

COUNTRY REPORT

**MAY 2021
GEORGIA VS AZERBAIJAN**

**FERRERO'S HAZELNUT SUPPLY-
CHAIN DIVERSIFICATION**



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FERRERO S.A. INTERNATIONAL

- Ferrero is one of the largest specialized confectionery companies in the world:
 - € 12,3 Billion in turnover 2020
 - 37.122 employees in 2020
- Present in 53 different countries
- Ferrero products are present in over 160 countries
- 20 different Production Plants around the world
- 9 owned farms
- 5 owned Social Companies

MISSION

Due to political instability (i.e. the tensions between Italy and Turkey in 2020-2021), and climate change potentially disruptive effects, Ferrero aims to diversify its hazelnut supply chain and increase its business resilience. That is why they asked us (AJL Consulting), to Analyze the possibility of expansion in hazelnut's production in a country part of the EMEA (Europe, the Middle East and Africa) economic area (not Turkey). We will take care of this request by evaluating different producers countries thanks to a variety of different tools made available by sources like COFACE, SACE, Euler-Hermes, S&P and Eastfruit.ru.

VISION

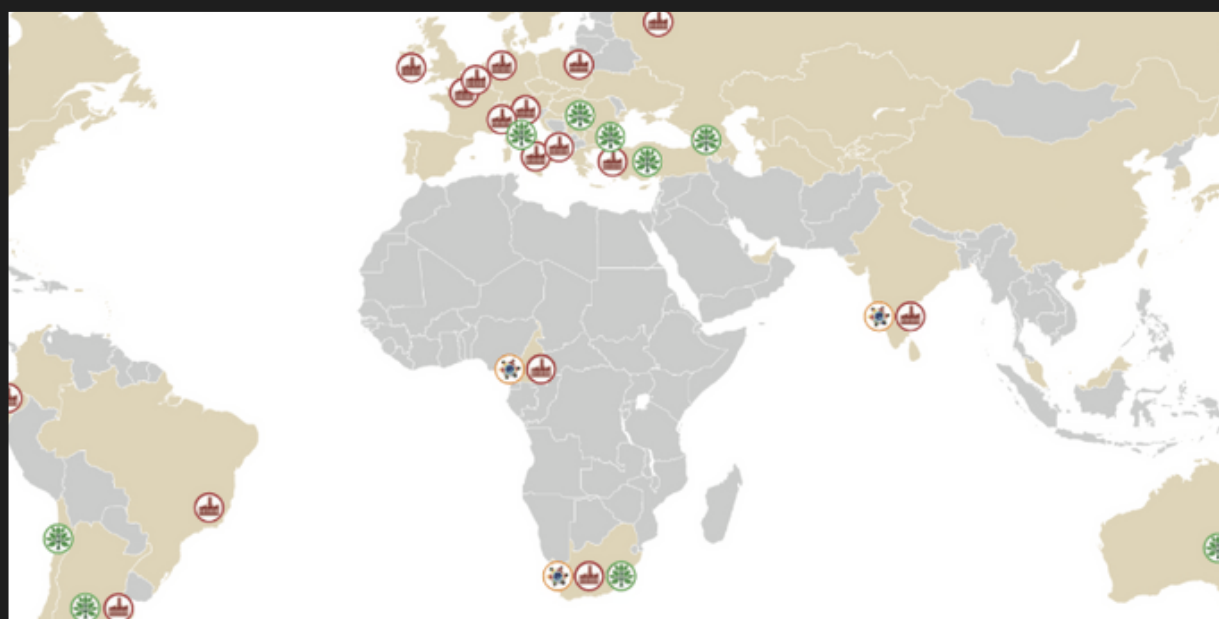
Ferrero is working to build a more ethical relationship that creates value for both hazelnut growers and the confectionery industry. To achieve such an objective Ferrero decided to create Ferrero HCo (Hazelnut Company) in 2015. The HCo division is an example within the hazelnut industry of a "fully integrated value chain Company" from farmer to consumer. We will take care of these guidelines to consider the best countries, and come up with the best choice to fully satisfy Ferrero's criteria and will.

Ferrero S.A International, one of the largest specialized confectionery companies in the world, is looking for new direct investment opportunities in the production of hazelnuts, a fundamental raw material for the preparation of its famous cocoa-hazelnut cream (Nutella®). Ferrero in the last decade, to meet its needs in terms of raw material, it has relied on the large Turkish production which, overall, covers 75% of the global demand for hazelnuts. Turkey is a trading partner of fundamental importance and this will continue also in the future, but Ferrero aims to diversify its hazelnuts production to cover its production needs even in case of adverse climatic events (climate change) or geopolitical turbulence between Italy (the country where Ferrero is based) and Turkey (the largest producer of hazelnuts). - Unfortunately, relations between the two countries are not optimal and this could also create problems for companies operating in Turkey (sanctions and increase in import taxes), as an example see the bitter confrontation and statements by Mr Mario Draghi against the President of the Turkish Republic Mr Recep Tayyip Erdoğan regarding the controversial behaviour of the Turkish government in welcoming the European Commission's President Ms Von Der Leyen. Unfortunately, the political situation in Turkey does not allow for a constructive confrontation on some important international issues (see the case of Libya and the exit from the Istanbul Convention).

Italian -Turkish Economical and political Relations: An Overview

(<https://www.iai.it/sites/default/files/iaip2025.pdf>)

Ferrero's production facilities around the world (2019)



PPRODUCTION SITE



FERRERO SOCIAL ENTERPRISE

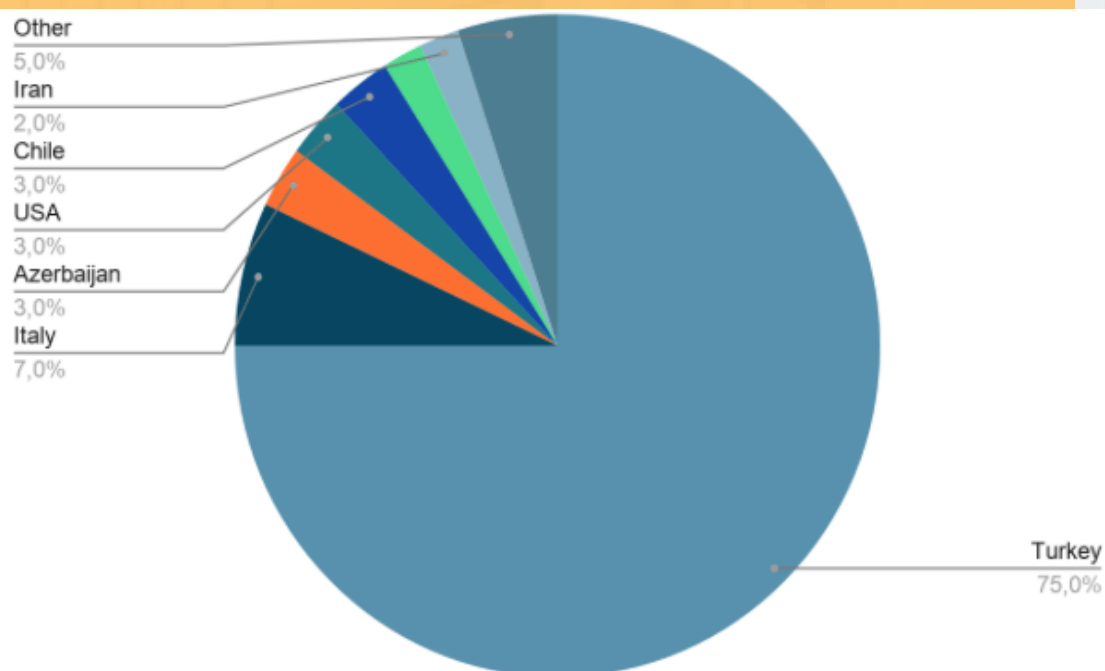


FERRERO HAZELNUTS FARM

To protect its core business and expand its production capacities, Ferrero S.A International would like to find a new country where to focus its investment in farms to increase hazelnut's production and improve the supply diversification, evaluating various country producers, Ferrero focuses its attention on the EMEA (Europe, Middle East and Africa) economic area, where Ferrero has most of its production plants, the sites are located in areas relatively adjacent to the Caucasus, the multinational is present with 7 of its 20 production plants in Poland, Russia, Turkey and Italy. That is why our team has decided to focus on two main countries: Georgia and Azerbaijan, both have traditions in the production of Hazelnuts, both are part of the EMEA and as well they are located in the Caucasus. In Georgia Ferrero has already been present since 2007 with direct investment in a farm in the southwest of the country. Indeed, this could be an opportunity to expand this facility and to create new ones, while in Azerbaijan Ferrero is not present directly but it has partnerships with local suppliers. Azerbaijan is the third-largest producer of Hazelnuts after Turkey and Italy with a total production of 53,000 tons in 2019, while Georgia has a smaller production of 24,000 tons anyhow remaining in the top exporting countries.

Ferrero Global Report:

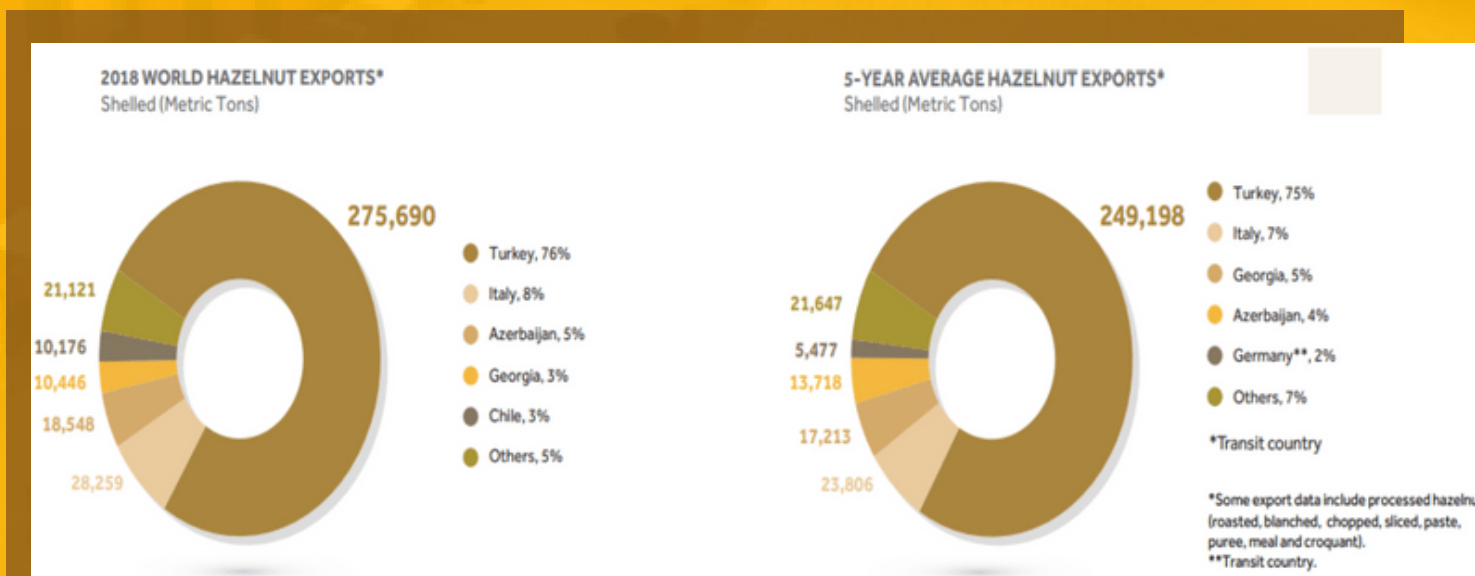
(<https://www.static.ferrero.com/globalcms/documenti/2124.pdf>)



1.2 HAZELNUT MARKET NOWADAYS. FERRERO PRODUCTION FACILITIES AND HAZELNUT SUPPLIERS

The main consumer of hazelnuts in the world is the EU's confectionery industry, which accounts for 80% of all hazelnut purchases. - About a third of Turkish hazelnuts are purchased by the Italian Group Ferrero, which uses them mainly for the production of Nutella® nut-chocolate paste, as well as in other confectionery products. Ferrero's hazelnuts come from different parts of the world, the three main origins being Turkey, Italy and Chile.

To reduce the risks Ferrero, as well as some other European chocolate producers, has been trying to diversify the sources of hazelnuts in the past 10 years, which was the impetus for the rapid development of hazelnut production in (Serbia, Argentina, Australia, Chile, Ukraine, Kazakhstan and Uzbekistan). Ferrero has been directly involved in the hazelnut supply chain since 2000 and started up cultivation in new regions of the world (Argentina, Australia, Chile, Georgia, Serbia and South Africa) to diversify the supplier chain production of hazelnuts to guarantee a high-quality and fresh supply throughout the year. In 2014, the Company acquired the family-owned Oltan Group (Hazelnut Suppliers), then a leading operator in the procurement, processing and marketing of hazelnuts. This enabled Ferrero to acquire new skills and knowledge of the different stages of hazelnut selection and processing.



Main challenges in the Hazelnut supply-chain:

According to EastFruit analysts, global trade in hazelnuts is falling by 8% or an average of \$144 million per year. In addition, there is a decrease in the average world price for the hazelnut kernel by 25% – from \$8.708/ton, FOB, on average in 2013-2015 to \$6.574/ton an average in 2017-2019, FOB. At the same time, revenues from the exports of hazelnuts decreased by 12% in 2017-2019 compared to 2013-2015. Over the past few years, Ferrero has appeared periodically in the press in the context of the traceability of the supply chain of the ingredients used – hazelnuts, palm oil, cocoa. Despite the negative trends in world trade, we cannot say that the consumers are rejecting hazelnuts, or that they have stopped loving hazelnuts. According to the INC (International Nuts Council), the production of hazelnut kernels in the 2019/20 season peaked in the last ten years at 528,000 tonnes (kernel). It is 14% or 68 thousand tons more than in the 2018/19 season.

However, the truth is that hazelnut production is becoming more local and production concentration is declining. Considering that the hazelnut orchards laid down several years ago are gradually beginning to bear fruit in different parts of the world, consumers need not worry about the shortage of Nutella for at least the next 10 years. Investors should consider the negative indicators of trade growth and critically approach the calculations in business plans for the development of nut projects, given the growth of local production. Indeed, with an increase in production and a decrease in the volume of world trade, prices, as a rule, are under serious pressure. Anyhow, these are certainly good news for Ferrero which could purchase raw material on the market for a lower price and, at the same time, use related savings to invest directly in new farms and direct productions.

(<https://east-fruit.com/en/horticulture-market/market-reviews/have-we-stopped-loving-hazelnuts-why-is-the-world-trade-in-hazelnuts-falling/>).

2. GEORGIA

2.1 COUNTRY FACTS SHEET

**2.2 OVERALL COUNTRY RISK
ASSESSMENT**

2.3 HAZELNUT MARKET ASSESSMENT



2.1. COUNTRY FACTS SHEET AND INDEXES



- PREFACE



- COFACE ASSESSMENTS
COUNTRY RISK: C
BUSINESS CLIMATE:A3

-RELEVANT INDEXES

DEMOCRACY INDEX REPORT RANK: 91ST
S&P SOVEREIGN RATING: BB, STABLE
OUTLOOK
ECONOMIC COMPLEXITY RANK: 65TH
CORRUPTION PERCEPTION INDEX: 46TH
RULE OF LAW INDEX:42TH

TOTAL POPULATION: 3.8 MLN



CAPITAL:Tbilisi
1.120 MLN INHABITANTS



MAIN RELIGION:ORTHODOX CHRISTIAN



ETNICITY: PREDOMINANTLY
GEORGIAN



GOVERNMENT: SEMI-PRESIDENTIAL
DEMOCRATIC REPUBLIC



INDIPENDENCY: 1991 FROM THE
USSR



CURRENCY:GEORGIAN LARI (GEL)



TIME ZONE: UTC+4



TOTAL AREA:60,700 SQ KM

LAND: 69,700 SQ KM
KM

WATER:0 SQ KM



AGRICULTURAL LAND:
57.6% (2018 EST.)

2.2. OVERALL COUNTRY RISK ASSESSMENT



- PREFACE

Georgia was absorbed into the Russian Empire in the 19th century. Independent for three years (1918-1921) following the Russian revolution, it was forcibly incorporated into the USSR in 1921 and regained its independence when the Soviet Union dissolved in 1991. Mounting public discontent over rampant corruption and ineffective government services, followed by an attempt by the incumbent Georgian Government to manipulate parliamentary elections in November 2003, touched off widespread protests that led to the resignation of Eduard Shevardnadze, president since 1995. Progress on market reforms and democratization has been made in the years since independence, but this progress has been complicated by Russian assistance and support to the separatist regions of Abkhazia and South Ossetia. In September 2019, Bakhtadze resigned and Giorgi Gakharia was named the country's new head of government, Georgia's fifth prime minister in seven years. Popular and government support for integration with the West is high in Georgia. Joining the EU and NATO are among the country's top foreign policy goals.

- MACROECONOMIC OVERLOOK

- MAJOR MACROECONOMIC INDICATORS (SOURCE: COFACE)

	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.8	5.1	-5.8	4.5
Inflation (yearly average, %)	2.6	4.9	5.3	2.5
Budget balance (% GDP)	-0.8	-1.8	-8.1	-4.8
Current account balance (% GDP)	-6.8	-5.1	-9.8	-8.5
Public debt (% GDP)	40.0	42.6	56.3	59.1
(e): Estimate (f): Forecast				

- POLITICAL AND ECONOMIC POWER STRUCTURE

- **Democratic/legal legitimacy**
- **President - Salomé Zourabichvili**
- **Prime Minister - Irakli Garibashvili**
- **Chairman of Central Bank: Koba Gvenetadze**
- **Cost of labour - Average annual labour cost - 2017 - Agriculture, forestry and fishing → 7775GEL (1 GEL=0.36€) → 2.799€ per year (latest data available)**

2.2. OVERALL COUNTRY RISK ASSESSMENT



- ECONOMIC AND POLITICAL STRUCTURE RISK:

Georgia after a solid growth over the past decade has experienced the deepest recession in the Caucasus. Georgia stood out for its effective management of the pandemic but the stop from mid-March to mid-May 2020 fueled a drop in consumption and private services caused the minus sign in the growth section of the GDP and a consequent increase in public debt with a percentage of 58.7% of the GDP. However, remittances started to increase in June 2020, benefiting from external stimulus plans and becoming a growth engine for private consumption in 2021.

Indeed, the oil prices in the last year helped to contain the inflation rate so the target of 3% to reach in 2021 leaves the door open for further cuts to support credit to the private sector.



2.2 OVERALL COUNTRY RISK ASSESSMENT



STRENGTHS

Georgia has a lot of potential in tourism, agriculture, mining, and hydroelectricity (potentially Georgia can become a self-sufficient energy producer/consumer). Moreover, because of its strategic location, it is centrally placed between Central Asia, Russia, Europe, and Turkey (crossing point for the distribution of Azerbaijani oil and gas from the Caspian Sea to Turkey). Also, Georgia has strong international backing, particularly from the European Union (EU) and the International Monetary Fund (IMF - Several trade agreements, including those with the EU and China). Investing is also relatively less costly than in Azerbaijan, with a relatively high-quality corporate environment.

WEAKNESSES

Georgia's economy is tiny and heavily reliant on tourism, with little economic diversification. Another flaw is the structural trade deficit. Georgia has a dollarized financial system, which is characterized by a high level of poverty and poor governance compounded by corruption. Regional and transportation infrastructures are underdeveloped and a high number of people are in poor condition. The situation with Russia is still tight, due mainly to the tensions arising from the self-proclaimed independent Republic of Abkhazia, which is still formally part of the Georgian State.

2.3 HAZELNUT MARKET ASSESSMENT



- BASIC DATA

- **Total production: 24.000 tons in 2019 - 5th World Producer**
- **Hazelnut is the main agricultural material exported from Georgia**
- **Germany is the main export market (~ 27,5M)**
- **Italy and the Czech Republic are the 2nd & 3rd markets → Both for quantity and revenues (Italy USD 14.79M and the Czech Republic USD 7.04M)**
- **Total Export Volume: 10.400 tons with a 5% increase in the last year**
- **Governmental support. Ministry of Agriculture of Georgia is fostering hazelnut production by launching new rules to regulate hazelnut exports and imports, ensure goods are high quality and eliminate labelling issues.**

- KEY ECONOMIC PLAYERS

- **Georgian Hazelnut Corporation**
- **Nuts L- Georgian hazelnut**
- **GEONUTS**

- HAZELNUT PRODUCTION

More than 90% of the hazelnut produced by Georgia is exported, and the local consumption of the country is 10%. Hence, the hazelnut production in Georgia is entirely focused on foreign markets and their current tendencies. It was revealed that the share of large-scale farmers exceeds 10%. Most of the hazelnut processing companies do not own their plantations that are mainly concentrated in the Samegrelo region, using 80% of their capacity and provide a significant number of jobs. Despite some positive trends, the situation has deteriorated sharply in the last two years, namely, the nut quality (due to the spread of disease), crop, and the steep fluctuation of the hazelnut price has been revealed. In the current situation, to prevent the expected losses and improve the quality of the product the state support is crucial. In general, the Government has been supportive of agricultural development and rural poverty reduction and, particularly in recent years, agriculture has been returning as a priority of policymaking and public investments. Although there is no direct support from the Georgian Government to farmers, the Government is cooperating with the foreign organization as Ferrero or USAID, which have an interest in industry improvement.

2.3 HAZELNUT MARKET ASSESSMENT



- STRENGTHS

- A LONG-STANDING TRADITION IN NUTS CULTIVATION
- COMPETITIVE PRODUCTION PRICE
- LOCATION AT THE BLACK SEA REGION - THE MOST SUITABLE LOCATION FOR HAZELNUT GROWING
- ADEQUATE SOIL AND CLIMATIC CONDITIONS
- FREE TRADE REGIME WITH THE EU
- COOPERATION AMONG FARMERS IN PURCHASE OF INPUTS PROCESSING
- INCREASE ECONOMIC YIELD THROUGH PRODUCTION AND QUALITY
- GROWING DEMAND AT INTERNATIONAL MARKETS
- TARIFF PREFERENCE UNDER THE GENERALIZED SYSTEM OF PREFERENCES (GSP+)



- WEAKNESSES

- LOW PRODUCTIVITY (HAZELNUT YIELDS ARE SIGNIFICANTLY LOWER THAN INTERNATIONAL AVERAGES)
- QUANTITY OF HAZELNUT SUPPLIERS
- EXCESSIVE LAND FRAGMENTATION AND SMALL SIZE OF HAZELNUT PRODUCERS
- OUTDATED MACHINERY
- NO ISO 9001: 2015 SYSTEM
- POOR QUALITY OF HAZELNUTS
- USE OF ACIDITY AND AFLATOXINS
- COMPETITION FROM TURKEY, WITH MORE EXPERIENCES AT INTERNATIONAL MARKET
- BARRIERS OF ENTRY TO GLOBAL MARKET

3. AZERBAIJAN

3.1 COUNTRY FACTS SHEET

3.2 OVERALL COUNTRY RISK ASSESSMENT

3.3 HAZELNUT MARKET ASSESSMENT



3.1. COUNTRY FACTS SHEET AND INDEXES



- COFACE ASSESSMENTS
COUNTRY RISK: C
BUSINESS CLIMATE: C

-RELEVANT INDEXES

DEMOCRACY INDEX REPORT RANK: 146TH
S&P SOVEREIGN RATING: BB+, STABLE
OUTLOOK
ECONOMIC COMPLEXITY RANK: 124TH
CORRUPTION PERCEPTION INDEX: 129TH
RULE OF LAW INDEX: --

TOTAL POPULATION: 10MLN



CAPITAL: BAKU
2.371 MLN INHABITANTS



MAIN RELIGION: SHIA ISLAM



ETHNICITY: MAJORITY OF ETHNIC
TURKS



GOVERNMENT: UNITARY SEMI-
PRESIDENTIAL REPUBLIC



INDIPENDENCY: 1991 FROM THE
USSR



CURRENCY:MANAT (₼) (AZN)



TIME ZONE: UTC+4 (AZT)



TOTAL AREA: 86,600 SQ KM

LAND: 82,629 SQ KM

WATER: 3,971 SQ KM



AGRICULTURAL LAND:
57.6% (2018 EST.)

3.2. OVERALL COUNTRY RISK ASSESSMENT



- PREFACE

Azerbaijan succeeded in significantly reducing the poverty rate and has directed revenues from its oil and gas production to develop the country's infrastructure in the aftermath of its independence. However, the level of corruption is still high and the government leans toward authoritarianism (Freedom House).

The country's leadership has stayed in the Aliyev family since Heydar Aliyev became president in 1993 and was succeeded by his son, President Ilham Aliyev in 2003. Following two national referendums in the past several years that eliminated presidential term limits and extended presidential terms from 5 to 7 years, President ALIYEV secured a fourth term as president in April 2018 in an election that international observers noted had serious shortcomings.

- MACROECONOMIC OVERLOOK

- MAJOR MACROECONOMIC INDICATORS (SOURCE: COFACE)

	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.5	2.2	-4.0	2.0
Inflation (yearly average, %)	2.3	2.7	3.0	3.1
Budget balance (% GDP)*	5.5	8.1	-6.3	-5.8
Current account balance (% GDP)	12.8	9.1	-3.6	4.5
Public debt (% GDP)	18.7	17.7	20.1	20.0

(e): estimate (f) forecast

- POLITICAL AND ECONOMIC POWER STRUCTURE

- Political legitimacy nationalism (appealing to pan-turkism)-clientelism
 - President - Ilham Aliyev
 - Prime Minister - Ali Asadov
 - Chairman of Central Bank: Elman Rustamov
 - SOFAZ CEO - Israfil Mammadov
-
- Cost of labour - Average annual labour cost - 2019 - Agriculture, forestry and fishing → 5812 MANAT (1 MANAT=0.48 €) → 2790 per year (latest data available)

3.2. OVERALL COUNTRY RISK ASSESSMENT



- ECONOMIC AND POLITICAL STRUCTURE RISK:

Azerbaijan is heavily reliant on oil exports and is therefore vulnerable to global oil price volatility. The level of integration into the international financial system is relatively low, reducing the risk of other external financial shocks. Moreover, it can be argued that the opacity, clientelist and authoritarian power and economic structure of the country could be a added-costs of investing there.

Although, for what regards more closely the job market, labour cost is relatively in line with similar countries. Compared to Georgia, data show quasi-identical results for the annual cost of labour. Data on the cost of labour however are heavily influenced by the gigantic shadow economy present in the country, and especially in the agricultural sector.



3.2. OVERALL COUNTRY RISK ASSESSMENT



- STRENGTHS

Firstly, Azerbaijan has a strategic geographic position between Europe, Russia and China. Moreover, the Azerbaijani's government possess SOFAZ, which is a well-endowed sovereign wealth fund thanks to hydrocarbon production. Moreover, thank to the oil revenues, Azerbaijan has a net external credit position.

Although not yet exploited, the country has significant gas potential in its exclusive economic zone in the Caspian Sea. Moreover, the launch of gas exports to Europe via Turkey and Greece at the end of 2020 via the Trans Adriatic Pipeline (TAP) strengthened the Azerbaijani economic ties with Europe. Finally, the government made some effort in improving the governance's situation (more legal security, reduction of petty corruption)(source USAID 2021).

- WEAKNESSES

The main concern about Azerbaijani's economy comes from its poor economic diversification, high dependence on hydrocarbons (124th in the ECR - 40% of GDP, 90% of exports and two-thirds of tax revenues). Moreover, the country resources are declining over time and the strong global push towards a non-fossil fueled the global economy. Also, anticompetitive market structures persist in the county's economic system (multi-sectoral conglomerates with strong ties to the State). Other sources of concern come from the fragile, opaque and dollarized banking system (32% of loans and 59% of deposits), underdeveloped credit to the private sector (13% of GDP)

Poor governance (corruption, repression, money laundering, politicisation of the judicial system).

Armed conflict with Armenia around the enclave of Nagorno-Karabakh may give rise to occasional clashes, even after the ceasefire of 9 November 2020

3.3. HAZELNUT MARKET ASSESSMENT



- BASIC DATA

- **Total production: 53.79K tons (2019) - 3th World Producer**
- **As 2019, Hazelnut is the third largest non-oil commodity exported by Azerbaijan**
- **Russia is the main export market (~ 44.5%)**
- **Germany and Italy are the 2nd & 3rd markets → Both for quantity and revenues (~ 38.5% of the total exports)**
- **Governmental support. Ministry of Agriculture of Azerbaijan and FAO joint project - 1.3 M€ investment to improve production and job standards**

- KEY PLAYERS

- **AZERBAIJAN HAZELNUT EXPORTER CONSORTIUM**
- **NUTSOIL LLC**

- HAZELNUT PRODUCTION

Hazelnuts are specially grown in the northwestern regions of Azerbaijan – Balakan, Zaqatala (offers around 70-75% of the total production), Gakh, Gabala, Oghuz and Shaki, and in northern regions, such as Khachmaz, and Shabran. Hazelnuts produced in the Khachmaz region are mainly exported to Russia, and those produced in Gabala, Oghuz, Gakh, Zaqatala and Balakan regions are supplied to many countries in the world.

in August 2019, Azerbaijan, Georgia and Turkey signed a declaration on strategic cooperation to improve the quality and increase the production of hazelnut.

The current Covid-19 pandemic situation affected the strategies of the hazelnut exporters. Due to the lockdown panic, Azerbaijani hazelnut exporters significantly increased their exports to Russia and the EU in March 2020. The importers benefited from this situation and offered lower prices, which affected the revenues of the Azerbaijani exporters in the first quarter of 2020. Overall, Azerbaijan retains higher market prices than the other competitors in the Caucasus region and Family Farm Production High Taxes to export to the EU. Finally, the blurred Governance hampers investments and renders higher the overall costs of the FDI.

3.3. HAZELNUT MARKET ASSESSMENT



- STRENGTHS

- **STRONG INSTITUTIONAL BOOST TO IMPROVE THE HAZELNUT PRODUCTION: EX. 2020-2023 → MINISTRY OF AGRICULTURE OF AZERBAIJAN AND (FAO) JOINT PROJECT - 1.3 M€ INVESTMENT**
- **BETTER ORGANIZATION AND TECHNOLOGY THAN IN GEORGIA**
- **HIGH QUALITY PRODUCTS IN THE CAUCASUS AREA**

- WEAKNESSES

- **OVERALL HIGHER PRICES**
- **FAMILY FARM PRODUCTION**
- **HIGH TAXES ON EXPORT TO THE EU**
- **BLURRED GOVERNANCE THAT HAMPERS INVESTMENTS**



3.3. CONCLUSIONS - GEORGIA

- FINAL COMPARISON TAB

*2020 estimates	AZERBAIJAN	GEORGIA
GDP growth (%)*	-4.0	-5.8
Inflation (yearly average, %)*	3.0	5.3
Budget balance (% GDP)*	-6.3	-8.1
Current account balance (% GDP)*	-3.6	-9.8
Public debt (% GDP)*	20.1	56.3
Cost of labour - Agriculture (annual)	2790 euro	2799 Euro
Main Exports	Petroleum (crude and refined), tomato, gold, hazelnuts	Copper, cars, ferroalloys
Economic Complexity	124th	65th
Democracy Index Report Rank	146th	91st
S&P sovereign rating	BB+, Stable Outlook	BB, Stable Outlook
Corruption perception index	129th	46th
Rule of Law Index	--	42th
Country Risk Assessment (Coface)	C	C
Business Climate Assessment (Coface)	C	A3

GEORGIA is the ultimate choice for AJL consulting. Although the Georgian economy was hitten harder than the Azerbaijani one (for what concerns the main economic indicators - mainly due to SOFAZ and the immense Azerbaijani oil reserves) our decision to advise Ferrero to invest in Georgia is sound. The main reason for choosing Georgia rather than Azerbaijan resides in its better-established ties with Europe and its free access to the Black sea. Even though both countries present challenges to FDI, Georgia's hazelnut market and supply chain are better connected with Western Europe, the region in which Ferrero has concentrated its factories.

Moreover, Ferrero has already FDI in the country, which will bring down the start-up costs.

Surely investments will be needed to improve the quality of the Georgian's hazelnut to help them meet the high Ferrero's standards. However, a safer business climate environment (A3 vs C), a better Rule of law and the Corruption Perception Indexes have contributed to steering our decision towards Georgia.

5. SOURCES

- MISSION

- **Ferrero's Global Strategy and Business report:** <https://www.static.ferrero.com/globalcms/documenti/2124.pdf>
- **Italian –Turkish Economical and political Relations: An Overview** <https://www.iai.it/sites/default/files/iaip2025.pdf>
- **Ferrero Global Report:** <https://www.static.ferrero.com/globalcms/documenti/2124.pdf>
- **First Chart:** (<http://www.fao.org/faostat/en/#data/QC/visualize>)
- **Second Chart:** (<http://www.fao.org/faostat/en/#data/QC/visualize>)
- **Hazelnut supply-chain:** <https://east-fruit.com/en/horticulture-market/market-reviews/have-we-stopped-loving-hazelnuts-why-is-the-world-trade-in-hazelnuts-falling/>).

- GEORGIA

- **CIA:** <https://www.cia.gov/the-world-factbook/countries/georgia/>
- **COFACE:** <https://www.coface.com/Economic-Studies-and-Country-Risks/Georgia>
- **Economic Complexity Ranking:** <https://atlas.cid.harvard.edu/rankings>
- **European Neighbourhood Programme for Agriculture and Rural Development (ENPARD):** <http://enpard.ge/en/>
- **Euler-Hermes:** https://www.eulerhermes.com/en_global/economic-research/country-reports/Georgia.html
- **Labour Productivity:** <https://www.ceicdata.com/en/country/georgia>
- **SACE:** <https://www.sace.it>
- **S&P:** <https://disclosure.spglobal.com/ratings/en/regulatory/search result/searchType/Entity/searchTerm/georgia>
- **The Economist:** <http://country.eiu.com/georgia>
- **TRADEMAP:** <https://www.trademap.org/Index.aspx>
- **Transparency International:** <https://transparency.eu>
- **Tridge:** <https://www.tridge.com/intelligences/hazelnut-in-shell/GE/price>
- **USAID:** <https://www.usaid.gov/georgia>
- **World Justice Project:** <https://worldjusticeproject.org/rule-of-law-index/country/2020/Georgia>

- AZERBAIJAN

- **COFACE:** <http://coface.com/Economic-Studies-and-Country-Risks/Azerbaijan>
- **SACE:** <https://www.sace.it/en/maps/detail?countryCode=az>
- **CIA: The world factbook** - www.cia.gov
- **S&P:** <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-revises-outlook-on-azerbaijan-to-stable-on-reduced-war-related-risks-62259046>
- **Azerbaijan Credit Rating:** <https://tradingeconomics.com/azerbaijan/rating>
- **Tridge:** <https://www.tridge.com/intelligences/hazelnut-in-shell/AZ>
- **Governance - DEMOCRACY INDEX REPORT:** <https://www.eiu.com/n/campaigns/democracy-index-2020/>
- **Report AZ:** <https://report.az/en/aic/hazelnut-production-in-azerbaijan-to-grow-by-55-6/>
- **Cost of Labour:** <https://www.stat.gov.az/source/labour/?lang=en>
- **Labour Productivity:** <https://www.ceicdata.com/en/indicator/azerbaijan/labour-productivity-growth#:~:text=Azerbaijan%20Labour%20Productivity%20improved%20by,2020%2C%20averaging%20at%200.36%20%25.&text=Its%20Unemployment%20Rate%20increased%20to%206.94%20%25%20in%20Sep%202020>
- **Azerbaijani hazelnut exporter consortium:** <https://ahec.az/>
- **NUTSOIL:** <https://nutsoil.az/en/pages/azerbaijan-hazelnut-industry>
- **FAO REPORT:** <http://www.fao.org/3/CA0009EN/ca0009en.pdf>
- **USAID:** <https://www.usaid.gov/azerbaijan/democracy-human-rights-and-governance>
- **Economic complexity ranking:** <https://atlas.cid.harvard.edu/rankings>