

MOLI
IN KAKHETI



CAPITALIZATION BROCHURE

**Learning Experiences from
Market Opportunities for Livelihood Improvement**

MOLI IN KAKHETI PROJECT

GEORGIA



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1. ABSTRACT

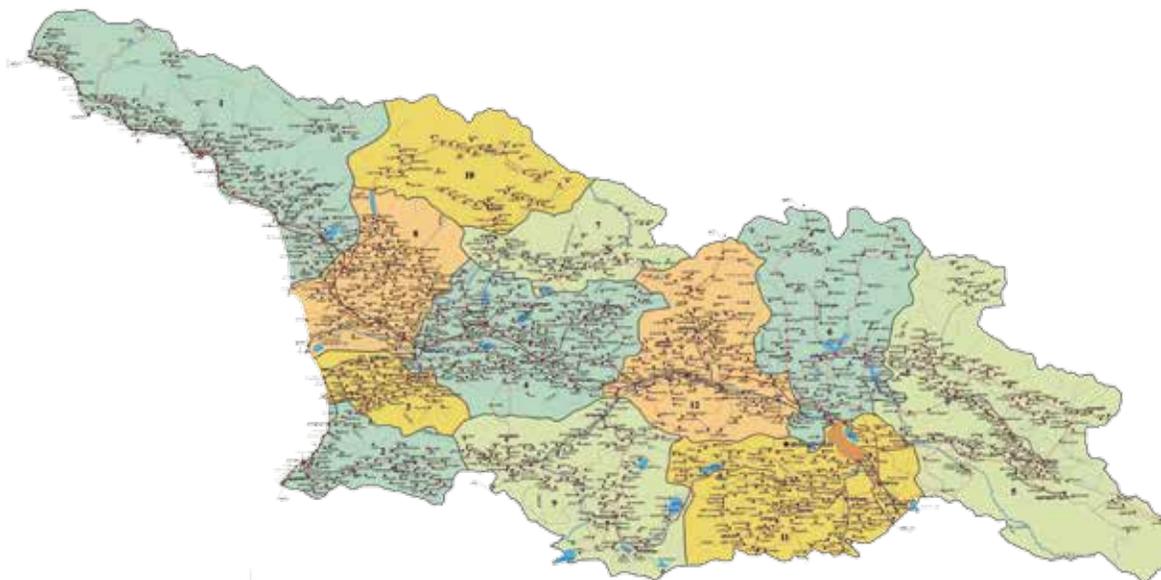
The Market Opportunities and Livelihoods (MOLI) Project aims to improve the livelihoods of small farming families in the Kakheti region by increasing the productivity of the livestock sector (dairy and meat), enhancing market access and creating a successful business-enabling environment.

This brochure presents the experiences, results and lessons learned of the project with the aim to inform and contribute to the joint efforts of public and private actors to strengthen the livestock sector in Georgia.

The project applies a Market System Development approach to address the key systemic constraints by supporting existing sector players in strengthening their capacities and ensuring that the overall market system is functioning more effectively.

During its operational period (2012-2015) MOLI-Project has made important achievements in strengthening the business operations of various market players that has led to an increase in the productivity and market access of the meat and dairy sector and contributed to poverty alleviation in rural Georgia.

After carefully selecting the sub-sectors and (potential) business partners, MOLI-Project designed



the intervention strategies and developed business models together with the identified partners, including dairies, feed mills, veterinary pharmacies, slaughterhouses, machinery service providers and the local government. Success (including sustainability) of the interventions also depends to a large extent on the role of the participating input suppliers, who adapted their business operations to the interventions and are providing essential services to the selected Small and Medium Enterprises (SMEs). Further support for the implementation of the interventions came from expert companies that provided consultancies focusing

on improved food safety and professionalization of business operations.

A large part of this report focuses on the Adapted Good Practices of our Business Partners and its benefits on SMEs and small farmer families as well as the lessons learned during the course of the project. We look forward to further discussing our experiences with other interested parties and to work together on strengthening the livestock sector and advancing the livelihoods of small farmer families.

2. BACKGROUND

2.1. RATIONALE

The main purpose of this document is to present the project experiences, results and lessons learned of the Market Opportunities and Livelihoods (MOLI) project – from here on MOLI-Project - with partners and practitioners in the livestock sector and the field of agricultural development.

By sharing our experiences and findings we aim to provide a valuable contribution to the rural economic development debate and to inform the joint efforts of agribusinesses, government and development practitioners on how to further strengthen rural development and in particular the livestock sector in Georgia.

2.2. KEY SYSTEMIC ISSUES

Which key systemic issues is the project trying to address?

MOLI-Project was launched in 2011 to strengthen small farmer families (SFFs) in the livestock market system in the Kakheti region of southeast Georgia. Kakheti is the most important agricultural region in Georgia with an economy that is highly dependent on small-scale agricultural production. The livestock sector in the target area faces a num-

ber of constraints that are limiting its growth and are hampering the economic development of farmer families and agribusinesses. These constraints can be broadly categorized as **constraints to production, constraints to market access and constraints related to governance and advocacy.**

- **Production constraints**

Due to poor animal health and inappropriate feeding and breeding practices the productivity of the livestock sector in Kakheti is very low. An underdeveloped veterinary system has led to a poor coordination of services that are often not accessible. Absence of information and insufficient access to improved feed has resulted in under-nutrition of cattle. Furthermore, the breed improvement services are inadequate, which means that there is a low adoption of artificial insemination and a lack of natural bull servicing options.

- **Market Access constraints**

Due to a lack of supply chain management that has led to low quality and highly seasonal milk sup-

ply, dairies have not been able to fully utilize their market potential. Moreover, a lack of investments in food safety measures will potentially restrict marketing channels in the future, as retailers and the government are becoming more demanding with regard to food safety. Finally, relationships between processors and commercial traders and milk suppliers are underdeveloped, which means production plans, sales and price agreements are not negotiated effectively.

- **Constraints Related to Business Enabling Environment**

Both small farmer families and rural Small and Medium Enterprises (SMEs) do not always receive



sufficient support or attention from the relevant government departments. There has been too little interaction between the government and private sector to discuss and address the obstacles that are hindering the growth of the livestock sector. Due to a lack of public consultations the efforts by public and private stakeholders to strengthen the livestock sector is rather low. This ultimately also increases the risk of poor agricultural management (for example of pasturelands) and inadequate public responses to challenges such as epidemic diseases.

Why is MOLI using a Market System Development approach to address the key systemic issues?

The root causes of all three constraints stem from the time that the agricultural sector fell apart following the transition period after the collapse of the Soviet Union, when the usual sector stakeholders, including the government and extension workers, service providers, input suppliers, banks and others, were not able to function properly anymore, because the access to resources was greatly restricted, which affected sector oversight and investments/maintenance of infrastructure and services.



As the Georgian dairy and meat sector has not functioned properly for a long time, interventions that aim to improve the livelihoods of small farming families should develop strategies that address the **systemic** constraints of the sector. This means supporting the existing sector players in strengthening their capacities and ensuring that the overall market system is functioning more effectively, especially with regard to the inclusion of small farmer families. What this means concretely we explain in the section below regarding the Market System Development (MSD) approach.

2.3. A MARKET SYSTEM DEVELOPMENT APPROACH

What is a Market System Development (MSD) approach?

The livelihoods of farmers depend on market systems: buyers, sellers and other actors that come together to exchange and trade in products and services. In other words, the small farmer families do not exist in isolation, but are part of a large system that for different reasons is not functioning for them.

An MSD approach seeks to change the way that markets work, so that poor people, or in the case of MOLI, small farming families, benefit from economic growth and development. Therefore, the aim of our MSD project is to strengthen the private sector and to address market failures so that large-scale and long-term benefits are created for small farmer families.

Unlike more traditional aid interventions, MSD projects ensure that they do not take up/over, the role of existing players in the market system. Instead an MSD project aims to strengthen the capacities of the existing actors and develop strategies and incentives for bringing those market players closer together.

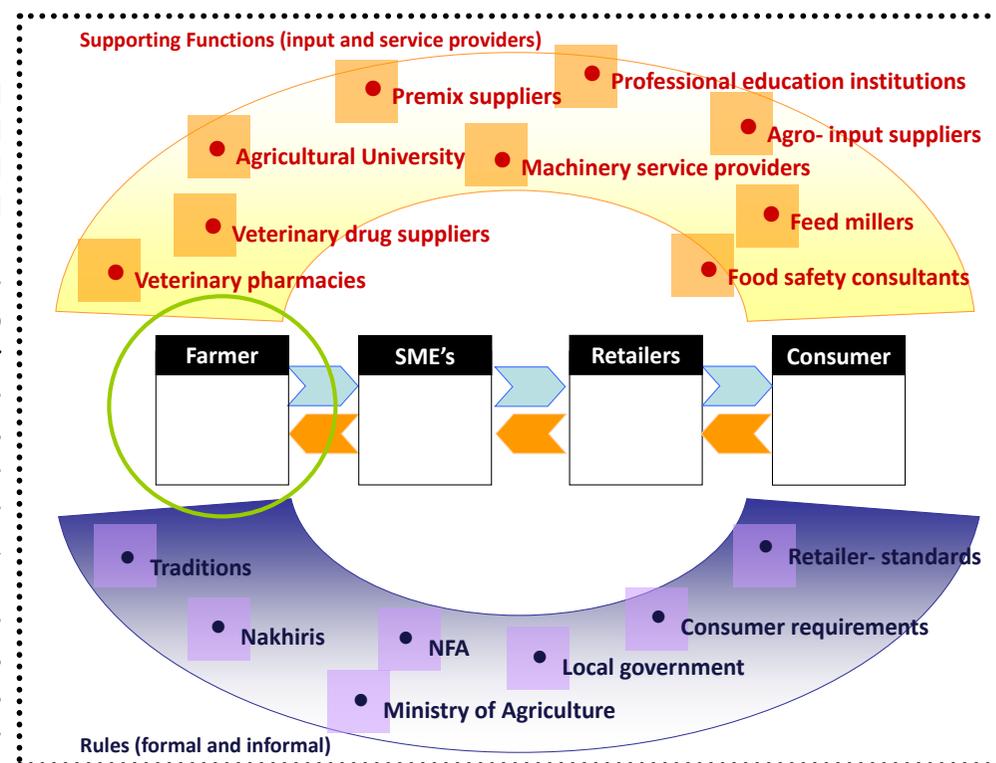
How does an MSD approach work in practice?

Achieving systemic change does not happen overnight; it requires careful planning and monitoring and proactive steering of interventions over a longer time period. After analysis of the sector problems or constraints, the major market players are identified and their (potential) roles and functions described. Based on this information the project designs its interventions (detailed description of planned activities in a certain sector) and selects a number of actors with whom the project wants to implement (pilot) the interventions (adoption phase). The interventions are continuously

monitored and when necessary adapted. Over time the selected partners are expected to further develop and change the piloted activities (adaptation phase) and new actors are encouraged to join and implement or recreate activities similar to the piloted ones (expansion phase). Finally, the broader environment that plays a more supportive role, including the government (and their rules and laws), universities (for education) or con-

sultants (for training or advise), other service providers (e.g. finances, tools, expertise) respond to the changes that the project partners are realizing (response phase).

MOLI-Project has gone through all these stages of the MSD approach and, having worked with a broad range of market players, we gained a wealth of experience that we would like to share with you in this brochure.



2.4. MOLI-PROJECT

MOLI-Project aims at improving the livelihoods of 7,000 livestock farming families in 5 municipalities in the Kakheti region. The interventions focus on connecting farmers with small businesses, such as dairies, feed mills, veterinary pharmacies and machinery service providers that provide improved inputs, services and advice in order to **increase the dairy and meat production, enhance market access** and, together with local government departments, **create a successful business-enabling environment**. The project applies several instruments to support the selected market players in the livestock market system in the Kakheti region:

- i) Capacity development of relevant market players to support delivery of improved services and advice to farmers.
- ii) Co-investment grant schemes for specific investments aimed at improving market system functions and increased outreach of target enterprises to farmers, and
- iii) Facilitation of discussion platforms that enable farmers and rural SMEs to interact directly and to coordinate their needs and concerns with local government authorities.
- iv) Facilitative actions at different levels and

with different actors, e.g. interactions and consultations with the National Food Agency (NFA).

MOLI-Project is a rural development project implemented by HEKS/EPER in partnership with HELVETAS Swiss Intercooperation and ABCO (Association of Business Consulting Organisations of Georgia) on behalf of the Swiss Agency for Development and Cooperation (SDC).

Project Duration: November 1st, 2011 to November 30th, 2015, including an inception phase from November 1st, 2011 to June 30th, 2012.

Districts: Signaghi, Sagarejo, Dedoplistskaro, Kvareli and Lagodekhi in Kakheti region
Budget: approx. 3.5 Mio CHF (2012 – 2015)
Staff: 9 permanent employees
Business Partners: 40

Livestock sector in Georgia and the Kakheti region

Livestock rearing, along with winemaking, cereal production and horticulture, is one of the main agricultural activities of farmers in Kakheti. The productivity of the regional livestock sector, however, is rather low, because of inbreeding and inappropriate feeding practices as well as the lack of veterinary care.

Farming in Kakheti, similar to other regions in Georgia, is not professionalized: very few large-scale livestock producers exist, yet almost 80% of rural households own some livestock (pigs and cows and sometimes poultry) for self-consumption or commercial purposes. The typical farmer family has two to four cows and the average milk yield per cow is 1,070 kg per year, which is very low compared to other countries. In Kakheti there are 11 slaughterhouses, 20 dairies and seven milk collection centres.

Georgia as a whole is not able to meet the consumer demand for milk and meat and is thus highly dependent on imports:

- o Georgia's fresh milk production only provides for 20 to 30% of the nation's needs - the rest is powder milk imported from foreign countries such as Ukraine, Poland and Germany.
- o Also meat production in Georgia cannot meet the market demand. For instance, 70% of the pork that is consumed in Georgia is imported from other countries.

PROJECT BUSINESS PARTNERS



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3. THE PROJECT AND THE INTERVENTIONS: WHAT WE HAVE ACHIEVED

3.1 AREAS OF INTERVENTION

Intervention Area 1: Increase meat and milk production

The core objective of the first Intervention area is to increase the production of meat and milk by improving animal health, nutrition and breeding.



By strengthening the capacities of the rural Small and Medium Enterprises (SMEs) that are responsible for providing veterinary care, animal feed and livestock breeding services, MOLI aims to increase the milk and meat production of small farmer families in the Kakheti region.

The following private sector partners were selected by the project to collaborate on the first area of intervention to increase production:

- Feed mills: provide pig & cattle feed, mixing and grinding services, and professional feeding advice;
- Veterinary pharmacies (and veterinarians): provide drugs and premixes, prophylactic & curative treatments, artificial insemination services, and veterinary advice;
- Machinery service providers: provide machinery services, demonstration plots and advice on good agricultural practices;
- A nation-wide operating input supplier in veterinary drugs: provides drugs, premixes, updates and information about feeding recipes;
- A nation-wide operating input supplier for animal nutrition products: provides inputs and advice on good agricultural practices and organizes demonstrations.

Intervention Area 2: Improve Market Access

The main objective of the second intervention area is to improve market access for small farmer families by modernizing the milk and meat supply chain.

By improving the food safety conditions on dairies, slaughterhouses and at the farm and by ensuring a more stable and regular supply of milk and meat, the market access of small farmer families can be safeguarded and even expanded.

For the second intervention area the project identified the following partners to work with:

- Dairies: buy milk throughout the year and provide embedded services and advance payment;
- Slaughterhouse: provides services for butchers that buy cows and pigs locally;
- A consulting company specialized in food safety and hygiene issues: provides dairies and slaughterhouse with advice and assistance on food safety compliance;
- National Food Agency: enforces food safety standards and regulations;
- A nation-wide operating input supplier in veterinary drugs: provides feed mills, dairies and veterinarians with regular updates, inputs and trainings.



Intervention Area 3: Creating a Business-Enabling Environment

The third intervention area concerns the development of a business-enabling environment that supports the private and public sector in increasing the effectiveness of the livestock sector.

By improving the interaction between rural SMEs and the local government, future policies and government services are designed and implemented with support from the private sector in a more effective manner, benefitting the entire livestock sector.

The third intervention area focuses on the creation of a Local Business Forum (LBF), which follows a piloted intervention of MOLI concerning semi-formal working groups of rural SMEs. The LBF func-

tions as a discussion platform for municipal and private sector representatives. It seeks to provide an effective and efficient structure with clearly defined roles, responsibilities and frequency for regular meetings of the forum members. The semi-formal working groups composed of the business partners from the pilot have been integrated into the LBF.

The project identified the following key partners to collaborate in the LBF:

- Representatives from rural SMEs: Participate in discussions at the LBF and consult with fel-

low SMEs to assess challenges and coordinate follow-up activities;

- Representatives from the municipality self-government: participate in discussions at the LBF and responsible for facilitating improvements in relevant policies and government services;
- Topic-related NGOs, experts and other organizations and institutions: may be invited to the LBF to provide advice, information and other inputs depending on the topic.



3.2 INTERVENTIONS PER BUSINESS MODEL

3.2.1 DETAILING THE INTERVENTIONS

FEED MILLS

Business model and background

MOLI designed a strategy to diversify the services of feed mills in order to increase the milk and meat production by small farmer families using improved feeding practices. The underlying idea is that feed mills are transformed from being a single service provider (grinding cereals) to becoming a comprehensive feed business: providing farmers with improved feed, premixes, mixed ingredients and ground cereals.

Scope, partner selection and preparatory phase

Almost every village in Kakheti has one small feed mill available for the local farmers. In 2012 MOLI selected 10 feed mills to participate in the intervention in three districts – Signaghi, Dedoplistskaro and Sagarejo. A needs assessment was conducted and followed up with a detailed business development plan. All partner feed mills participated in a number of capacity development trainings to prepare the company for implementing the necessary changes.



Activities

As feed mills only had to make small infrastructural changes (refurbishments) to be able to provide new services all companies were ready to produce improved feed at the very beginning of the intervention. Important business linkages were established between feed mills and the input supplier that provides the necessary ingredients (e.g. premixes) and technical knowledge regarding improved feeding recipes and practices. To ensure the success of the intervention, the project paid particular attention to two key elements: strengthening the relationship between the different business partners and ensuring that the business model is financially sustainable.

Follow-up activities

In 2013 MOLI conducted another selection round and 7 new feed mills were added to the group of business model practitioners. At present feed mills in five different districts are collaborating with input suppliers of improved feed. Expansion of the improved feed intervention to other regions in the country would be possible as interest in improved feed production and sales is very high. Some feed mills have already copied the model independently, while others are planning to do the same and have approached the participating business partners for information about their experiences.

DAIRIES (INCLUDING MILK COLLECTION CENTRES, MCCS)

Business model and background

In recent years the Georgian food safety law and regulations have undergone some important changes and it is foreseen that compliance with the standards will be enforced more strictly. Especially the smaller dairies are at risk of being fined, or even closed down, because they have not always been able to make the necessary investments in the past to improve the sanitary and hygienic conditions. Furthermore, due to inappropriate feeding of cows the Georgian dairy sector does not have access to a stable supply of milk throughout the year; instead it fluctuates between an excessive milk supply in summer and an inadequate supply in winter.

After having identified the main challenges that exist in the Georgian dairy sector, MOLI designed a business model that builds on the capacities of dairies as provider of embedded services and focuses on the collaboration between dairies and veterinary technicians, on the improved sanitary conditions along the dairy supply chain, on establishing commercial relation between dairies and feed mills and on the trustful relation between dairies and farmers, which allows for advance payment practices.

Scope, partner selection and preparatory phase

In 2012 8 dairies were selected in three districts. All dairies have participated in trainings on efficient business management practices and on various sector specific issues.

Activities

All dairies are working with veterinarians to provide (and promote) prophylactic treatments for the milk suppliers' cattle. Promotion is needed, because farmers depend too much on curative treatments and do not invest sufficiently in preventative mea-



asures. The veterinary services help to ensure that the dairy receives safe and clean milk from healthy, and thus more productive, cows.

A consulting company specialized in food safety and hygiene issues assessed the food safety conditions of all the participating SMEs. Afterwards the consultancy firm developed detailed plans to manage the business changes that needed to be made and for three years the consulting company has assisted the dairies with implementing a management system (HACCP) that ensures compliance with food safety standards. MOLI-Project has co-financed small infrastructural improvements of dairies to become food safety compliant.

Dairies/MCCs were linked to feed mills, machinery service providers and other improved feed/fodder producers, so that they could share information with farmers about improved feeding practices. Dairies also provided interested farmers with feed on credit, so that the suppliers can continue to produce more milk in winter, which benefits both farmers and dairies.

Follow-up activities

By improving the food safety and hygiene conditions on the participating SMEs, MOLI project enabled the dairies to access new markets: from being dependent on sales at the open markets to signing contracts with large retail chains. When most dairies became largely compliant with Georgian food safety standards, the project organized a conference for retailers and the government on food safety and hygiene in the dairy sector. Some dairies managed to sell to retailers immediately after the conference, while others achieved this at a later stage.

VETERINARY PHARMACIES

Business model / Background

After extensive analysis, MOLI determined that the business relationship between veterinary pharmacies, veterinarians and small farmer families was key to improving animal health and ultimately to improving income of farmers. The strategy needed to reimagine how veterinary service providers and small-scale livestock farmers would work together by minimizing transaction costs, by encouraging preventative treatments, by improving the flow of information to farmers and by moving the service point from the pharmacy to the farm.

By partnering with input suppliers, veterinary pharmacies: (1) have gained access to appropriate volumes and quality drugs; (2) have hired veterinarians that provide consultations to farmers on prophylactic and curative treatment, and; (3) have ensured that pharmacy staff is trained on a regular basis (by the input supplier). Pharmacies also started working with groups of farmers (Nakhiris), which helped to reduce costs and minimize the risks of diseases spreading in the village.

Scope, partner selection and preparatory phase

In 2012 MOLI-Project selected five veterinary pharmacies in three districts of Kakheti. The business development potential of all veterinary pharmacies was assessed in order to determine if the pharmacy could be transformed into a one-stop shop; providing drugs, services, and consultancy to farmers. To support the veterinary pharmacies

a contract was negotiated with a nation-wide operating input supplier in veterinary drugs, which expressed a high interest in working with the project and in testing the new business model.

Activities

Veterinary pharmacies have undertaken trainings on business management practices with the focus on increasing efficiency. The project co-financed some activities that helped the veterinary pharmacies to expand their service portfolio and improve their standards of practice.

Traditionally, veterinary pharmacies would have to travel to Tbilisi to purchase drugs, however, the newly established partnership with input suppliers ensured that this was no longer needed, as the input supplier regularly delivers directly to the pharmacies. To further strengthen the capacities of the veterinary pharmacies, the input supplier also pro-

vides regular information, updates and training related to veterinary treatments and drugs. Besides, a hotline service with SMS-reminders was established by the input supplier, which has helped to ensure veterinary pharmacies receive up-to-date information and professional assistance.

The veterinary technicians hired by the veterinary pharmacies are providing direct assistance to groups of farmers who are organized in Nakhiris.

Follow-up activities

As the intervention is working very well and the input supplier and veterinary pharmacies have taken full ownership of the activities, the MOLI-Project Team has progressively stepped back as business linkages continue to grow without further support being necessary.



SLAUGHTERHOUSE

Business model and background

Almost all families in Kakheti keep at least one pig for their own consumption. A significant number of farmer families also keep several pigs or cattle for commercial purposes. While beef and especially pork consumption is very high in Georgia, farmers are not increasing the scale of their meat production, which means butchers are not able to meet consumer demand and as a result retailers depend on imported meat. Many small-scale slaughterhouses in Georgia continue to handle cows and process meat without any external advice from food safety experts. As the government is increasingly taking food safety issues seriously and is making an extra effort to further professionalize the milk and meat sectors, there is a great need for slaughterhouses to start investing in food safety measures.

MOLI's intervention for slaughterhouses focused on improving food safety measures and professionalizing the marketing and sales processes.

Scope, partner selection and preparatory phase

When MOLI made an open call in 2013 to find partners who may be interested in collaborating in the project, only one slaughterhouse agreed to participate. An assessment was conducted focusing on the food safety and hygienic conditions as well as the business development capacity. The slaughterhouse was then linked to a consulting



company specialized in food safety and hygiene issues who supported the slaughterhouse with their efforts to become compliant with food safety standards.

Activities

The project has co-financed the construction of a pig line, separate from the beef line, to ensure that the slaughterhouse can offer services to both pig and cattle fattening farmers and butchers.

With support from food safety consultants, the slaughterhouse is improving its food safety com-

pliance. They are implementing a management system (HACCP) that builds on improved record keeping, behavioural change, trainings, infrastructure improvement and process flow optimisation.

Like many others, the participating slaughterhouse does not sell directly to large retailers and is missing out on an opportunity to expand its business and increase sales. Instead the slaughterhouse only provides services (infrastructure & veterinary control) to independent butchers and as a result is not reaching its full capacity. Unfortunately, efforts to encourage the slaughterhouse to shift from exclusive service provision into sales have not been successful, because concrete opportunities to do so were missing.



MACHINERY SERVICE PROVIDERS

Business model and background

Machinery services providers (MSPs) exist in practically every single village in the Kakheti region. During the peak agricultural season, the MSPs are very busy providing services to small farmer families, ranging from ploughing, tilling, and seeding to harvesting machinery. However, the machines are often relatively old and inefficient. On the one hand, services with new and sophisticated machines are rather expensive and are not always suitable for the small plots of land owned by most small-scale farmers in Kakheti. MOLI-Project, therefore, decided to focus on the village-based service providers and help them to further professionalize their services, including the provision of better quality machinery, inputs and advice. By connecting them with a nation-wide operating input supplier for animal nutrition products the selected machinery service providers would benefit from receiving: updated knowledge on agricultural production; regular monitoring of demonstration plots; individual consultations on production issues; updated information and discounts on agricultural inputs that can be sold to farmers.

Scope, partner selection and preparatory phase

In total six Machinery Service Providers (MSPs) have been taking part in the intervention. They are counselling small farmer families on technical issues and are providing services for increasing the production and sales of livestock feed, such as alfalfa, sainfoin, hay and cereals. Establishing

a partnership with an input supplier took longer than expected. However, from July 2014 the input supplier for animal nutrition products has actively supported the village-based MSPs in strengthening their capacities.

Activities

MOLI-Project designed the business development plans together with the MSPs and input supplier and has supported the different actors in implementing their plans and providing co-investments for: a) repairs, including missing spare-parts of existing machinery; b) second-hand equipment for MSPs; c) inputs and advice to increase hay-making, baling, grass-cutting, etc.

The input supplier for animal nutrition products has set up demonstration plots together with the

MSPs and provided training events on improved agricultural techniques focussing on (drought resistant) fodder crops for autumn and winter season.

Follow-up activities

MOLI-Project seeks to further increase the capacities of MSPs through trainings focusing on fodder crop production for small farmer families. This will help to ensure that high quality alfalfa, sainfoin and hay bales are available, also to small farmer families for an affordable price. As the demand for fodder crops is high, MOLI will increase its outreach and collaborate with new SMEs in new areas. The collaboration with the input supplier in the Kakheti region should continue as it provides essential training and services to the MSPs.



LOCAL BUSINESS FORUM

Business model and background

Rural businesses are strong pillars of the Georgian economy. Through different programmes the national government tries to support rural businesses development. In the course of municipal government reforms and decentralization processes, the establishment of an effective mechanism for local government and business dialogue is very important. Talking together is the best way for the public and private sector to set the right priorities, support common interests and achieve local economic development. A government that listens to the private sector is more likely to promote sensible and workable reforms. At the same time, businesses that understand what the government

is trying to achieve are more likely to support the initiatives and decisions. Hence, an effective public-private dialogue contributes to the mutual reinforcement and coordination of interventions. MOLLI-Project has established, in collaboration with partners from the public and private sector, a platform called a Local Business Forum (LBF), to facilitate the public-private dialogue.

Scope, partner selection and preparatory phase

The Local Business Forums are organized in the following Municipalities in the Kakheti Region: Sagarejo, Dedoplistskaro and Signaghi. To assure ownership of the process, the Business Forum is co-chaired by a business and local municipality representative. In a first phase, the forum

focuses on livestock related businesses and the 15 to 25 core participants of the forum will be the:

- (i) Municipality government representatives;
- (ii) Local small and medium business representatives;
- (iii) Topic related NGOs and other organizations;

Whenever needed, representatives from the line-ministries working on municipal level, or representatives from ministries at national level are invited to the meetings.

Activities

All matters related to the organization, planning and execution of the LBF are managed by the representatives of the public and private sectors. They decide on the agenda and topics, organize a forum every three or four months, ensure decisions are communicated and followed up and operational costs are shared.

The LBF is a new initiative that MOLLI-Project created to enhance the dialogue between the public and private actors in the livestock sector. MOLLI raised awareness about the need for such a platform, lobbied representatives from different stakeholder groups to participate in the LBF (including a training and study tour to Switzerland) and is facilitating the LBF meetings initially. Over time, however, MOLLI will no longer participate in the meetings. At the same time the project will continue to promote the activities of the LBF amongst various interested parties and lobby for using the LBF model to effectively implement the decentralization law.



3.2.2 RESULTS & ADAPTED GOOD PRACTICES

At the start of the project, MOLI identified targets for each intervention. After having worked extensively with the business partners on the intervention activities, many targets have been met and most importantly, significant improvements in business practices have been observed. As a result many small farmer families have been able to increase the production and sales of their milk and meat products.

FEED MILLS

17 feed mills have been trained and have diversified their business operations, providing essential feed services to pig and cattle farmers, reaching close to 2,000 farmer families of which more than 10% use pig feed on a permanent basis. Thanks to the use of improved pig feed MOLI estimates that the farmer families who regularly use this feed have received an additional net annual income of 1,000 GEL.

What are the Adapted Good Practices?

- Feed mills transform from single service provision (grinding cereals) to a comprehensive feed business: providing farmers with improved feed, premixes, mixed ingredients and ground cereals.
- By collaborating with input supplier shops, feed mills are able to sell their ready-made improved feed products through an additional outlet.
- By partnering with dairies, feed mills are able to provide advice and high quality products to milking cattle farmers. Dairies meet farmers on a daily basis and are in an excellent position to share information leaflets and trial samples. Ultimately, the dairies benefit from the improved feeding practices, as they will have better access to milk throughout the year.
- To promote the use of improved feed, feed mill owners sometimes give farmers one sack of improved feed for trial. The farmers that like the result will come back to buy more. At the same time they will share their experiences with neighbouring farmers, which is an effective way to further promote the improved feeding practices.
- With help from the input supplier, the feed mill is able to provide farmers with up-to-date information about improved feed practices and knowledge.
- The use of a demonstration farm next to the feed mill where pigs are fed on improved feed is an eye-catching technique that successfully promotes the use of improved feed among pig farmers.



Benefits

- **Feed mills** do not only earn revenues from services, but also from the actual sales of products. The services include: milling and mixing. The products include: premixes, cereals and ready-made feed.
- **Feed mills** are able to purchase premixes at wholesale prices from input supplier, making the improved feed products more affordable to farmers.
- **Feed mills** are able to sell on credit, when necessary, thanks to the strengthened relationship between the input supplier and feed mills: this addresses cash-flow problems and improves farmers' access to products.
- **Feed mills** are able to sell products all through the year, contributing to a stable income, because the demand for pig feed is unremitting. While cows can be fed on grass during certain

times of the year, pigs require improved feed year-round.

- **Feed mills** are able to increase their income quickly, especially with the sales of improved pig feed, as it is relatively easy to convince pig farmers to use improved feed. Consequently, also input suppliers are increasing their turnover thanks to the growth in sales of improved feed.
- **Feed mills** receive a high return on investments for the improved feed for pig fattening. Purchasing a mixer and inputs is not hugely expensive, while the new feed services generate profits relatively quickly.
- **Small farmer families** are able to improve their milk production throughout the year. Additional milk produced by one cow is approximately 1,140 litres per year. This translates up to GEL 1,760 per year per small farmer family as net attributive income (based on 4 milking cows per family on average).
- **Small farmer families** also receive milk during winter, as cows have a longer lactation period thanks to the use of improved feed. During the wintertime the lactation period increases by 52 days, or 25%, representing an additional milk production of 275 litres per cow.
- **Small farmer families** have better access to reliable information about improved feed and their nutritional values thanks to the collabora-

tion between input suppliers and feed mills,

- **Small farmer families** are able to sell their pigs faster, as the pig-fattening period is reduced from 12 to 6 months on average thanks to the use of improved feed.
- **Small farmer families** have access to an affordable end-product, because they are able to continue to use their own cereals mixed with



improved feed. At the same time, this enables feed mills to sell more, which ultimately translates in higher profits.

DAIRIES

Nine business partners in the dairy sector have implemented the improved business practices and have increased their engagement with farmer families by providing embedded services. While the increase in the number of small farmer families supplying milk to the dairies is still moderate (from 678 in 2013 to 1,177 in 2015), the feedback received from farmers about the provided services is very positive, which suggests that further growth can be expected in the coming years.

What are the Adapted Good Practices?

- By providing embedded services (vet services, feed, credit, etc.) the relation between farmer and dairy is becoming stronger and this creates stability, trust and a more effective and profitable business for both parties. The services provided by the dairy are financed through the practice of deduction of milk payments.
- By promoting and facilitating the use of improved feed, farmers are able to increase the milk production throughout the year. Dairies are using different feed-support models:
 - ◊ Dairies refer farmers to a neighbouring feed mill who provide the farmer with improved feed
 - ◊ The dairies supply the improved feed themselves
 - ◊ The dairies promote improved feed and give advice on better feeding practices
- By providing vet services to the farmers that



are supplying milk to the dairies on a daily basis, the risk of poor quality milk is minimized. The cattle receive proper and timely treatment from the veterinarian in order to ensure that the cows stay healthy. Advice on hygienic improvements help to ensure that the milk is clean and safe for consumption.

- Thanks to the support of input suppliers, veterinary technicians attached to dairies have better access to drugs at more affordable prices.

Benefits

- **Dairies** are able to increase the production of cheese and ensure that milk prices do not fluctuate so strongly during the course of the year thanks to the stable supply of milk in winter.
- **Small farmer families and dairies** increase the production of milk and cheese thanks to better feeding practices of cattle, especially by using improved feed, but also by using hay that has been prepared in summer. The latter is not a common practice (renting a machine for haymaking costs money), but thanks to access to



credit from the dairy, this has become an option for some farmers.

- **Small farmer families** gain better access to markets thanks to improvements in the quality of milk (clean and safe).
- **Small farmers families** help reduce the risk of droughts, as the use of improved feed practices (especially improved feed but also the use of better hay) leads to a lower dependence on pastureland.
- **Consumers** benefit from better access to high quality and healthy cheese throughout the year.



VETERINARY PHARMACIES

Through their veterinary technicians five veterinary pharmacies operating in three districts of Kakheti provided services to 42 Nakhiris (compared to 32 in 2014). More than 750 farmer families, all are members of a Nakhiri, benefited from improved veterinary services, including prophylactic treatments. After the initial successes the participating input supplier increased its training and outreach programme from 5 to 44 veterinary pharmacies and observed almost a doubling of its sales from the Kakheti region between 2013 and 2014.

What are the Adapted Good Practices?

- Thanks to the direct relationship between the veterinary pharmacies and the input supplier, the pharmacies have gained better access to updated information about new drugs, the global animal health sector and good practices of appropriate treatments.
- The strengthened relationship between input supplier and veterinary pharmacies enables the latter to sell on credit when necessary, addressing cash-flow problems and improving farmers' access to drugs and treatments.
- Direct distribution to pharmacies by input suppliers ensures that drugs are delivered appropriately (i.e. cold chain and cool storage), on time and on a regular basis. At the same time costs are reduced, as pharmacies no longer need to travel to Tbilisi to purchase the goods.
- Thanks to the creation of a hotline service, pharmacies have gained better access to specific in-

formation about drugs and treatments.

- Since veterinary technicians (hired by the veterinary pharmacies) are proactively approaching members of Nakhiris they are able to provide preventative and curative measures in a most effective manner.
- By providing a more comprehensive set of services, the relationship between veterinary pharmacies and small farmer families is strengthened, which is characterized by mutual trust, and this is beneficial to both in the long-term.

What are the Benefits?

- Small farmer families have better access to high quality veterinary drugs through the veterinary pharmacies in municipality centres. As a result farmers are no longer dependent on goods (with questionable quality) sold in public markets or in far away drug stores in Tbilisi.
- Small farmer families are able to purchase drugs that are more affordable, because veterinary pharmacies are able to buy the medication at wholesale price (minus transportation costs) from the input supplier. The veterinary pharmacies and input supplier also benefit from this new system as both observe increases in turnover.
- Small farmer families are benefitting from the broad range of services that were previously not available (or affordable), e.g. artificial insemination and veterinary advice on preventive treatments.

- Small farmer families are receiving better quality services, because veterinary technicians are regularly trained and pharmacies receive up to date information about drugs and treatments from input suppliers. At the same time, the farmers who are members of the Nakhiris benefit from reduced costs as it is cheaper to attend to a group of farmers than individual farmers.



SLAUGHTERHOUSE

The participating slaughterhouse in the Lagodekhi district provides services to 15 self-employed butchers who bought and slaughtered pigs and cows from more than 500 small farmer families. Although the slaughterhouse is not selling to retailers yet, the potential for further growth is certainly there.

What are the Adapted Good Practices?

- With support from food safety consultants, the slaughterhouse has ensured compliance with food safety standards by implementing a management system such as HACCP (Hazard Analysis and Critical Control Points) that builds on improved record keeping, behavioural change, trainings, infrastructure improvement, process flow optimisation etc.
- By working with veterinarians who regularly monitor the health conditions of livestock, the slaughterhouse, has been able to increasingly improve the quality of the meat that they receive from the farmers.

What are the Benefits?

- **The slaughterhouse's** potential market access is increased due to food safety compliance. As retailers of meat products are becoming more aware of food safety issues, they are increasingly demanding that their suppliers are compliant with food safety standards.

- **Slaughterhouses** that are compliant with NFA requirements will stay in business and improve their competitiveness in the market – they are not fined or closed down.
- **Consumers** will benefit from reduced health risks thanks to safer production of meat.



MACHINERY SERVICE PROVIDERS

The six Machinery Service Providers (MSPs) that have been trained and that have reformed their business strategies are supporting more than 1,000 small farmer families on improving the production of fodder crops. A nation-wide operating input supplier for animal nutrition products provides the MSP with the necessary training and information to further enhance the capacities of MSPs as advisor and service provider to local farmers.

What are the Adapted Good Practices?

- With the support from the input supplier, the machinery service providers are offering a more comprehensive package of services, including higher quality machinery services, better quality inputs (seeds, fertilizers, pesticides etc.) and advice on good agricultural production practices;
- The use of a demonstration plot by the MSPs and the input supplier has proven to be a successful method to raise awareness and train small farmer families on good agricultural techniques.



What are the Benefits?

- **Small farmer families** have gained access to higher quality machinery services, inputs and advice from MSPs and the input supplier;
- **MSPs** are increasing their profits as the demand for inputs and machinery has grown, thanks to effectiveness of the demonstration plots, trainings and positive outcomes after testing the products.



LOCAL BUSINESS FORUM

It is too early to present results of the Local Business Forum intervention (the first meetings only took place in July, September and October 2015), however, from MOLI's experiences with the Business Working Groups and its efforts to help create a business-enabling environment, it is possible to describe what key practices and conditions influence the success of an LBF:

- By using a structured mechanism of regular meetings with clear responsibilities for all forum members, the LBF offers public and private partners an interactive space to share ideas and experiences and work together on implementing changes that help to create an effective business-enabling environment;
- While co-financing and external facilitation is needed initially, in the long-term the LBF should be fully financed and managed by the public and private partners themselves. The sustainability of the intervention can therefore only be secured, if the LBF generates sufficient positive outcomes for both parties;

- Selecting the topics for discussion is crucial, as forum members should focus on issues that can be affected by the representatives of the public and private sector and that are most pertinent to the SMEs in the livestock sectors – and hopefully in the future, to other private sector related topics.



4. WHAT WE CAN LEARN FROM MOLI-PROJECT

As the implementer of the project we have learned many valuable lessons about important developments in the livestock sector, about the advantages and limitations of applying the MSD approach in our interventions and about the need and potential to further enhance the interactions and relationships between the different actors in the livestock sector.

LESSONS LEARNED

Choose the right sector for your interventions

- Qualitative feedback from small farmer families and SMEs, as well as increases in sales revenues by the business partners in the different value chains, suggest that the Swiss Agency for Development and Cooperation (SDC) as well as the implementing partners were correct in choosing the livestock sector as the project's core area of focus. As discussed in the results chapter, the agricultural interventions in the meat and dairy value chains facilitated by MOLI-Project are benefiting the small farmer families in rural Georgia.

Choose the right approach for your interventions

- The approach by MOLI-Project to combine the market facilitation approach with business development support has been an appropriate implementation strategy in rural Georgia.

The project partners ranging from dairies to veterinary pharmacies have all made small or substantial changes in their business practices and relationships, which has resulted in an increase in dairy production, higher sales revenues and higher incomes for small farmer families. To make the approach successful the project requires committed and well-trained staff. Furthermore, especially in an MSD project it is important to keep the government informed and updated about all issues since they play an important role in market system development, especially with regard to the business-enabling environment.

Use project co-investments to accelerate change (i.e. act as a catalyst)

- MOLI's experience in the different value chains shows that there is no need for extensive co-investments from the project side to bring about the necessary changes: business partners only required some seed money, and once the advantages became more apparent, no further incentives were necessary, as most partners would choose to make the additional investments in service provision independently.

Select your intervention partners carefully

- The selected business partners need to take ownership of intervention activities. This is essential otherwise the companies will not be motivated to change their business opera-

tions and make the necessary long-term investments. Furthermore, intervention partners should show a willingness to collaborate and share a common vision on how to strengthen the sector and business practices. The sustainability of the relationship between nationwide input suppliers and local business partners was of particular importance, as these parties will need to continue working after the project closes. Building a trustful and mutually beneficial relationship is therefore imperative.

Share knowledge and give support to address a new (or poorly understood) challenge

- Convincing dairy and meat agribusinesses to invest in food safety measures required the project to show perseverance and give support over a relatively long period, as the rural SMEs initially do not appreciate the risks of non-compliance with food safety standards, since nonconformities in the past did not lead to penalties or closure. However, this situation is changing as both the government and retailers are becoming more demanding with regard to food safety standards. By raising awareness on this issue and by providing extensive guidance, through food safety consultants, the project has helped SMEs in the dairy and meat sector to maintain and even increase market access.

Develop an intervention that builds on embedded service provision

- The project's experiences in the dairy sector have clearly demonstrated that the provision of embedded services to small farmer families, including (i) veterinary services, (ii) improved feed for cattle and (iii) advance payment for milk, is beneficial to both farmers (who have a healthy cow and more milk) and the dairies (who have better quality milk throughout the year). In an effort to further expand their businesses, slaughterhouses could also benefit from providing embedded services to their meat suppliers (e.g. veterinary services and improved feed). Healthy cattle and pigs gain

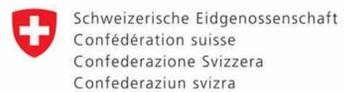
their targeted weight much faster thanks to the consumption of improved feed, which allows farmers to increase the number of production cycles. As a result slaughterhouses would have access to more and better quality meat during the year, further strengthening their competitiveness.

Take advantage of informal institutions

- By grouping farmers together, transaction costs, e.g. for veterinary services, can be reduced significantly. However, it is important that such forms of organization are built on existing models and are not regarded as externally imposed models of collective action (i.e.

associations, collectives or cooperatives). The latter have been tried in agriculture before and have all failed. Therefore, it is imperative to work with pre-existing collective forms, which in the case of the livestock sector are traditional informal herding groups called Nakhiris. These groups are locally adapted and resilient. As a result when the project helped to facilitate the collaboration between the veterinarians and the small farmer families through the Nakhiris, the veterinary service providers were able to use and further strengthen this existing model, while avoid burdening the farmer groups with new functions that they were not prepared for.





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