areas. U.S. Ambassador to Georgia Richard Miles visited their facility, praised their products, and ACDI/VOCA has offered technical assistance.

Recommendation(s): Bring samples of Georgian Tkemali sauce to Armenia for test marketing in Yeritsyan & Sons grocery store to broaden their sauces/condiment offerings. This won't conflict with Armenian products but increase sales at a premiere Armenian grocery store. Shipments can be facilitated through Vladimir Valodya, who's already importing Armenian products to Georgia: mutual cross-border trade will minimize his risk via backhaul arrangements and encourage him to continue/expand Armenian product exports.

Link Gorkoni with Extension/Agrogitaspiur, which is familiar with using California Red Worms (CRWs). Vermiculture (a method of composing fruit and vegetable waste using earthworms) is an inexpensive/simple way to create high-quality organic fertilizer, simultaneously boosting crop production and helping the environment. (In the late 1990's Rosario, Argentina's third largest city, was immensely successful with helping impoverished farms in urban neighborhoods using CRWs). Extension has an opportunity here to contract services to Georgia and earn consulting fees.

Gorkoni is interested in expanding their product line: intrigued with Noyan Juices' recent undertaking of carrot juice production, Gorkoni is willing to try this themselves, and buy Armenian carrots, since carrots are not grown by famers in Georgia. Equally, Gorkoni is interested in strawberry jam, but lacks the technical knowledge to undertake production: Fresh strawberries are abundant in Georgia, but, strawberry jam is imported from European countries and sells for 36% more than locally produced jams. Georgia-USDA could assist here.

Also, Gorkoni needs to develop a new product catalogue and source 200 gram jars for Tkemali sauce, other activitiess USDA-Georgia can help with.

9.0 Batumi Central Market, Tbilisis Moedani, Batumi, Georgia

Mr. Engels and Mr. Sardaryan visited the large Central Market in Batumi, where they surveyed food products on sale. The vegetables were confined to tomatoes, onions, eggplant, peppers, cucumbers, corn, green onions, cilantro, lettuce, cabbage, carrots,

beets, arugula, parsley, and potatoes. Prepared vegetables were pickled peppers, cucumbers, and cole slaw. Fruit was limited to apples, peaches, cherries, watermelon, yellow mellon, and bananas. Two stalls sold bulk spices, two stalls bulk black Georgian tea from 50-kilo bags. “Avipal” and “Sadi” brand frozen broilers were also sold, adjacent to a meat market. No nuts were sold; no cheese was sold; no fish—frozen or fresh—was sold.

Recommendation(s): *What this large Georgian market didn't carry presents opportunities for Armenian food producers and should be further studied.*

Traveling through Georgia one sees an abundance of sunflower fields but the only local sunflower oil found was at the Batumi Central Market---sold in old Coca-Cola bottles. The Batumi Central Market carried numerous brands of imported commercial Turkish sunflower oil. As an import substitution project, USDA-Georgia could explore sunflower processing and determine what assistance is necessary to increase quality and undertake sunflower oil production. If eventually competitively priced and exported, this could also benefit Armenian households.

Given the bruised condition of fruit and vegetables, obviously post-harvest handling techniques and product display and packaging assistance is wanting: USDA-Georgia could follow up with technical assistance.

10.0 Agricultural Institute of Batumi, 3845 Makhinjauri, Mtsvane Kontskhi, Botanical Gardens, Batumi; Rector; Uri Dzirkvadze, Vice-Rector (Tel: 995.32.5.51, Ex. 2)

Mr. Engels and Mr. Sardaryan met with the Rector of the Agricultural Institute of Batumi, who was well aware of USDA-MAP, having met with Dan Dunn, ATC Manager, Jim Richardson of USDA-Georgia, and Tim Grosser of USDA-MAP/DC. He was frustrated with the many foreign visitors the Institute received (not necessarily just Americans) since he feels thereafter nothing gets done/changes. He said Batumi needs two things—assistance with tea production and citrus production. He suggested USDA-Georgia set up a processing line to make mandarin juice and jam. The Rector remarked mandarins have grown in this region for more than 80 years.

Uri Dzirkvadze, Vice-Rector, was most informative and helpful. He complained too many food products came from Turkey and people were tired of “cheap” products. Mr. Dzirkvadze explained there are five regions in Achara—2 subtropical and 3 mountainous. In the latter, livestock and potato production could expand; in the former, tea production needs assistance. He discussed at length several areas USDA-Georgia could follow up on.

Recommendation(s): *Tea Production—in this sector some tea plantations are private, some still state owned, most in a state of disrepair. Hazelnut Production—Achara has a profitable hazelnut factory that markets processed nuts locally and to Russia, but the nuts aren't properly cleaned and there isn't a steady supply of them. Other Nuts—Walnuts*

could be developed, maybe pistachios and chestnuts. No one is producing nut oils, a valuable commodity in Europe and the States, and this should be investigated. Citrus—oranges, mandarins, lemons, and limes are abundant, but there is no fruit juice production or a large enough market to absorb them. Goats—there are a lot of them in the region, plenty for milk or meat, but this is undeveloped. Oil Extracts—not only is sunflower oil not produced in Georgia, neither is corn oil, and Mr. Dzirkvadze confirmed this would be a profitable import-substitution business. Hence, there are a lot of opportunities here for USDA-Georgia.

For Armenia, this information is useful to target Georgian market gaps, which Armenia can fill—be it with Armenian teas, goat sausages, etc.

**11.0 Chakvski Tea Press Factory, Batumi, Georgia; Zaza Toshtidze, Director;
Mr. Suelico, Chief Technologist**

Uri Dzirkvadze, Vice-Rector of the Agricultural Institute of Batumi, introduced the Marketing Team to the Chakvski Tea Press Factory, which began operation in 1932. Today 130 people are employed making 2 types of green tea, purchased from 5 farms, 60% of which are privatized, 40% still state owned. Mr. Suelico explained they have no regional competition as everyone else is producing black tea, not green tea, and they market 50% of their production to Russia and other CIS countries, 50% elsewhere, predominately Mongolia. With Mongolia, they barter tea for lamb and beef meat that sells in the local market. Their equipment was archaic and cleanliness/sanitation absent, but they still fill containers of green tea “bricks” for export. They also export 20 kilo bags to Uzbekistan labeled “Extra 1st Grade” and “Extra High Grade,” and this ships unblended. At the end of the tour of their facility, it was learned this is still a state owned operation.

Recommendation(s): *Given the low quality of tea production here, a market opportunity presents itself for selling Ham LLC’s Armenian Ancient Herbal Teas in Georgia. In the nine grocery stores where Armenian products were introduced, there were a number of foreign teas for sale, but no herbal teas offered.*

Mr. Toshtidze requested assistance for another production line (this year is lost, as tea is harvested May-October) that will cost \$120,000. Four hundred additional tea brick forms are needed---costing \$300 each---although at cursory examination it was hard to believe these forms couldn’t be manufactured cheaper locally. Another line would double production, but not workers, though it would allow all part-time workers to enjoy full time employment. The Chakvski Factory has tried to procure a commercial loan through local banks (the lowest rates they reported were 12-16% via Marine Bank of Georgia—MBG), but no funds were extended as this was still a state owned operation, and could very well remain so for another 1-1/2 years. While much assistance could be supplied to this business, it is recommended USDA-Georgia monitor its progress toward privatization and only approach it once this is completed.

**12.0 Geomar Co Ltd, 32 Gogehashvili Street, #13 Batumi, Georgia; Mr. Imnaishvili;
(Tel: 995.222.76.201; email: geomar@iberiapac.ge)**

Mr. Imnaishvili is the Deputy Administrative Chairman on Tariffs and works out of Geomar Co. Ltd, a Maritime Consultant and Surveyor service. Mr. Imnaishvili was familiar with U.S. Embassy activities in Georgia as Geomar has surveyed incoming wheat shipments. He explained the difference between the port of Batumi and the port of Poti, where Armenian products have transited to Russia, Ukraine, Belarus, and Latvia, and discussed tariff issues that affect outbound Armenian freight.

Batumi is a deep-water port, has rail connections to Bulgaria and Ukraine, services Black Sea ports but no lines that call Mediterranean ports. There is no container pool in Batumi. Poti is not a deep-water port, but has more berths and rail connections to Bulgaria, Ukraine, and Russia. Poti has regular container service between itself and Black Sea and Mediterranean ports. Interesting, any inbound cargo from the U.S. only reaches either port via feeder vessels.

Two important issues are developing: 1) The political situation between Achara and Georgia is in flux. Georgia resents the advantageous and geo-economic position Achara is in and its control over inbound/outbound cargo; 2) The Tariff Policy is under review. Mr. Imnaishvili worked with Canadian government stevedoring tariff reformists several years ago to settle a conflict between the Ministry of Transportation and Tariff Office, which still isn't resolved. If a new stevedoring policy is implemented, this will allow each port—Batumi and Poti—to negotiate rates themselves and create fair market competition between them. Should this happen, transit costs for exporting Armenian goods via ocean could well drop, but it is uncertain when a new policy will be in place.

Recommendation(s): Armenia is a landlocked country and its only access to many foreign markets is via Georgia and the ports of Batumi and Poti. To understand issues at these ports-- especially regarding stevedoring tariffs--is to be able to make informed decisions on how best to freight Armenian food products abroad. These issues should be closely monitored from Armenia.

13.0 The Bagdanovka Cheese Plant(s), outside Akhalkalaki, Georgia

During the Soviet Period, The Bagdanovka Cheese Plant was the largest in Georgia, specializing in Holland cheese production. Today it consists of a series of mostly abandoned buildings, but in a few can be found several small, separate cheese plants producing low quality product, none of which is Holland cheese, all of which are operated by Armenians.

Cheese Plant#1: This one-room plant is owned by Alex Maneviyan (Tel: 899.180.837). He buys 700 liters milk/day from 35 farmers and makes Chanahk cheese, which he sells to Tbilisi via two wholesale buyers who handle all arrangements, so he doesn't know where his cheese is actually sold.

Cheese Plant#2: This one-room plant is owned by Vanik Khazaryan (Tel: 899.156.291). During Soviet times he used to make Holland/Swiss cheese at the Bagdanovka Plant, but now buys 1200 liters milk/day from 30 farmers and makes Chanahk cheese, which he sells to Tbilisi. He complained the milk quality is not good enough to produce Swiss cheese and that his biggest problem is that he doesn't have a pasteurizer.

Cheese Plant#3: This two-room plant is owned by Nerses Bdojan (Tel: 899.193.609). He buys 1200 liters milk/day from 20 farmers and also markets to Tbilisi.

All of these cheese plants had severe cleanliness and sanitation problems, most assuredly manifested in their cheese, which wasn't sampled. Mr. Sardaryan compared the level of these producers with those in Armenia in 1996-1997.

Recommendation(s): *Should these cheese makers be representative of commercial producers throughout Georgia (and there is no conflicting evidence otherwise), there is a market opportunity for Armenian cheese in Georgia for some time to come, until Georgian cheese makers catch up with their Armenian counterparts. In 2003, much emphasis has been placed on dairy/cheese development in Armenia, from numerous TDY cheese experts to state-of-the-art equipment (pasteurizers, molds, stainless steel tables, etc.), putting Armenian cheeses in an even more advantageous position in comparison to Georgian. Cross border trade should be encouraged and Armenian cheesemakers benefit as long as this quality gap remains.*

For USDA-Georgia, these cheese makers pose a development challenge and an area requiring much assistance.

**14.0 Mari Creations, Atlanta/Georgia-Tbilisi/Georgia; Michael Wells
(USA Tel: 404.680.6191; Fax: 770.499.9151; Mari Lukhumaidze,
USA Tel: 770.401.4600; email: mariluk@bellsouth.net)**

Mr. Engels and Mr. Sardaryan serendipitously met Michael Wells at their hotel in Akhalkalaki their last night in Georgia. Mr. Wells, once the exclusive Cannon office equipment supplier to Georgia, has numerous businesses from which he is semi-retired—restaurants, car washes, *etc.* Devoted and philanthropically minded, Mr. Wells often volunteers time for Orthodox Church activities, which takes him to Israel, Turkey, and Georgia. With a local Georgian woman, Mari Lukhumaidze (now working in Atlanta, Georgia), he established a company called Mari Creations. There also appears to be a third partner involved, Hugh O'Beirne, an Associate attorney in Sidley, Austin Brown & Wood, a large international law firm (and one of the U.S.'s largest) with 1500 lawyers practicing on three continents, offering an array of corporate, banking, regulatory, and intellectual property services to small and large businesses, as well as governments. Mr. O'Beirne will visit Georgia in September '03 to meet with the Georgian government regarding legal representation.

Mari Creations is in the beginning stages of simultaneously developing four agribusinesses—1) a vineyard and winery; 2) wheat production; 3) a dairy operation; and

4) a fishery project. The fishery project is based on cold-water trout and will include the alliance/technical expertise of Randall Goodman, who works with the Department of Fisheries and Allied Aquacultures at Auburn University in Alabama.

Mr. Wells was very interested in the work USDA-MAP was doing, the USDA-Georgia office, and MAP's affiliation with land-grant universities (given his involvement with Randall Goodman of Auburn).

Recommendation(s): It would behoove USDA-MAP to contact Randall Goodman (email: goodmark@auburn.edu; rgoodman@acesag.auburn.edu) and monitor/track his aquaculture activities in Georgia. At present the state of aquaculture in Georgia is underdeveloped. Meanwhile, this poses a good opportunity for Armenian Henry Gor fish products to penetrate the Georgia market, and is already under consideration by Vladimir Volodya, an importer previously mentioned in this report.

Additionally, as Mr. Wells wants to invest in Georgian agribusinesses, so too should he be extended an invitation to visit Armenia and see about investing in Armenian agribusinesses.

For USDA-Georgia, contacting Mari Creations and meeting with Mr. O'Beirne and Ms. Lukhumaidze could pose several development opportunities.

15.0 Conclusion

Georgia offers numerous opportunities for cross-border trade. Armenian cheese, juices, beef jerky, and wine have been test marketed and sold, without advertising, proving Georgians will purchase Armenian food products. Other products should be slowly introduced. Georgia, on the other hand, has the potential to sell products (*i.e.* Tkemali sauce, *etc.*) to Armenia. USDA-MAP and USDA-Georgia could cooperate and develop a region-wide trade strategy beneficial to both Projects.

The wine industry in Georgia is more developed than in Armenia, but the cheese industry isn't, offering a long-term market niche for Armenia until Georgian cheese makers produce a higher quality product and learn marketing. On the fruit and vegetable-processing front, should USDA-Georgia provide assistance to local canneries, this can benefit Armenian farmers, from whom Georgian companies purchase raw materials (*i.e.* Gorkoni buys Armenian fresh fruits and vegetables for jams, compotes, and marinades).

The tea industry in Georgia, notwithstanding its long history, is in dire need of help. Until it gets some, Ancient Herbal Teas from Armenia has a chance to sell alongside other imported brands.

As USDA-MAP develops the meat-processing sector in Armenia and USDA-Georgia does the same, economic advantages arise if this also is approached regionally: case in point, there is a potential for reduced costs for Halal certification if a U.S. certifier is brought to the Caucasus to cover both countries.

For USDA-Georgia, it is clear there is an abundance of riches when it comes to development opportunities: farmers are poorly linked to growing urban and export markets. The sector is depressed and stuck in a low in-put low out-put scenario as access to markets and financial resources are limited. And production efficiency, sanitation, packaging, and quality standards all need to be addressed. While this situation remains, Armenia can take advantage of market niches and enjoy export sales to Georgia.

