PMCG | Research

Beverage Manufacturing in Georgia

Sector Snapshots

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Content

PMCG Research

Summary

- **Beverage Manufacturing Sector in Georgia:** The beverage manufacturing sector, encompassing the production of fruit juices, mineral water, soft drinks, beer, and spirits, has high export potential and a strong presence of small and medium-sized enterprises (SMEs). The sector serves both domestic consumption and exports, with companies selling products in local super-markets, to HoReCa (hotel/restaurant/catering) facilities, and on the international market.
- **Economic Performance:** From 2017 to 2023, the beverage manufacturing sector's turnover grew at a compound annual growth rate (CAGR) of 14%, reaching GEL 2.3 billion in 2023 (1.1% of total turnover). Meanwhile, the value-added in the sector increased at a CAGR of 11%, reaching GEL 739 million in 2023 (1.9% of total value-added).
- **Employment:** An average of 6,504 people were employed in the beverage manufacturing sector from 2017 to 2023, rising to 7,155 in 2023 (0.9% of total business sector employment). The sector experienced modest growth (CAGR of 1%) over the covered period, with employment initially declining from 2017 to 2020 but steadily increasing since 2021.
- **Export Growth:** From 2017 to 2023, Georgia’s total beverage exports grew at a CAGR of 10%, reaching USD 463 million in 2023. SME exports also increased, though at a lower CAGR of 6%, meaning SMEs’ share in total exports declined over time. Despite overall export growth, the share of exports to the EU declined significantly during this time, particularly for SMEs.
- **Challenges:**
  - The EU's share in total beverage exports declined significantly from 2017 to 2023. Key factors hindering exports include limited access to quality raw materials, outdated machinery, and a shortage of skilled labor (particularly outside Tbilisi), as well as logistical constraints.
  - Compliance with EU standards and Deep and Comprehensive Free Trade Area (DCFTA) regulations remains a challenge due to the high cost of obtaining certification and a lack of specialized expertise among SMEs.
  - Access to financing for export operations is constrained by high interest rates, limited trade finance options, and cash flow challenges when exporting directly to supermarkets.
- **Future Outlook:** The future of the beverage manufacturing industry in Georgia depends on enhancing the growth and sustainability of SMEs, addressing key challenges, and unlocking new opportunities to become more competitive on the EU market. It is important to facilitate the development of clusters to improve raw material availability and quality, as well as to invest in modern equipment to increase productivity and reduce reliance on labor-intensive processes. Moreover, expanding government-backed certification programs and providing financial assistance for regulatory compliance would ease the burden on SMEs and improve EU market access, while establishing shared warehouses in key EU locations would lower costs and enhance export efficiency.

Enterprises in the Beverage Manufacturing Sector

- **This publication assesses the sub-sectors of beverage manufacturing listed in the table below,** with a strong focus on SMEs and their exports to the European Union (EU).
- **The beverage manufacturing sector in Georgia is characterized by a strong presence of small and medium-sized enterprises (SMEs),** which make up 88% of the 400 enterprises across key sub-sectors, with SMEs maintaining a consistently high share in each, ranging from 80% to 91%. Given the prominence of SMEs in this sector and its high export potential to the EU, a thorough analysis of recent trends is essential.

NACE Rev.2 Code	Sub-sector	Total Number of Enterprises	SME Share
10.32	Manufacture of fruit and vegetable juice	45	91%
11.01	Distilling, rectifying, and blending of spirits	122	90%
11.03	Manufacture of cider and other fruit wines	11	82%
11.04	Manufacture of other non-distilled fermented beverages	5	80%
11.05	Manufacture of beer	70	87%
11.07	Manufacture of soft drinks; production of mineral waters and other bottled waters	147	86%
	Total	**400**	**88%**

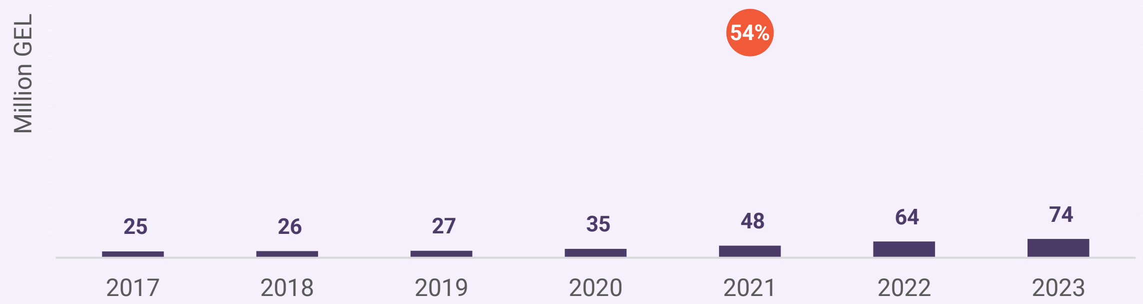
Source: Geostat

Turnover in the Beverage Manufacturing Sector

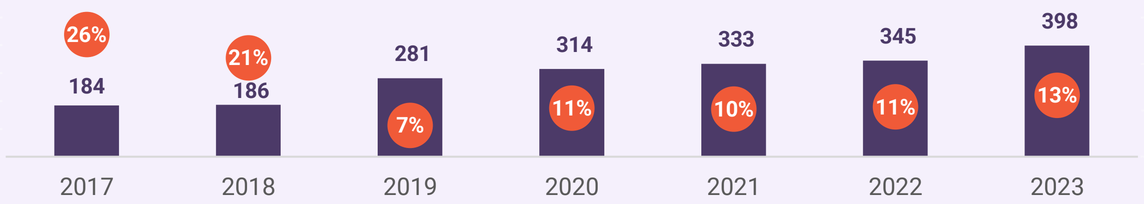
- **Over the period of 2017 to 2023, the turnover in the beverage manufacturing sector grew at a CAGR of 14%, reaching GEL 2.3 billion in 2023** (equal to 1.1% of the total turnover of all sectors in Georgia).* Moreover, turnover increased across all analyzed sub-sectors. Among them the highest CAGR was observed in „the manufacture of fruit and vegetable juices” (20%).

- **The contribution of small enterprises to the beverage manufacturing sector’s turnover is low and, in some cases, showed a downward trend** from 2017 to 2023. In the covered period, the SME contribution has been observed in case of “the fruit and vegetable juice” sub-sector, where SMES accounted for 54% of total turnover in 2021.

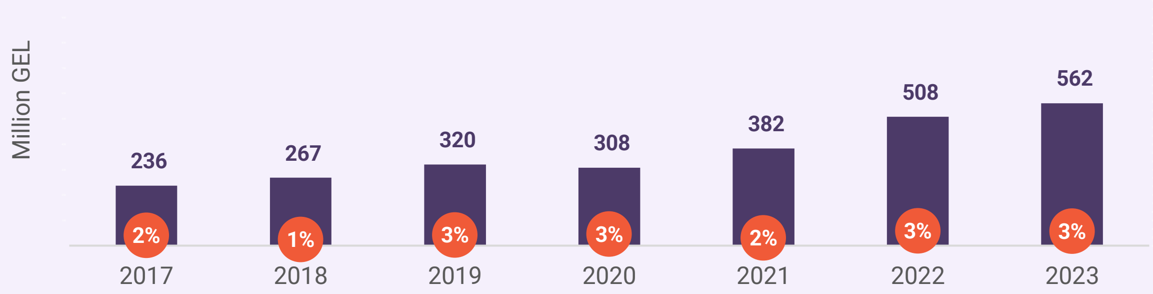
Manufacture of Fruit and Vegetable Juice**



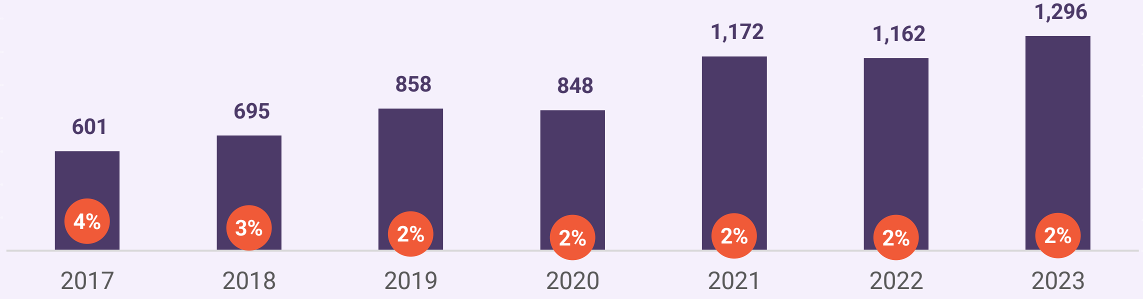
Distilling, Rectifying, and Blending of Spirits



Manufacture of Beer



Manufacture of Soft Drinks; Production of Mineral Waters and Other Bottled Waters

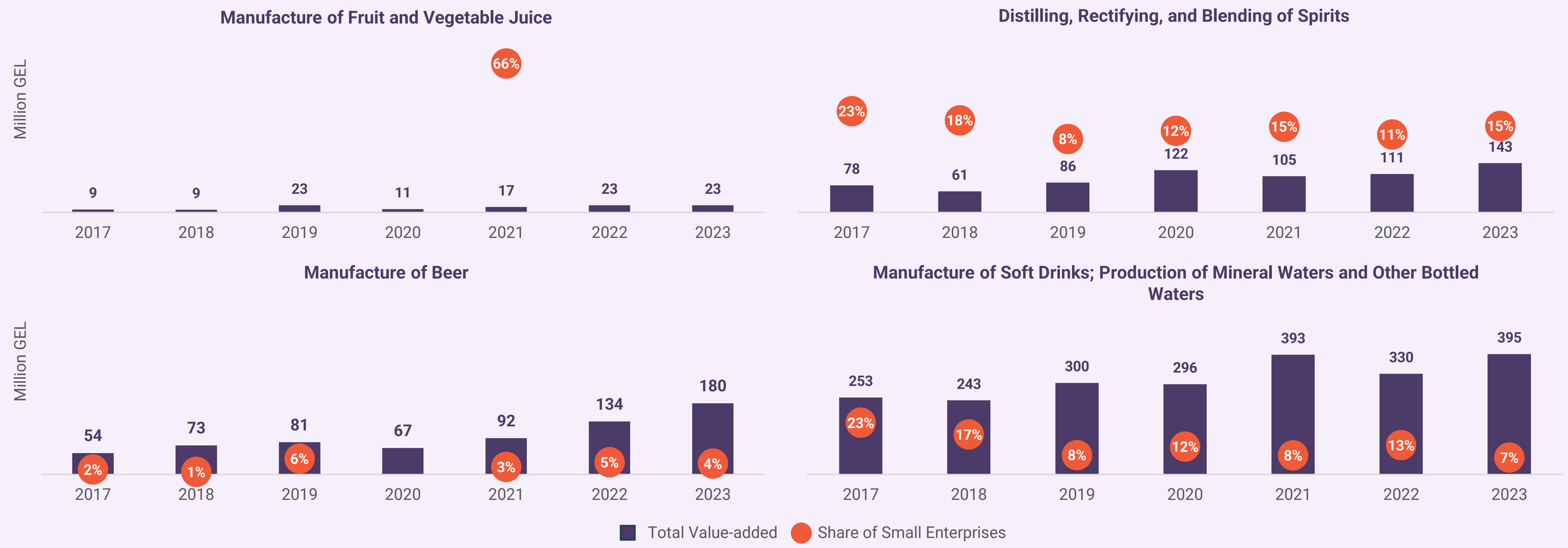


Total Turnover   Share of Small Enterprises

* Given the small number of enterprises in the sub-sectors of the “manufacture of cider and other fruit wines” and the “manufacture of other non-distilled fermented beverages,” their turnover data were confidential and thus analyzed together. ** The turnover and value-added data for medium-sized enterprises are confidential across all sub-sectors, except for the “manufacture of soft drinks; production of mineral waters and other bottled waters,” due to the limited number of companies; Given the confidentiality of the data, the turnover and value-added data for small enterprises in the “manufacture of fruit and vegetables juice” were available only for 2021.

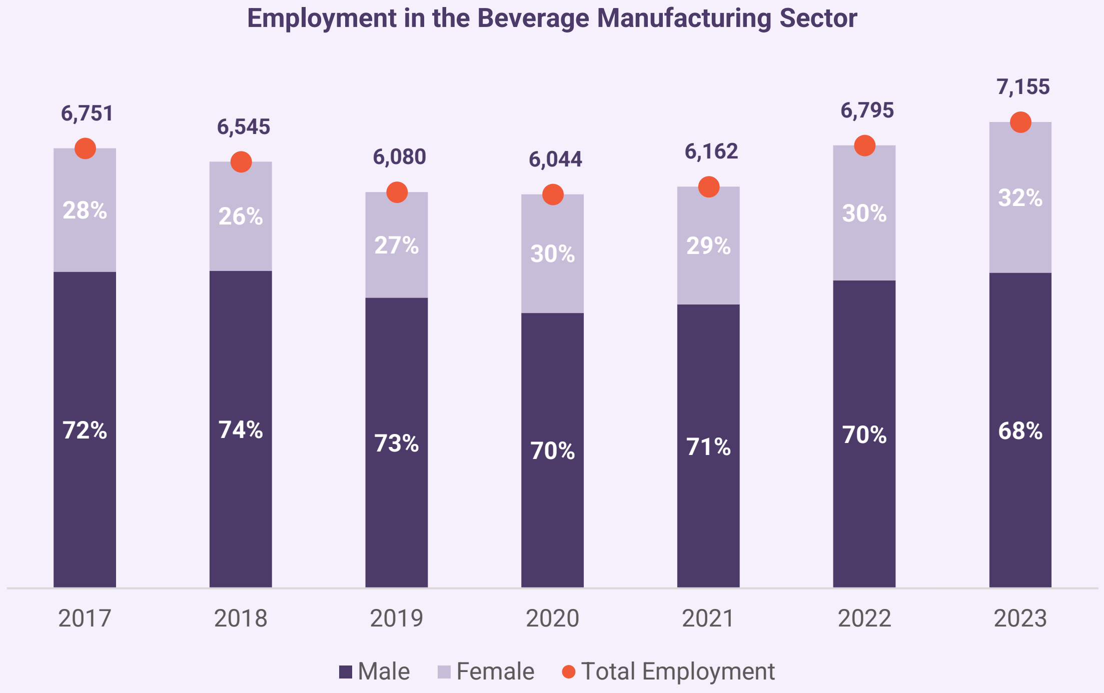
Value-added in the Beverage Manufacturing Sector

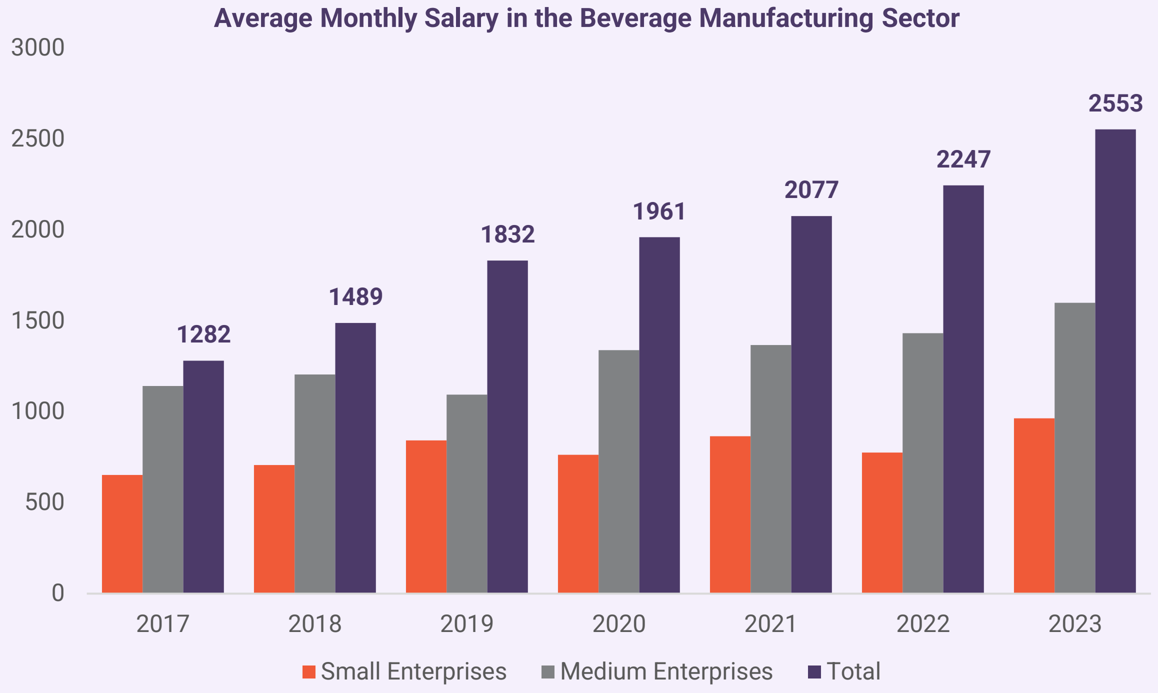
- **Over the period of 2017-2023, value-added in the beverage manufacturing sector increased at a CAGR of 11%, reaching GEL 739 million in 2023** (equal to 1.9% of total value-added for all sectors in Georgia). Notably, Value-added increased across all analyzed sub-sectors from 2017 to 2023, with the highest value-added generated by the “manufacture of soft drinks; production of mineral waters and other bottled waters.” Moreover, the “manufacture of beer” saw the highest increase in value-added, with a CAGR of 22%, followed by the “manufacture of fruit and vegetable juice” (16%).
- **The shares of small enterprises in total value-added generated by the analyzed sub-sectors remain low, largely following a downward trajectory** from 2017 to 2023. The highest share of small enterprises in value-added once again has been observed in the “manufacture of fruit and vegetable juice.”



Employment in the Beverage Manufacturing Sector

- **An average of 6,504 people were employed across all sub-sectors of the beverage manufacturing industry from 2017 to 2023, reaching 7,155 in 2023** (0.9% of total business sector employment in Georgia). The labor force in the sector as a whole experienced modest growth over this period, with a CAGR of 1%. While employment declined at first from 2017 to 2020, it has been steadily rising since 2021.
- **The average monthly salary in the sector has gradually increased in recent years, reaching GEL 2,553 in 2023** (a 13.7% YoY increase). However, salary disparities exist in accordance with enterprise size. In 2023, small enterprises paid 2.6 times less than the overall sector average, while large enterprises paid nearly twice as much as medium ones (GEL 3,149 vs. GEL 1,600). Notably, salaries in large enterprises are rising faster than in medium enterprises. As a result, small enterprises face difficulties in attracting qualified labor, as they cannot offer competitive salaries.

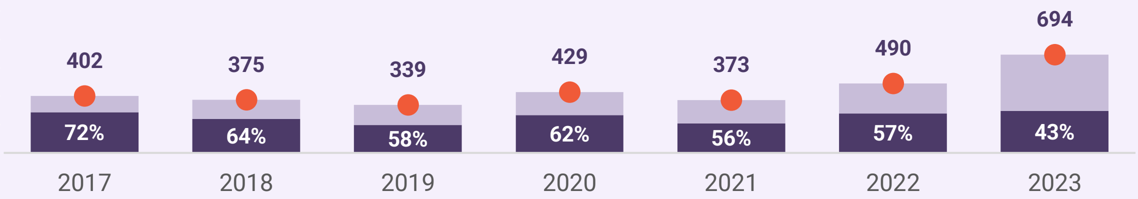




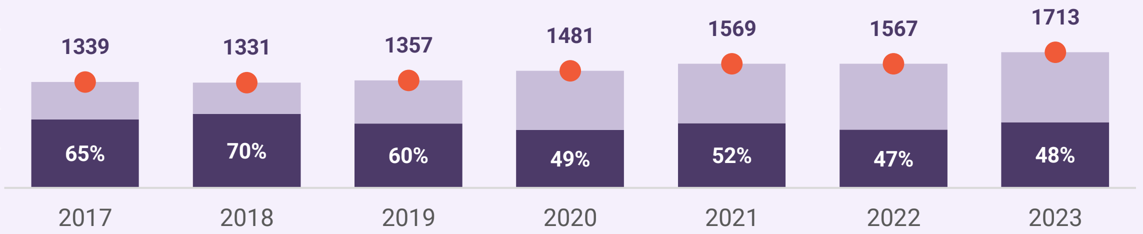
Employment in the Beverage Manufacturing Sector

- **Among the analyzed sub-sectors, employment is highest in the "manufacture of soft drinks; production of mineral waters and other bottled waters" sub-sector.** Notably, from 2017 to 2023, employment in the "manufacture of fruit and vegetable juice" saw the highest growth (CAGR of 10%), while the "manufacture of beer" experienced a decline over the same period (CAGR of -4%).
- **Overall, in recent years, the share of female employees in beverage manufacturing has gradually increased. However, gender distribution in employment varies** across different sub-sectors. The highest share of female workers is in "distilling, rectifying, and blending of spirits" (an average of 44% from 2017 to 2023), followed by the "manufacture of fruit and vegetable juice" (41%). In contrast, female employment is lower in the "manufacture of soft drinks; production of mineral waters and other bottled waters" sub-sector (25%) and the "manufacture of beer" (18%).

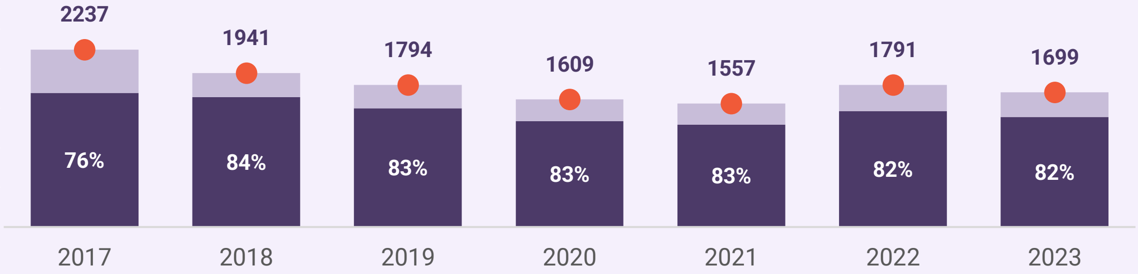
Manufacture of Fruit and Vegetable Juice



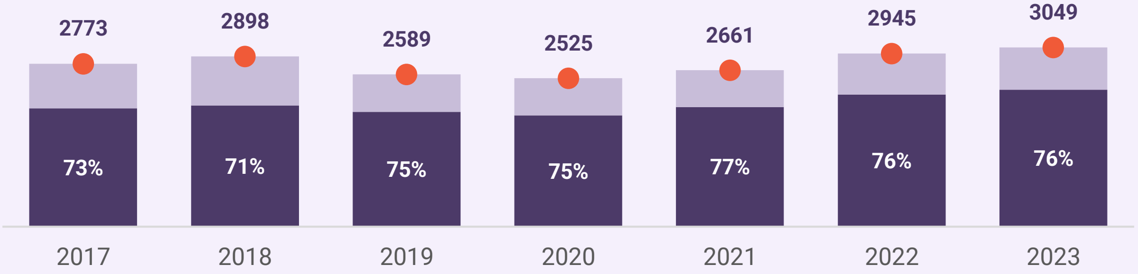
Distilling, Rectifying, and Blending of Spirits



Manufacture of Beer



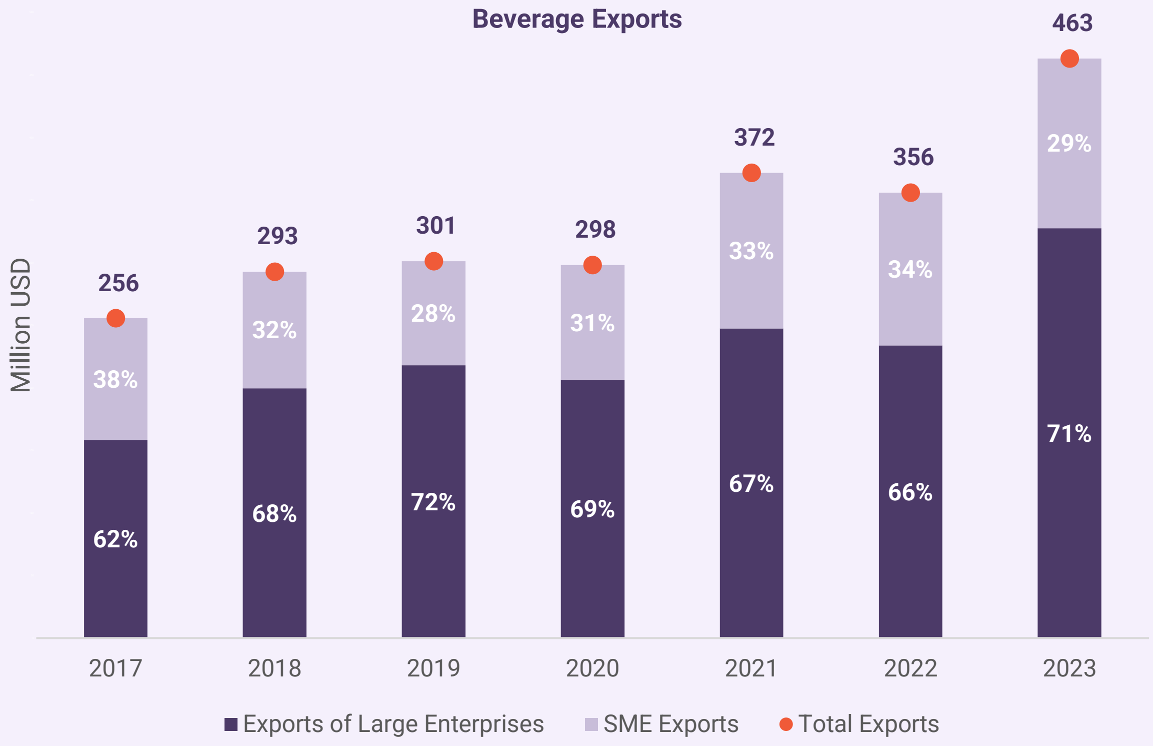
Manufacture of Soft Drinks; Production of Mineral Waters and Other Bottled Waters

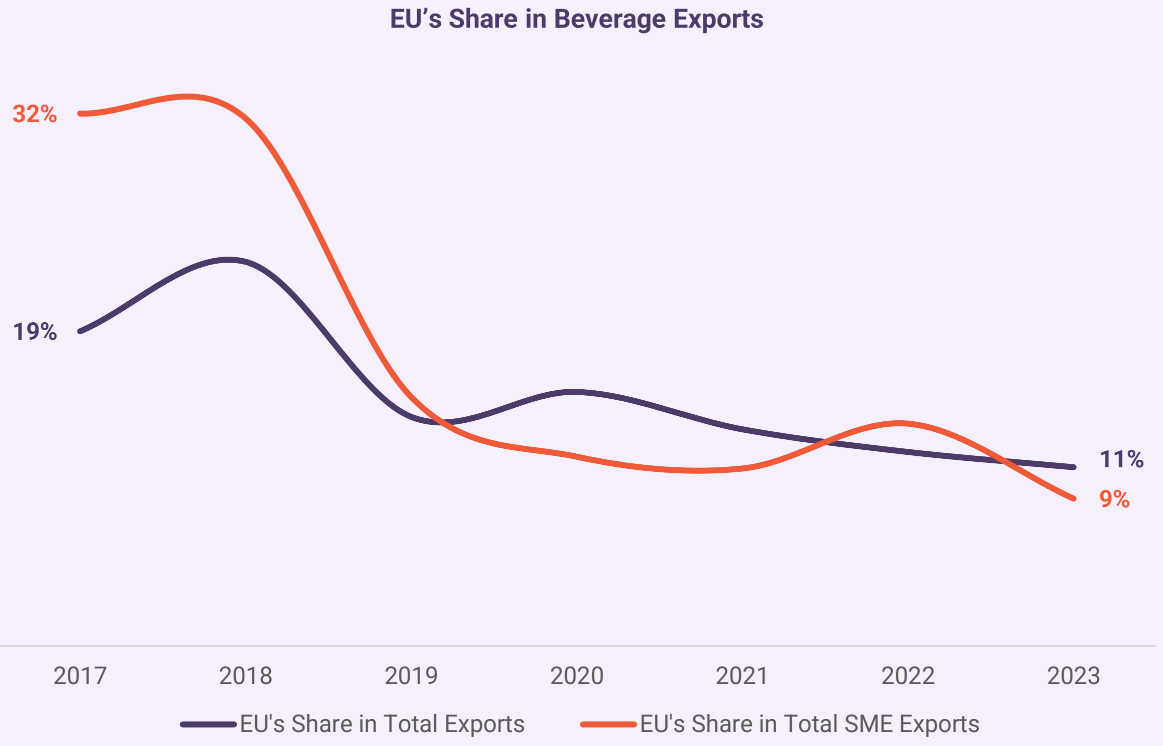


Male Female Total Employment

Beverage Exports to International Markets

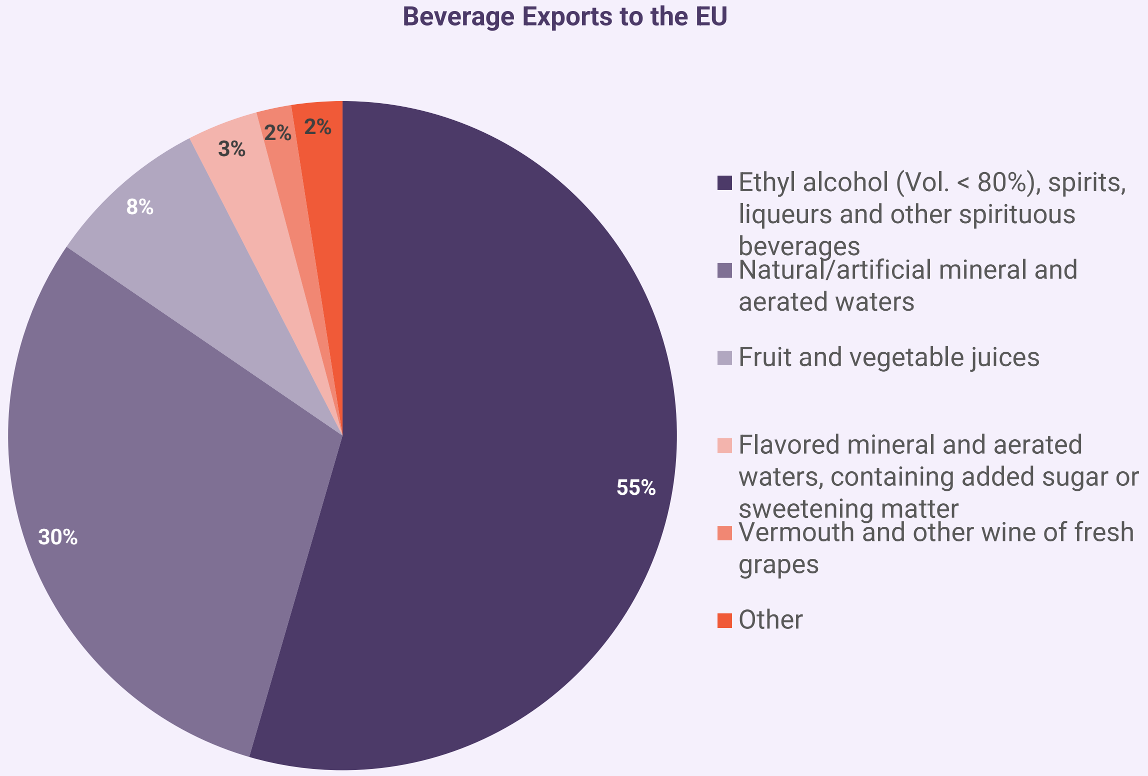
- **From 2017 to 2023, Georgia's total beverage exports grew at a CAGR of 10%, reaching USD 463 million in 2023.** Exports by SMEs in the sector also increased, though at a slightly lower CAGR of 6%. However, the share of exports by SMEs within total exports declined over time, as large enterprises gained a progressively larger share.
- **Despite overall growth in Georgia's beverage exports from 2017 to 2023, the proportion thereof going to the EU declined significantly** (by 8 percentage points (pp) overall), and especially for SMEs (by 23 pp). Therefore, while the EU was previously a more prominent destination for SME exports, by 2023 its share in total SME exports had dropped to 9% (lower than the corresponding percentage for total exports).
- **From 2017 to 2023, Tbilisi, Samtskhe-Javakheti, and Samegrelo-Zemo Svaneti were the top three regions for both total beverage exports and exports to the EU.** SMEs contributed the most in Tbilisi, accounting for 59% of total exports, whereas large enterprises dominated in the other two leading regions.





Beverage Exports to International Markets

- **From 2017 to 2023, “ethyl alcohol, spirits, liqueurs, and other spirituous beverages” and “natural/artificial mineral and aerated waters” accounted for significantly higher shares of total exports and exports to the EU** compared to other beverage types. However, the composition of other most exported beverage types differed between the two cases, reflecting different consumer preferences and market conditions in the EU. Notably, “Flavored mineral aerated waters, containing added sugar or sweetening matter” made up 15% of total beverage exports but only 2% of exports to the EU. Similarly, “beer” exports had a relatively small share in exports to the EU compared to total exports. In contrast, “fruit and vegetable juices” held greater prominence in exports to the EU.



Beverage Exports to International Market

- The table below summarizes export trends for each beverage subsector from 2017 to 2023.

Beverage Type	World Exports Trend	EU Share	EU Exports Trend	SME Prominence	SME Prominence Trend
Ethyl alcohol (Vol. < 80%), spirits, liqueurs, and other spirituous beverages	↑	Medium	↑	Medium	↓
Natural/artificial mineral and aerated waters	↑	Low	↓	Low	↑
Flavored mineral and aerated waters, containing added sugar or sweetening matter	↑	Low	↑	Medium	↑
Fruit and vegetable juices	↑	High	↓	High	↑
Beer	↑	Low	↑	Medium	↑

* In the table, green arrows represent a strong upward trend, red arrows indicate a strong downward trend, and yellow arrows signify a less pronounced trend over time, whether upward or downward.
** The detailed export trends for each beverage category from 2017 to 2023 are provided in Annex 1.

STRENGTHS

- **Product Uniqueness:** Unique beverage offerings that cater to niche markets; rich cultural heritage in beverage production; and product characteristics and taste attributes of “fruit and vegetable juices”.
- **Institutional and Policy Support:** Existence of Rural Development Agency (RDA) and Enterprise Georgia programs on raw materials and processing of beverages.

WEAKNESSES

- **Limited Awareness & Knowledge:** Low awareness of DCFTA opportunities; lack of modern farming knowledge; reluctance to adopt organic methods; and insufficient market demand insights.
- **Financial & Resource Constraints:** Limited financial and human resources; inadequate machinery and storage; and cash flow issues in EU exports.
- **Supply Chain & Production Issues:** Inconsistent raw material quality; weak farmer cooperation; high mineralization in mineral waters; and ex-cessive sugar in soft drinks.
- **Market Access & Competition:** Strong competition for Georgian beer producers from European brands; difficulty establishing connections in the EU market; low brand recognition; and limited marketing expertise.
- **Policy & Institutional Gaps:** Exclusion from donor/state programs; and lack of targeted support for alcoholic beverage exports.

OPPORTUNITIES

- **Enhancing Supply Chain and Production Efficiency:** Opportunities to improve supply chain reliability by sourcing higher-quality, more consistent raw materials in larger quantities; potential for farmers to shift to organic production to meet growing demand; increasing availability of skilled agricultural specialists to address raw material quality and shortages; and opportunities to strengthen farmer cooperation for greater efficiency and productivity.
- **Expanding Market Access and Commercial Growth:** Potential to establish alternative warehouse solutions in the EU for easier access; opportunities to build strong commercial ties with the EU market; and potential to enhance brand recognition through targeted marketing strategies.
- **Strengthening Policy and Institutional Support:** Possible changes in eligibility for donor and state programs supporting alcoholic beverages; targeted initiatives for producers to foster growth; and stronger state support for export development.

THREATS

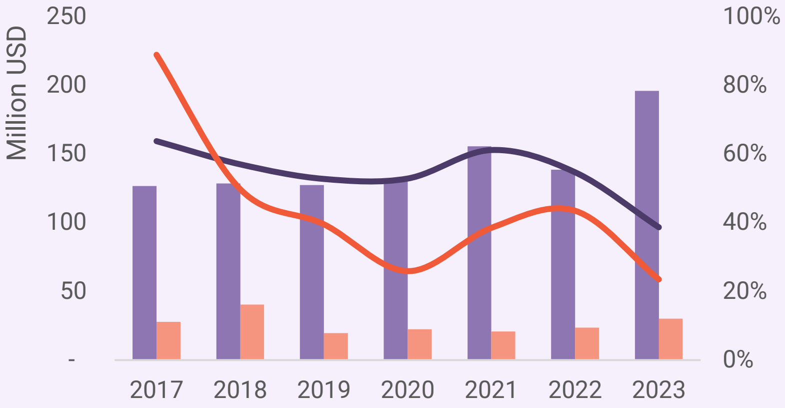
- **Political and Economic Instability:** Unstable political and economic situation; damage to the country’s image due to political and economic instability; deterioration of Georgia's collaboration with the EU; political and regulatory instability affecting EU market access; and potential changes in trade agreements and tariffs.
- **Risks Related to Market Dynamics and Competition:** Intense competition from established EU beverage brands; and fluctuations in global market demand.
- Risks Related to Supply Chain and Logistics: Rising transportation and logistics costs; and supply chain vulnerabilities due to weather, agricultural practices, and seasonal and inconsistent supply of raw materials.

Future Outlook

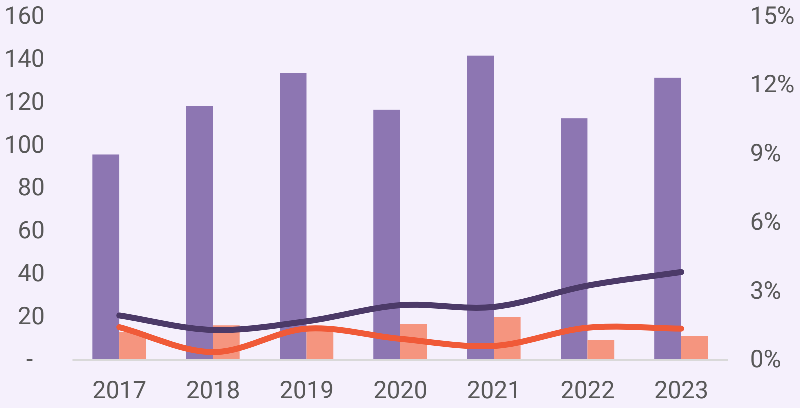
- **Strengthening DCFTA Compliance Support:** To overcome regulatory barriers that hinder SME exports, it is essential to improve access to DCFTA compliance resources, reduce certification costs, and enhance support to meet high regulatory standards.
- **Increasing Awareness of DCFTA Benefits:** Many SMEs are unaware of the opportunities the DCFTA provides. Expanding educational initiatives, targeted information sessions, and sharing success stories will encourage more businesses to take advantage of the available trade benefits.
- **Facilitating EU Market Access and Trade Support:** Given the difficulties SMEs face in building networks and attracting buyers, expanding participation in trade exhibitions, strengthening trade missions, and enhancing export promotion efforts will help to increase their competitiveness.
- **Enhancing Market Awareness and Positioning:** Since many SMEs struggle to identify export markets and understand consumer preferences, strengthening market intelligence, branding strategies, and real-time consumer insights will improve their positioning in the EU.
- **Conducting EU Market Research for Key Beverage Segments:** SMEs often lack information on consumer demand and market preferences. Conducting research on market trends, consumer preferences, and potential partnerships will help them to adapt their products and expand their presence in the EU.
- **Improving Logistics and Warehouse Access:** Logistical challenges and distribution inefficiencies limit SMEs' export capacity. Thus, improving access to warehousing, optimizing transportation routes, and reducing logistical barriers will enhance their ability to compete in the EU market.
- **Developing a More Sustainable Supply Chain:** Encouraging producer cooperation, improving raw material quality, and ensuring more reliable supply chains will help to address raw material shortages and inconsistencies, which impact production and exports.
- **Expanding SME Export Financing Options:** Expanding financial support through better access to export credit insurance, working capital loans, and other risk-mitigation tools is essential to tackle the challenges SMEs face due to limited access to financing and high export costs.
- **Promoting Trade Financing Instruments:** Financial constraints limit SME exports. Therefore, strengthening collaboration between financial institutions and businesses will help to tailor trade financing solutions to meet their needs and facilitate smoother export operations.

Annex 1: Beverage Exports by Category, 2017–2023

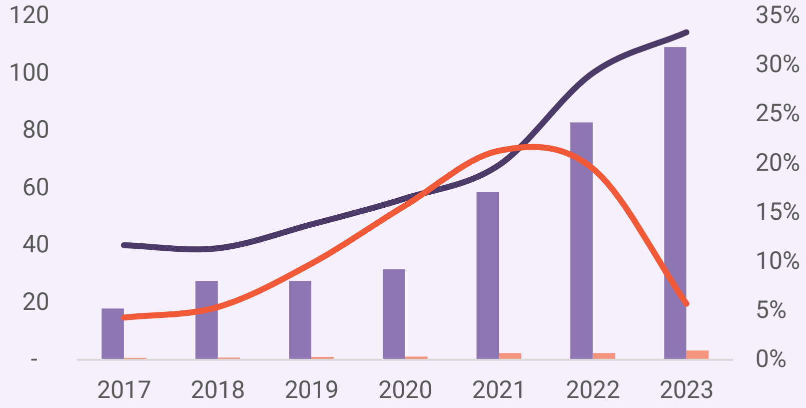
Exports of ethyl alcohol (Vol. < 80%), spirits, liqueurs and other spirituous beverages



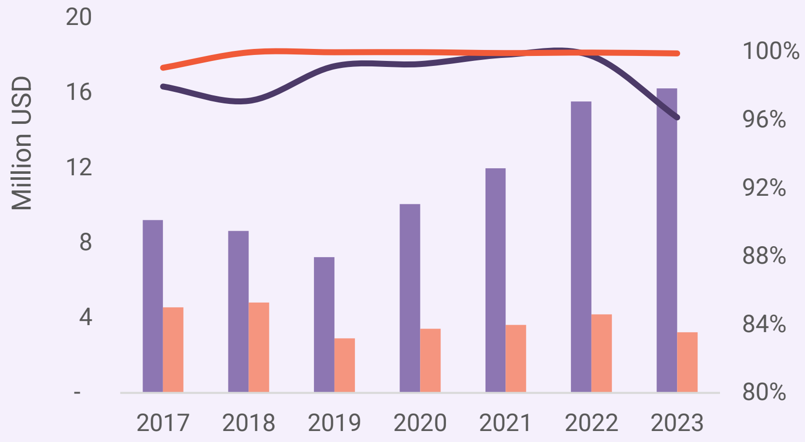
Exports of natural/artificial mineral and aerated waters



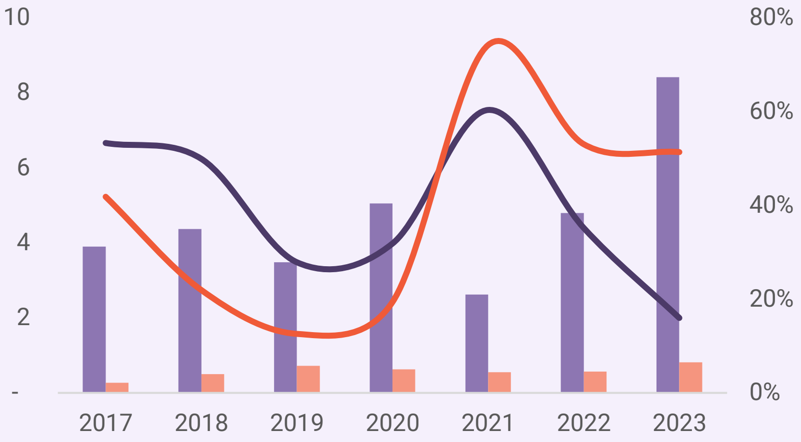
Exports of flavored mineral and aerated waters, containing added sugar or sweetening matter



Exports of fruit and vegetable juices



Exports of beer



Total Exports | Total Exports to the EU | SME Share in Total Exports | SME Share in Total Exports to the EU

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