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Greece

Agricultural Situation

Impact of CAP Reform on Greek Livestock and Dairy Sector

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Report Highlights:

This report contains a correction to Report GR5024.

Sheep and goat dairy operations, and consequently Greek feta cheese production are expected to increase from a combination of recent decisions. Greek member state responses to EU CAP reform and a May opinion of a judge at the European Court of Justice that feta is solely a Greek protected designation of origin have spurred plans to promote dairy production in Greece.

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On June 28 the Ministry of Agriculture (MOA) announced Greece's decisions on Common Agricultural Policy (CAP) reform. Minister Basiakos declared Greece's plans to fully decouple most sectors: olive oil, tobacco, cereals, the sheep and goat sector, and bovine livestock (cattle) farming operations.

The Greek sheep and goat sector is the most important of animal production elements in Greece, representing 43% of the gross value of animal production and 13% of the gross value of crop production. This sector is mainly milk-oriented rather than meat-oriented. The bovine sector is a small share of total agricultural enterprises in Greece, as are the pork and poultry sectors. The latter are not expected to be positively affected by the new CAP, nor are they expected to react positively to EU enlargement. In contrast to the bovine sector, sheep and goat milk production is expected to significantly benefit from CAP reform and from the protected designation "feta", if the GOG prevails in efforts to link feta solely to Greece.

Greece, presents a contrasting note to the greater EU beef-dominated livestock sector. For Greece the new CAP is not expecting to directly influence the production of meat, but it is expected to exercise an indirect influence on the price of feed. EU support under the new CAP regime is expected to focus on small animals (sheep and goats for Greece) and specifically in the Mediterranean basin, to be closely linked to environmental, food-safety and animal -welfare standards, making livestock farmers more competitive and market-oriented, while providing income stability.

The key elements of this policy in Greece as well as in the EU at large, are (1) the single payment scheme (SPS) for EU farmers, linked to avoiding land abandonment (of less favored areas in particular), (2) the strengthening of the rural-development instruments, (3) reduction in payments to bigger farms and (4) the establishment of financial disciplines with strict spending ceilings. As these pieces of production policy are enacted the GOG National Plan should help the sheep and goat sector in Greece to restructure and become more oriented to milk production. This brings us to feta cheese.

Feta cheese is made from 75% sheep and 25% goat milk. It is produced using certain animal breeds in Greece's disadvantaged areas. There is no EU threshold for milk produced from sheep and goats. World demand for feta cheese is estimated to be nearly 450,000 tons/annum, of which Greece produces only 250,000 tons/annum. Of Greece's feta production one third is exported. Under these prospects and the fact that this sector offers a potential option for further product and rural development, sheep and goats are of particular interest in Greek agriculture. The GOG restructuring efforts for the sector should shift producers towards more milk production, in conjunction with the possibility for cheaper animal feed supplies and pasture land improvement and management.

There are about 250,000 goat/sheep operations throughout Greece. There are also a significant number of small and larger dairy interests that have a reason to keep the sector alive. Translated literally, feta means "slice" in Greek. The GOG and Greek producers hope that feta cheese production and exports will rise, based on their understanding of a statement by a judge of the European Court of Justice (ECJ) on May 10, 2005. While other non-Greeks also produce similar if not identical cheeses, the opinion of the judge was that the name "feta" cheese may be used exclusively by Greek cheese makers. No one knows whether this judge's opinion will be upheld in future court decisions. If so, feta would meet the requirements of a designation of origin and it would describe a cheese originating from a substantial part of Greece, whose characteristics derive from its geographical environment and its production, processing and preparation. The issue has been in and out of court since 1994. While decisions are pending the GOG Ministry of Agriculture and Greek producers have taken the May opinion as a signal to plan for more feta production.

Some livestock farmer groups in the central plains of Greece (in the Viotia and Thessaly regions) propose utilization of vacant lands available after cotton harvest (approximately 350,000 Hectares) or roughly from October until April. On these lands the farms propose to produce rain-fed forage plants (legumes, hay, and other for drying and/or silage) under a rotation system that will improve soil for spring crops. In addition, under the new CAP, 20 percent of the field crop acreage can be used under such a rotation system. These winter plain pastures, combined with indoor feeding, can support both goat and sheep flocks at satisfactory productivity levels and significantly reduce the overall cost of feeding.