



GALT & TAGGART
RESEARCH

Meat and Meat Products in Georgia

June 23, 2023

Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

Head of Sector Research

Kakhaber Samkurashvili | ksamkurashvili@gt.ge

Head of Sector

Mariam Chakhvashvili | mchakhvashvili@gt.ge



Content

| | |
|------------|--|
| 1 | Key findings |
| 2 | Global trends |
| 3 | Meat and meat products in Georgia |
| 3.1 | Consumption, production and trade of primary meat products |
| 3.2 | Consumption, production and trade of processed meat products |
| 4 | Challenges and opportunities |
| 5 | Annexes |
| 6 | Disclaimer |

Key findings

Global trends: A 14% increase in world meat consumption is expected over the next 10 years, according to the FAO. The highest growth is projected in developing countries, and poultry consumption is expected to increase the most. Trends in meat consumption are mostly determined by the country's demography, the standard of living of the population, cultural and religious factors, etc.

Market overview: Meat consumption in Georgia stood at 192 mn kg in 2022, out of which 148.4mn kg (77.3% of total) was primary meat products and 43.6mn kg processed meat. Poultry is the most demanded meat category, followed by pork and beef. Georgia's per capita meat consumption stood slightly above the global average at 39 kg in 2022.

Forecast: We forecast average annual growth at 5.0% in primary meat consumption and 8.0% in processed meat consumption in 2023-2027. This growth is expected to be fueled by the rising purchasing power of the population and the expanding tourism industry.

Production landscape: Local production meets half of the meat consumption, while the remaining portion is imported. Meat production in Georgia witnessed a 2.8% CAGR from 2017 to 2022, reaching 74.6mn kg. The self-sufficiency rate of meat increased from 48% to 50%, showing a positive trend. The share of local production in meat products declined slightly from 88% in 2017 to 85% in 2022.

Profitability and revenue generation: Households greatly contribute to meat production in Georgia, accounting for 40% in 2022. High household involvement has resulted in lower profitability compared to European peers. Total revenue generated by meat producers amounted to c. GEL 1.5bn in 2022, of which processed meat manufacturers contributed GEL 531mn, while primary meat production accounted for GEL 930mn. Poultry production stands out as the most developed sector, characterized by higher profitability.

Growth potential and investment opportunities: The corporate sector in all meat categories, including poultry, has substantial growth potential. Factors driving growth include increasing demand, import substitution, and a reduction in the share of household production. Investment opportunities exist in expanding production facilities, improving efficiency, and enhancing value-added products.

Trade analysis: Meat and meat product imports in Georgia reached US\$ 187.2mn in 2022, growing by 35.0% y/y. Exports amounted to US\$ 48.4mn, marking a 57.9% y/y rise, primarily driven by re-exports. The majority of meat imports originate from Brazil, with frozen poultry and pork as the primary imported products.

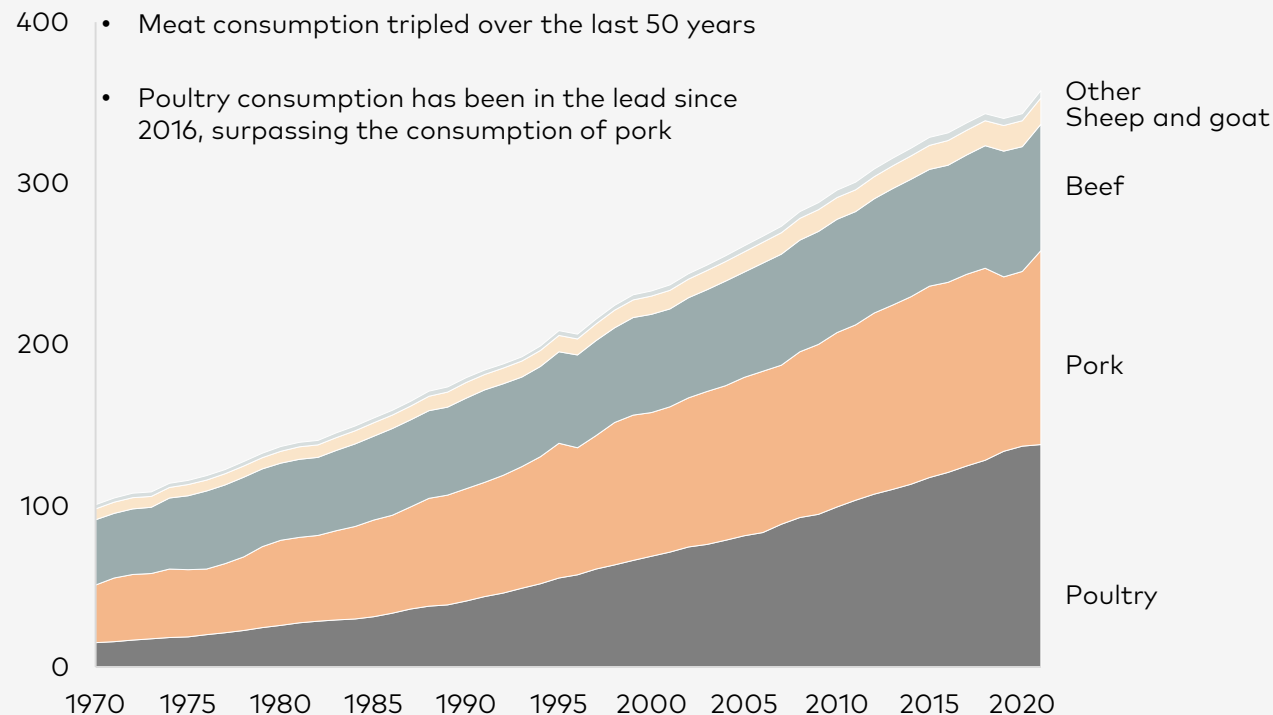
2

Global trends

The global consumption of meat is witnessing a notable rise, with poultry taking the lead since 2016

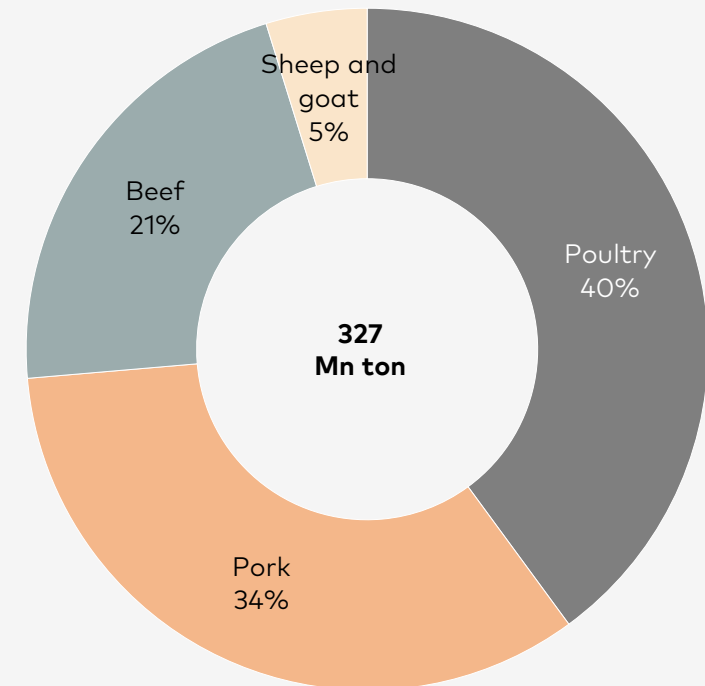
- The global consumption of meat is witnessing a notable rise, with poultry taking the lead since 2016, surpassing the consumption of pork. This shift can be attributed to the affordability of poultry in developing countries and its health benefits and ease of preparation in developed countries.
- Population growth serves as the primary driver for this consumption growth, although other factors such as standard of living, urbanization, industrialization, religion, traditions, and health status also play significant roles in shaping meat consumption patterns worldwide.

Meat production by categories over 1970-2021, mn ton



Source: FAO, Galt & Taggart

Meat consumption over 2019-21, mn ton

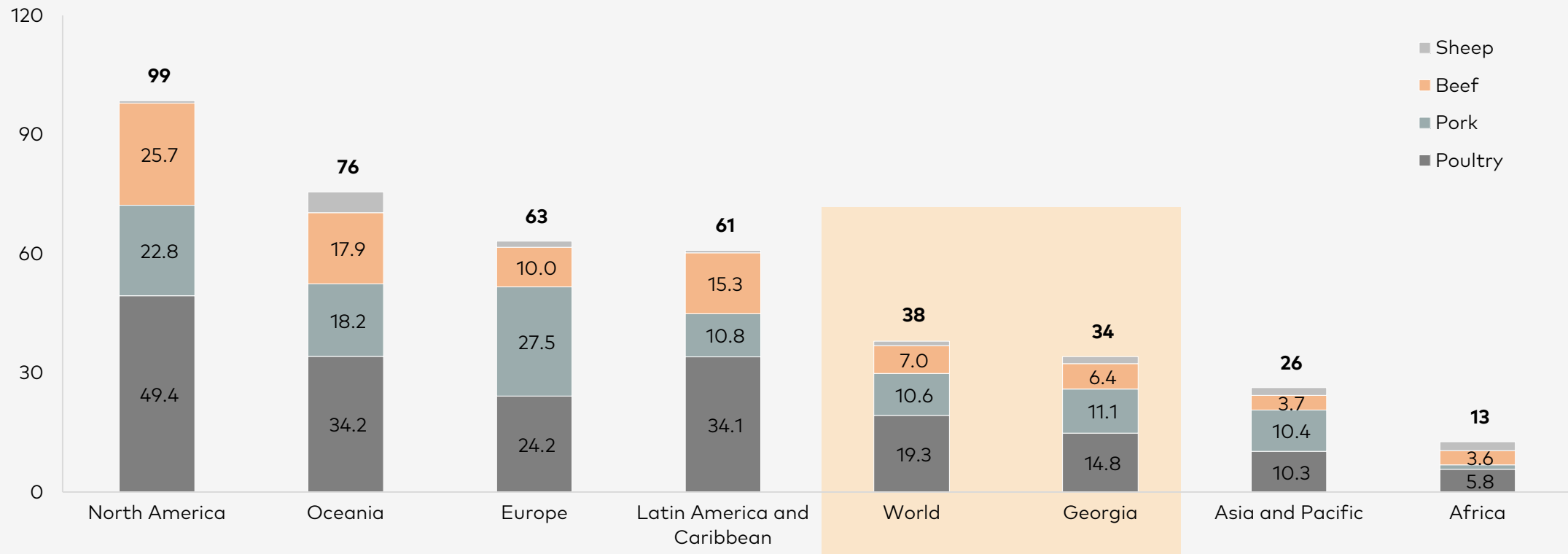


Source: FAO, Galt & Taggart
Note: average of 2019-21

Per capita meat consumption varies significantly across countries, influenced by cultural traditions and economic factors

Georgia's per capita meat consumption of 38 kg is slightly above the global average of 34 kg, but notably lower than European (63 kg), North American (99 kg) and Latin American (61 kg) countries. On the other hand, it exceeds the per capita meat consumption of African (13 kg) and Asian (26 kg) countries. This disparity can be attributed to cultural and climatic factors, the level of tourism development, and the overall economic situation in each country.

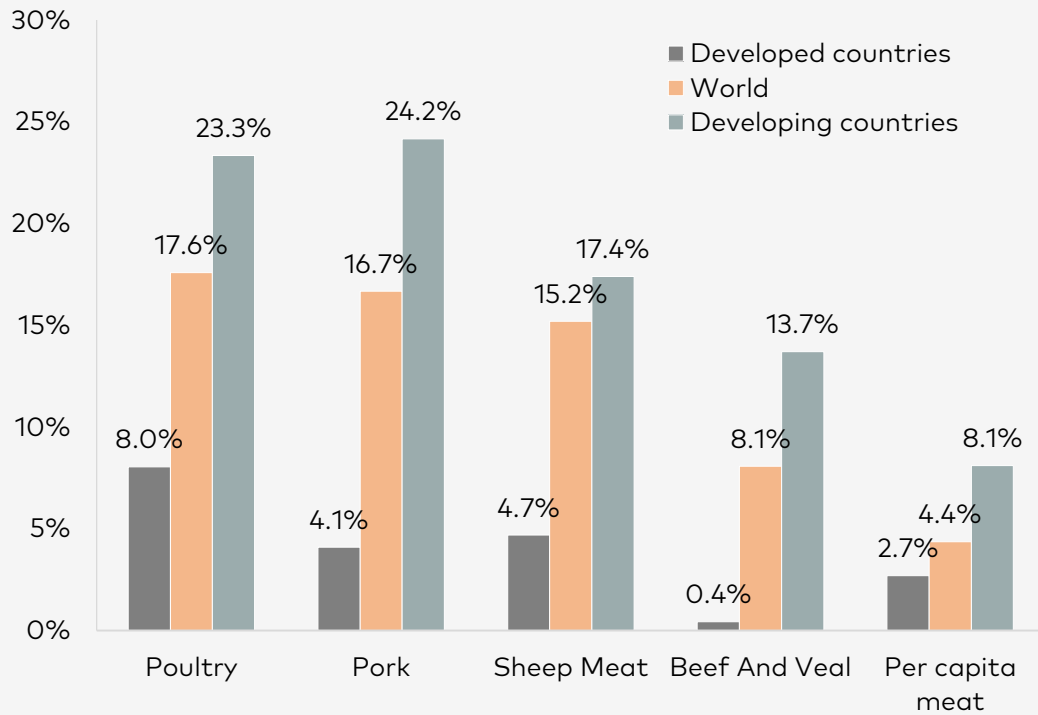
Per capita meat consumption, average of 2019-21, kg



Source: FAO, Galt & Taggart

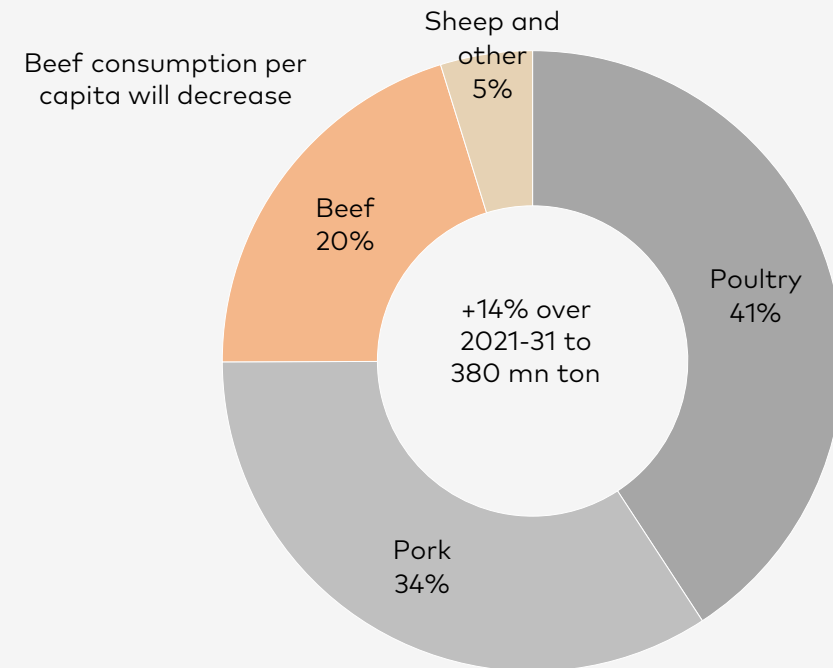
Global meat consumption is projected to increase

Forecast of meat consumption growth over 2021-31



Source: OECD, FAO

Estimated global consumption of meat in 2031

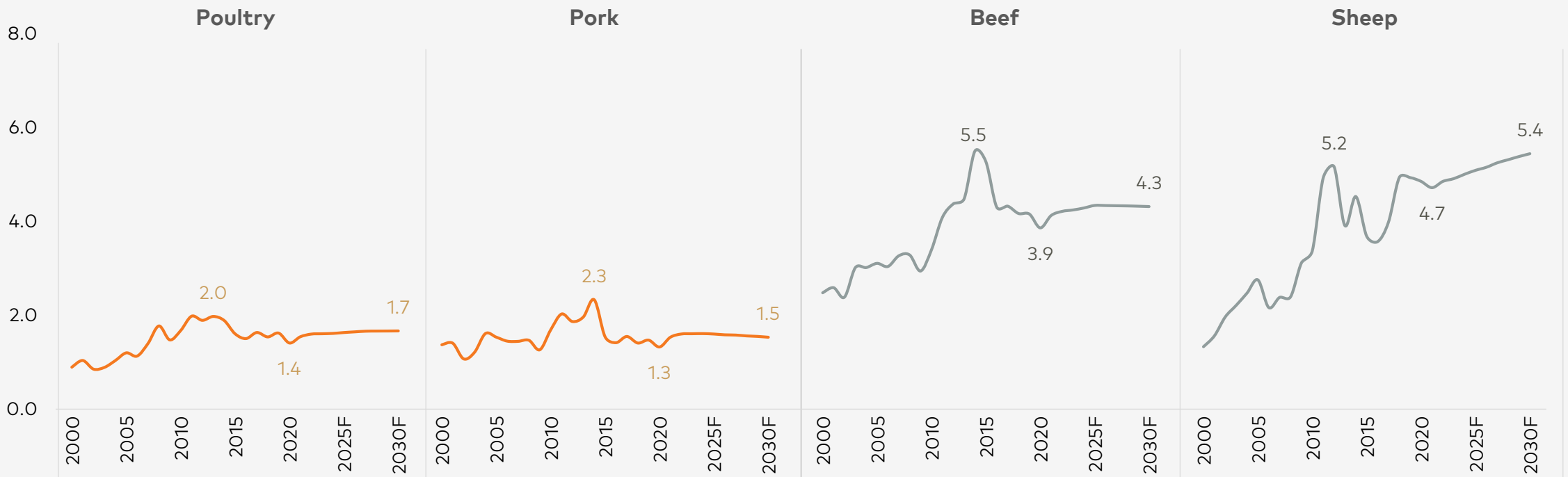


Source: OECD, FAO

Poultry and pork prices typically remain lower than beef prices, and this trend is expected to continue in the foreseeable future

- General inflation and the overall economic environment can have an impact on meat prices, as they influence the cost of inputs, labor, and other production-related factors. Additionally, animal diseases can disrupt supply chains and affect meat prices due to reduced availability or increased costs associated with disease prevention and control measures.

World reference prices for meat, US\$ per kg



Source: OECD, FAO

Note: price increase in 2015-16 is related to swine flu and related events: demand-supply gap, import-export restrictions, food regulations tightening, etc.; In 2020, prices fell due to reduced demand due to the pandemic.

3

Meat and meat products in Georgia

3.1

Consumption, production and trade of primary meat products

3.2

Consumption, production and trade of processed meat products

The consumption of meat and meat products in Georgia stood at 192mn kg in 2022 with poultry being the largest consumption category

Meat consumption in Georgia in 2022

Meat and meat products
192mn kg

Primary meat products
148.4mn kg

(Poultry, beef, pork, sheep, goat, etc.)

Processed meat
43.6mn kg

(e.g. sausages)

Local production
74.6mn kg

Net import
74.9mn kg

Local production
37.2mn kg

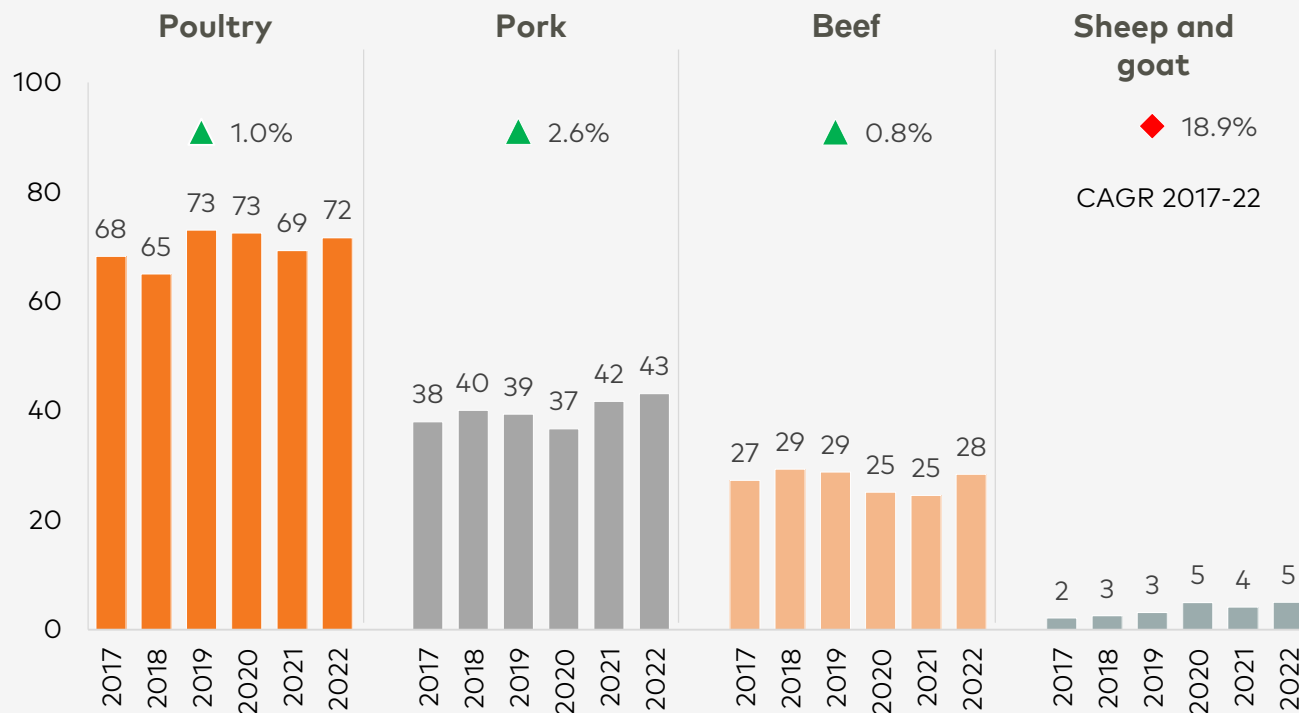
Net import
6.4mn kg

Source: Geostat, Galt & Taggart estimates

Primary meat consumption in Georgia reached 148.4mn kg in 2022

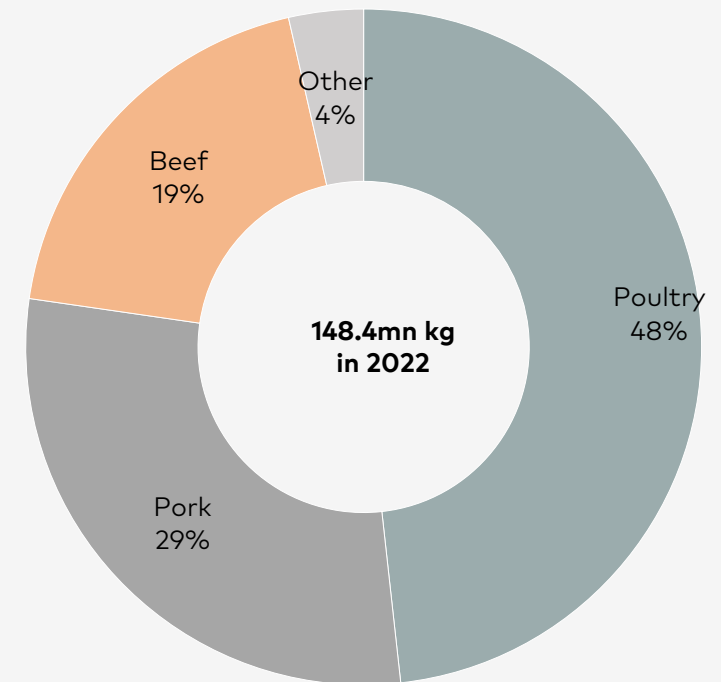
- Meat consumption in Georgia increased by 6.0% y/y in 2022 to 148.4mn kg. Over 2017-22 total meat consumption increased by a CAGR of 1.8%. Over the same period, pork consumption increased the most (+2.6% CAGR), followed by poultry (+1.0% CAGR) and beef (+0.8% CAGR).
- The meat consumption in Georgia depends on the population's income level, eating habits and tourism development. The per capita consumption of meat was 39.7 kg in Georgia in 2022. For comparison, in Europe this indicator was 63 kg.
- We forecast average annual growth at 5.0% in primary meat consumption and 8.0% in processed meat consumption during 2023-2027. This growth is expected to be fueled by the rising purchasing power of the population and the expanding tourism industry.

Meat consumption, mn kg



Source: Geostat, Galt & Taggart

Meat consumption by product categories

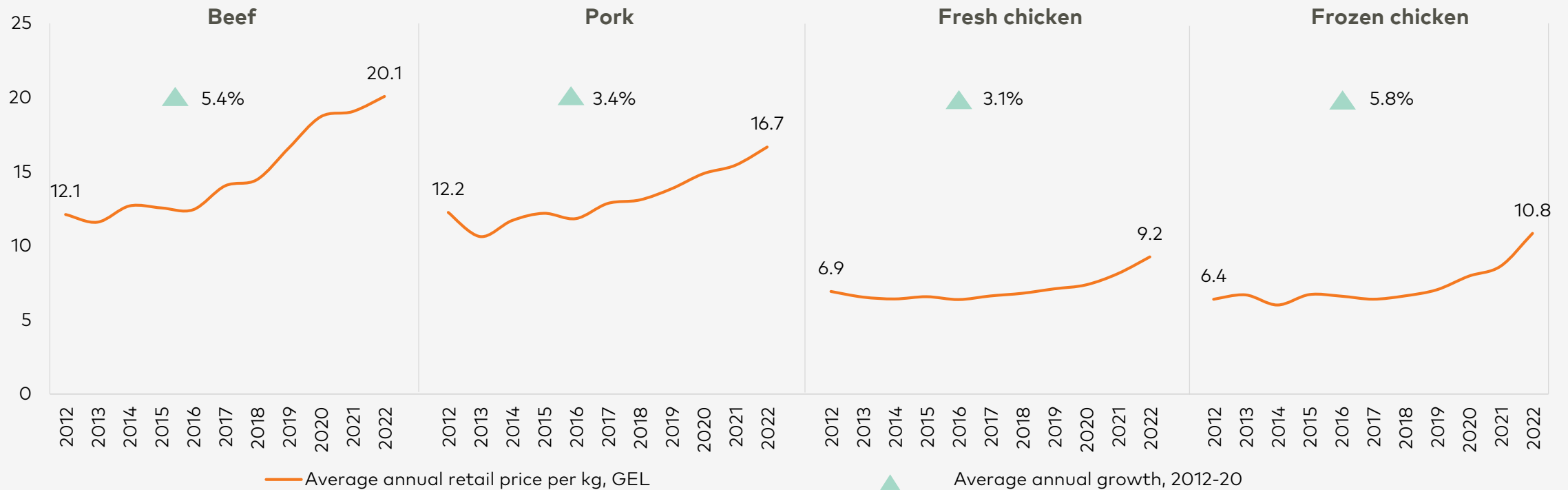


Source: Geostat, Galt & Taggart

The retail prices of meat increased over 2012-22, most significantly prices of beef

- Retail prices of meat have a significant impact on the dynamics of meat consumption, it is especially important when making a choice between different types of meat.
- The price increase is caused by inflation, import price dynamics (depending on global trends) and increase in operational expenses for meat producers (such as animal feeding costs, salaries. Etc.).

Retail prices of meat in Georgia, GEL/kg

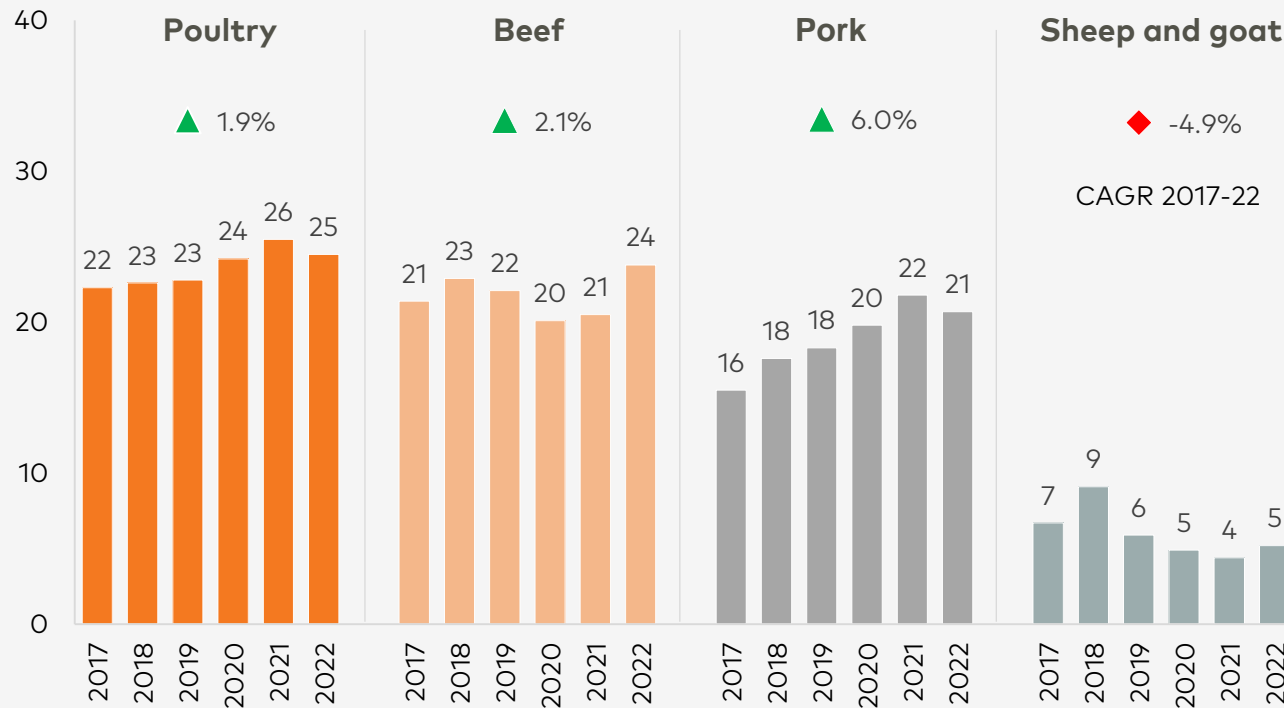


Source: Geostat, Galt & Taggart
Note: Chicken meat includes all parts of chicken, including fillet.

Meat production in Georgia increased by a 2.4% CAGR over 2017-22 to 74.6mn kg

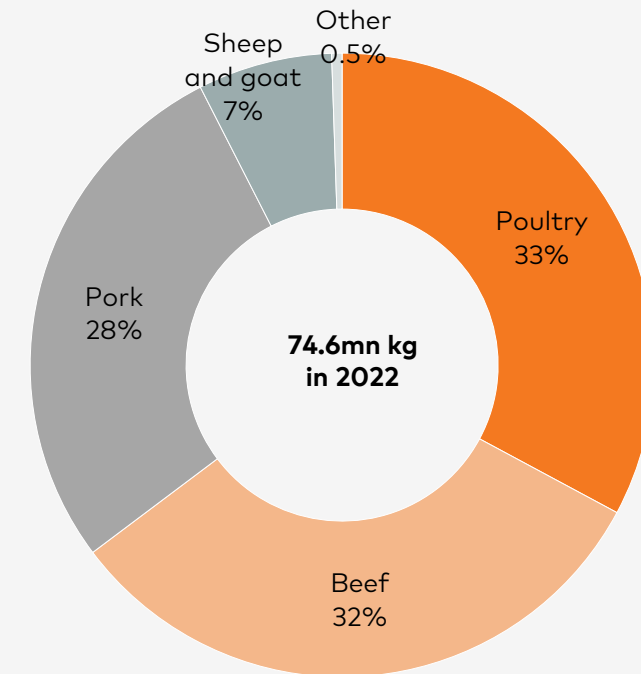
- Meat production in Georgia increased by a 2.4% CAGR over 2017-22 to 74.6 mn kg in 2022. The production of poultry is the highest in Georgia, followed by beef and pork. Pork production had the highest growth over 2017-22, despite a 5.0% annual decline in 2022.
- In contrast to the dynamics of previous years, in 2022 the annual production of beef and lamb (and goat) meat increased, while poultry and pork production decreased.

Meat production in Georgia, mn kg



Source: Geostat, Galt & Taggart

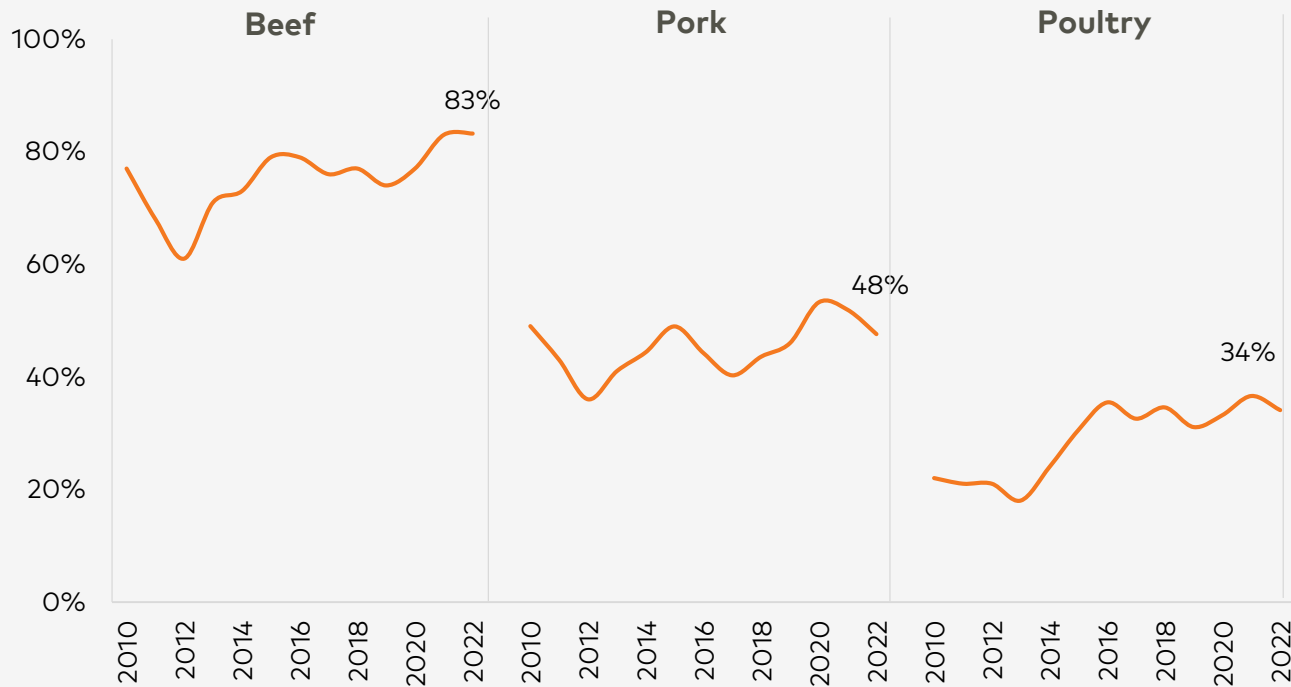
Meat production in Georgia by categories, kg



Source: Geostat, Galt & Taggart

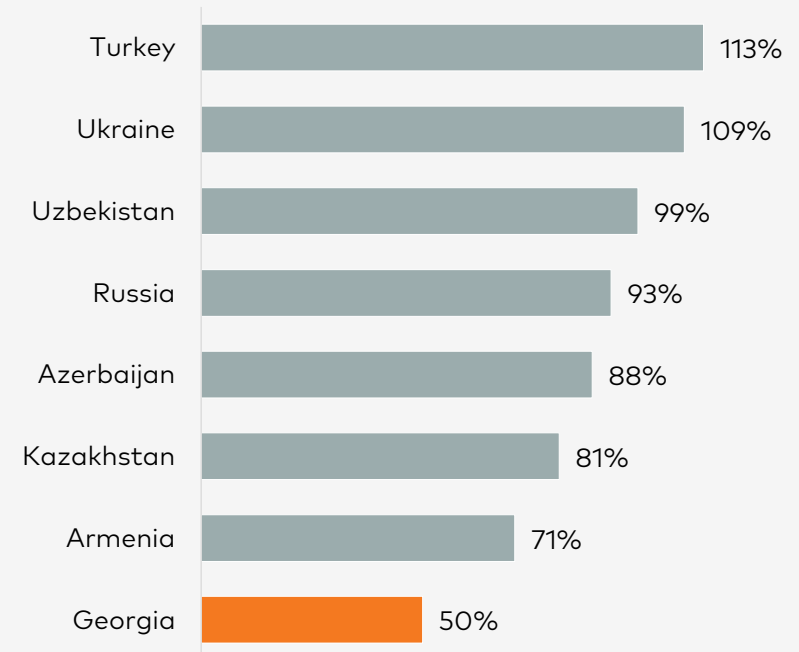
Despite growth in production, the import dependency is still high compared to regional peers

Self-sufficiency of meat products in Georgia...



Source: Geostat, Galt & Taggart
 Note: self-sufficiency rate = production / (production + import - export)
 Self-sufficiency of sheep and goat meat exceeds 100%, meaning the country is net exporter

...and regional countries

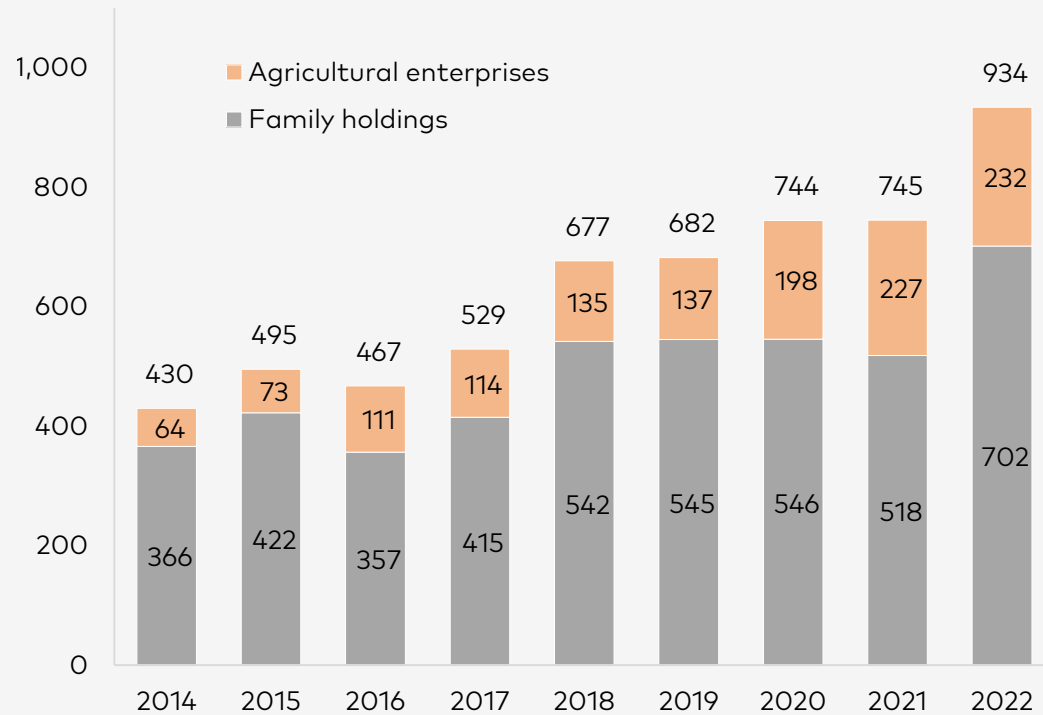


Source: FAO, Geostat, Galt & Taggart
 Note: Latest available data. Self-sufficiency over 100% means the country is a net exporter

Share of households involved in the production of beef and pork remains significant, whereas the production of poultry is predominantly handled by agricultural companies

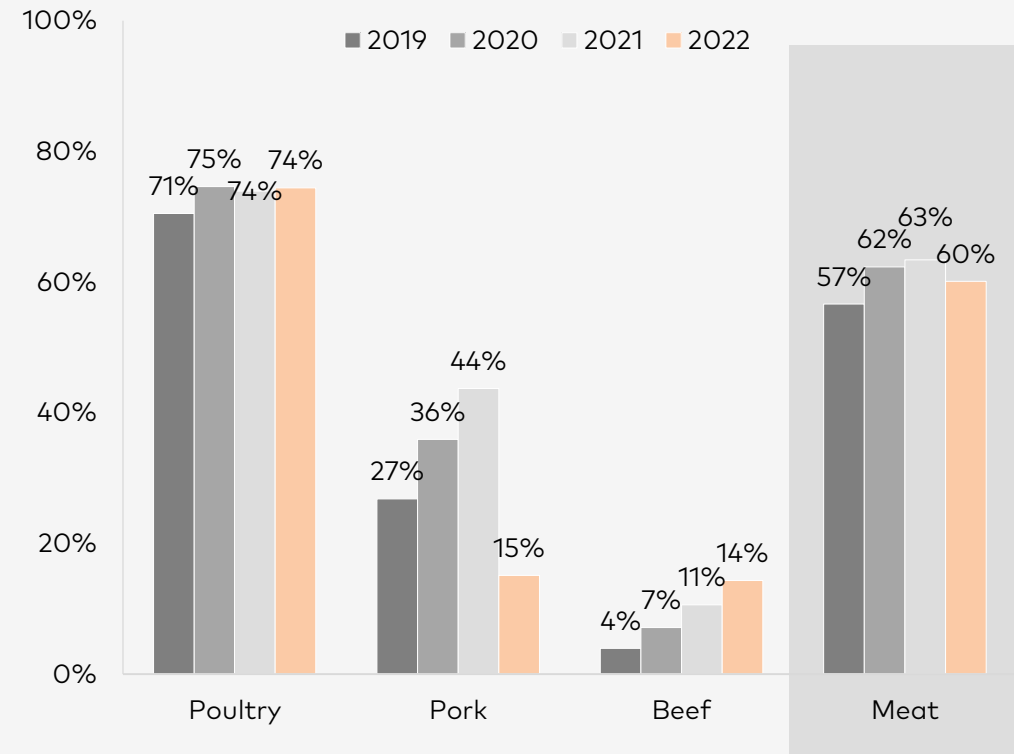
The value of meat produced reached GEL 934mn in 2022, showing a 25.4% y/y growth. The growth is mostly attributable to price growth.

Primary meat production, GEL mn



Source: Geostat, Galt & Taggart

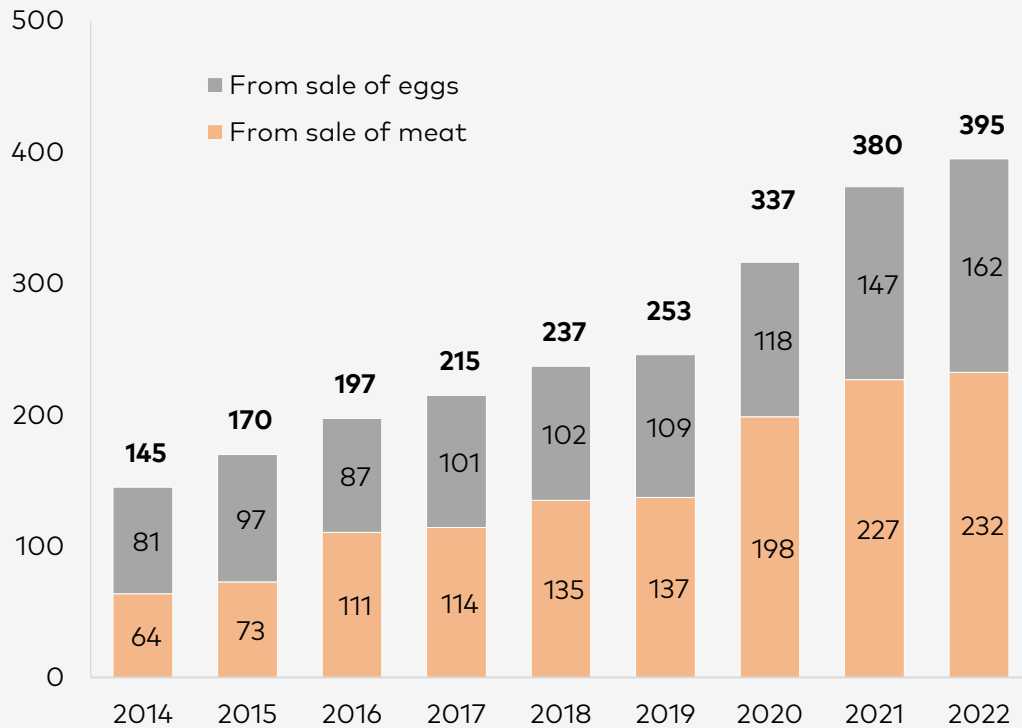
Share of agricultural enterprises in meat production



Source: Geostat, Galt & Taggart

Turnover of registered enterprises reached GEL 395mn in 2022

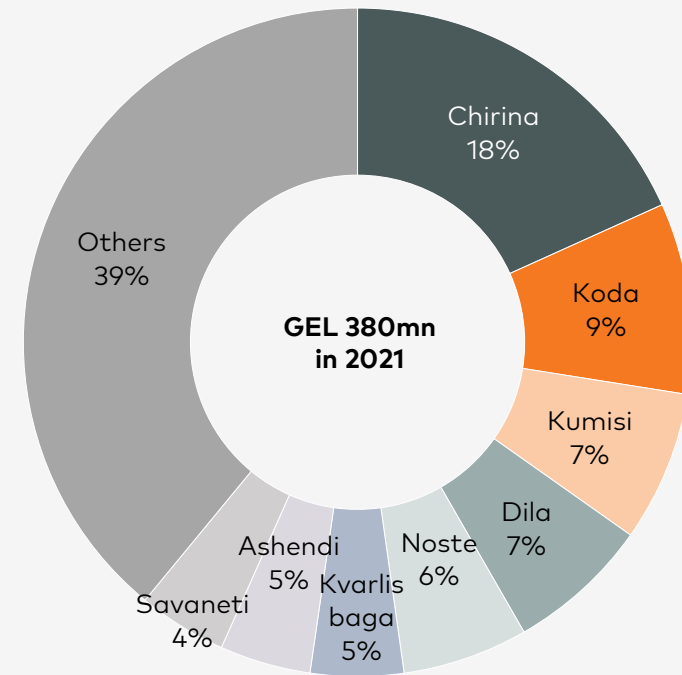
Turnover of enterprises, GEL mn



Source: Geostat, Galt & Taggart
 Note: more information about eggs is in annexes

Largest companies by revenue of 2021

There are over 250 registered and active enterprises, among which only 20 are large or medium-sized, most of them produce poultry and eggs.

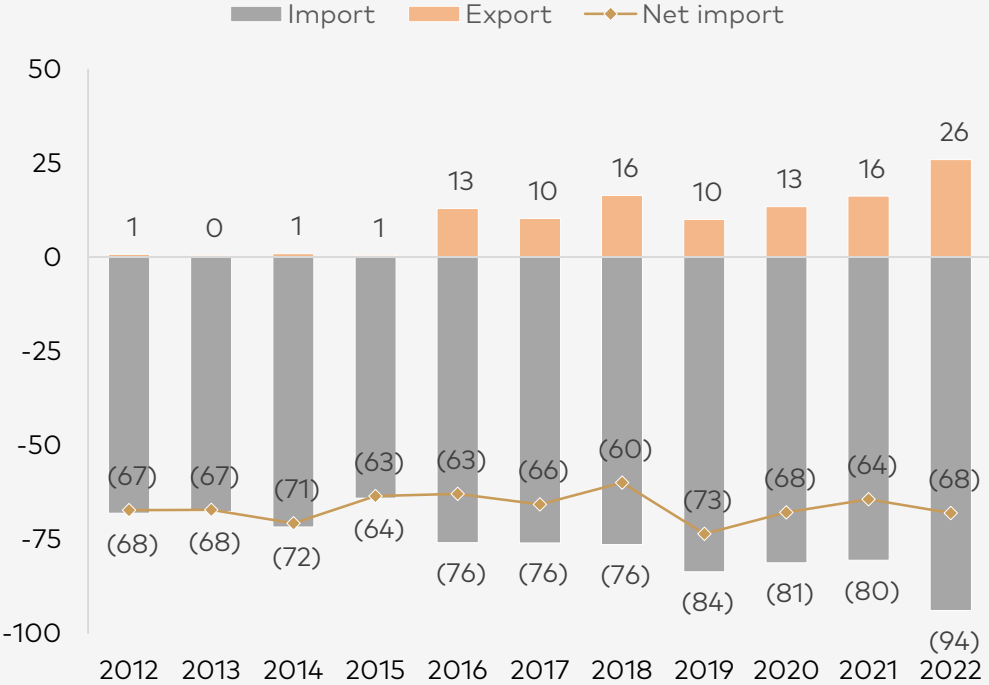


Source: Geostat, SARAS, Galt & Taggart
 Note: this enterprises produce primary meat and eggs.
 Large companies have revenue over GEL 60mn or employee over 250 persons, small companies have revenue below GEL 12mn and employee less than 50 persons, the others are medium-sized enterprises.



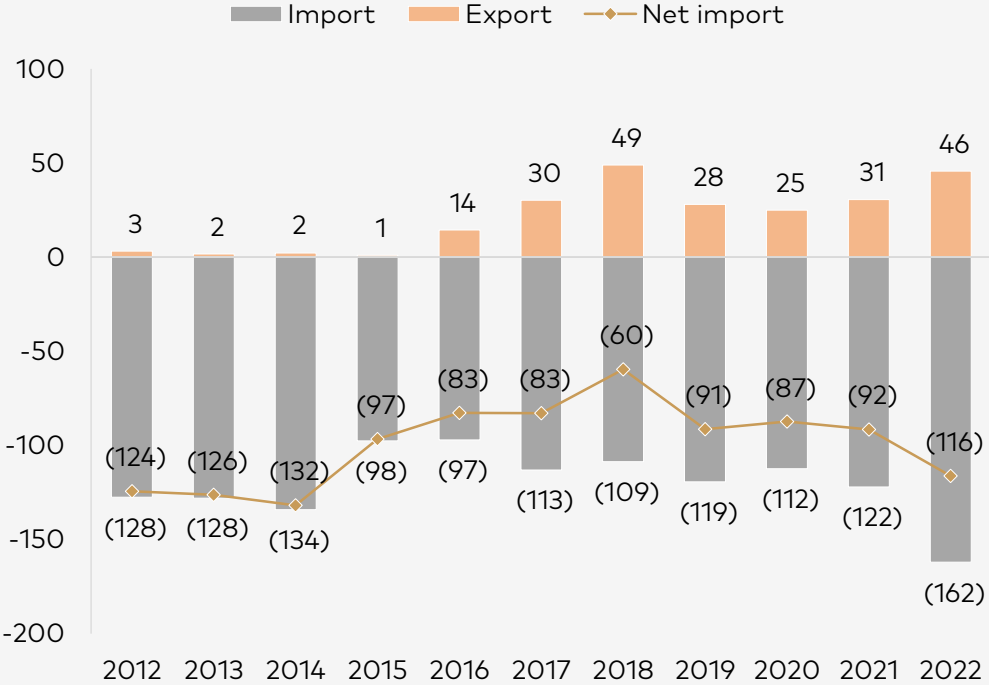
Georgia is a net importer of meat

Georgia's foreign trade of meat, mn kg



Source: Geostat, Galt & Taggart
 Note: Includes only primary meat products and excludes processed meat

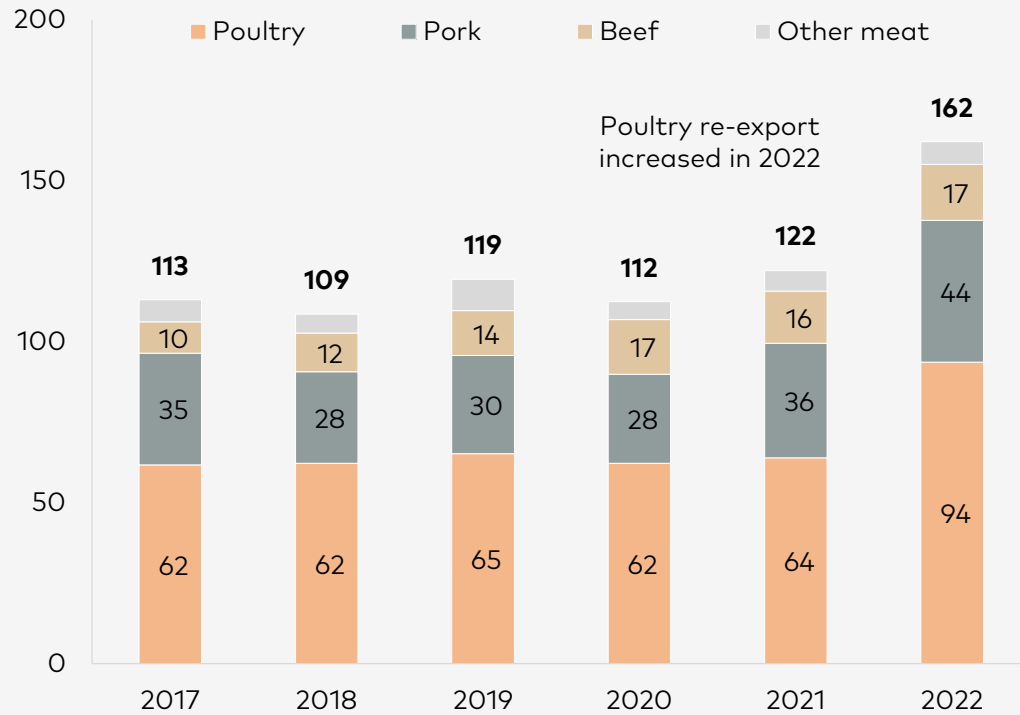
Georgia's foreign trade of meat, US\$ mn



Source: Geostat
 Note: Please refer to annexes for details

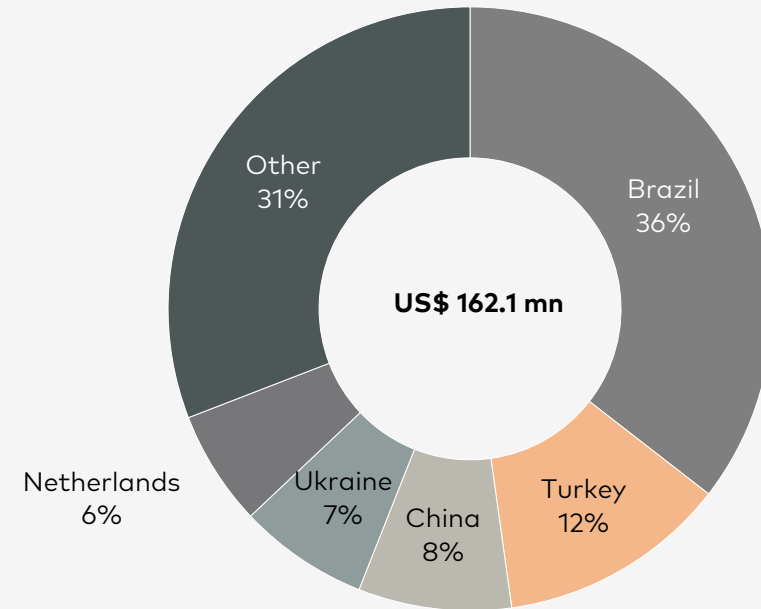
Meat **import** to Georgia increased by 32.8% y/y to US\$ 162.1mn in 2022

Meat import to Georgia, US\$ mn



Source: Geostat, Galt & Taggart
 Note: Includes only primary meat products and excludes processed meat

Import of meat by country, 2022

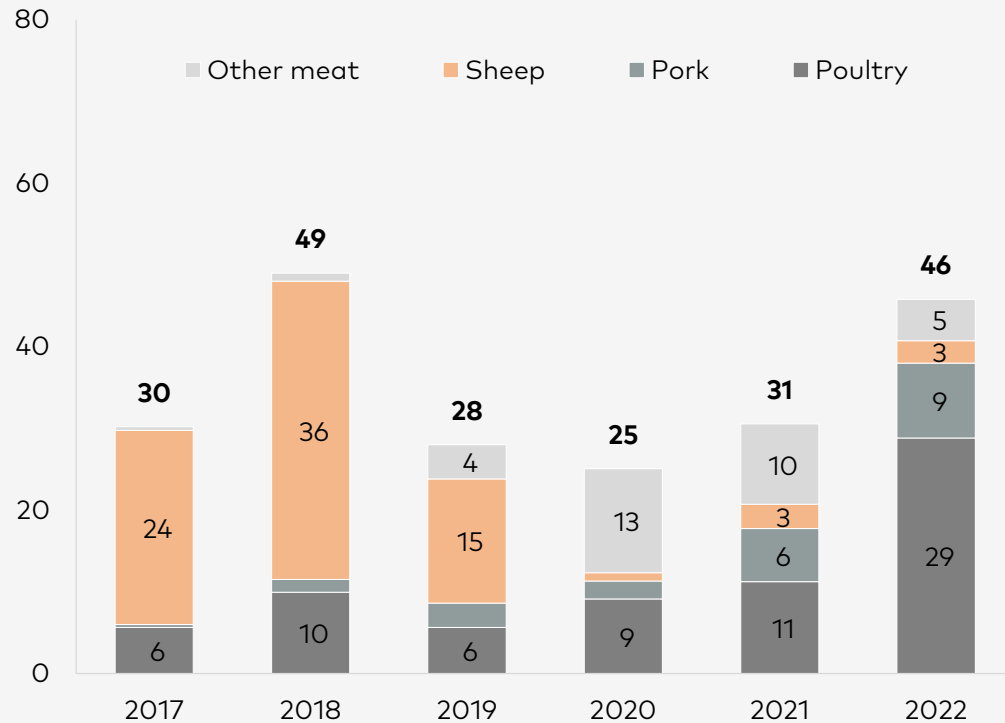


Source: Geostat
 Note: Please refer to annexes for details

Primary meat products are mainly **exported** to post-soviet countries

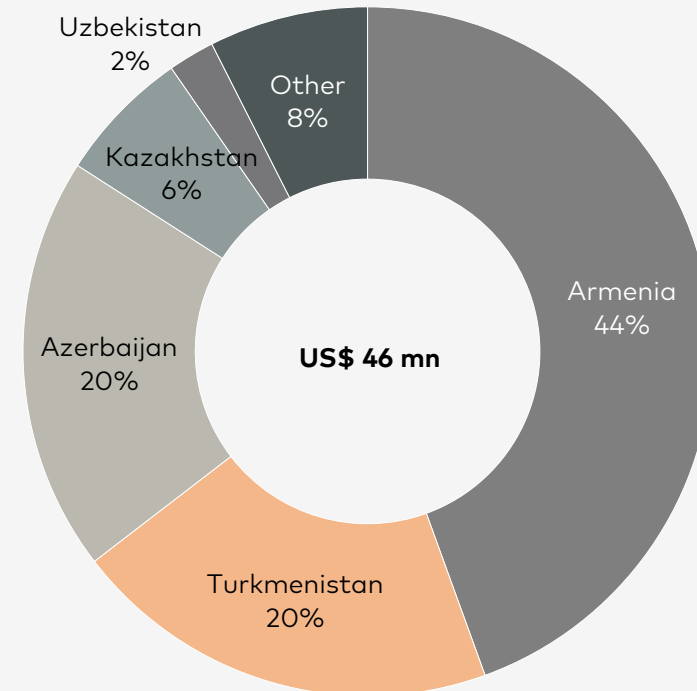
Meat export from Georgia was US\$ 45.8 and 25.9mn kg in 2022. About half of the exports are re-exports of frozen meat. The main export markets are neighboring and post-Soviet countries. Until 2020, there was a high demand for sheep meat from Middle Eastern countries (Iran, United Arab Emirates, Kuwait, etc.), which was later replaced by the export of live sheep to the same countries.

Meat export from Georgia, US\$ mn



Source: Geostat, Galt & Taggart

Meat export by country, 2022



Source: Geostat, Galt & Taggart

3

Meat and meat products in Georgia

3.1

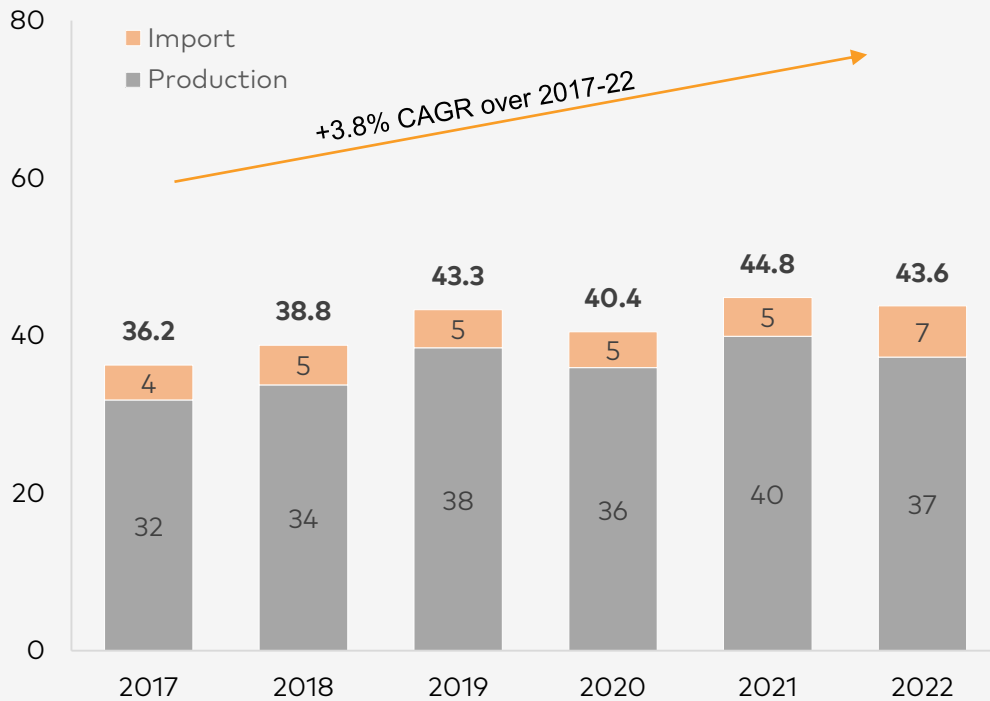
Consumption, production and trade of primary meat products

3.2

Consumption, production and trade of processed meat products

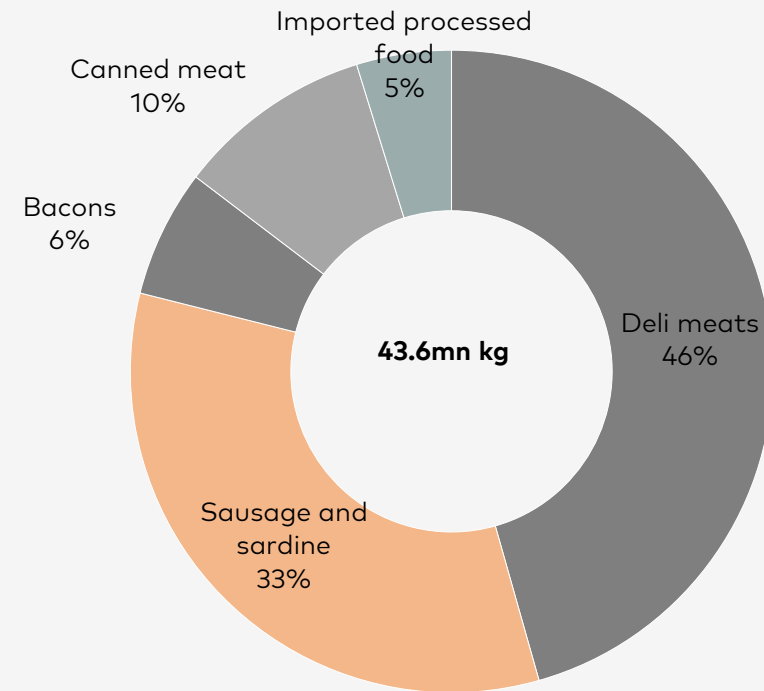
Processed meat consumption was 43.6mn kg in 2022, out of which 85% was produced locally

Consumption of processed meat, mn kg



Source: Geostat, Galt & Taggart
 Note: the export of processed meat is insignificant

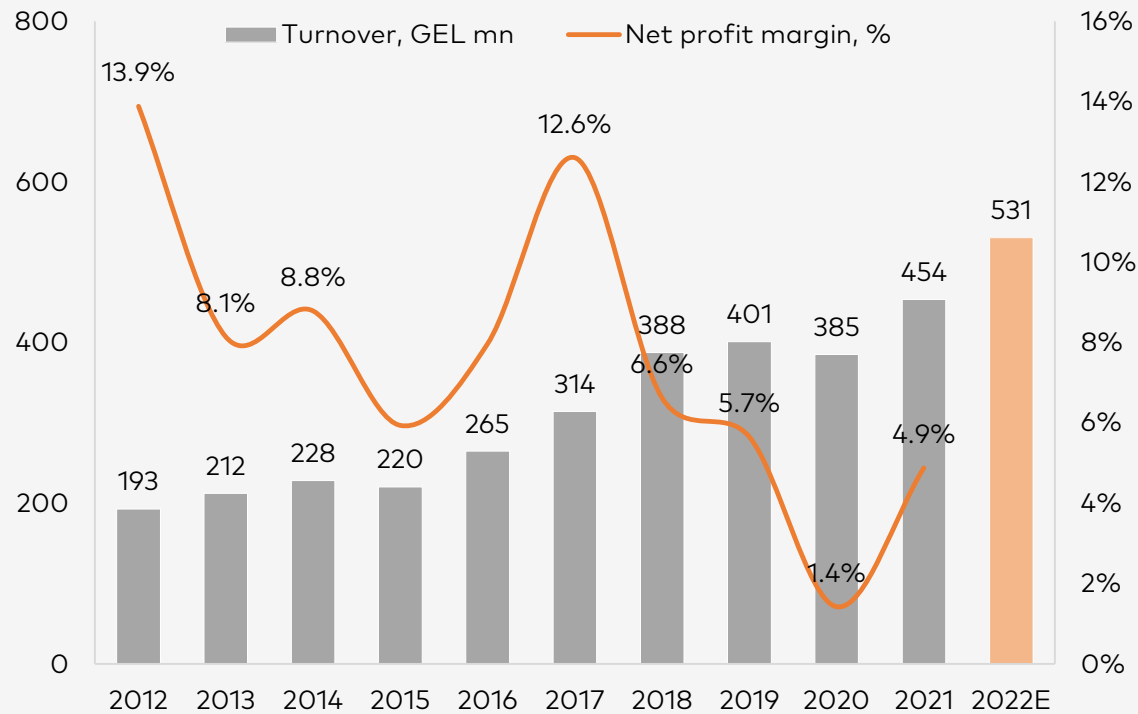
Consumption of processed meat by products in 2022



Source: Geostat, Galt & Taggart

The processed meat sector shows steady growth in turnover, with top-3 companies grabbing over 40% of the market

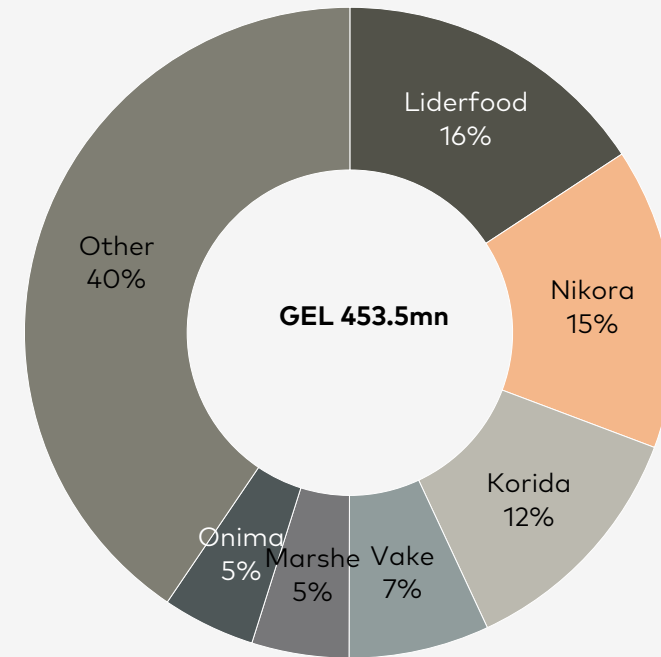
Turnover of processed meat producers, GEL mn



Source: Geostat, Galt & Taggart

Note: There were 289 active companies registered in 2022, of which only 21 were large or medium-sized. Large companies have revenue over GEL 60mn or employee over 250 persons, small companies have revenue below GEL 12mn and employee less than 50 persons, the others are medium-sized enterprises.

Top companies by revenue of 2021

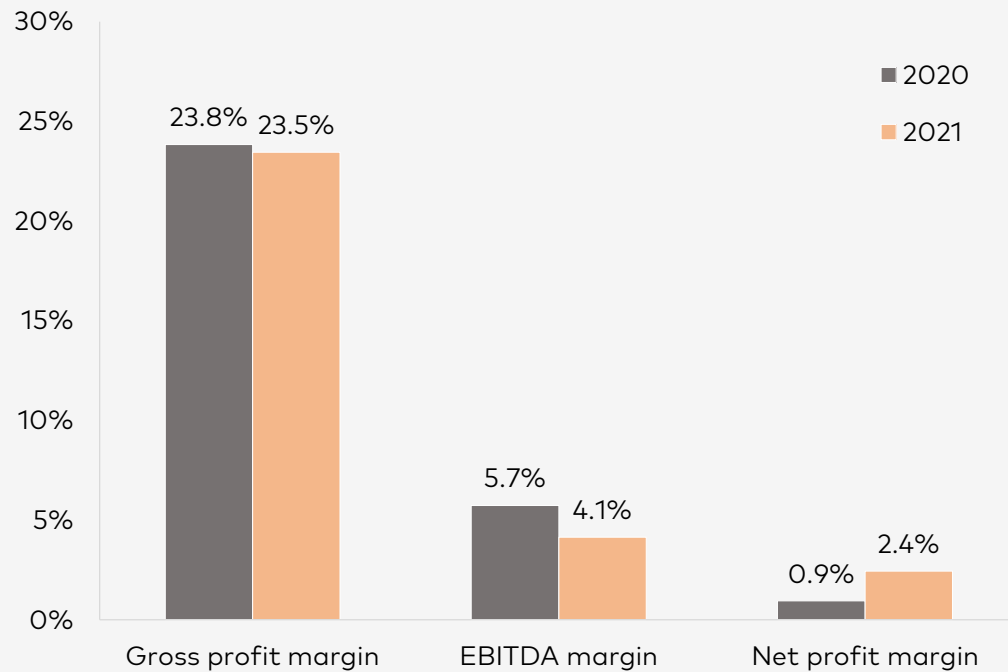


Source: Geostat, SARAS, Galt & Taggart

Note: by 2021 revenue
There were 289 active companies registered in 2022, of which only 21 were large or medium-sized.

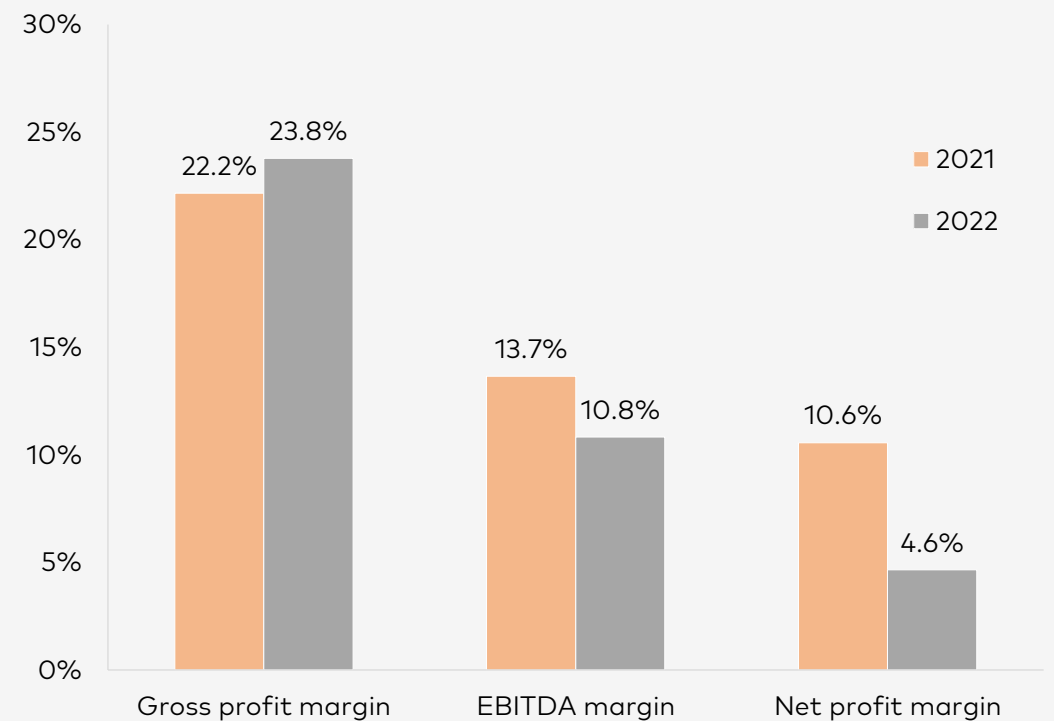
Profitability indicators of processed meat manufacturers lag behind the average indicators of comparable European countries

Profitability indicators in Georgia



Source: SARAS, Galt & Taggart
 Note: Latest available data
 The data of Georgia represent the average of 16 selected companies

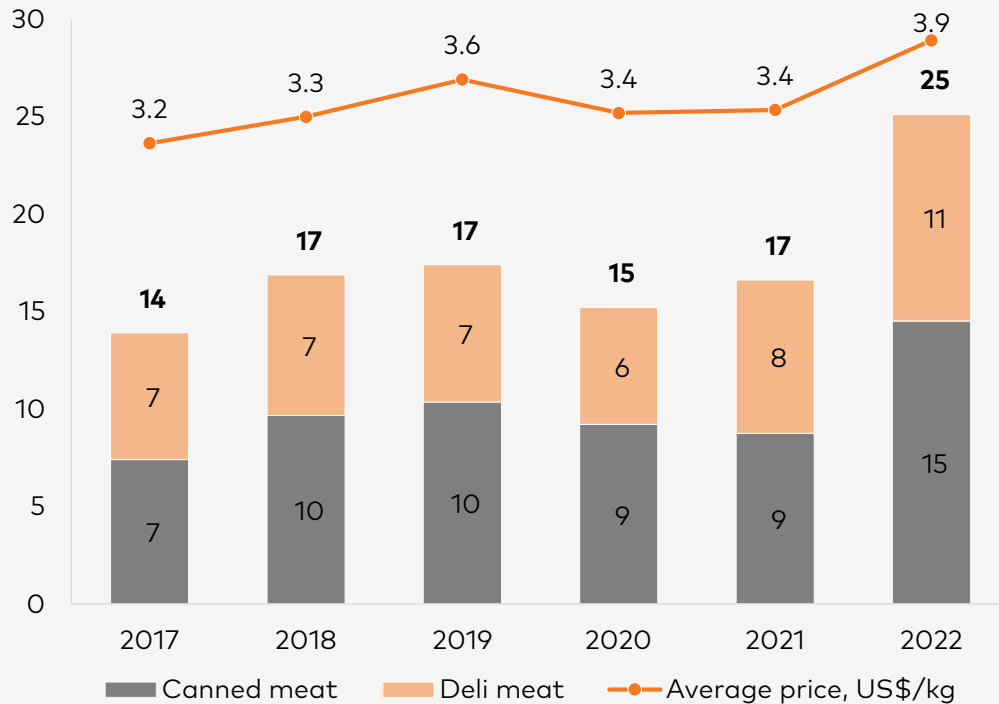
Profitability indicators in Emerging Europe



Source: Capital IQ, Galt & Taggart
 Note: Latest available data
 Emerging Europe countries include Poland, Latvia, Croatia, Romania, Cyprus, etc. The data for 2022 includes the indicators of 8 companies, and for 2021 - 16 companies

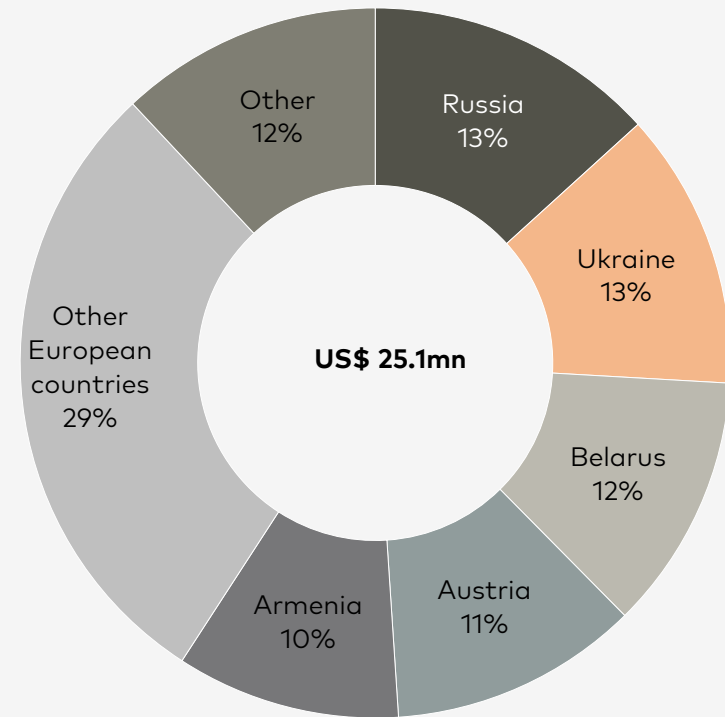
Import of processed meat products in Georgia increased by 32.5% to US\$ 25.1mn in 2022

Import of meat products to Georgia, US\$ mn



Source: Geostat
Note: The export is insignificant

Import to Georgia by country in 2022



Source: Geostat
Note: Imports have increased mainly from Russia, Belarus and European countries.

4

Challenges and opportunities



Georgia's meat industry presents ample investment and growth opportunities

Challenges

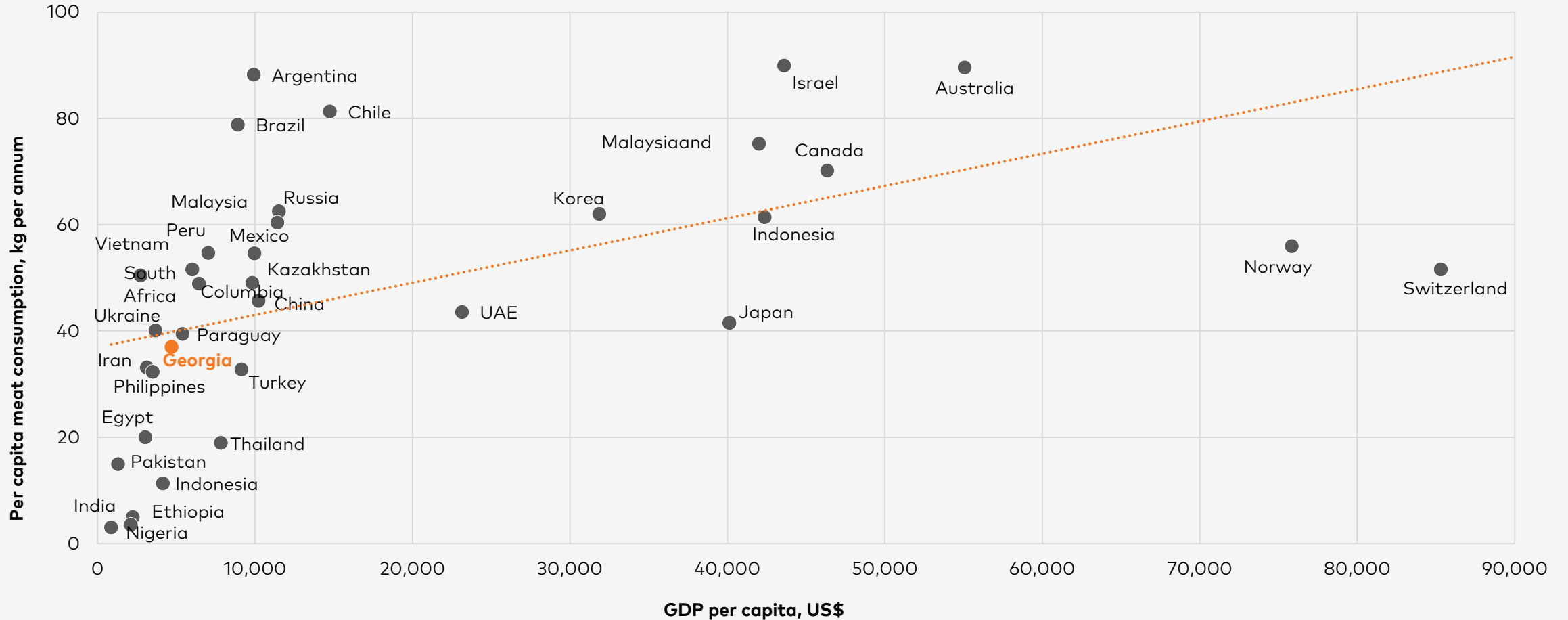
- **Low corporatization:** The primary source of meat production still heavily relies on family holdings, resulting in low efficiency. The lack of corporatization in the industry hampers scalability and inhibits the adoption of modern production methods.
- **Veterinarian shortage:** There is a limited number of experienced veterinarians available, which poses a significant challenge in animal husbandry. The prevalence of animal diseases further exacerbates this problem. Ensuring the presence of qualified veterinarians, access to necessary medicines, and short response times are critical for the success of livestock farms.
- **Lack of knowledge/access to finance:** Developing and expanding a farming business requires extensive knowledge, experience, and financial resources. Many potential entrepreneurs face difficulties in accessing the necessary information and capital, hindering the growth of the sector.
- **Logistics:** The distribution and warehousing in the meat industry remain challenging, primarily due to the prevalence of small-sized enterprises. Limited infrastructure and inadequate logistical support contribute to inefficiencies in the supply chain.

Opportunities

- **Rising demand:** Meat consumption in Georgia is on the rise, driven by the growing purchasing power of the population and the development of tourism. Poultry, in particular, is expected to experience the highest demand, in line with global trends.
- **Expansion of enterprises:** There is significant potential for the emergence and expansion of new meat production enterprises in Georgia. Currently, large enterprises are mainly found in the production of poultry, while in other areas, small farmers are the most prevalent.
- **Vertical integration:** Retail companies can explore opportunities for growth by establishing their own manufacturing or distribution lines. Vertical integration allows for greater control over the supply chain and can enhance profitability.
- **Logistics:** Primary meat producers represent potential customers for warehousing, cold storage facilities, and distribution companies. By addressing the logistical challenges faced by the industry, there are promising growth prospects in supporting infrastructure and services.

Annex 1: Per capita meat consumption depends on a country's demography, cultural and religious factors, standard of living of the population, etc.

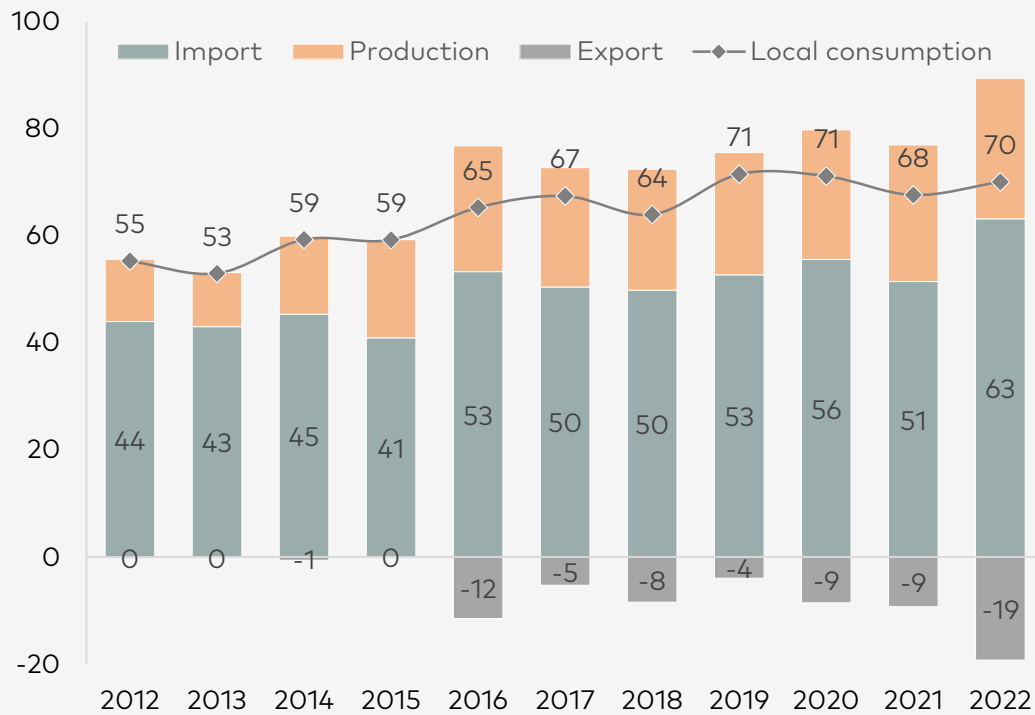
Per capita meat consumption and GDP



Source: OECD, World Bank, Geostat
Note: Latest available data

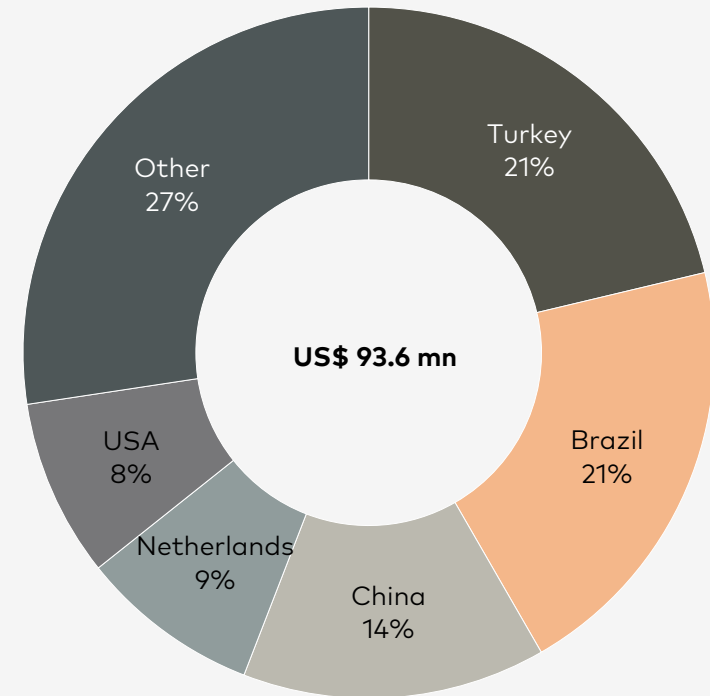
Annex 2: Meat production and import in Georgia – Poultry

Production, import and export of poultry, mn kg



Source: Geostat

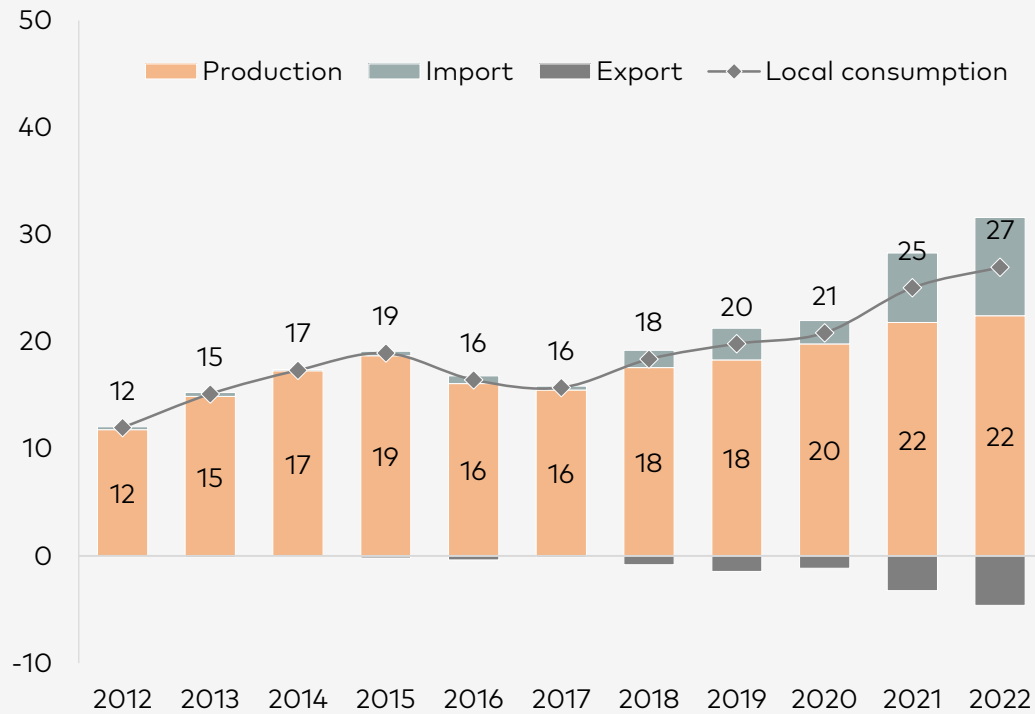
Import of poultry by countries, 2022



Source: Geostat

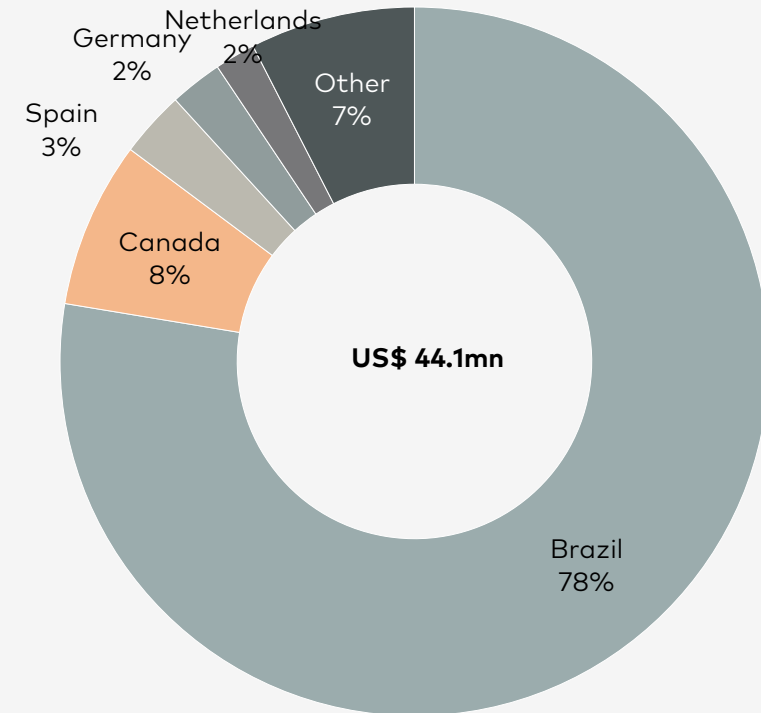
Annex 3: Meat production and import in Georgia - Pork

Production, import and export of pork, mn kg



Source: Geostat

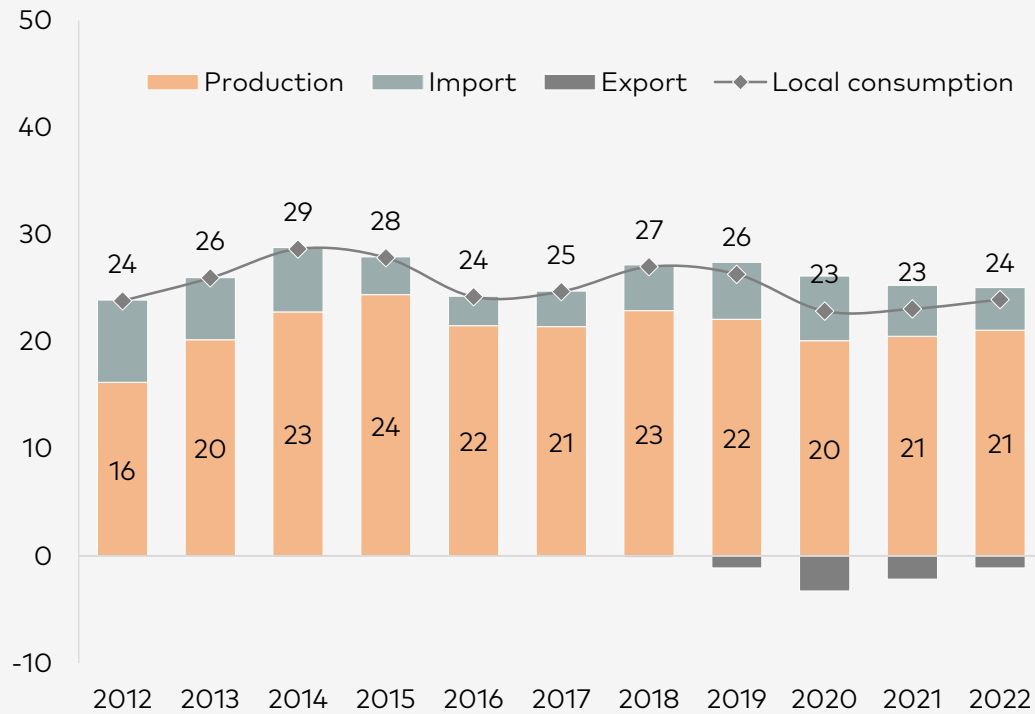
Import of pork by countries, 2022



Source: Geostat

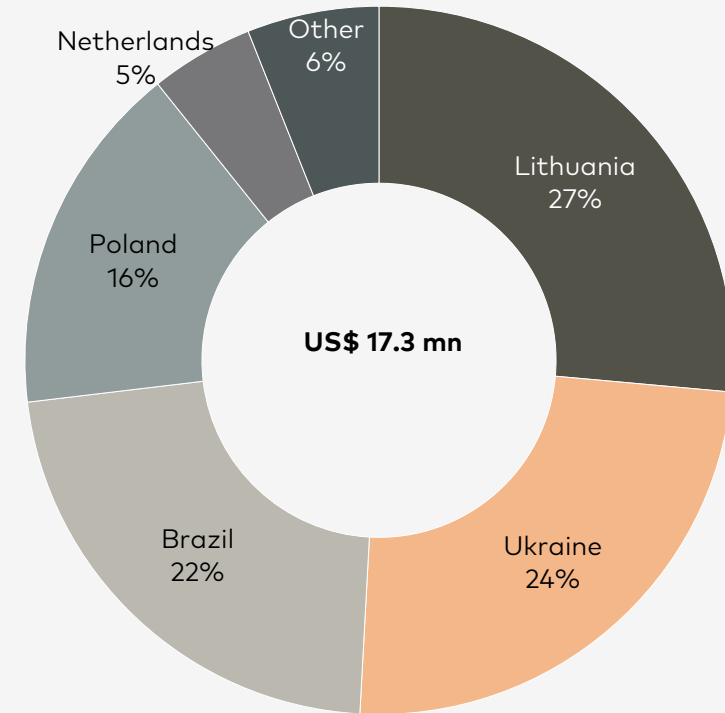
Annex 4: Meat production and import in Georgia - Beef

Production, import and export of beef, mn kg



Source: Geostat

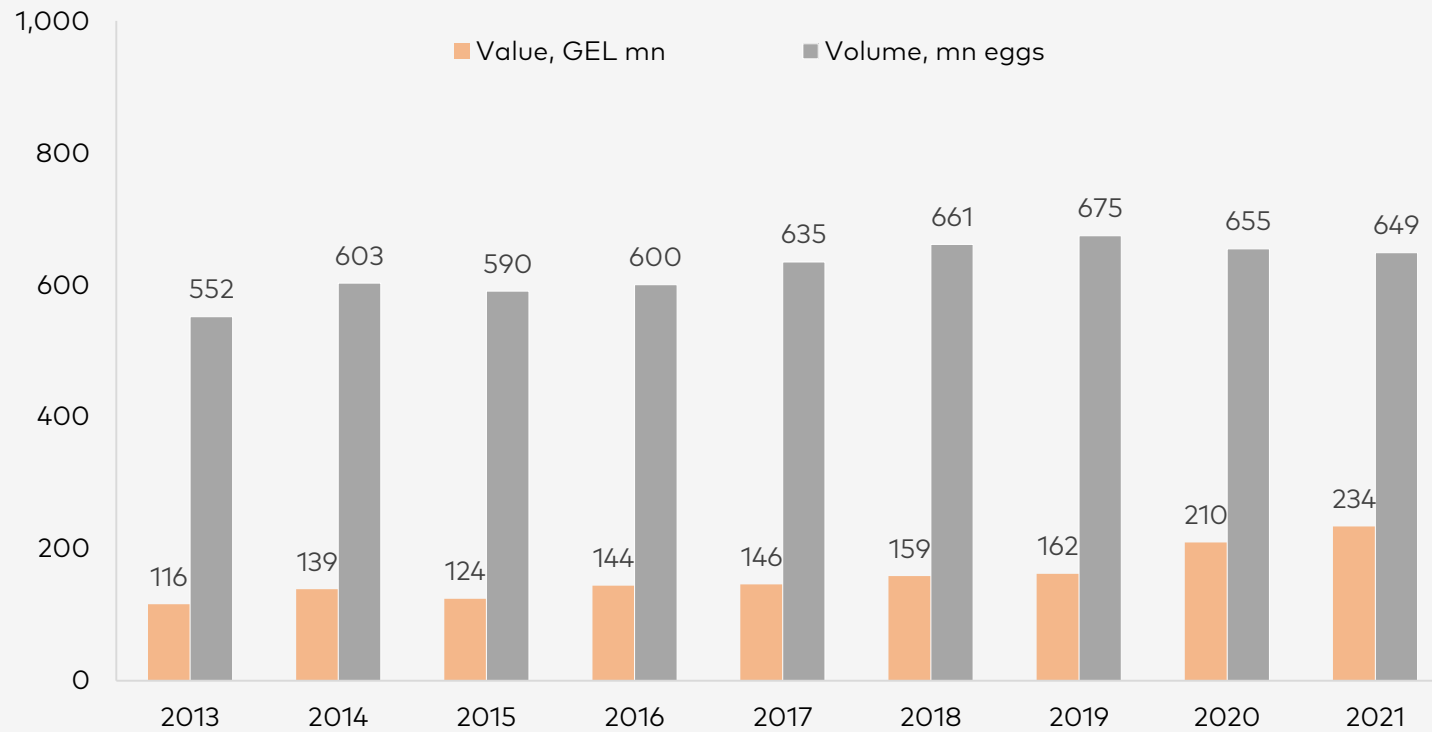
Import of beef by countries, 2022



Source: Geostat

Annex 5: Self-sufficiency of eggs was 96% in 2022

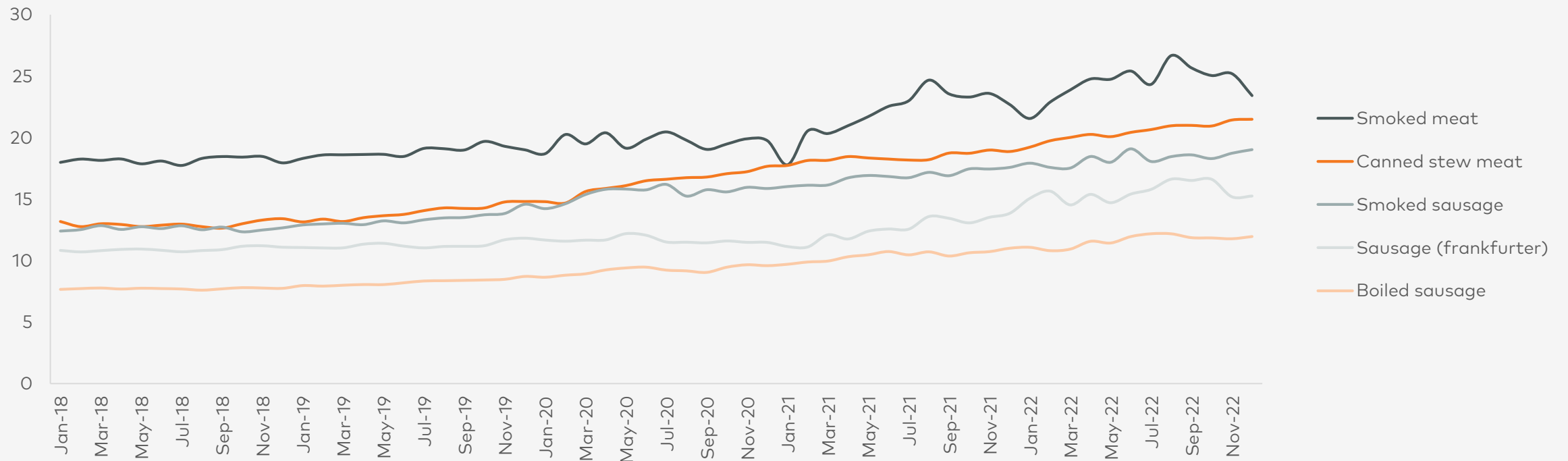
Production of eggs in Georgia



Source: Geostat

Annex 6: Retail price of processed meat products

Retail price of processed meat products in Georgia, GEL/kg



Source: Geostat
Note: Prices in store, excluding VAT

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Head of Research

Eva Bochorishvili | evaboshorishvili@gt.ge

Head of Macroeconomic Analysis and Forecasting

Lasha Kavtaradze | lkavtaradze@gt.ge

Head of Analytics

Giorgi Iremashvili | giremashvili@gt.ge

Head of Sector Research

Kakha Samkurashvili | ksamkurashvili@gt.ge

Head of Sector

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Head of Sector

Tatia Mamrikishvili | tmamrikishvili@gt.ge

Analyst

Giga Nozadze | gnozadze@gt.ge

Analyst

Giorgi Tskitishvili | g.tskitishvili@gt.ge

Analyst

Zurab Tavkelishvili | ztavkelishvili@gt.ge

Analyst

Sergi Kurashvili | skurashvili@gt.ge

Intern

Dachi Mujirishvili | dmujirishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge