

Mineral and Freshwater Consumer Market and Export Policy in Georgia

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Received: February 21, 2022; **Published:** March 03, 2022

Abstract

The article presents the current situation of production and export of mineral and fresh water, the challenges of developing new markets, the impact of the Covid-19 pandemic on sales, the export policy of mineral and fresh water in Georgia. The article states that finding new markets is quite difficult. The competition in the world is great and Georgian entrepreneurs are struggling to explore new markets. It is necessary to take into account the specifics of the regulations and requirements of potential partner countries. With the right strategy, quite a lot of revenue can be generated by the water business.

Keywords: Mineral waters; Freshwater; Covid-19; Export policy; Water regulations

Production of mineral and fresh water has long played an important role in the Georgian economy. This is due to: naturalness of raw materials, abundance, cheapness, stability, renewability, non-seasonality, high quality, competitiveness and, most importantly, a short period of return on investment. In this regard, it should be noted that Georgia is located in the middle of the countries who suffer lack of drinking water.

It is noteworthy that the demand for water is steadily increasing. Georgia is the richest country in terms of drinking water resources. 30% of Georgia's water resources are high quality groundwater.

There are more than 730 known mineral waters in Georgia, with a total daily debit of 130 million liters. More than 300 of them are of great industrial and balneological importance [1].

The number of mineral water deposits in Georgia is twice as much as the amount of mineral water outflows in the world-famous French and German countries, and as for some mineral waters such as Borjomi, Nabeghlavi, Sairme, Lugela, Utsera etc., they are unique in the world with their ionic composition and healing properties.

Demand for Georgian mineral water both in Georgia and abroad has always been high. Russia remains its biggest customer.

Until 1990, 18 types of mineral water with a volume of 520-530 million were bottled in Georgia every year. In the following period, there was a sharp decline in production and by 1995 it had decreased to 9.4 million bottles. The range of products produced has also decreased. In 1995, practically only one type of mineral water "Borjomi" was bottled [2].

The decline in production was due to a number of reasons: shortage of energy carriers, disruption of economic ties and transport communications, acute criminogenic situation, incorrect implementation of the privatization process.

Georgia's mineral water production has been rising since 1996. In 2002, 134.5 million bottled water was poured, which is 16.7 times more than in 1995. In 2002, mineral water accounted for 15.2% of Georgia's food export balance. However, after 2006 the situation changed and export statistics began to decline. The Russian embargo, on the one hand, created many problems for Georgian mineral water companies, but, on the other hand, motivated them to work in new export markets.

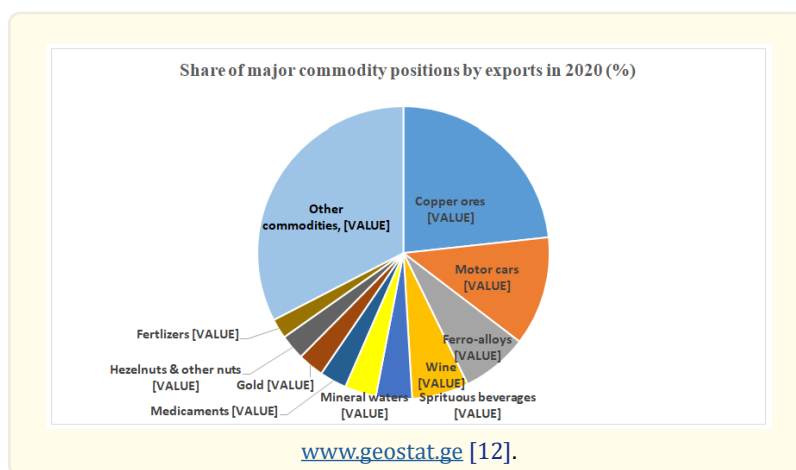
Production of mineral and freshwater has been increasing in recent years, but finding new markets is quite difficult. The competition

in the world is great and Georgian entrepreneurs are struggling to explore new markets. With the quality of mineral and fresh waters and the culture of production, it is possible to develop an even more serious market.

Exports of mineral and fresh water in 2021 increased by 32% compared to 2020. Mineral and fresh waters worth \$ 130.9 million were exported from Georgia to the world in January-November 2021. Russia is in the first place - 42.8%, followed by Ukraine, Lithuania, Kazakhstan, Belarus, Uzbekistan, USA, Azerbaijan, Israel. In addition, mineral and freshwater were exported to Kyrgyzstan, Tajikistan, Turkmenistan, Canada, China, Japan, Armenia, Greece, the United Kingdom, Bulgaria, Turkey, Latvia, Germany, and other countries.

In general, in 2021, Georgia's exports increased by 26.9% compared to 2020 and by 11.7% compared to 2019. In 2020, imports exceeded exports by 2.4 times, while in 2017 this figure was 3 times higher than in previous years.

Mineral and fresh water exports ranked 6th in the top ten largest exports in 2019-2020 (3.5-3.5%), and in 2021 it moved to 5th position (4.7%) [12]. Although mineral waters have been in the largest commodity group for years, there is a need to prioritize the sector more, to facilitate production, to stimulate exports, especially in EU member states.



As of 2021, more than 30 companies are represented in the Georgian mineral water market. Six of them are large companies operating in the market, producing 17 brands of tap water, of which 12 brands are mineral water. These companies are: IDS Borjomi Georgia Ltd (produces mineral waters "Borjomi", "Likani", "Bakuriani", "Bakuriani Tsida"), JSC "Tskali Margebeli" (mineral water "Nabeghlavi", fresh water: "Bakhmaro" and "Geo Nature"), "Aqua Geo" Ltd (mineral water "Kobi", fresh water: "Sno" and "Sno Kids"), "Sairme Mineral Water" Ltd (mineral water "Sairme" and "Sairme Premium", freshwater Water - "flow"), JSC "Coca-Cola Bottlers Georgia" (mineral water - "Mountain Water"), Water Land Ltd (mineral water - "Gudauri").

The largest share of mineral water exports comes from Borjomi (92%), Nabeghlavi (6%), the rest - 2%. In the rest we can single out "Sairme", whose share in exports is 0.5%.

"Borjomi" is a volcanic water, saturated with natural carbon dioxide, which helps people Links with Infection and Metabolism - Troubles shooting Health Problems In general, it has its own healing properties.

Today, "Borjomi" is represented in 40 countries around the world [4]. These countries include the CIS countries, as well as Belgium, the Netherlands, the United Kingdom, the United States, Canada, Japan, China, Switzerland, Luxembourg, etc. However, the company "Borjomi" exports the largest amount of products from these countries to the CIS. Imported mineral water in the post-Soviet countries in the "Boron" "Jom" is the number one foreign brand in terms of sales.

Commercial website Top-10-list.org - According to Borjomi, the world's most beautiful and Reasonable Mineral is in the third posi-

tion in the floodplain. This website provides ratings on the basis of information received directly from users Sets on. In the world top ten of mineral waters the following brands are presented together with “Borjomi”: Evian, Perrier, San Pellegrino, Naya, Volnic Water, Agna Pasific, Montclar Water, Kona Deep Sea Mineral Water, Ein Gedi Mineral Water [14].

Georgian Mineral water market is also quite strong - “Nabeghlavi” It is a natural carbon dioxide-rich, hydrocarbon sodium table water with unique healing and prophylactic properties, and can be consumed in unlimited quantities for people of any age.

In addition to its success in the local market, “Nabeghlavi” has gained approval abroad and today it is exported to 30 countries around the world, including the EU and CIS countries, Asia, as well as the Middle East and North America. In America.

“Sairme” mineral water is noteworthy, which is exported to 17 countries around the world. Sales volume is growing every year in both Georgian and export markets.

Along with well-known brands (“Borjomi”, “Nabeghlavi”, “Sairme”) another mineral water - “Flat” has been added to the Georgian mineral water market. Studies and medical findings have established that “Flat” water is used to treat up to 30 different chronic diseases. It is used in the treatment of severe diabetes mellitus, insulin-dependent diabetes. “Flat” is consumed daily as drinking water, because its mineralization does not exceed 3000 mg / liter. The highest demand for “Flat” is in Russia, Kazakhstan and Belarus. “Flat” passed through Central Asia 30-40 years ago and was the most demanded, expensive water. Its content has not changed today, the quality is the best. “Flat” is very close in composition and quality to the waters that Europeans actively consume.

During the pandemic, the data show that the blow to the production and export of mineral and fresh water was not serious.

Products worth \$ 133.5 million were exported in 2019, \$ 116.6 million in 2020, and \$ 130.9 million in January-November 2021, which is almost equal to the pre-pandemic rate (December remains). As we can see, sales in 2020 decreased by almost \$ 17 million compared to the previous year. Domestic consumption decreased amid a significant decline in the number of tourists. It should be noted that the prices of this product did not increase until the beginning of 2021 and the companies kept the prices at the expense of reducing the profit margin.

Problems caused by the pandemic also affected the water industry. The main challenges were identified in three directions [8].

- Obstacles in the field of water consumption and water supply services;
- Delayed operations of companies providing raw materials, equipment and technologies in the water industry;
- Conservatism in the supply of private sector companies in the water industry.

The mineral and freshwater market is one of the most important and growing needs in the world today. Its development requires maximum support for its producers, fair competition in the market, protection of the market from counterfeit products, promotion of mineral water treatment opportunities through large-scale advertisements, introduction of tax incentives, for example, mineral water producers in France pay VAT at a reduced rate. That is, if the value added tax in the country is 19%, for water producers it is set at 7% [13].

One of the serious problems is the falsification of mineral waters. This problem has been particularly acute since 1991-1992, when mineral water was virtually discontinued and supplied to traditional markets. The counterfeiter is allowed to occupy a certain segment of the market at dumped prices and there is unhealthy competition. Thus, both the consumer and the state budget suffer. Recently, special protective signs have been developed to address this issue, which has drastically reduced counterfeit products, although isolated cases are still observed.

Currently, fresh water is successfully sold in many countries, which is so rich in Georgia. Experts suggest that the market distribution may change in favor of freshwater in the near future.

Two laws [10, 11] were passed to implement state regulation in the area of production and sale of mineral waters, which fully cover and regulate water production and maintenance. The entire technological cycle ends with recycling. Both laws comply with international standards. A concept for the development of mineral water production has been developed, which provides for the production of the full load of previously exploited mineral water, as well as the introduction into production of new types of low-mineralized drinking water.

According to the Georgian Water Law (11.11.97), water products produced (bottled) in Georgia are divided into 4 categories depending on the origin, physico-chemical properties and treatment quality: natural mineral water, medicinal mineral water, spring water and table water.

In order to create a competitive economy, the state must pursue an economic policy geared towards the dynamic transformation of production structures, especially in the development of export-oriented sectors (investment and export subsidies, tax incentives, help in difficult economic situations, etc.). An export-oriented strategy has become an important factor in the economic development of many countries.

Georgia actively participates in water conservation and utilization programs and participates in international meetings and conferences organized by international water management organizations. In the process of harmonization with the European Union, the issues of water production and trade in Georgia, market competition, exports, wastewater disposal are regulated by the Deep and Comprehensive Free Trade Agreement (DCFTA) [3].

In addition to international universal regulations, Georgia has non-tariff obligations towards a number of countries as a prerequisite for the import of mineral water into their countries [9].

The highest number of regulations are: United Arab Emirates with 171 regulatory principles, China - 168, Qatar - 123, Saudi Arabia - 114, Kyrgyzstan - 106, Russia - 102, Kazakhstan - 81. These countries, despite their non-tariff regulations, our country to lead. Relatively fewer regulations are imposed: the United States - 49, Lithuania, Latvia, Canada, the United Kingdom, Germany, Italy, France, Poland, the Czech Republic and Austria - 33 - each regulate their importing partners, including Georgia. We have eliminated non-tariff barriers with the following countries: Ukraine, Belarus, Azerbaijan, Moldova, Turkmenistan, Armenia, Turkey, Korea and Iraq.

In order to remain in international markets and enter new markets, it is necessary to take into account the specifics of the regulations and the demand of potential partner countries.

Methodology

This paper uses general and specific methods, in particular, analysis, synthesis, induction, deduction, scientific abstraction, comparative and statistical methods, as well as experts' evaluation. In-depth interviews with experts were conducted to determine quantitative and qualitative indicators; Publications of the National Statistics Office of Georgia are used to determine the regularity between analytical and statistical estimations. Also, theoretical and applied research of international organizations and scientist-economists are used.

Conclusions

Studies have shown that institutional reforms in Georgia are not enough to dramatically improve competitiveness and export of mineral and fresh water.

The main problems are:

- Lack of investment and export subsidies;
- lack of government support in a difficult economic situation;
- Inflation;

- The problem of product counterfeiting, especially in foreign markets.

Recommendations

- The state should support the implementation of the following measures: creating an attractive environment for investments; Availability of soft loans, creation of an insurance system, development of infrastructure, etc.;
- It is important to develop a strategy to penetrate international markets, build a wide marketing network, etc.;
- In order to gain and maintain a competitive advantage, it is necessary to continuously deliver high-quality products with modern design, open distribution networks to enter new markets, expand promotional activities, organize e-commerce;
- Prerequisites for the growth of the mineral water business are well-developed land, air and sea connections, as most of the companies are very far from the nearest railway stations and ports;
- A stable legal environment that creates solid guarantees for the protection of their property is essential for investors.

Georgia can supply the whole world with both mineral and fresh water. The water problem is particularly acute in the world today. The largest revenues can be obtained from the water business. This is a free ready-made resource. A businessman who invests money in this area will never get lost.

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Volume 2 Issue 3 March 2022

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