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Greece Cotton Annual 1999

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Report Highlights:

Greek cotton production has been trending upward, encouraged by EU aids. Yields are not increasing proportionally to planted area, as some of the new land coming into production is marginal. In 1999, the planted area for Greek cotton is projected at approximately 445,000 Ha, which is expected to yield 1,180,000 MT. Biotech cotton trials went well in 1998, but were recently halted due to political concerns. The U.S. was an export destination for 65,000 MT of Greek cotton in 1998/99-the first such sale in recent history.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Athens [GR1], GR

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Executive Summary

According to Hellenic Cotton Board and Ministry of Agriculture, the 1999 cotton crop will be approximately 1,180,000 MT (seed cotton), from an estimated acreage of 445,000 Ha assuming continued good weather conditions. For the 1998 output, ginners report that due to relatively normal harvesting conditions and technical improvements, cotton was delivered on time and the ginning period became shorter.

The 1998 crop is currently estimated at 1,157,000 MT (seed cotton basis) corresponding to an amount of 382,000 MT of lint or 1,754,105 Bales (of 480 pounds each). The 1998 crop quality was satisfactory with good micronaire value (over 28mm) and limited neps, however most of the output was discolored (a yellowish/dull color). Ginning yield also improved from a 32% to 33% ratio.

The production quota set by the EU for the 1998 & 1999 Greek crops is 1,150,000 MT (seed cotton). (The quota level is expected to remain the same for 2000 as well). This level, plus approximately 15%, is used to calculate the advance payments of price subsidies to farmers who deliver seed cotton to be ginned. Since this total is greater than the actual harvest in 1998, farmers were not assessed a corresponsibility levy and seemed satisfied with the 1998/99 grower prices they received, approximately 275-290 Drs/kg (\$0.97-1.00).

Total cotton lint exports from Greece reached 225,000 MT in MY 1997/98 and are expected to reach 255,000 MT in MY 1998/99 (preliminary estimates). Greece sold a record high amount of cotton lint to the U.S., approximately 65,000 MT, for MY 1998/99. The other main buyers are Turkey and the EU.

PRODUCTION

General

According to official information published by the Hellenic Cotton Board (HCB), the final cotton output is estimated at 370,000 tons lint (1,157,000 MT of seed cotton) for 1997 and 382,000 tons lint (1,193,750 MT of seed cotton) for 1998. These amounts equal about 1,700,380 and 1,754,105 bales (480 lbs net), respectively. These numbers have been revised upward by HCB since our last report in January 1999 (see also GR 9002).

Cotton has become the major field crop in Greece for both planted area and farmer income. Due to less water demand, cotton has proved to be more profitable than other irrigated crops in Greece. This, together with the heavy subsidization of the sector, is one of the many reasons for its growth in the past decade. For the current year, it is reported that the total cotton planted area is estimated at approximately 445,000 hectares which under normal conditions will yield approximately 1,197,000 MT of seed cotton or 395,000 MT of lint. Ginning yield has improved significantly to a 33% ratio.

Production Policy

No changes are expected for the cotton production sector in the new CAP framework until MY 2003/2004. The GOG proposed a maximum increase in the EU cotton quota, with a parallel reduction in the corresponsibility levy and direct payments of price subsidies to farmers, but not to the ginners. The GOG felt this was justified because 70% of the EU's cotton demand is met by imports.

The EU Commission did not respond positively to these requests. Subsidization of the cotton sector, in any form, is expected to last for another 6-7 years. At the EU level, the cotton quota is set for 947,000 MT (seed cotton basis) for Greece and Spain. The corresponsibility levy for the 1998 crop (seed cotton basis) was calculated to be approximately 50 Drs/kg (\$0.167/kg) for Greek cotton producers. Farmers received approximately 335 Drs/kg (\$1.15/kg) for the cotton delivered to ginneries, minus the corresponsibility levy (an average of about 285 Drs/kg or \$0.95/kg). The total EU expenditure to the Greek cotton industry (MY 1998/99) is estimated at 223 billion Drs (\$743 million) compared to 184 billion Drs in MY 1997/98 (\$613 million).

Crop Area

Planted area in 1998 increased significantly by 25,000 hectares, reaching 4,150,000 stremmas (415,000 hectares) compared to 390,000 hectares in 1997. Although in 1998 the planted acreage was higher than that of 1997, output did not rise proportionally due to the adverse weather conditions and expansion into less fertile areas, which resulted in lower yields. For the 1999 planting period, it is estimated that cotton crop planted area will continue to increase, reaching 445,000 Ha (preliminary estimate), corresponding to an output of approximately 395,000 MT of lint, providing normal weather conditions. The cotton area per region for 1998 and 1999 is estimated as follows:

	1998	1999
Thrace	70,000 Ha	75,000 Ha
Macedonia	102,000 Ha	115,000 Ha
Thessaly	146,000 Ha	150,000 Ha
W. Greece	12,000 Ha	15,000 Ha
Central Greece	85,000 Ha	90,000 Ha
TOTAL	415,000 Ha	445,000 Ha

In 1998 and 1999, acreage is up because other irrigated spring crops (i.e. corn and sugarbeets) have been replaced with cotton, which is more remunerative. Because some new lands planted with cotton are not highly fertile, production is not rising proportionally relative to acreage increase. Also, according to the HCB, soils which produce cotton continuously for the last 30 years show signs of decreased fertility.

Inputs

Traditionally, most of the seed supplied to the farmers, is produced by the Hellenic Cotton Board, or imported. The SJ2 variety, the most commonly used, is of U.S., Israeli and Spanish origin. This variety has been researched extensively by the Cotton Institute of the Ministry of Agriculture, which found that the U.S. origin seeds have the best germination performance. SJ2 is similar to the Greek variety ZETA 2 (created by the Greek Cotton Institute from ACALA parent stock). Imported seed is handled by private importers and is estimated to be 10,000-12,000 MT (out of a total of 16,000 MT-16,500 MT planted every year).

According to the HCB sources, the diversity of imported cotton seed varieties poses phytopathological risks. Others express concern that cotton quality has declined due to lack of product uniformity among imported seed varieties.

GMO seeds are not approved for use in the Greek cotton cultivation. In 1998 three GMO cotton seed varieties were approved by the GOG to be tested in selected fields. The importing companies conducted the trials under the supervision of the Greek Ministry of the Environment, and the results were satisfactory. Unfortunately this year the Ministry of the Environment did not approve retesting, apparently for political reasons.

Based on 1998 data, the gross income of farmers per hectare of cotton, is estimated at 855,000 Drs (approximately \$2,850 with an average yield of approximately 2,880 kg/Ha). Inputs like fertilizers, chemicals, water, electricity and others are estimated at 15 percent of farmers gross income (approximately \$428 per hectare). Twenty eight percent of the land cultivated with cotton is rented. The rent is about 250-270,000 Drs/Hectare (\$835-900), which is almost 36 percent of the cost. Reduction of cotton production expenditures in Greece can be achieved only through land consolidation and the organization of group farming (production cooperatives) which is supported by various EU programs. This can also facilitate better cultivation practices through systematic and low cost mechanization. In 1998, the purchase of seeds for planting cost approximately 27,000 Drs/Ha (\$90/Ha). Farmers use approximately 40 kgs of seed per hectare which makes a total domestic demand for seed approximately 17,000 - 17,800 MT in 1999. Cotton seed prices fluctuate according to variety, degree of delinting and origin.

Yields

The weighted average cotton yield in Greece is estimated at 3,150 kgs/Hectare in an ideal crop year with favorable weather during planting and harvesting (from the 6 major cotton producing regions). Factors affecting yields are seed, disease, rainfall and adverse weather in critical periods during the planting and growing stages. Fluctuations are usually between 2,800 kgs/Ha and 3,100 kgs/Ha. Lint yield was 33.0 percent in the 1998/99 ginning period, which is the highest since Greece's accession into the EU in 1981. This achievement is due to a good crop harvested in autumn 1998, more usage of improved varieties through the years, and mostly to the modernization of ginning plants and improving management practices during harvest and processing.

Crop Quality

Crop quality in 1998/99 was slightly lower than a year earlier because of rainy weather during harvesting time. The good weather in the spring of 1999 which continued until late May, will not cause delays in the development of young plants.

Quality characteristics and the corresponding crop percentages per quality grade for the 1998 cotton crop as compared to the 1997 crop are given in the following table: (this table shows clearly the lower quality crop of 1997).

Quality Grades	Grading until 3/1/98	Grading until 3/1/99
Boxes	(Crop 1997) Percent	(Crop 1998) Percent
A' (3-4.5 WH.)	30.58	26.40
B' (5-5.5 WH. & 3-4L. Sp & L.Gr)	46.12	55.31
C' (6.6.5 WH. & 5L. Spott.)	9.21	7.66
D' (7 WH. & 3-4Sp & 5L. Gr & 6L. Sp)	7.96	7.56
E' (7.5-9 WH & Other Sp-L. Sp-Gr & Ting)	6.13	3.07
TOTAL	100.000	100.000

Source: Hellenic Cotton Board

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

Consumption within Greece fluctuates between 130-150,000 MT of lint, including both domestically produced cotton and imported.

Yarn production in Greece (1998) is estimated at approximately 135,000 MT (annual basis) compared to only 80,000 MT ten years ago. Yarn produced of natural cotton accounts for almost 60 percent of total yarn production in Greece, while synthetic blends account for about 16 percent.

Other types of yarn produced in Greece include natural silk (1.5 percent), rayon (4 percent), wool (7.2 percent) and polypropylene (6 percent). According to our sources in the industry, preference for cotton fabrics far exceeds that of synthetics.

The cotton spinning industry in Greece in 1998 had 1,352,000 ring swindles and 36,000 open end rotors.

The total number of ginneries operating in Greece was 74 in MY 1998/99, 35 of which were cooperative and 39 private. The ginning period ends in March/early April.

TRADE

Greek exports of cotton show an upward trend. In CY 1997 exports reached 214,000 MT of cotton lint for a total value of \$331 million. Preliminary estimates for total annual exports of cotton lint for CY 1998 and CY 1999 are 240,000 MT and 260,000 MT respectively.

Trade sources report that for first time, Greek cotton was sold to the U.S., reaching 65,000 MT (export prices fluctuated between 56-60 cents/Lb) for MY 1998/99 . This was due to cotton shortages in the U.S. for this year. The biggest importers of Greek cotton are Turkey and Italy.

U.S. cotton imports into Greece have drastically declined in the past few years due to stiff competition from domestic cotton and imports from the former Soviet Union. Greek spinners consider U.S. S.J.V. Acala (the most preferred) and U.S. Pima cotton lint comparatively expensive relative to other varieties. Limited amounts of HVI certified U.S. cotton (1,200-1,300 MT annually) are purchased by Greek spinners in order to reinforce their blends, because U.S. cotton is strong and uniform. Also some extra long staple cotton is purchased by Greek millers from Syria and Egypt.

HVI certification programs were initiated by the HCB in Greece, but a very small proportion of the annual cotton harvest is HVI certified (approximately 25% of the crop).

In 1998, 37 percent of the 110,000 MT domestic yarn production was exported, mainly to Western Europe (37,000 MT) and another 4,000 MT to all other destinations, making a total of 41,000 MT of cotton yarn exports. Imports were at 11,000 MT (6,500 from the EU and 4,500 MT from other countries). Another 13,000 MT of synthetic yarn was sold abroad in the same period, 11,000 MT of which went to the EU. Imports of synthetics in 1998, were estimated at 36,000 MT, 26,000 MT of which came from other EU countries.

In the past 3 years, more cotton yarn has been sold for use by the domestic textile industry, but the Greek textile industry faces strong competition from imported items produced at a lower cost. The total value of yarn sales to the Greek textile industry in 1998 is estimated at 500 billion drachmas or \$166 million (with over 100 companies in business).

Textile industry representatives contend that preferential agreements for increased import quotas between the EU and third countries such as China, Russia and the Middle East, and Asia have impacted trade, causing a significant increase in imports of various items (especially after the liberalization of trade in the framework of the GATT agreement). Also, the recent customs affiliation between Turkey and the EU is expected to create some problems in the years to come due to low cost of production in Turkey.

Countries outside of the EU sell their textile products to the EU countries, at very low prices which makes EU suppliers less competitive at a time when the domestic demand is only increasing at about 2-4 percent annually. The strongest competitors are Pakistan, India, Thailand and Egypt. The competitiveness of these countries has improved significantly because of their low labor cost advantage and their modernization efforts in the last 6-7 years.

Stocks on hand of higher quality cotton grades or mixed grades are considered at normal levels in the hands of spinners, traders and ginners. Lower graded cotton is held by farmers or cooperative organizations.

Quality, Safety and Health

HVI certification developments in Greece were reported in previous annual reports (GR3050 and GR8006) where major agencies and organizations involved in the HVI program and applications were listed.

There is a growing interest and demand by foreign buyers for organically produced cotton, which in Greece does not exceed 100 MT of output per annum.

Exchange Rates	
1995	\$1.00 U.S. = 231.65 Drs
1996	\$1.00 U.S. = 240.62 Drs
1997	\$1.00 U.S. = 272.18 Drs
1998	\$1.00 U.S. = 294.30 Drs
1999(Jan-Apr)	\$1.00 U.S. = 290.80 Drs

PS&D TABLE COTTON

PSD Table						
Country	Greece					
Commodity	Cotton				(HECTARES)(MT)	
	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	70978
Production	359249	370000	0	382000	0	395000
Imports	9798	10000	0	11000	0	4000
TOTAL SUPPLY	450694	438978	0	470978	0	469978
Exports	206840	225000	0	255000	0	245000
USE Dom. Consumption	121927	135000	0	135000	0	140000
Loss Dom. Consumption	16329	1000	0	10000	0	4978
TOTAL Dom. Consumption	138256	136000	0	145000	0	144978
Ending Stocks	105597	77978	0	70978	0	80000
TOTAL DISTRIBUTION	450693	438978	0	470978	0	469978

Cotton Bales PS& Table

PSD Table						
Country: Greece					Conversion	0.004593
Commodity: Cotton Bales						
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	0	390000	0	415000	0	445000
Area Harvested	400000	388000	0	412000	0	427000
Beginning Stocks	375	271	0	348	0	295
Production	1649	1698	0	1753	0	1813
Imports	45	46	0	50	0	18
TOTAL SUPPLY	2069	2006	0	2151	0	2126
Exports	949	1033	0	1170	0	1125
USE Dom. Consumption	560	620	0	620	0	643
Loss Dom. Consumption	75	5	0	46	0	23
TOTAL Dom. Consumption	635	625	0	686	0	666
Ending Stocks	485	348	0	295	0	335
TOTAL DISTRIBUTION	2069	2006	0	2151	0	2126

Cotton, Import Trade Matrix

Import Trade Matrix			
Country	Greece		
Commodity	Cotton		
Time period		Units:	Metric Tons
Imports for:			1997
U.S.		U.S.	1187
Others		Others	
		>EU Total	1518
		Italy	636
		Germany	165
		France	586
		Other EU	131
		Egypt	1183
		Ivory Coast	1065
		Uzbekistan	1396
		Syria	747
Total for Others	0		5909
Others not Listed			4035
Grand Total	0		11131

Cotton, Export Trade Matrix

Export Trade Matrix			
Country	Greece		
Commodity	Cotton		
Time period		Units:	Metric Tons
Exports for:			1997
U.S.		U.S.	
Others		Others	
		>EU Total	68669
		Germany	16388
		U.K.	12624
		Italy	25401
		France	9925
		Other EU	4331
		Turkey	93775
		Bulgaria	17820
		Tunis	4074
Total for Others	0		184338
Others not Listed			29563
Grand Total	0		213901