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Greece

Cotton Update

1999

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Report Highlights:

Severe hail in August destroyed approximately 1,000-1,200 hectares or about 30,000-34,000 mt of seed cotton. Wet weather conditions reduced the quality of the remaining crop. Greek traders hope to export 15,000 to 20,000 mt of cotton to the U.S. this year, after having broken into the market for the first time in MY 1998/99 with a 60,000 mt sale of lint.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

In late August, hail storms in central Greece (Thessaly), where 50 percent of the Greek cotton is produced, destroyed an area of approximately 1,000-1,200 Hectares which corresponds to a production of about 30,000-34,000 MT of seed cotton.

For the remainder of the crop, the 1999 Greek cotton harvest is expected to start on September 20, which is early due to a warm summer. Some heavy rains in the first half of September affected product quality in most of the growing regions. Due to the wet conditions, lint color turned to white/yellowish. Full maturity of lint (below average micronaire) was also affected due to unusual low temperatures during evening hours in the last three weeks. Other quality characteristics were not impacted. Generally, crop quality is not expected to be satisfactory.

There are three official cotton output estimates available for 1999:

Hellenic Cotton Board:	1,185,000 MT (seed cotton basis)
Ministry of Agriculture:	1,135,000 MT (“)
European Union:	1,231,000 MT (“)

AgOffice estimates (based on trade and grower coops in the region), of cotton output following the hail damage are 1,200,000 MT (384,000 MT of lint), close to the EU estimate. The three sources routinely disagree due to different ways (and goals) of estimating hail damage and yields. The initial Hellenic Cotton Board (HCB) estimates are reported to the Ministry of Agriculture who then reports the estimates to the EU. The EU estimates are then used to calculate advance payments to the farmers. Since a larger crop results in smaller payments, it is believed that the EU increases the crop estimates for budgetary reasons while the GOG decreases estimates in order to gain higher payments for the farmer. In the case of this year's cotton crop, some sources report that the Ministry of Agriculture greatly over-exaggerated the hail damage compared to the initial numbers provided by the HCB, which does not believe that cotton output loss exceeded 35,000 MT (seed cotton basis).

Demand for Greek cotton is low in September due to a downward trend of prices. For the 1998 cotton crop, current export prices fluctuated between 41-42 cents/lb (FOB) and average 44 cents/lb (FOB) for the 1999 crop. Last year for the same period (September 1998), prices were as high as 60 cents/lb. Trade sources report that this is a world wide phenomenon. Although world output is close to last year's level, consumption is down due to stiff competition from the synthetic yarns and no purchases are taking place from spinners, who have large yarn carry ins and hope for further drop of cotton lint prices.

Traditional buyers of Greek cotton lint (Italy and Germany) are waiting further price reductions and do not intent to proceed with contracts. The far east mainly buys cheap cotton from China due to huge carry overs. According to Greek trade sources only 6,000-7,000 MT of cotton (1999 crop) is booked to date, while sales from the 1998 crop are finding markets slowly and at low prices. In the past, Turkey used to buy a lot of Greek cotton at this time of the year, but no transactions are reported to date. Due to lower than expected production in the U.S. due to the recent hurricane, Greek exporters hope to sell cotton to the U.S. (Early in MY 1998/99, about 60,000 mt of Greek cotton lint were sold to the U.S., for the first time). In the case that US cotton output drops to 17.5-17.8 mln bales, Greek traders hope to sell up to 15-20,000 mt of lint to the U.S.

PS&D Table, Cotton

PSD Table						
Country	Greece					
Commodity	Cotton					
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		08/1997		08/1998		08/1999
Area Planted	0	390000	0	415000	0	445000
Area Harvested	400000	388000	0	412000	0	427000
Beginning Stocks	81647	58978	0	77978	0	94978
Production	359249	370000	0	382000	0	384000
Imports	9798	10000	0	5000	0	4000
TOTAL SUPPLY	450694	438978	0	464978	0	482978
Exports	206840	225000	0	210000	0	230000
USE Dom. Consumption	121927	135000	0	148000	0	148000
Loss Dom. Consumption	16329	1000	0	12000	0	5978
TOTAL Dom. Consumption	138256	136000	0	160000	0	153978
Ending Stocks	105597	77978	0	94978	0	99000
TOTAL DISTRIBUTION	450693	438978	0	464978	0	482978