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Cotton and Products

Annual

2005

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Report Highlights:

Greek cotton production for 2004 was 1.2 million tons, seed cotton basis, with lint estimated at 390,000 tons. Greece sold 117,000 tons of cotton to EU member states last year, and of this Italy bought 90,000 tons. Other major export destinations were Egypt and Bulgaria. Greek spinners buy some U.S. lint to blend with domestic cotton. Greece imported 600 to 700 tons of extra long staple in 2004. Yarn production in 2004 is estimated at 135,000 tons, of which 65 percent is cotton.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

SUPPLY & DEMAND, POLICY & MARKETING

Production

According to official data for cotton output available (reported by GOG as final), the 2004 crop production is reported to be 1,206,000 MT (seed cotton basis), compared to only 996,000 MT (seed cotton basis) in 2003, and to 2002 crop output of 1,131,000 MT (seed cotton). Planted acreage in 2004 was 380,000 hectares (375,000 hectares fully harvested), while 2003 acreage was 368,000 Ha (reportedly, 363,000 Ha were harvested in 2003). Yields in a good year fluctuate between 3,150-3,250 kg/ha. The estimate for the 2004 cotton lint output is 390,000 MT (1,790,000 bales of 480 lb) compared to 332,700 MT (1,527,000 bales of 480 lb) in 2003. A yield of 32.4% in the cotton mill is reported for the period September 04 – April 05, compared to 33.4% in the same period a year earlier (national weighted average). Acreage planted to cotton in 2005 is reported to be approximately 358,000 Hectares. This is a preliminary estimate reported by the GOG Ministry of Agriculture (figure subject to slight revisions in the future). However, the GOG Ministry of Agriculture and Food has announced that this acreage is the acreage “target” for this year, in an attempt to keep production within the EU guaranteed threshold. By staying on target farmers get the highest possible price subsidy, avoiding high coresponsibility levies as was the case a year earlier.

Under this acreage planted in 2005, a lint output of 371,000 MT is expected to be produced, corresponding to about 1,080,000 – 1,100,000 MT of seed cotton harvest. The reduction of output in 2003 was due to serious problems caused to the crop by extensive green bollworm infestations resulting in lower yields. In 2004, acreage has recovered but output has exceeded the EU guaranteed quota by almost 70,000 MT (seed cotton basis), which were kept unmilled for a long period, due to the fact that the EU was not willing to support this amount. The excess of production in 2004 by 70,000 MT caused protests from cotton farmer organizations in Central Greece who asked that the amount in excess of the target be supported by EU price subsidy system. Excess production has impacted grower prices received for the 2004 crop due to the penalties imposed by the EU Regulation in effect. Finally all cotton (including the amount produced in excess) was milled by end of April 2005. At the end of April each year, all cotton ginning plants have to close down. Farmers negotiated prices for seed cotton not supported by the EU. All produced and processed amounts of cotton are included in the PSD attached. AgAthens has reported on cotton farmer's protests as well as a cotton Update this year (GR 5006 and GR 5001 respectively).

It should be noted that a certain portion of acreage planted this spring (2005), has to be replanted (1 or even 2 times) due to extremely wet weather conditions which have caused serious problems already; Sowing was delayed in a few areas this spring. This may result in a late cotton crop by 2-3 weeks in most of the regions of Thessaly and Macedonia, where 70 percent of Greek cotton is produced. Rainy weather in late May 2005, with unusual storms and hail in various spots of Central Greece may cause a few more problems until young cotton plants gain size and enter maturity. It is widely accepted in Greece that cotton farmers, after the experience they have been through last year due to the excess crop output and the systematic attempts made by the GOG Ministry of Agriculture to curb acreage to stay within the EU guaranteed limits, have shown hesitance to grow cotton this year and most of them have reduced acreage.

Farmers were finally not fully satisfied with prices paid in 2004 (which reportedly have ranged from 0.80 - 0.85 Euro/Kg for seed cotton, at cotton mill gate basis), due to the comparatively larger cotton crop, which also has caused some, but reportedly limited, EU

penalty to be subtracted from final grower prices to be paid to farmers next year (from the 2005 crop prices). The co-responsibility levy is imposed by the relevant Commission Regulation in effect, when production exceeds the quota. A year earlier (2003 crop) farmers received payments of approximately 0.88-1.00 Euros/kg for seed cotton delivered to mills within the period October 2003 - April 2004. Every year farmers keep better quality cotton in on-farm storage for later sales within the marketing season in order to achieve better prices. This cotton is usually of lower moisture content (about 10%) and can be kept in storage for a longer period of time. Usually the moisture content of seed cotton delivered to millers does not exceed 14 percent.

Due to EU Reg. 1050/2001, 1051/2001 and 1679/2003 in effect, which impose penalties when production exceeds the allowable quota (set for Greece at 1,068,668 tons – seed cotton basis), farmers are instructed to declare “pragmatic” acreage of planted cotton and avoid output in excess. Acreage left over from these reductions, is planted with alternative crops such as durum wheat, tomatoes for processing (acreage of industrial tomato crop in Greece has never reached the EU quota) and also corn, to boost incomes and minimize the loss from cotton co-responsibility levy payments.

According to the EU Council's Decisions in April 2004 under the CAP reform for cotton, 65 percent of the budget envelope will be made available for de-coupled farmer's income aid. Extensive analysis on CAP reform policies to be implemented for cotton, starting with the 2006 crop, is given in the 2004 Cotton Annual report (GR 4010) and Gr 4013 (CAP Reform on Cotton).

This year, tests of imported seed for GMO content, took place for all seed lots entering Greece and regardless of origin by the GOG Ministry of Agriculture. A limited number of cotton seed lots were found to contain transgenic material at levels a little over 0.2 percent, originating in the U.S. Reportedly, these seed lots were either re-exported or accepted for distribution in the market, after a second round of tests, where results were negative.

Cottonseed imported to Greece for planting, is handled by private importers. For 2005 a total amount of approximately 4,800 MT was reported, compared to 5,000 – 5,500 MT in 2004 (out of a total of 10,000 – 10,500 MT planted). 50% – 60% of the imported seed originate in the U.S. and a large portion is purchased from Australia. Imports of seed fluctuate from year to year according to stocks available from the previous import season, the final acreage planted to cotton and re-plantings of fields during spring time when necessary. According to seed traders, despite concerns over biotech presence and the GOG strict controls for adventitious GMO presence in conventional seed, which may continue in the years to come, US cottonseed imports for planting, were not significantly affected during the past four years. A number of importers manage to import a little more seed in order to keep stocks for next year's plantings and avoid additional paperwork, sampling and testing. Annual US seed stocks are estimated at 1,500 - 1,600 MT. Australian and US companies import a large portion of cottonseed for planting from Turkey where it is produced under license. Importation documents for phytosanitary and GMO content are issued in Turkey.

Consumption

Crop quality in 2004/05 was good to very good, similar to that of 2003/2004. About 75 percent of the crop was classified as Box No. 4.5.

The quantity and quality of cotton produced in Greece is sufficient, in a good year, to cover requirements of domestic consumption and leave a considerable surplus for export.

Consumption within Greece fluctuates between 150,000-160,000 MT of lint, which includes both domestically produced and imported cotton. Domestic consumption of domestically

produced cotton plus some imported cotton, which amounted to 4,000 MT in CY 2004 (369 MT from US) and 6,000 MT in CY 2003 (200 MT from US), show a very slight increase in the past 3-5 years, due to increased lint utilization by the domestic spinning industry and their needs to improve yarn quality. Extra long staple (ELS) cotton is imported but not grown in Greece.

Yarn production in Greece (2004) is estimated at approximately 135,000 MT, compared to only 85,000 MT ten years ago and 145,000 MT five years ago. Yarn produced with natural cotton accounts for almost 65 percent of total yarn production in Greece, while synthetic blends account for about 15 percent.

Other types of yarn produced in Greece include natural silk (1.5 percent), rayon (4.5 percent), wool (7.0 percent) and polypropylene (7 percent). According to the industry, a preference for cotton fabrics far exceeds that for synthetics. Over 40% of the Greek yarn industry's cost of production is spent on the purchase of cotton lint.

The cotton spinning industry in Greece today has 1,350,000 ring swindles and 36,500 open-end rotors. No further increase of this capacity is reported. A reduction is reported for CY 2005, after the closing of two major plants in Central Macedonia.

The Greek textile Industry has shown a drop of turn - over by 14 percent and a 22 percent in revenue since 2003. Greece faces the impacts from the growth of Chinese cheap textile exports since the global quota system was dismantled on January 1 this year. Chinese fabrics in the Greek market have severely impacted domestic fabric manufacturers, retail traders and jobs. Reportedly, 1,500 small businesses are expected to shut down, only within the Metropolitan Athens area, suffering from competition from imported cheap products. Greek Ministers of Trade and National Economy have warned the EU in November 2004 in the framework of the EU Council for the EU Industry Competitiveness, on the threat from imported Chinese and Indian fabrics and garments and have asked the Commission to consider a set of measures and special action plans to support the sector and have the structural programs more oriented towards the needs of the textile sector in the EU, through funding possibilities offered by reserve funds. GOG favours negotiations with China to reduce the level of imports, rather than quotas. A lot of Chinese products (T-shirts, man-made fibre trousers, knit shirts, blouses, combed cotton yarn, underwear and numerous other not necessarily fabrics) enter Greece through other EU member states, where they are labelled as EU products and marketed within the EU free zone without the necessary third country import documentation. Chinese fabrics are sold to the EU at prices almost 1/3 of the domestic European prices.

Stocks

Cotton lint stocks show a gradual reduction in recent years and the forecast is that they are going to reach lower levels in the years to come. By the end of 2004/05 MY, stocks are expected to reach about 4,000 MT (the lowest ever recorded) compared 10,000 in 2003/04 MY and 77,000 MT in 2002/03 MY. This drastic reduction is partly attributed to a slight increase in domestic consumption, the reduction of cotton production within the limits of the EU set guaranteed quota, but mostly due to increased exports and mainly the large amounts of Greek cotton purchased by Turkey, which shows spectacular increases from year to year.

Trade

According to the National Statistical Service, Greek exports of cotton trended upward through CY 1999 and 2000, when exports reached 327,000 MT and 300,000 MT

respectively. Since then, exports have dropped for a short period (due to lower output, quality and prices) and have stabilized at approximately 250,000 MT in 2001 and 2002, but have increased again significantly in 2003 and 2004 reaching 305,000 MT and 359,000 MT respectively. In 2004, the biggest importers of Greek cotton lint were Turkey with 130,000 MT (101,000 MT a year earlier) and the EU with 117,000 MT (78,000 MT in CY 2003).

The value of Greek cotton lint exported in CY 2004 is reported at US \$ 387.6 million, of which US \$ 75.6 million was the value of cotton lint sold to the EU – 25, corresponding to the 117,000 MT of lint. In the same period, Italy with 90,000 MT, Egypt with 38,000 MT and Bulgaria with 14,500 MT were the key buyers of Greek cotton.

U.S. cotton exports into Greece have drastically declined in the past few years (only 369 MT valued at US \$ 184 thousand, are reported for the CY 2004), due to stiff competition from domestic cotton. Reportedly, some amounts recorded to be from the EU (1,184 MT) may be of US origin purchased by Greek spinners. Greek manufacturers purchase these limited amounts of HVI certified U.S. cotton because the commodity's strength and uniformity helps reinforce their blends. Some extra long staple cotton is also purchased from other origins (approximately 600-700 MT).

There are no significant changes in yarn volume either imported or exported for many years, which is at around 64,000 MT/annum exported and 17,000 MT of imports/annum.

Marketing

Marketing of cotton and products takes place by individual cotton trading firms with no support by the state. The Hellenic Organization for the Promotion of Exports (OPE), which is partly funded by GOG, promotes Greek products to foreign markets in general. Cotton and fabrics in particular, are not receiving any particular or exclusive treatment by OPE, among other promoted products for export.

PS&D Table, Cotton

PSD Table

Country Commodity	Greece		(HECTARES)(MT)				UOM
	2003	Revised	2004	Estimate	2005	Forecast	
Market Year Begin	USDA Official [Estimate [D]	DA Official [Estimate [D]	DA Official [Estimate [New]	MM/YYYY
	08/2003		08/2004		08/2005		
Area Planted	0	360000	0	380000	0	358000	(HECTARES)
Area Harvested	363000	363000	375000	375000	0	356000	(HECTARES)
Beginning Stocks	166561	91508	84913	9908	111041	3758	(MT)
Production	333122	332700	391908	390000	0	371000	(MT)
Imports	4355	12000	4355	15000	0	16000	(MT)
MY Imp. from U.S.	0	0	0	250	0	400	(MT)
TOTAL SUPPLY	504038	436208	481176	414908	111041	390758	(MT)
Exports	266715	270000	250386	255000	0	230000	(MT)
USE Dom. Consumption	141522	156000	108863	155750	0	155000	(MT)
Loss Dom. Consumption	10888	300	10886	400	0	200	(MT)
TOTAL Dom. Consumpti	152410	156300	119749	156150	0	155200	(MT)
Ending Stocks	84913	9908	111041	3758	0	5558	(MT)
TOTAL DISTRIBUTION	504038	436208	481176	414908	0	390758	(MT)

Export Trade Matrix, Cotton

Export Trade Matrix

Country Greece

Commodity Cotton

Time Period Units:
 Exports for:
 U.S. U.S.

Others		Others	
Italy	38124	Italy	90074
U.K.	4676	U.K.	6747
Austria	4424	Austria	4310
Germany	13312	Germany	9458
France	12738	Other EU	6367
Other EU	4486	>EU Total	116956
>EU Total	77760	Turkey	129610
Turkey	101417	Egypt	37766
India	28549	Bulgaria	14416
		Tunisia	9730
Total for Others	207726		308478
Others not Listed	97238		50617
Grand Total	304964		359095

Import Trade Matrix, Cotton

Import Trade Matrix

Country Greece

Commodity Cotton

Time Period		Units:	MT
Imports for:	2003		2004
U.S.	200	U.S.	369
Others		Others	
Italy	57	Italy	57
France	93	France	80
Germany	15	Germany	29
U.K.	1052	Hungary	59
Other EU	13	>EU Total	225
>EU Total	1230	Turkey	1876
Turkey	1934	Uzbekistan	505
Egypt	1119	Pakistan	317
Thailand	364	Bulgaria	44
Israel	354		
Total for Others	5001		2967
Others not Listed	846		272
Grand Total	6047		3608