



# **Nut and Walnut Production Industry Benchmark Survey**

*Prepared based on 2018 data*





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## **Reason of research**

This study serves to reveal the current trends in the nut and walnut production industry, based on the 2018 financial statements of companies of the second and third size categories. The report presents the average financial indicators of the industry, which forms a "benchmark" of the industry and provides information on its financial situation.



# Methodology

The data used in the study were taken from the website of the reporting portal, where annual financial statements are published in accordance with the legislation of Georgia.

These companies belong to the second and third size categories, out of which only 2 companies were audited.

The mentioned information is based on the data of 2018, attention is focused on the leading companies of the market, the number of which is 13.

The study focuses on the overview of the nuts and walnuts market, specifically on production and export-import, the data is taken from the website of the International Trade Center.







# Research Results

The study reviews nut and walnut production companies with a total turnover exceeding 98 million GEL and total assets of 180 million GEL.

The study identified industry-leading companies in terms of revenues, assets, and profits.

As a result of data analysis, it was determined that Georgian companies in the nut and walnut production industry have the following financial indicators: the average profit on assets (ROA) was 5%, and the profit on capital (ROE) was 21%.

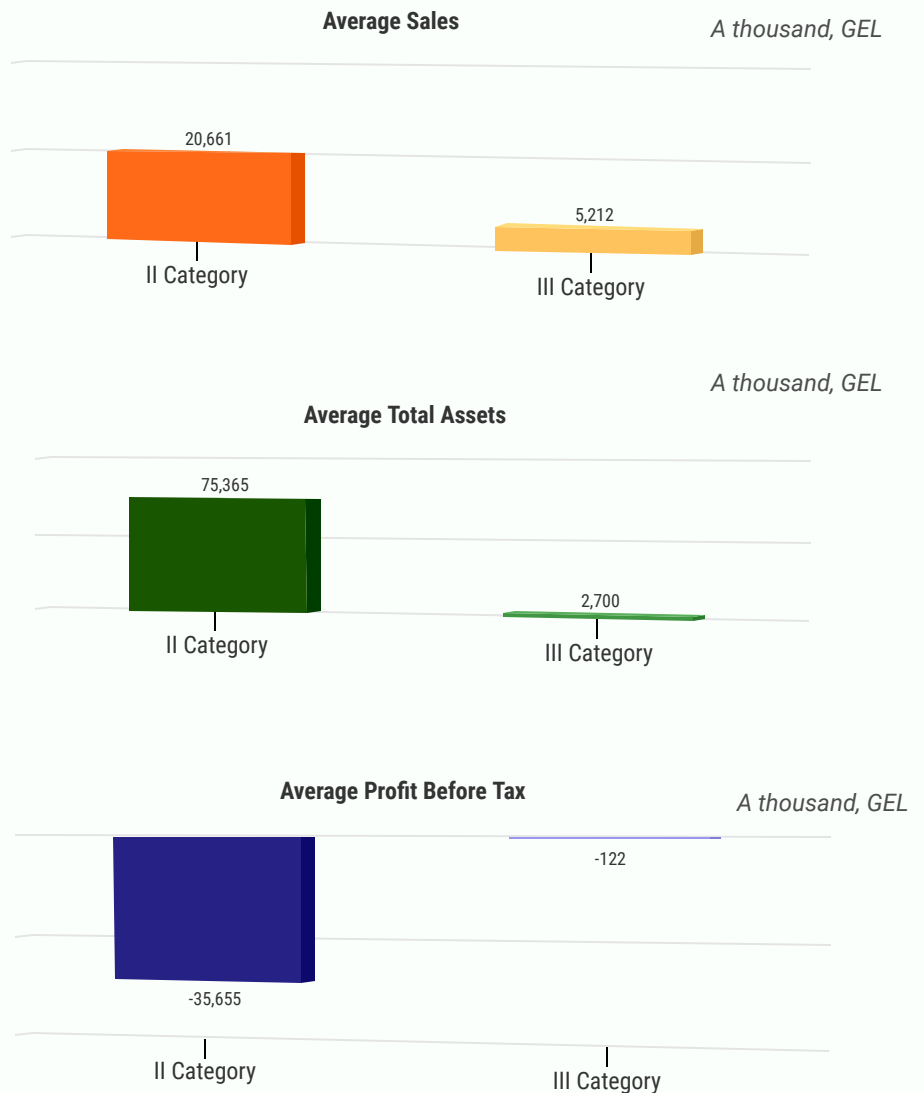
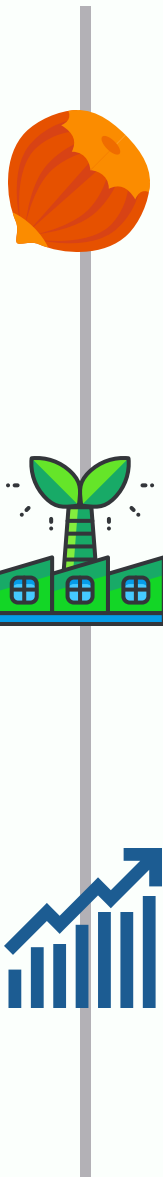
Besides, the financial ratios of the industry's average liquidity, efficiency, and solvency were determined.





# Research Results

As a result of the research, the average data of the companies in 2018 by categories was also revealed. Out of these 13 companies, two companies belong to the second category, and the remaining 11 companies represent the third category.





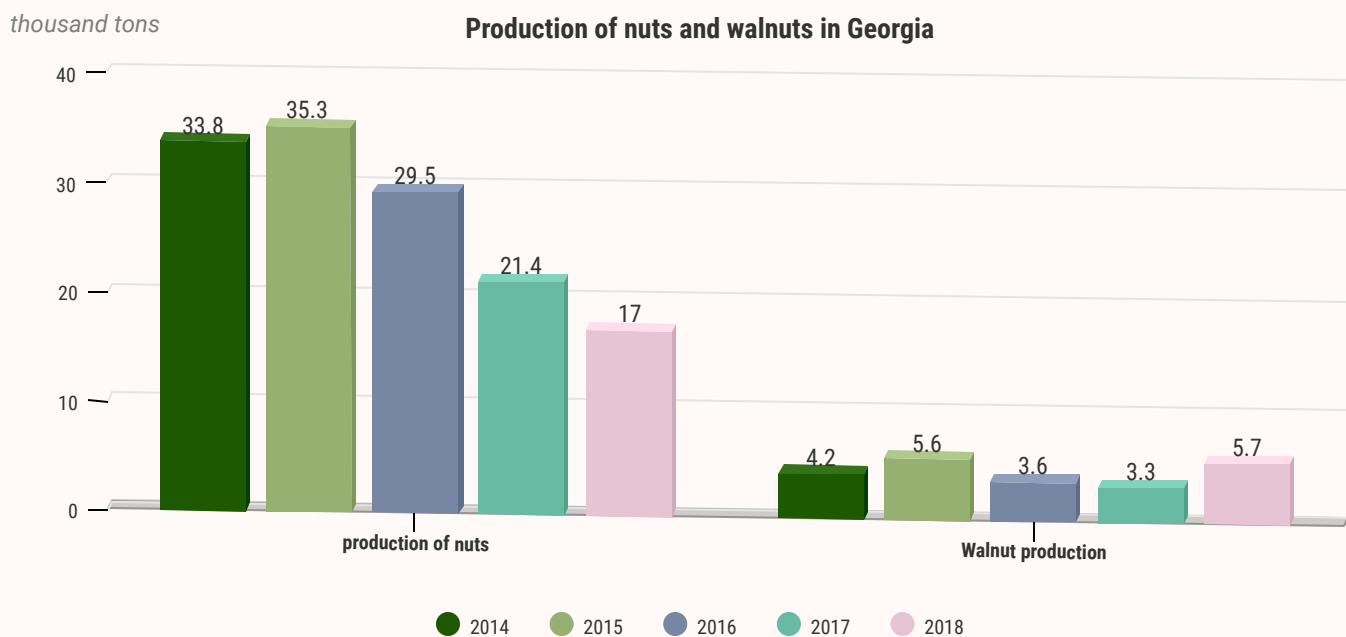
# General overview of the nut and walnut production market

The walnut production industry in Georgia has been steadily growing over the past four years, in 2019 walnut production amounted to 6.6 thousand tons, 16% more than the previous year. A different trend is observed in the nut production industry, the statistics have been quite variable in recent years, nevertheless, much more is produced compared to walnuts, in 2019 the production of nuts amounted to 24 thousand tons. Nevertheless, the country has the capacity to produce much more that will meet the requirements and standards of both the country and the world.

According to the data of the website of the reporting portal, in 2018, nut and walnut production and trading companies accounted for 12.

According to the National Statistics Service of Georgia, in 2018, hazelnut production in Georgia was 17 thousand tons, and walnut production was 5.7 thousand tons.

Below is a diagram showing the amount of production of nuts and walnuts by year.



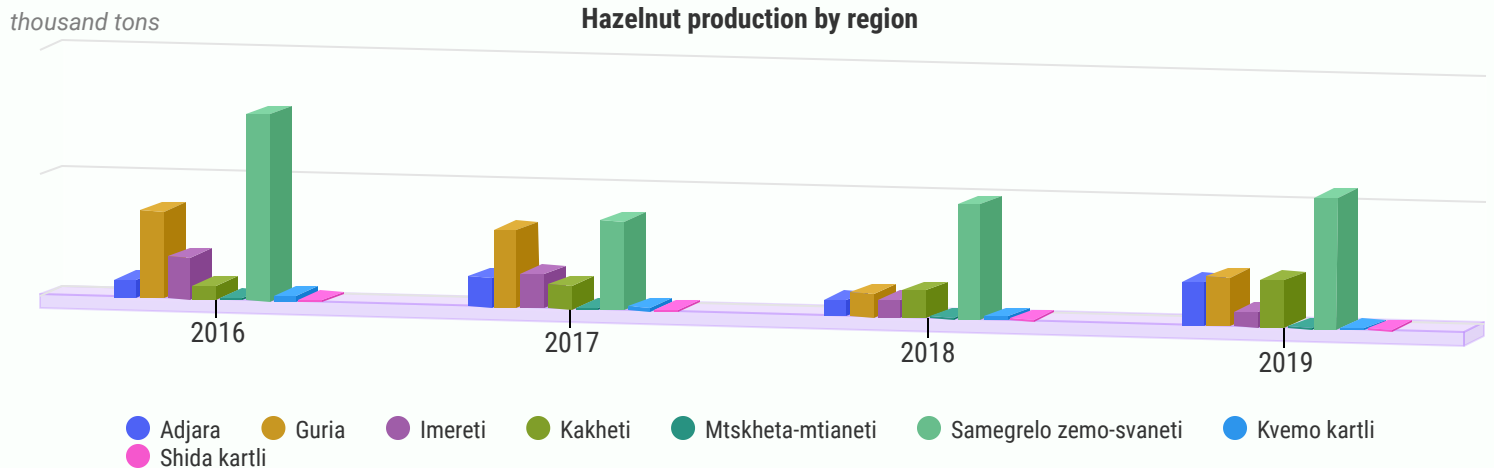
Source:geostat.ge

As can be seen from the graph, nuts are produced in a much larger quantity than walnuts. In the last five years, the maximum number of hazelnut production was recorded in 2015, 35.3 thousand tons, and in the case of walnut production, in 2018, 5.7 thousand tons.



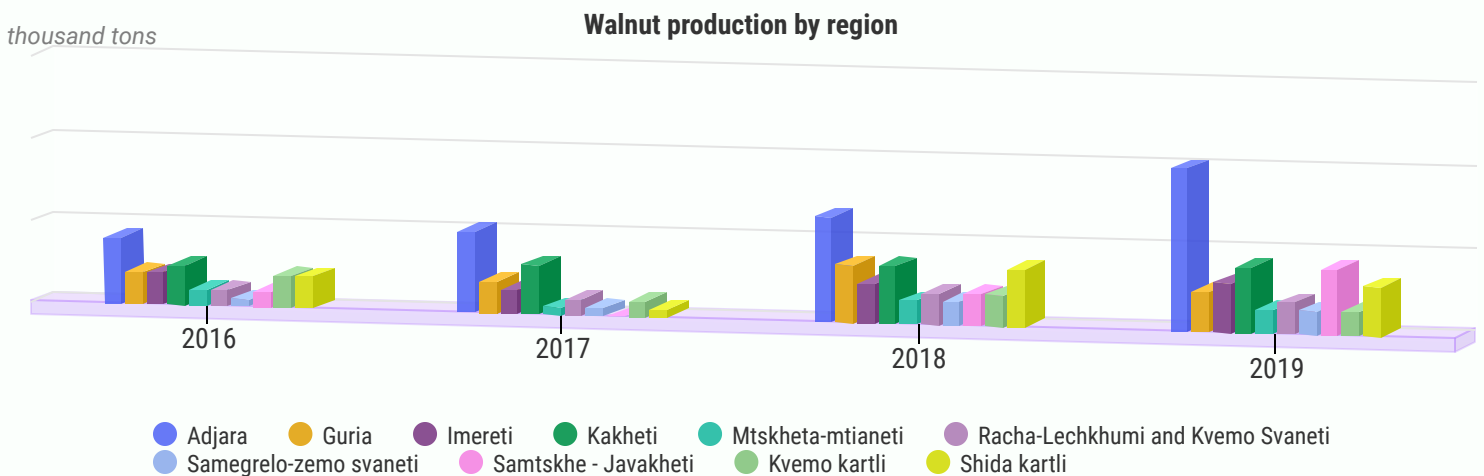
# General overview of the nut and walnut production market

The diagram below shows the production of hazelnuts according to regions, according to the data of the National Statistical Service of Georgia, the most significant amount of hazelnuts is produced in Samegrelo-Zemo Svaneti, in the last four years, the maximum amount was recorded in 2016, 15.3 thousand tons.



Source:geostat.ge

As can be seen from the graph, Guria, Imereti, and Kakheti are included in the top regions along with Samegrelo-Zemo Svaneti. Below is a chart of walnut production by region and year.



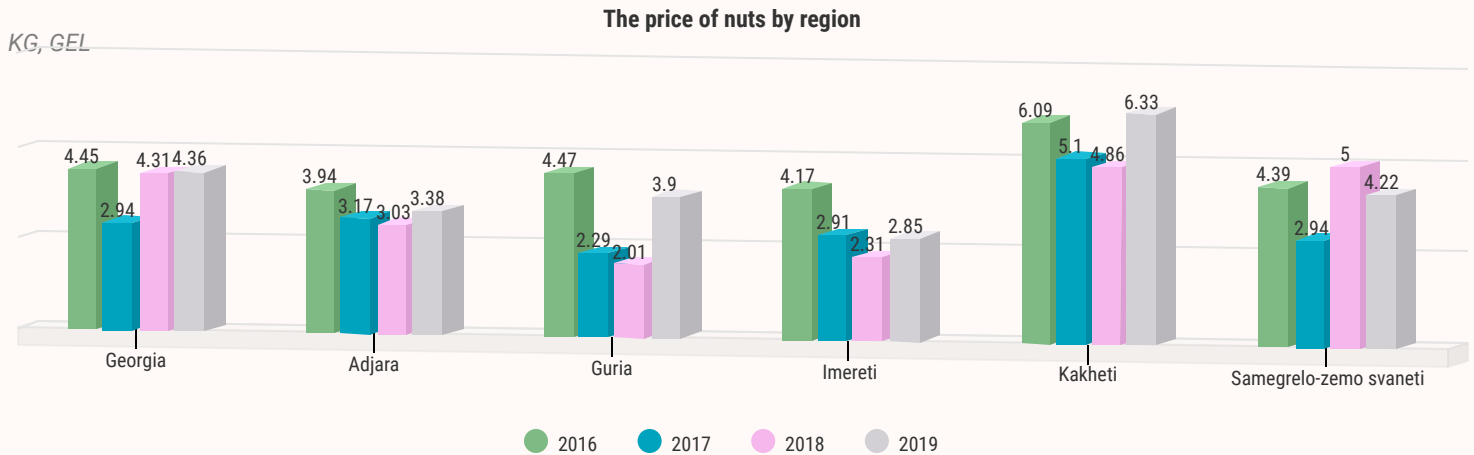
Source:geostat.ge

It can be seen from the diagram that, according to the data of recent years, Adjara is the leader in walnut production, in 2019 it produced 2 thousand tons, followed by Kakheti and Samtskhe-Javakheti with 0.8 thousand tons. The least walnuts were produced in Kvemo Kartli, Samegrelo-Zemo Svaneti, and Mtskheta-Mtianeti, 0.3 thousand tons.



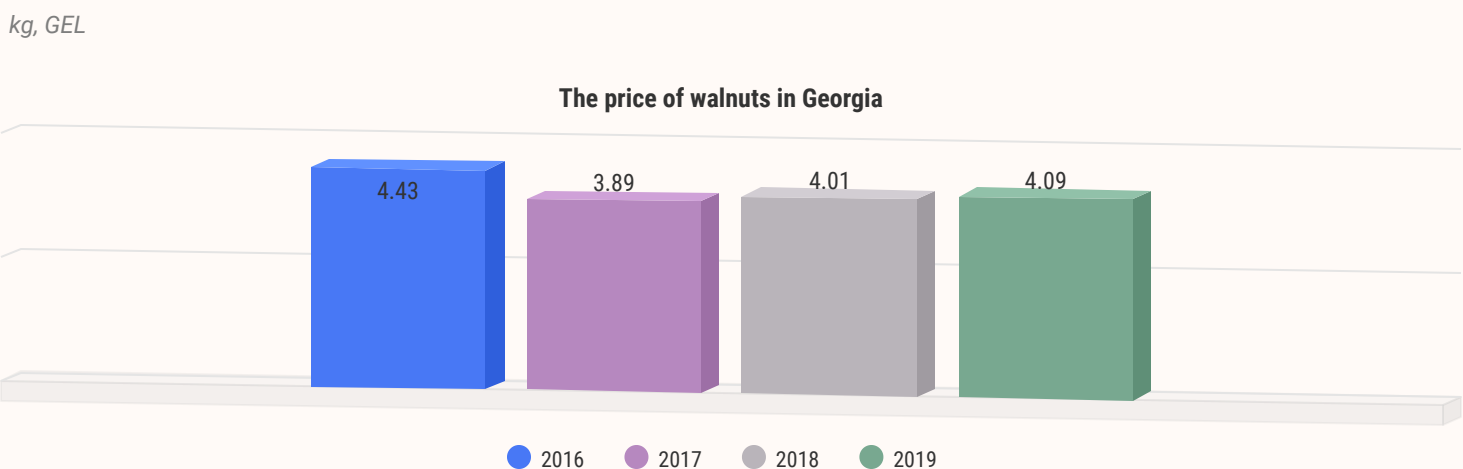
# General overview of the nut and walnut production market

According to the National Statistical Service of Georgia, in 2018, the price of nuts in Georgia amounted to 4.31 GEL per kilogram, and in the case of walnuts, it was 4.01 GEL. Below is the price of nuts by region, and statistics for the last four years.



It can be seen from the graph that during the last four years, the maximum value of the price of nuts was recorded in Kakheti at an average of 5.6 GEL per kg. In 2018, the maximum value of nuts was recorded in Samegrelo-Zemo Svaneti and amounted to 5 GEL, and the minimum value was 2.01 GEL in Guria.

Below is a diagram of the price of walnuts in Georgia for the last four years.



As can be seen from the diagram, in the last four years, the maximum value of walnuts was recorded in 2016 and reached 4.43 GEL, and in 2018, the price of walnuts was 4.01 GEL.





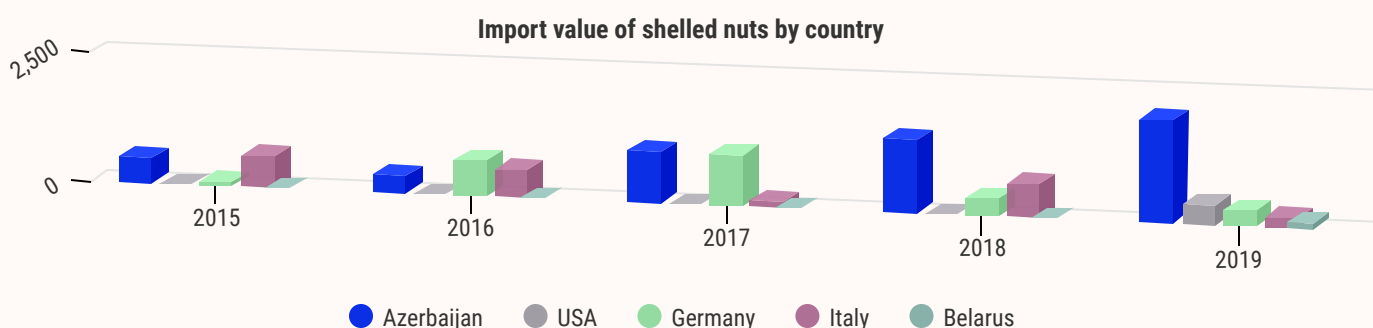
# Export-import of walnuts and nuts

According to the International Trade Center, the total value of imported shelled nuts in 2019 was slightly lower than the previous year, indicating a decrease in demand or an increase in local production. In 2018, the total value of imported shelled nuts was 3,773 thousand US dollars, and in 2019 it decreased to 3,660 thousand US dollars.

The top five countries from which the main shelled nuts are imported are Azerbaijan, the USA, Germany, Italy, and Belarus.

Below, in the form of a diagram, the value of imports by country, and the statistics for the last five years are presented:

thousand, dollars

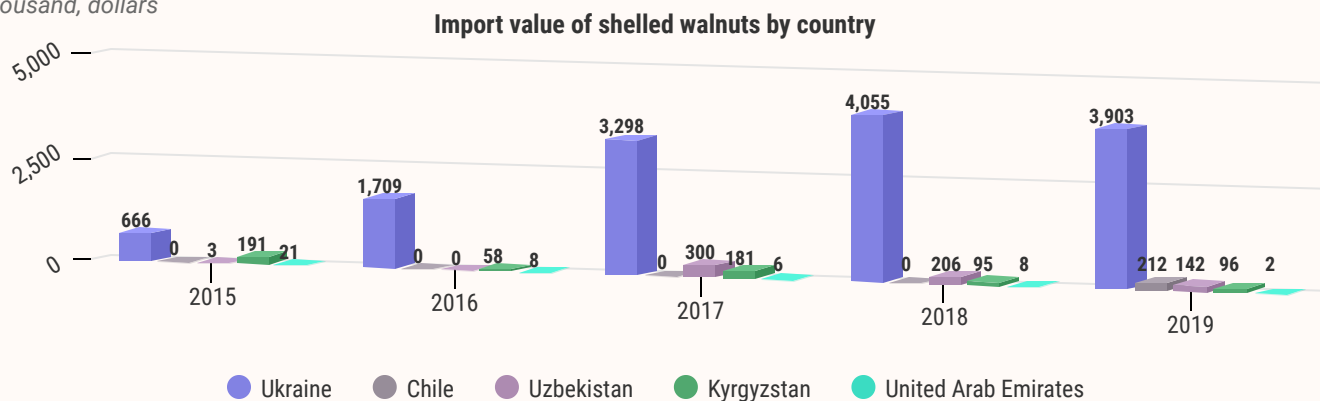


Source: International Trade Center

As can be seen from the graph, during the last five years, the main importing country is Azerbaijan, from where the main part of the nuts is imported. The highest figure was recorded in 2019, the import value was 2,006 thousand USD, it is also interesting that the USA and Belarus imported nuts worth 373 and 132 thousand USD in 2019 alone.

As for the cost of importing shelled walnuts, the following are:

thousand, dollars



Source: International Trade Center

Ukraine has been the main importer of shelled walnuts for the past five years.

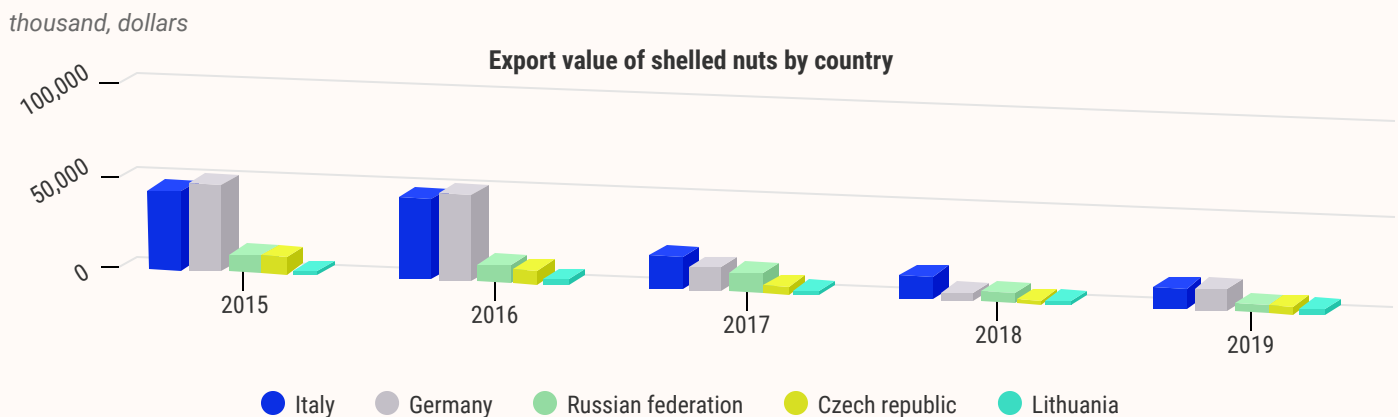


# Export-import of walnuts and nuts

According to the International Trade Center, the total value of shelled nuts exported in 2019 increased compared to the previous year and amounted to 56,435 thousand US dollars, and exceeded 46,190 thousand US dollars in 2018. Nevertheless, compared to previous years, the export of nuts has significantly decreased.

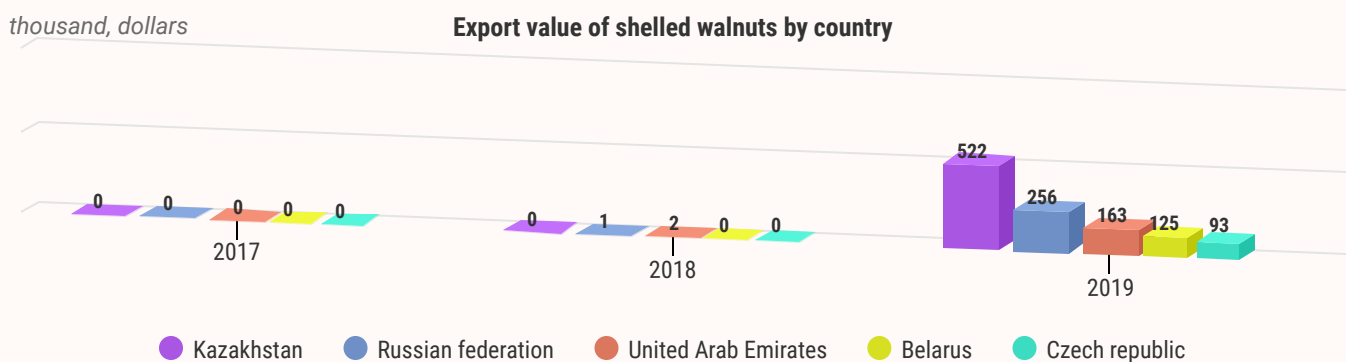
The top five major hazelnut exporting countries are: Italy, Germany, Russian Federation, Czech Republic and Lithuania.

Below, in the form of a diagram, the value of exports by country, and the statistics for the last five years are presented:



Source :International Trade Center

As can be seen from the graph, in the last five years, the main part of the nuts went to Italy and Germany, according to the data of 2019, 11,833 and 11,365 thousand US dollars. It is worth noting the fact that the export of nuts is much higher than the import. As for the export value of shelled walnuts, it is as follows:



Source :International Trade Center

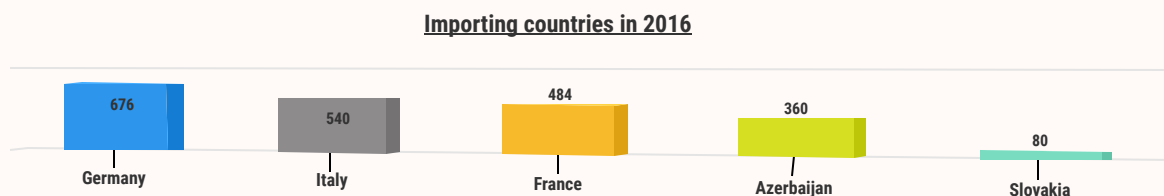
As can be seen from the diagram, in 2019, the main part of the export of walnuts was carried out in Kazakhstan, in this case, the import of walnuts exceeds the export.



# Export-import of nuts and walnuts

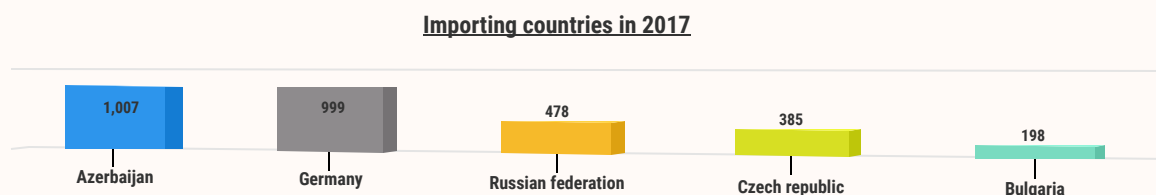
Despite the fact that Azerbaijan is the leader among the nut-importing countries, it is interesting how the top countries have changed in the last four years. Below is a chart of the top five importing countries by year:

thousand, dollars



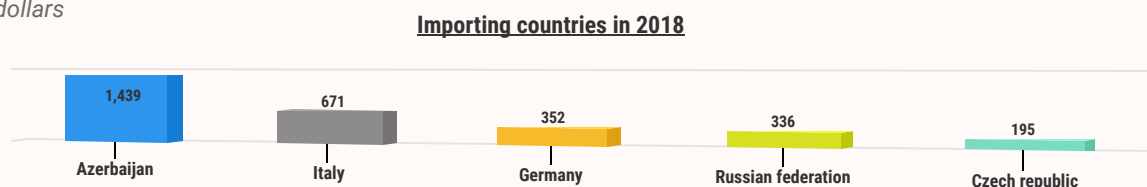
Source :International Trade Center

thousand, dollars



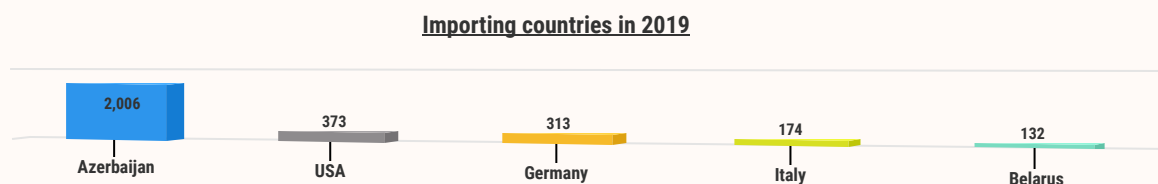
Source:International Trade Center

thousand, dollars



Source:International Trade Center

thousand, dollars



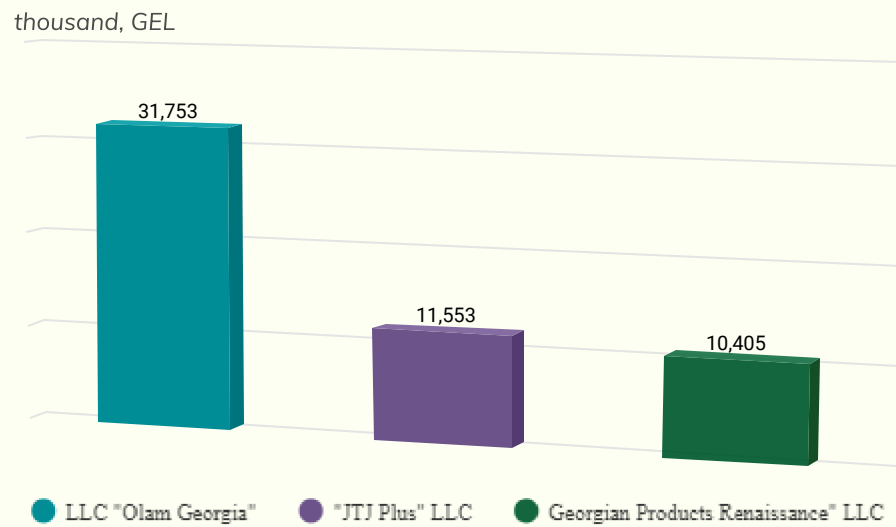
Source :International Trade Center

As can be seen from the graph, the top nut-importing countries and the value of the goods imported by them are quite variable, compared to last year's data.

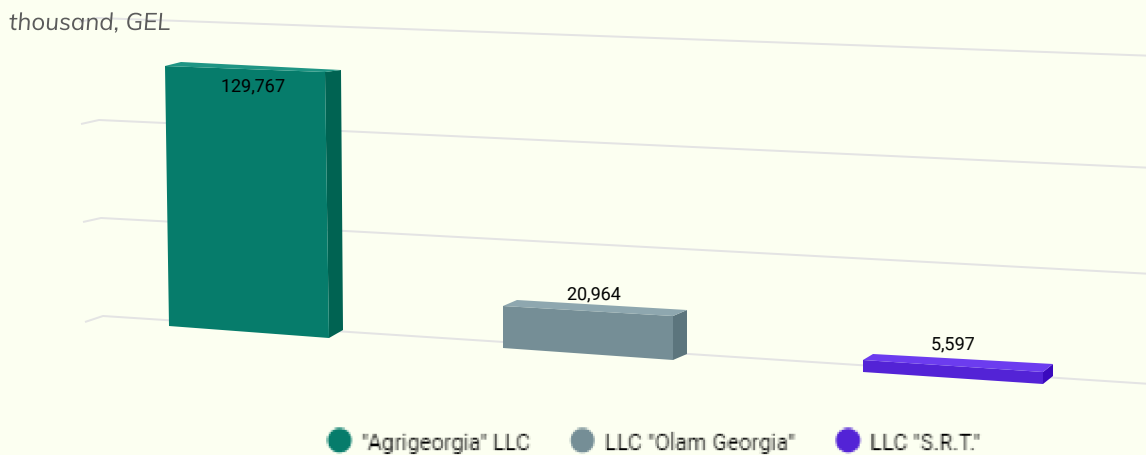


### Top 3 walnut and nut companies by revenue (2018)

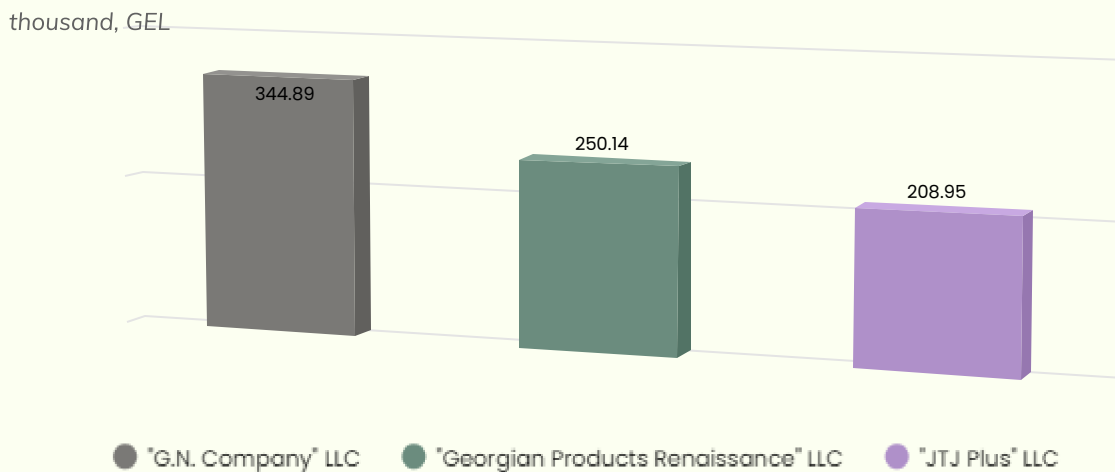
The total income of the mentioned companies represents 54% of the total income of the rest of the walnut and nut-producing companies.



### Top 3 companies in the walnut and nut industry by total assets (2018)



### Profit before tax, top 3 companies in the walnut and nut industry (2018)

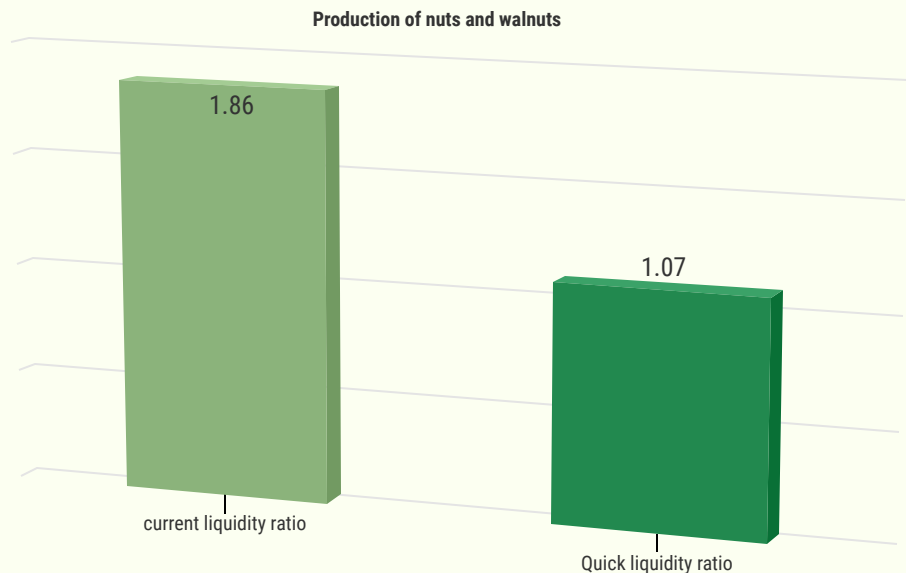




## Industry Average Financial Ratios (2018)

### Liquidity ratios

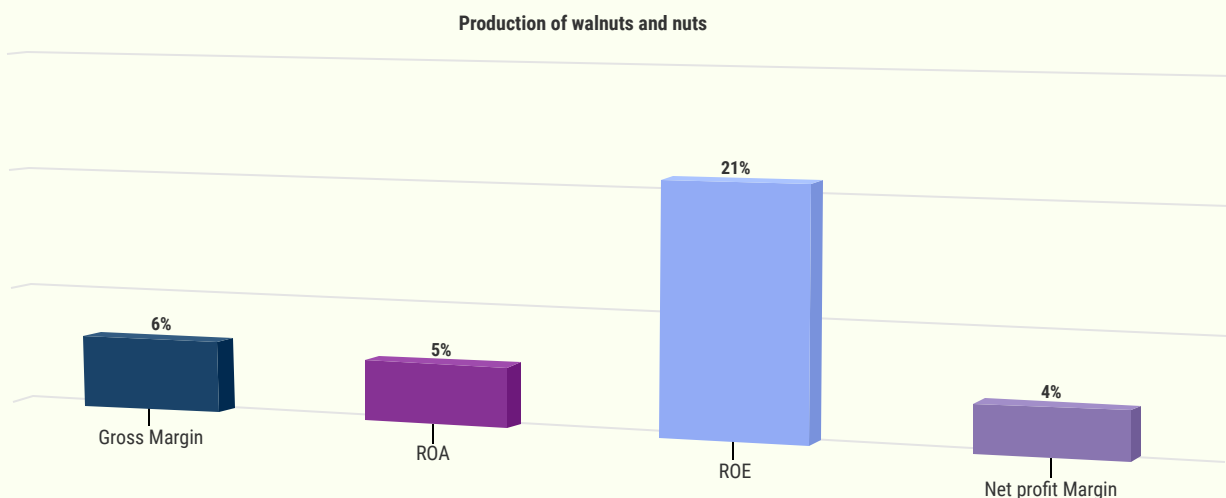
As a result of the study, the liquidity ratios of the nut and walnut industries were determined. Current and quick liquidity ratios were 1.86 and 1.07, when the liquidity ratio is greater than 1, the indicator is considered satisfactory.



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### Profitability ratios

The profitability ratios of walnut and nut-producing companies were as follows: gross profit margin ratio of 6%, the annual return on assets (ROA) for producers is 5%, and return on equity ROE is 21%. The ratio of gross profit margin deserves attention, which is quite low and is only 6%, this indicator is an indicator of how much more the company sells its product compared to the cost price. To a large extent, this indicator determines the profitability of the industry. However, it should also be noted that the costs in the industry are quite high, due to which the net profit margin is 4%.



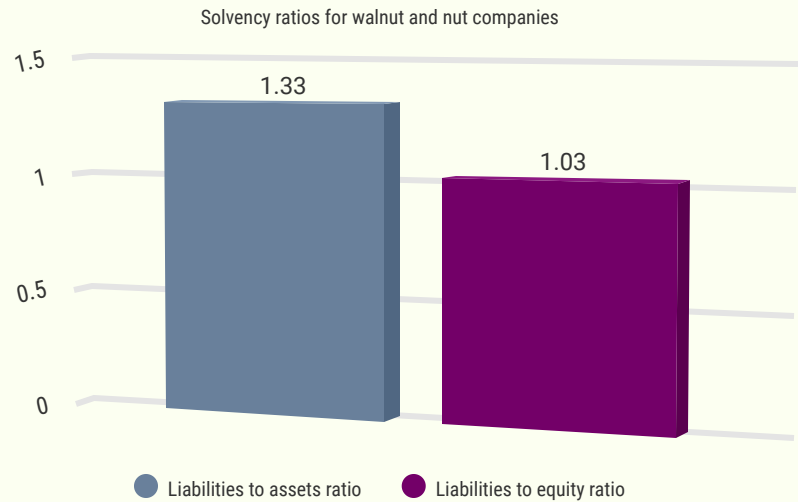




## Industry average financial ratios (2018)

### Solvency ratios

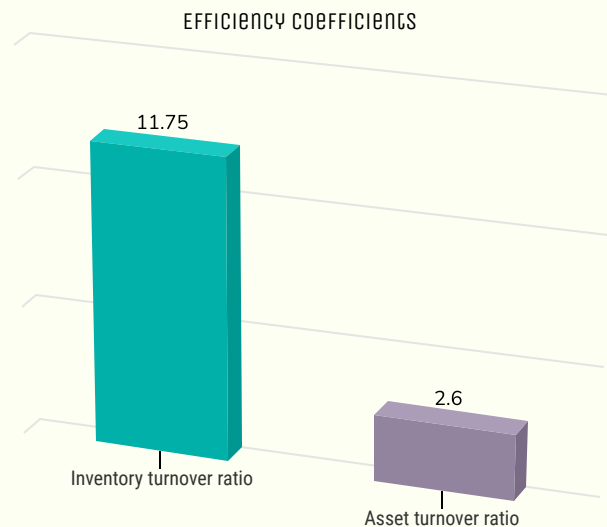
The liabilities to assets ratio shows the ratio of total assets to liabilities for walnut and nut producers. This indicator is equal to 1.33, which indicates the size of liabilities. The lower the ratio, the lower the solvency risks. It is also worth noting the ratio of liabilities to capital, which is 1.03. The higher this ratio, the higher the company's risk.



### Efficiency coefficients

The inventory turnover ratio is 11.75, which is not very high. In general, the higher this ratio, the higher the number of sales and the less time the product spends in the warehouse.

The asset turnover ratio in the industry is 2.6. The higher this ratio, the more efficiently the company is able to use its assets in relation to the volume of sales.





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