

AGRIBUSINESS DEVELOPMENT AND INSURANCE AS A FACTOR OF GEORGIA'S ECONOMIC GROWTH

Mosiashvili Valeri¹, Bibiluri Ani²

¹Georgian National University SEU, ²Georgian Technical University

Abstract

Georgia is a small state, stretched between two seas, which has always aroused constant interest in the world due to its geopolitical position. Many called it Iberia or Iveria, and often called Gurjistan. At the crossroads of Europe and Asia, this small oasis attracted many conquerors not only because of its importance, but also because of its culture, historical buildings and fruitful lands. Georgia is a sunny and fertile country, where everything blooms and pleases. Our ancestors from ancient times engaged in agriculture, cattle breeding and had an active connection with the land. According to historical sources, Georgia is more than four thousand years old, and the Georgian alphabet and writing are unique to the whole world. Since the fourth century, Christianity has been our state religion, but the country unites representatives of many cultural ethnic groups and religious beliefs. A completely different historical page began after the collapse of the Soviet Union, when Georgia found itself alone in the face of new challenges and realities. Although we do not have oil and gas ores, which allows the state to develop rapidly, in other areas we may well take a leading position. For example, it is possible to develop the tourism sector at a high level, since the country is distinguished by its historical monuments, some of which are included in the UNESCO World Heritage List. However, a small state like Georgia can focus on agriculture and succeed. For rural welfare, there is the Rural Development Agency, which coordinates projects with the Ministry of Environment and Agriculture of Georgia and assists enterprises interested in this area. Since 2014, the Agricultural Insurance scheme has been operating, the purpose of which is to promote the development of the insurance market in the agricultural sector, promote agricultural activities, save income and reduce risks for those involved in this activity. Our topic is about the development of agribusiness and insurance, which is one of the key factors in Georgia's economic growth.

Keywords: Agribusiness, Agriculture, Insurance, Economics.

Introduction

First of all, it is necessary to say what is a village? A village is a locality whose population is mainly engaged in agriculture, which combines various fields such as animal husbandry, horticulture and forestry. Thus, the modern world of agriculture is divided into two types: Agrarian sector of developed and developing countries. This area employs 40-50% of the total population of the earth, in developed countries the figure does not exceed 5-6%. (Georgia Agriculture and Rural Development Strategy 2021-2027, December 2019) For developed countries, the agro-sector is at a higher level, because everything is automated there and modern methods are used, which makes it possible to achieve a high level of labor productivity. That is, here a smaller number of farmers and the rural population helps the country achieve its goals, because the functions of farmers are equal to the functioning of firms that have high-quality infrastructure, which contributes to the disappearance of borders between cities and villages. And developing countries are the opposite, there are many problems and unresolved cases.

Agriculture and food production is very important for the whole world, because more than 850 million people are starving in many countries and in all corners of the earth, but mainly African states. (www.actionagainsthunger.org) Due to the negligent attitude towards the village, the level of agriculture may further decrease and this will lead to a crisis in the production area and there will be a shortage of products in the markets. We live in the era of globalization and this process affects all spheres of development of the national economy and other sectors, of course, at the level of gross domestic product. Georgia is a developing country, which for many years was part of the Soviet Union and the base of subtropical production, such as tea, citrus fruits, as well as viticulture and grain crops. But in the 90s, the level of agriculture and the role of the village decreased, so if in 1998 the share in the Georgian economy was 28%, in 2008 - 9.4%, and in 2018 - 8%. What was the reason for such a big drop in level? First of all, the strongest problem is the lack of specialists in the agricultural sector, that is, those people who have knowledge and interest in this area. The situation was challenged by the breakup of the Soviet Union and the transition to the individual needs of the states, therefore, in some countries, for some reason, agriculture was not prioritized, but other areas, which gave us the given statistics, although the fact that the governing bodies of the country have been actively involved in agricultural aid programs since 2012 and to date More and more people are interested in having their own farms, so the share of agriculture in the gross domestic

product is 7% in 2021, this relatively small figure is due to the impact of the pandemic and other factors, although further growth is predicted.¹ According to preliminary estimates, in January 2022, compared to the corresponding period of the previous year, Real gross domestic product (GDP) growth was 18.0 percent.²

Georgia is a fabulous and magical country that has experienced a lot during its existence, but still remains sunny and hospitable. Our symbol is "Mother Kartli" and she personifies hospitality and respect for our culture, meets enemies with a sword, and friends with a cup full of wine, so we can say that winemaking has been familiar to our state since ancient times. Our country has a total area of 69,700 km², of which agricultural land totals 43.3%, and forest areas about 43.2%. In Georgia, at the moment there are about 3,729,600 people, but only 41.7% of them live in villages, i.e. 1,554,800 people, and the rest in cities, but according to United Nations calculations, urbanization is increasing and in 2050 the population of the village in our country will be 27%, so way it will affect the development of agriculture, so you need to think about the future of the state. thanks to the correct policy of the Georgian government since 2014, very important and strong steps have been taken to develop and stimulate agribusiness, we have strategic documents and long-term plans that will help our country to interest not only business entities, but also residents of the country in the field of agriculture, so that it becomes it is easy for them to settle in the countryside.

Currently, Georgia is actively exporting the following goods:

- Wine, soft drinks and alcoholic drinks from countries such as the Netherlands, France, Poland, Latvia, Lithuania, Russia, Ukraine, Armenia and Kazakhstan;
- Nuts and walnuts: Italy, Germany, Spain, Czech Republic, Russia and Ukraine;
- Canned fruits and vegetables: Germany, Austria and Slovakia;
- Fruit and vegetable juices: Germany and Greece;
- Hazelnut flour: Germany and France;
- Citrus fruits: Russia, Ukraine and Azerbaijan;
- Livestock and small ruminants: Azerbaijan, Lebanon and Saudi Arabia.

The article discusses the main issue of the importance of agricultural development for the economy of Georgia and how the state helps in insurance and financing issues. References New and interesting sources, which include the strategy of agriculture and rural development of Georgia in 2021-2027, where general information is given, who we are, what we want and what we will achieve. The country's strategy, vision, goals and objectives for the given sector are outlined. At the same time, the expected results of what the government expects from the planned projects. I also think it is necessary to know by what means the mentioned plans will be implemented. I found the manual on beekeeping interesting (Beekeeping, textbook UNDP Georgia 2017), which is a kind of guide for people interested in these issues. It is worth noting that there is a whole series of similar manuals on different fields of agriculture, such as: horticulture, viticulture, etc., which is an extraordinary way, especially for beginners, to find and understand the necessary information, to create an idea about the agriculture.

Research methodology and materials

While working on the topic, we reviewed many documents, including the "strategy for the development of agriculture and rural areas of Georgia", which is designed for 2021-2027, as well as statistical analyzes of what and how to achieve in this area. As for programs, there are a lot of them in our country, not only state ones, but also international ones, and there are also ideas in the process. The Ministry of Environmental Protection and Agriculture of Georgia brings together various agencies that work in concert with each other, so this is a step forward, thanks to which agribusiness is being promoted. The departments of the ministry include wine, forestry, environmental protection and similar structural units, the main task of which is to promote the development of agricultural activities. Let us consider among them the projects of the greatest importance, which are carried out by the Ministry of Environmental Protection and Agriculture of Georgia and the Rural Development Agency. the implementation and availability of which contribute to the development of agriculture.

¹ The statistical information given in the article is taken from www.geostat.ge

² Preliminary Estimate of Economic Growth, National Statistics Service of Georgia, January 2022.

Discussion and results

While working on the article, I got acquainted with a lot of statistical information, which is available to any interested person on the websites of the National Statistics Service of Georgia and the Ministry of Agriculture. Research has shown that more and more people are interested in agriculture and insurance issues related to it, the number of people interested in and willing to work in rural areas has increased, despite the fact that the number of people living in the city is increasing, the population tries to use the lands of the regions to grow products that they use for personal needs or for sale in the market. Therefore, it is probable and hopefully this trend will increase even more, which the state supports through various grant projects, in which foreign partner organizations also help. Agriculture and its insurance issues are one of the most important issues for any country, the correct management of which affects the welfare of the state and citizens, because if agriculture ensures the production of the required amount of products, it will no longer be necessary to import from foreign countries, and we can even think about exporting in some matters, such as wine and other. It happens in the case of products. These issues are important for the greater growth and development of the Georgian economy, because countries that have proper agriculture are much stronger.

Agriculture is an interesting and inexhaustible field, I think it should be one of the priority fields for Georgia at all times, because the current environment and climatic conditions allow us to focus on the diversity of flora and fauna, which ultimately has a positive impact on the country's economic situation. The state promotes interest in the given field, therefore there are many funding and research promotion programs that allow farmers, agriculture and people interested in the agro sector to take their place in the given field. It should be noted that while working on the topic, I researched a number of interesting information and statistical materials, which are given in the attached literature and allow us to make a presentation on the important steps that the state takes in terms of assistance. We can highlight:

• Preferential agricultural loan

The project was initiated by the Ministry of Environmental Protection and Agriculture of Georgia, which has been implemented by the Rural Development Agency since March 27, 2013. The aim of the project is to support the production processes of agricultural raw materials, processing and storage by providing cheap and affordable funds to individuals and legal entities, so enterprises will receive preferential agro loans / agro leasing from financial institutions. Under the project, credit will only be given to those who meet the conditions set by the project.

Within the framework of the "Preferential Agro Lending Project", agro loans are issued by commercial banks and financial institutions participating in the project, in accordance with the conditions established by the Rural Development Agency. An individual entrepreneur or a legal entity can participate in the project.

The project "Preferential agrocredit" includes the following components:

1. Preferential agricultural loan for working capital;
2. Preferential agricultural loan for fixed assets;
3. Preferential agroleasing.

The amount of the project and the share of funding from the agency are determined by the type of agro loan and the sector financed. The interest rate of the Agrocredit can be a maximum of 21%, the total amount of the loan is 15,000,000 lari, depending on the direction of financing.

• Agricultural insurance

Agricultural activity is an area of high risk. What is the risk? This is the uncertainty of the results obtained in the presence of the probability of a positive or negative fact. To avoid such facts, there is the concept of insurance, which is a means of managing risks and avoiding financial losses. Consequently, such risks have always existed and exist in the agricultural sector, because even getting a good harvest by caring for a garden is impossible, nature should also provide assistance. This is what led to the introduction of a new type of insurance, which we call agricultural insurance. Recently, issues of agricultural insurance have become active in Georgia and this area continues to develop steadily. The agricultural insurance program was launched on September 1, 2014 and is aimed at developing the insurance market in the agricultural sector, supporting agricultural activities, maintaining incomes for those involved in this activity and reducing risks.

The program is implemented by the Rural Development Agency, which enters into contracts with insurance companies licensed under the laws of Georgia, subsidizes insurance premiums and controls them based on

these contracts. The implementation of this project is facilitated by 8 insurance companies operating in Georgia, where interested beneficiaries can purchase an insurance policy. As part of the agricultural insurance program, the insurance policy covers the following insurance risks: hail, floods, storms, autumn frosts (only for citrus crops) - from September 1 to November 30.

Agricultural insurance can be used by a natural or legal person who uses or actually owns a land plot and can insure up to 5 hectares of land, and in the case of cereals - 30 hectares (this restriction does not apply to agricultural cooperatives). Each insurer will receive 70% co-financing for all crops covered by the program and 50% for grapes. It should also be noted that the insurer can simultaneously insure both grain and other crops. The fixed insurance rate will be determined according to the program. Only registered plots are accepted for insurance. Agricultural insurance is actively used in viticulture, because wine is part of Georgian culture and needs special care and protection.

- **Tea Plantation Restoration Program**

The history of tea dates back to 1848, when the first factories appeared on the territory of Georgia, and the first success was achieved in 1900, when Georgian tea received an award for the best quality at the Paris exhibition. For a long time, the tea industry was the main branch of the agricultural sector and produced 100-120 thousand tons of products, most of which were exported for sale. Currently, tea plantations are up to 19 thousand hectares, although only 2.4 thousand hectares are used, the rest are literally cut down and covered with eelgrass, and up to 7.5 thousand hectares are subject to rehabilitation. The tea season lasts 6 months, taking into account the soil and climatic conditions of Georgia. To revive this activity, a tea plantation restoration program has been in place since January 18, 2016, which has been extended from February 8, 2021. Program goal:

1. Efficient use of the potential of tea plantations in Georgia, contributing to the growth of local production of tea (including biotea), as a result of which we will increase the export potential;
2. Restoration of private and public tea plantations, which are currently abandoned;
3. Creation of new jobs and improvement of the socio-economic situation of the population.

- **Program for the integrated development of pilot regions**

The program is currently under implementation and applications will be accepted from February 1, 2022. This is a pilot version in four regions: Imereti, Kakheti, Guria, Racha-Lechkhumi and Kvemo Svaneti. The Rural Development Agency funds the creation of new businesses and the expansion or promotion of existing ones. The goal of the program is to increase the competitiveness of the country and its regions, as well as to stimulate interest in the countryside, which allows maintaining a balance between the urban and rural population. The goal is a balanced socio-economic development and improvement of the living conditions of the population living in the region, reduction of regional inequalities in Georgia and development of the entire territory.

It is noteworthy that the state has increased support for farmers and those involved in agriculture, which is reflected in various assistance programs, infrastructure, fuel distribution, fertilizer vouchers, etc. In the results of the research, we can highlight the main problems in the agro-insurance sector:

1. Small coverage of farmers and areas with the first program of agro insurance (respectively 8 % and 5% (as of 2020))
2. Limited range of insurance risks covered by the first agricultural insurance program
3. The first agricultural insurance program with an alternative price and implementation mechanism
Absence of insurance package.

All persons participating in agro insurance have their own interests. For example:

- **farmers** need a guarantee of compensation for losses, business continuity and finances Availability.
- **Insurance companies** need a financially sustainable and developing market, more beneficiaries and Financial profit obtained by accurate calculation of premiums.
- **The state** needs a strong farmer base, sustainability and continuity of production, food High level of security, social protection of citizens and necessary for agro-risk management Highly effective, optimal and targeted spending of funds.

We can easily describe the current situation in the agro sector based on SWOT analysis. Which will give us an answer to the question of what factors are the work on in the near future?³

S - Strength	W - Weakness
• the will of the state • Complexity and competence of the Ministry and its agencies • 7 years of experience • Statistical and financial data • Constructive cooperation with insurance companies • Constructive cooperation with the Association of Insurance Companies • Frequent and direct relations with farmers • Network of extension centers • State programs • Access to an external resource	• Existing program frameworks (4 risks, crop insurance) • Lack of low-cost agricultural insurance package • Loss assessors are employees of insurance companies • High cost of assessing damages individually • Lack of technical means needed for damage assessment • Limited budget • Lack of human resources
O - Opportunities	T - Threats
• The process of forming a layer of agro-entrepreneurs • Part of the farmers are active in buying insurance • Motivating part of the farmers in acquiring knowledge • Positive impact of information on payment of compensation to farmers • Dependence of insurance sales on price • State assistance in land registration • Growing exports • Strengthening the value chain • Use of new (GPS, drone, satellite etc) technologies • Donor support	• Despite the small size of the agro-insurance market • Climate change and frequent natural events • small earthiness • The cost of agricultural insurance • Low level of risk management culture of the majority of farmers • Skepticism on the part of farmers • Little awareness among farmers • Failure to receive funding • Inexperience of insurance companies newly included in the program • The unpredictability of the Covid-19 pandemic

I think in order to reduce or eliminate the existing weaknesses and threats, it is necessary to strengthen the information campaign and offer a cheap package based on the farm maintenance costs, so that in the future more people will know about the existing programs and opportunities. However, I think that Georgia, as a developing country, is advancing more and more and has withstood many challenges. Therefore, I think the forecast for the future is positive.

Conclusions and proposals

Agriculture is an interesting and diverse industry in which individuals and legal entities working in this field face many challenges on a daily basis. However, thanks to a reasonable policy of the state, these problems can be overcome, and existing projects make it possible to realize this in full. Georgia has the potential to become a leading country in agriculture, which requires the wise use of available land resources and the choice of activities that will be the key to success. What, in our opinion, recommendations can we give for the development of agriculture? We consider it possible to develop beekeeping and floriculture in Georgia.

³ The SWOT analysis was developed according to the 2021-2024 development strategy of the Ministry of Environment and Agriculture of Georgia.

Beekeeping requires a good education in this subject, because working with bees is not easy. However, it is possible to develop a number of products in this area, such as: honey, honeycomb, beeswax, propolis, bee milk and bee pollen. Accordingly, this gives us the opportunity to develop the farm in different directions, because these products are actively used in any field, be it the food industry, the beauty industry, medicine or other areas. The nature of Georgia allows honey to be varied in taste, and bees are easy to care for and store, seasonally from May to August is the most fertile time for beekeeping, and with a large number of bees, production will be quite productive. Beekeeping involves knowing the nature of bees, caring for them is not difficult, the main correct and consistent approach is not to destroy them, but to promote their reproduction.

The soil and climatic conditions of Georgia allow growing a flower garden both in open space and in greenhouse conditions. All kinds of flowers bloom on our land, be it roses and their varieties, as well as daisies, daffodils, carnations, lilacs, tulips, orchids, violets, etc. This will allow us to grow plants on our own land, which we will use both domestically and export abroad. Consequently, the state will no longer need to import flowers from abroad so massively, because the fertile land will allow growing any kind of plants and creating new varieties that will develop the work of breeders throughout the country.

In conclusion, together with the recommendations, it can be noted that people involved in agriculture express satisfaction with the steps taken by the state towards the development of this industry. According to recent studies, up to 80% are familiar with existing projects, some of them also use the insurance program, and we hope that the trend of agricultural development will continue. Georgia still has a long and interesting way to go, as well as the discovery and development of various directions.

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Information about authors:

Mosiashvili Valeri - Doctor of Economics, Professor Georgian National University SEU, Faculty of Business and Technology, Email: vmosiashvili@seu.edu.ge, Interests: Banking, Finance and Insurance, Marketing, Management, Quality Management, Audit, Financial Aspects of Agribusiness.

Bibiluri Ani - Doctor of Business Administration, Assistant Professor, Georgian Technical University, Faculty of Business Technologies, Email: anibibiluri@gmail.com, Interests: Banking, Finance and Insurance, Marketing, Management, Quality Management, Audit, Financial Aspects of Agribusiness.