

Summary of Main Findings of Food Safety Survey

Introduction/Background

Agricultural sector reform in Georgia that started in 2005 aimed at streamlining the legislative and institutional framework of the sector, transforming Soviet style food safety system, and bringing national regulation in conformity with international and European standards. With this purpose the Law on Food Safety and Quality was adopted in December 2005 on the basis of the regulations of the EU *acquis communautaire*. Gradual enactment of Food safety and quality control provisions of the Law shall start from January 1, 2011. Initial stage envisages preparation of the registration rules and establishment of state control for producers and distributors of food as well as of state control of processing, storage, packing and sale of food. To ensure smooth enactment of the control provisions, government of Georgia asked IFC to study the situation in Georgian food sector, and conduct survey of food producers, importers and exporters. This is an additional effort in this direction from IFC that has been engaged in informing and training of food companies on food safety and quality management issues.

Sample Selection and Description

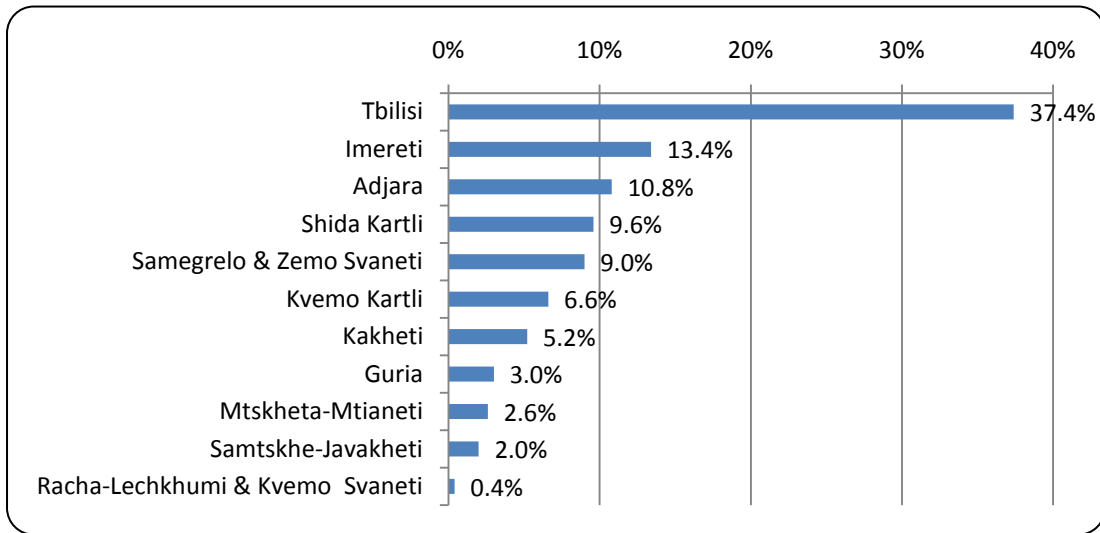
The Food Safety Survey was carried out in June-August 2009. 500 producers, importers and exporters of food products were surveyed. The nation-wide stratified (by size and risk) random sample was selected from the Department of Statistics databases of food producers, importers and exporters.¹ The sample consisted of 500 firms including 437 producers, 64 exporters, and 88 importers of food products (some firms are engaged in more than one of the three activities).² 65.2% of the respondents were small firms, 16.4% were medium, and 18.4% were large firms.³ 37.4% of the respondents were from capital Tbilisi, and the rest were from other regions of Georgia (see Figure 1).

¹ The results presented below are obtained after applying sampling weights that take into account different probabilities of selection.

² The survey did not cover restaurants, as well as retailers and wholesalers of food products unless they were engaged in food production, import and export.

³ According to the Law of Georgia on Georgian National Investment Agency, small firm is an enterprise with the number of employees not exceeding 20 and annual turnover not exceeding 500,000 GEL; Medium firm is an enterprise with the number of employees not exceeding 100 and annual turnover not exceeding 1,500,000 GEL; The rest of enterprises are classified as large firms.

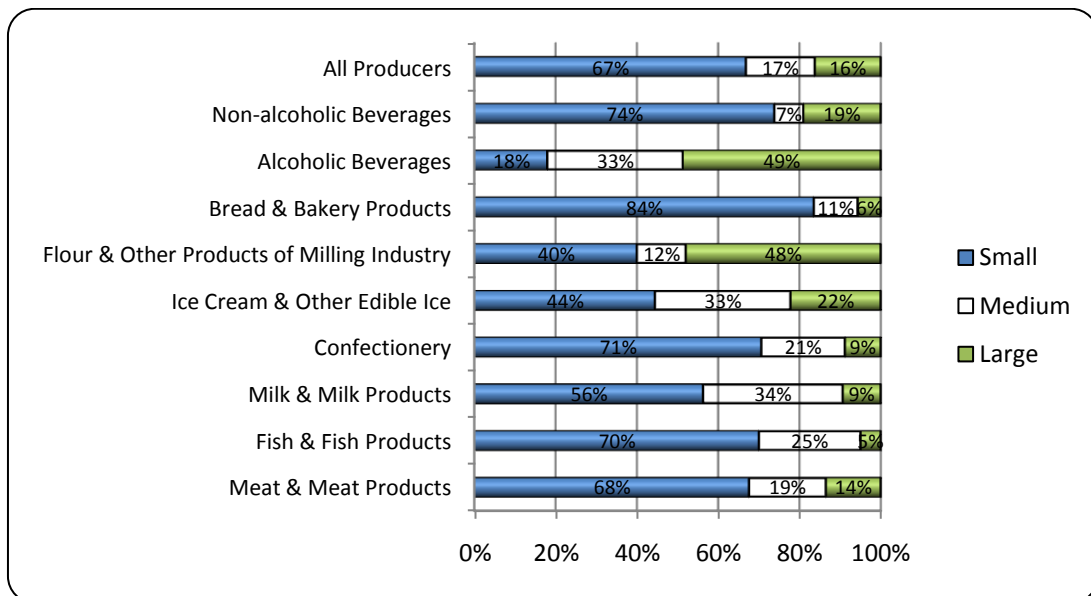
Figure 1. Distribution of Respondents by Region.



The companies were differentiated as high-risk and low-risk to reflect similar classification of food production activities by the Law of Georgia on Food Safety and Quality. High risk firms are those that are engaged in high risk activities, namely in production, processing or distribution of the animal product, low acidity canned food, baby food as well as production or packing of the animal feed. The rest of the respondents are low-risk firms. Eventually, 193 respondents (27.7 percent) were classified as high-risk, and the rest (307 respondents, or 72.3 percent) were classified as low-risk firms.

Figure 2 shows distribution of producers of major groups of food products by firm size. Share of small firms is relatively low among producers of alcoholic beverages and flour and other products of the milling industry.

Figure 2. Distribution of Producers of Major Groups of Food Products by Firm Size.



Food Safety Situation

A number of indicators can be used to characterize food safety situation. These are measures implemented for food safety and quality management, investments firms make in food safety and quality, employees assigned for this task and their training, familiarity with and implementation of food safety and quality management systems, familiarity with Georgian legislation on food safety and quality, and so on.

Measures to Ensure Food Safety and Quality of Food Products

Most frequently, food companies comply with the requirements of their buyers and distributors (40 percent, see Figure 3), or have developed their own food safety and/or quality management systems (37 percent). Staff training and implementation of international food safety and quality management systems is rare (5 percent and 6 percent, respectively). With the overall low levels, training is relatively frequent in large firms (14 percent) compared to small and medium enterprises (3 percent and 5 percent, respectively). Similarly, training is relatively more common in high-risk firms compared to low-risk firms (10 percent versus 2.6 percent).

Figure 3. Measures Used to Ensure Food Safety and Quality of Food Products.



Investments in Food Safety and Quality

Thirty seven percent of firms made some investments to ensure food safety and quality in 2008. About one third of firms invested in production facilities and in equipment and machinery (see Figure 4). Investment in training, consulting, and national and international certification was less frequent – at most 10 percent. Surveyed companies were also asked to specify if they future plans to invest specifically to meet the requirements of the Law on Food Safety and Quality, and if they had future plans to do so. Again, most of the investments are planned in production facilities and in equipment and machinery – 53 percent and 49 percent of firms, respectively (see Figure 5).

Figure 4. Investments to Ensure Food Safety and Quality in 2008.

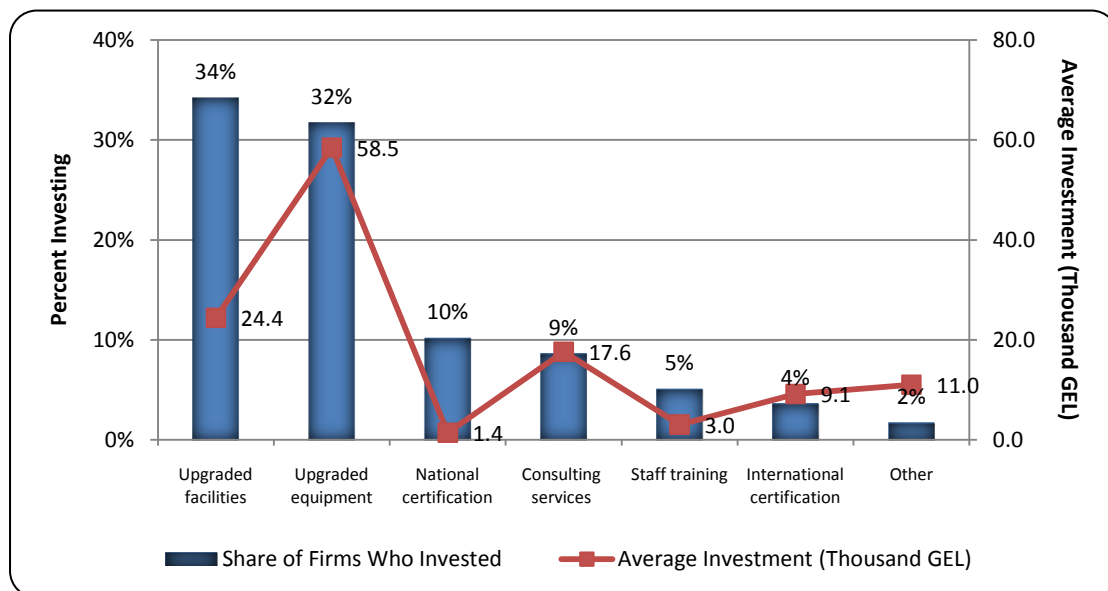
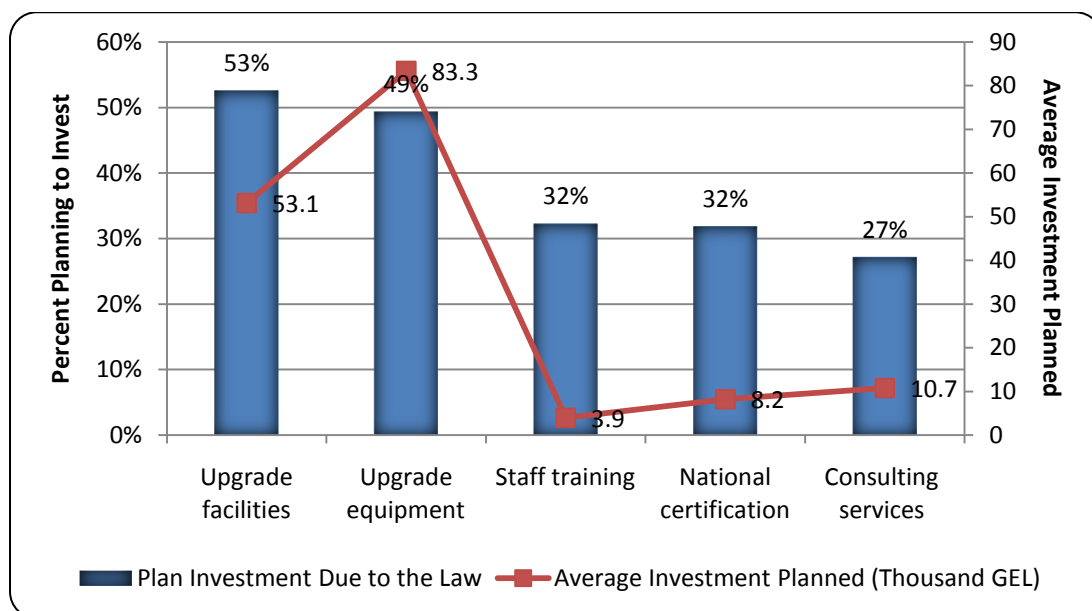


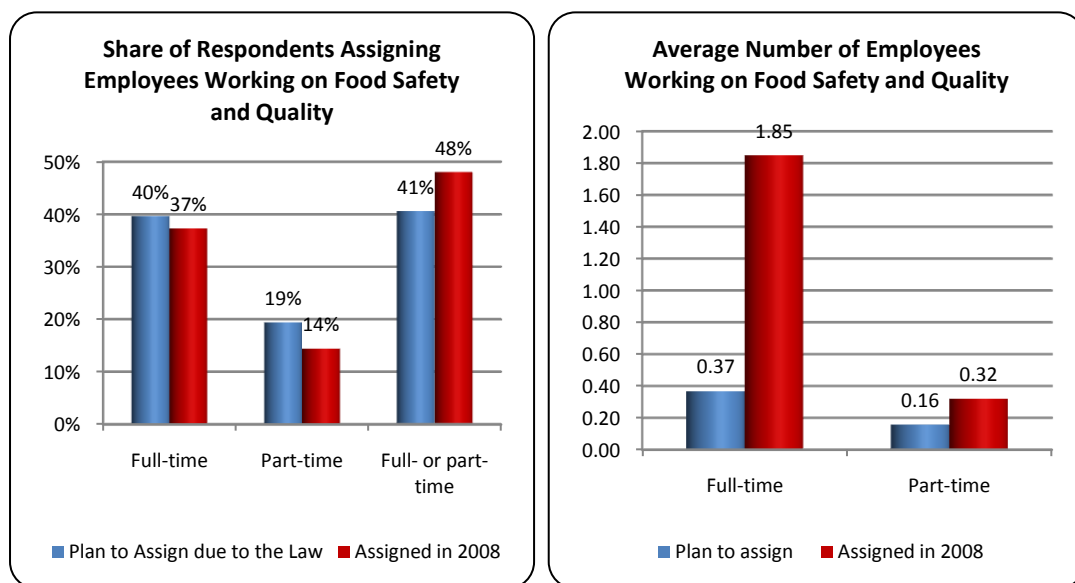
Figure 5. Investment Planned to Meet the Requirements of the Law.



Assignment of Employees to Work on Food Safety and Quality Issues

37 percent of firms had employees working full-time on food safety and quality in 2008, and 14 percent have employees working part-time. Overall, 48 percent have employees working either full- or part-time on food safety and quality. Planned assignments of additional full- and part-time employees to meet the requirements of the Law are slightly higher - 40 percent and 14 percent, respectively. Average numbers of employees to be assigned to food safety and quality issues are similarly smaller than those already assigned – 0.37 versus 1.85 full-time employees, and 0.16 versus 0.32 part-time employees on average. (see Figure 6).

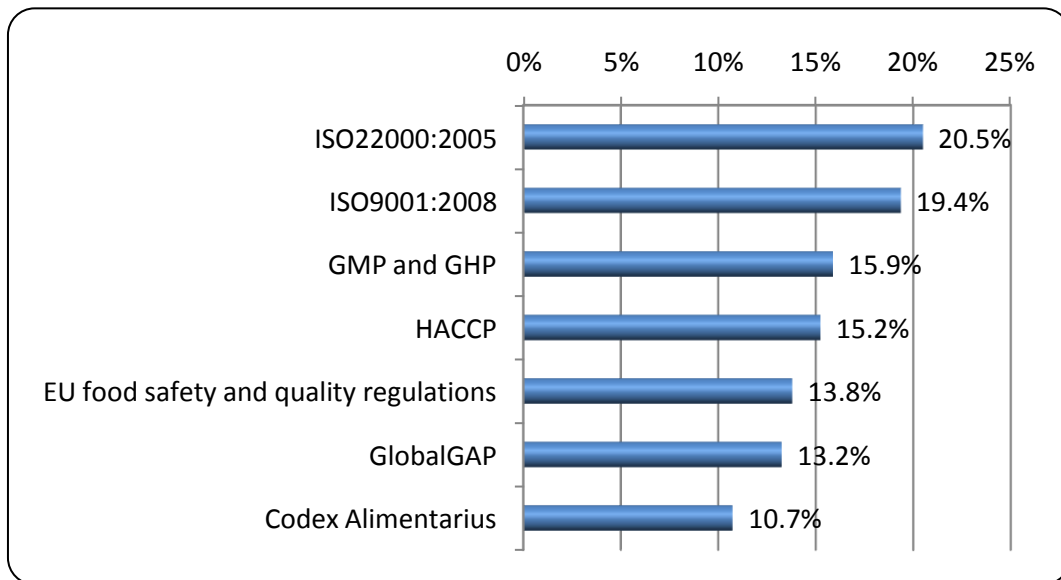
Figure 6. Employees Working on Food Safety and Quality.



Familiarity with International Food Safety and Quality Standards and Regulations

Share of companies having basic or detailed knowledge of the international standards/regulations, such as GMP (Good Manufacturing Practices), GHP (Good Hygiene Practices), HACCP (Hazard Analysis and Critical Control Points System), GlobalGap and others, is 20 percent or less (see Figure 7). The rest of the companies either have not heard of these standards or have heard but are not familiar with them.

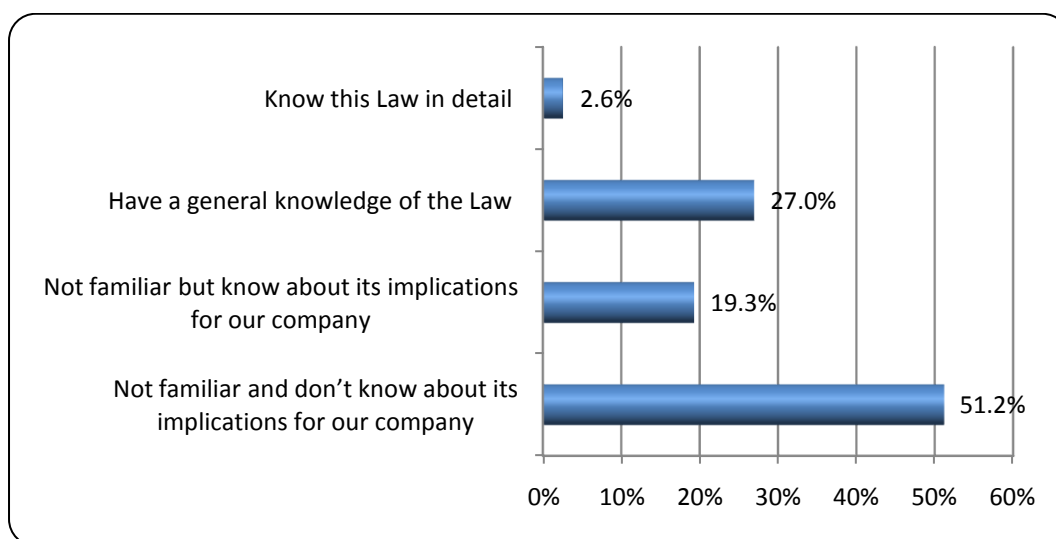
Figure 7. Share of Firms Having Basic or Detailed Knowledge of International Standards/Regulations.



Familiarity with the Law of Georgia on Food Safety and Quality

52 percent of firms are aware that food safety and quality control provisions of the Law of Georgia on Food Safety and Quality have to be enacted from January 1, 2010. More than half of the respondents are not familiar with the Law and do not know about its implications for their companies, and less than 3 percent know this Law in detail (see Figure 8).

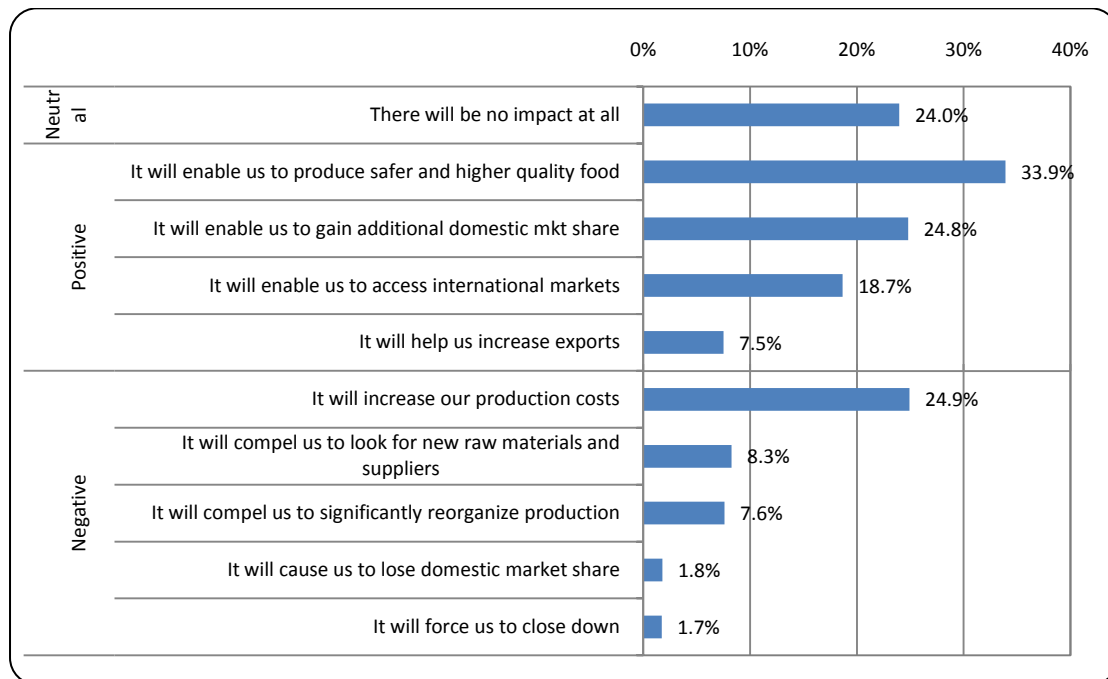
Figure 8. Familiarity with the Law of Georgia on Food Safety and Quality.



Those firms who are familiar with the Law are pretty optimistic regarding its consequences: positive impacts are expected more frequently compared to negative impacts. Namely, more than one third of the respondents think that the Law will enable them to produce safer and

higher quality food products, one quarter of respondents hope to gain additional domestic market share, and 19 percent expects that the Law will enable their companies to comply with international regulations and access international markets. On the other hand, one quarter of respondents expects increase of production costs, while shares of those who are afraid that the Law will force their firms to close down and who think that it will cause their firms to lose domestic market share are negligible – less than 2 percent each (see Figure 9).

Figure 9. Expected Impact of the Law.



Sources of Information on Food Safety and Quality Issues

Surveyed companies were asked to state their sources of information on food safety and quality issues. Major source of information is media (71 percent), while government publications, National Food Safety, Veterinary and Plant Protection Service (NFSVPPS), and other public sectors sources are less informative (8, 7 and 3 percent, respectively, see Figure 10). However, such ranking is heavily associated with familiarity of the Law on Food Safety and Quality. Those who are more familiar with the Law, rely more on government and other sources and rely less on media (Figure 11).

Figure 10. Sources of Information on Food Safety and Quality Issues

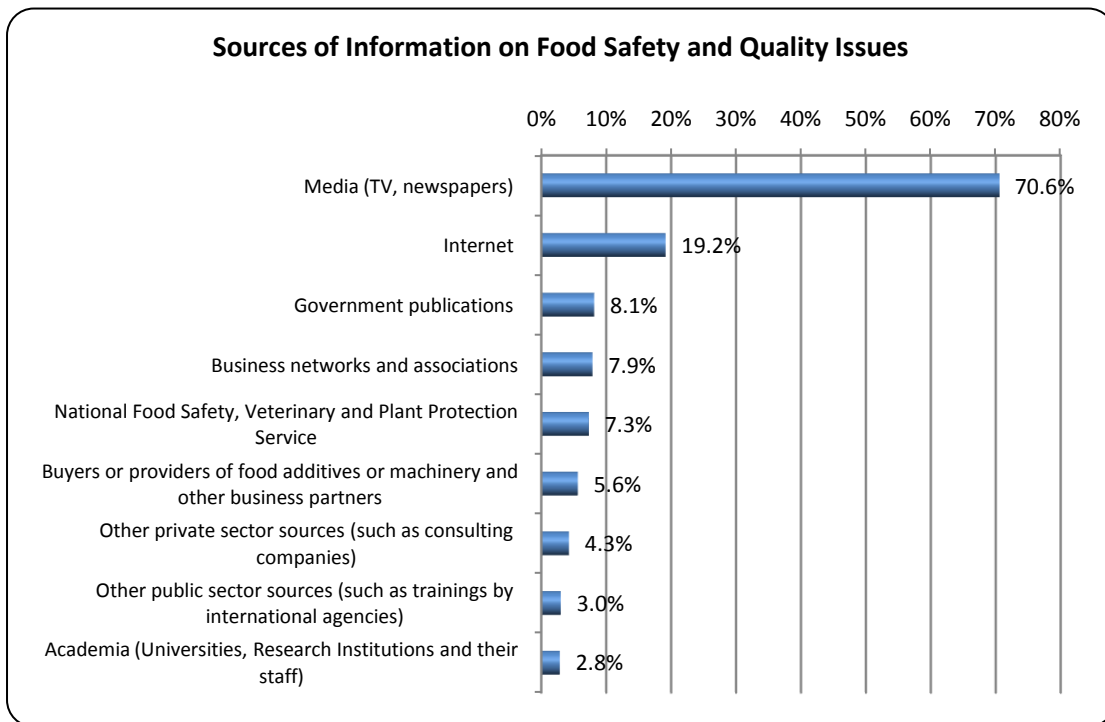
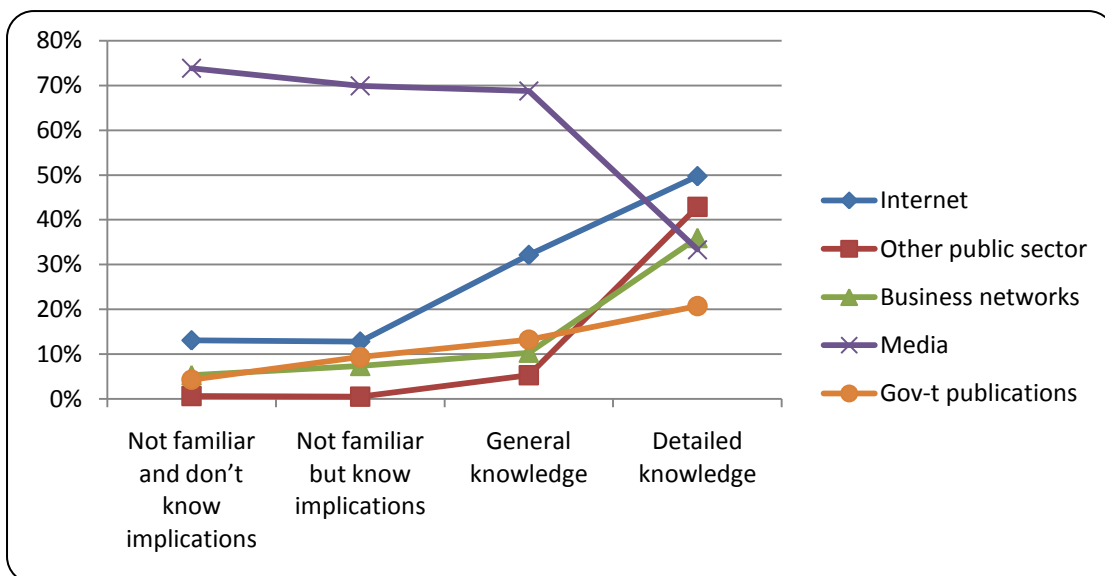


Figure 11. Sources of Information on Food Safety and Quality Issues by Level of Familiarity with the Law on FSQ

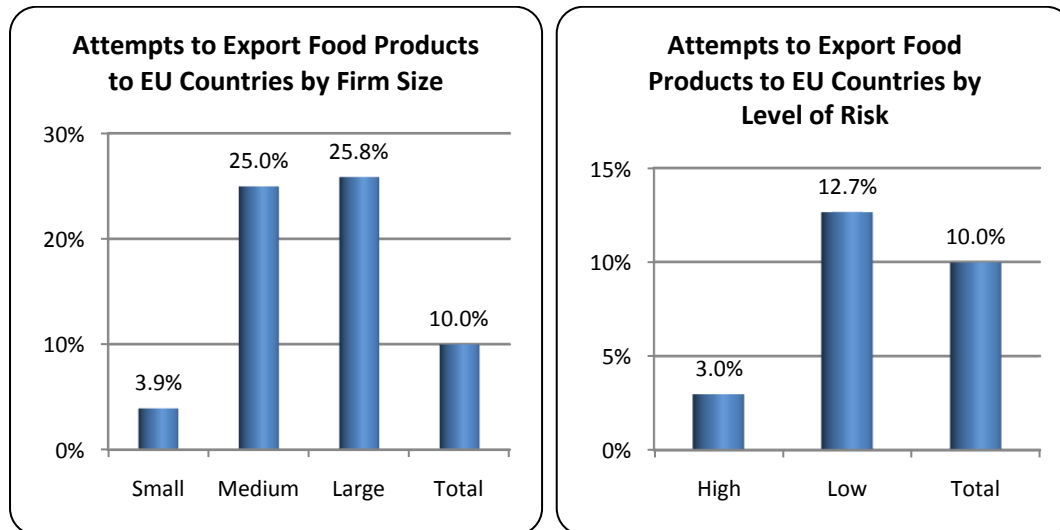


Export to EU Countries

One of the goals of the survey was to investigate situation regarding export of food products to EU countries and barriers to exporting to EU. 10 percent of firms have ever tried to export food products to EU countries, and another 7 percent have future plans to do so. Large and medium firms tried to export to EU more frequently (26 and 25 percent, respectively; see Figure 12) than small firms (4 percent). By level of risk, attempts to export to EU are more frequent for low-risk firms compared to high-risk companies (13 percent versus 4 percent).

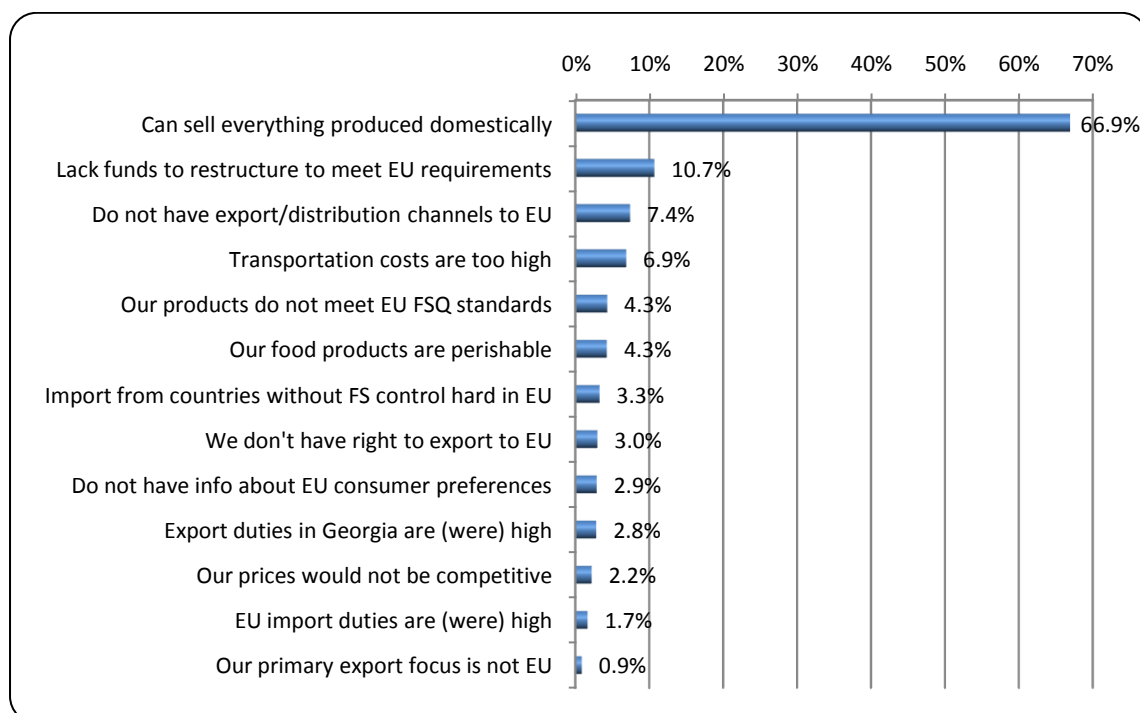
74 percent of those who ever tried to export to EU succeeded in exporting. Major export items are wine and spirits, hazelnuts, non-alcoholic beverages, fresh and mineral waters, and fruits.

Figure 12. Attempts to Export Food Products to EU Countries



Major reason for not trying to export to EU is that there is no need to export given that everything produced is sold domestically (67 percent, see Figure 13). 11 percent of firms experience lack of funds to restructure their facilities and equipment to meet EU requirements, 7 percent complain regarding the lack of export and distribution channels, 4 percent think that their products do not meet EU food safety and quality standards, 3 percent do not have information about the tastes and trends of EU consumers on food (see Figure 13).

Figure 13. Reasons for not trying to export to EU



Conclusion

The survey results demonstrate that considerable effort is needed to ensure smooth introduction of modern food safety practices. First, there is a significant information gap given that the half of the firm representatives does not know neither the Law of Georgia on Food Safety and Quality, nor its implications for their firms. Only one out of every five firms reported having some knowledge of international food safety standards and regulations, and very few have implemented these standards and regulations. Second, there is a great need for training stated by firms, especially in the requirements of the Law on Food Safety and Quality, as well as in international food safety and quality standards, such as GlobalGap, HACCP, ISO22000:2005, and others. Finally, firms have to incur considerable costs to upgrade their premises and equipment in order to meet the requirements of the Law. There is a clear role of government, as well as of donor society to assist firms involved in production and trade of food products in implementation of appropriate food safety mechanisms, and to further their domestic and international competitiveness.