



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

**Date:** 5/23/2006

**GAIN Report Number:** GR6005

## Greece

## Food Processing Ingredients Sector

## Greece's Food Processing Sector

## 2006

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**Report Highlights:**

The Greek food processing sector is one of the most dynamic sectors of the Greek economy. It has seen growth over the last few years, with 2005 turnover at \$12 billion. Greece is a food import-dependent country and there is a demand for imported food products and ingredients in the sector.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Rome [IT]  
[GR]

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## SECTION I. MARKET OVERVIEW

### Greece's Economy

Greece, an EU member state has a population of 11 million people and is an import-dependent country. EU countries supply the majority of imported food products. In 2004, Greece's annual imports of agricultural and food products were valued at \$6.2 billion and exports were valued at \$3.2 billion. Per capita GDP in 2005 was \$ 20,521. Economic growth exceeded projections and reached 3.7 percent in 2005 according to National Statistical Service of Greece (NSS). Per Industrial Research Institute's latest report, economic growth is expected to continue growing at a 3.5 percent rate in 2006, and the fiscal deficit will drop to 3 percent of GDP based on high revenues. The Government of Greece (GOG) is focusing on a tight income policy and labor reforms for 2006, including privatizations. The average inflation in 2005 was 3.5 percent, which was a significant increase from the 2.9 percent rate in 2004. The average inflation for 2006 is estimated at 3.3 percent. Greece's fiscal deficit was reduced to 4.3 percent in 2005, from 6.6 percent in 2004, while GOG forecasts it to be below 3.0 of GDP this year. Unemployment dropped to an annual rate of 9.8 percent in 2005 from 10.4 in 2004. This drop was experienced despite the end of the preparation for the Olympic Games which, according to many economists, would cause a considerable economic slowdown. New business activity in Greece continues to show a low level of innovation, compared with other EU countries. Only 6.7 percent of Greek businessmen claim their aim is to offer new products and services, compared to a European average of 13 percent.

### The Progress of Greek Economy in Key Numbers

	2004	2005	2006	Comment
General Government Deficit (% of GDP)	6.6%	4.3%	2.6%	Reduction by 4%
General Government Debt (% of GDP)	109.3%	107.9%	104.8%	Reduction by 4.5%
Unemployment Rate	11%	10.4%	9.8%	Decreased by more than 1%
Real GDP Growth Rate	4.7%	3.6%	3.8%	Maintained one of the highest growth rates in the euro zone

Source: Ministry of Economy and Finance

### Food Processing Sector Overview

The food processing sector is one of the most dynamic sectors of the Greek economy, with 2005 turnover amounting to \$12 billion, for a total value of 23 percent of the manufacturing sector. The industry employs 26 percent of total Greek labor force for secondary production. The food processing sector is comprised of the following major sectors: fruits and vegetables, dairy products, beverages, snack foods, flour and bakery products, confectioneries, meat and poultry products, fish and marine products and fats and oils.

### 2004 Greek Manufacturing Consolidated Income Statement (\$million)

Sector	Companies	Turnover	Gross Profits	Admin & distribution expenses	Interest charges	Operating income	Non-operating income	Pre-tax profits
Food and Beverage	1,073	11,504,477	3,147,665	2,498,970	242,193	581,206	36,688	585,488
All other	3,755	40,667,516	8,459,450	6,110,392	156,169	2,175,301	250,667	2,347,239

sectors								
GRAND TOTAL	4,828	52,171,993	11,607,115	8,609,362	938,709	2,756,507	287,355	2,932,727

Source: ICAP Financial Directory, 2006

Greece is an import-dependent country, with EU countries supplying the majority of food products. In 2004, Greek imports of food products amounted to \$4.8 billion, while exports were \$2.7 billion.

In 2005, Greek agricultural and food imports from the U.S. totaled \$167.5 million, compared to \$127 million in 2004. Consumer-oriented products (\$95.2 million), comprised more than half of Greek imports from the United States in 2005, and is the fastest-growing sector of Greece's agricultural imports from the U.S. Major imports of U.S. products include: tree nuts \$68.4 million, tobacco \$28 million, forest products \$19 million, and poultry meat (for transshipment to Balkan countries) \$12 million. Greece's agricultural exports to the U.S. in 2005 amounted to \$220 million, with processed fruit and vegetables recording the highest export level since 1970, amounting to \$94 million, followed by tobacco at \$53 million, cheese at \$16 million and olive oil at \$15.5 million.

The emergence of BrandCo in late 2005 was a milestone in the sector. The five largest food processing and trading companies in Greece, namely Chipita International, Delta, Goody's, Geniki Trofimon and Barba Stathis, merged to create BrandCo, a food colossus by Greek standards, ranking 35<sup>th</sup> largest company in Europe, 16<sup>th</sup> largest company in Greece, and 1<sup>st</sup> **THE GREEK?** food industry. BrandCo products are consumed by 90 percent of Greek households and are available in 94 percent of retail outlets. The company's turnover for the period Oct 2004 to Sept 2005 is estimated at \$1 billion, while pre-tax profits are estimated at \$183 million. BrandCo employs 20,000 people.

BrandCo's share in the Greek market fluctuates from 96% in baked rolls to 12% in snacks and chips. The following table provides BrandCo's market share in different product categories:

Product	Share %	Product	Share %
Baked rolls	96	Milk	41
Croissants	70	Yogurts – desserts	30
Frozen Vegetables	70	Frozen dough	30
Fresh Juices	60	Pasteurized milk	20
Marmalades	60	Corn snacks	13
Chocolate milk	56	Various salted snacks	12
Fast foods	55	Chips	11

Advantages and Challenges for U.S. exporters include:

Advantages	Challenges
Imports in the primary and secondary sectors have risen and are expected to increase further in the coming years.	Increasing competition from EU-origin imported foods. A limited number of importers and distributors are aware of the variety and innovative U.S. food products that can be exported to meet Greek needs.
Greece's established tourist base is growing in popularity post-Olympics, creating a	Educate the catering sector representatives about the high quality, variety and availability

growing and important market for food ingredients to be used in the hri sector.	of U.S. food products. U.S. exporters need to focus on innovative products to tempt Greek traders.
The exchange rate between the dollar and euro favors U.S. exports	Price factor is determinant when choosing food products for the HRI sector.
Greek importers favor U.S. products because of good quality and wider variety.	Average tariff levels remain high, increasing product price. GM labeling requirements, on the other hand, result in consumer concern, as well as banned food ingredients, in the Greek market.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

Eighty per cent of Greece's import trade is handled through sales agents or distributors. Distributors operate on wholesale (and in some cases, retail) basis with exclusive sales rights for certain districts or for the entire country. There are over 300,000 trading establishments in Greece, often small, family-owned and operated businesses, each of which deals in a narrow range of foods. There are 7,700 corporations and limited liability companies engaged in wholesale trade and 3,200 corporations and limited liability companies handling retail trade.

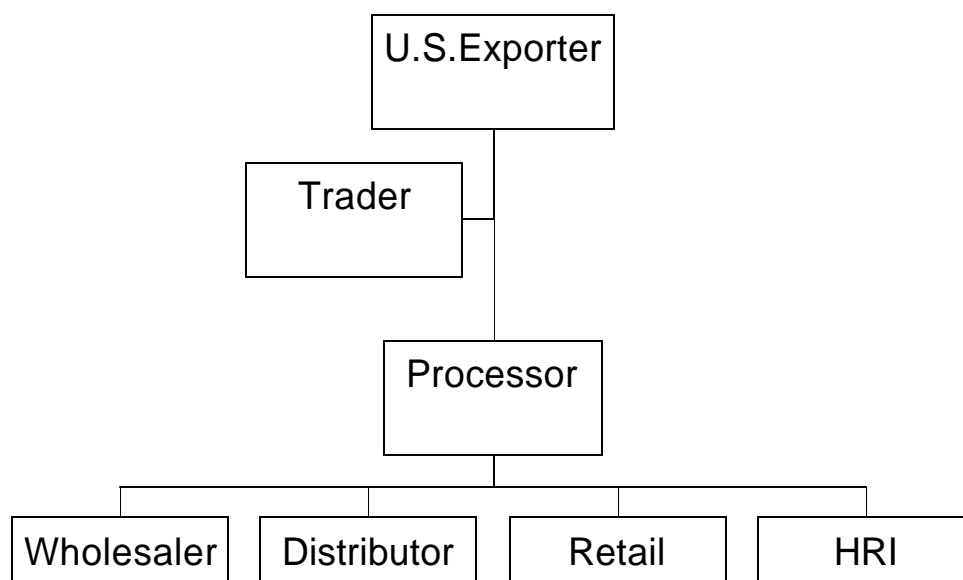
Food and beverage products of U.S. origin, which comply with EU rules and regulations, do not require special permits (nor are they subject to special rules or regulations) for commercialization in Greece. However, biotech products are handled quite strictly. If a U.S. food product, other than food supplements, conform to any single EU member state's rules and regulations, that product can then be transshipped and sold in any other EU member state. For additional information on trade restrictions, and food standards and regulations, please refer to Athens Food and Agricultural Import Regulations and Standards Report (FAIRS), available on internet website: <http://www.fas.usda.gov>, and to EU-25 FAIRS report available on: [www.useu.be/agri/label.html](http://www.useu.be/agri/label.html).

Greece is as a member of the European Union (EU). Greece follows the EU's food regulations. In addition, Greece maintains specific labeling and ingredient rules for some food products under the Greek Food Code. Labeling and ingredient legislation for all food and agricultural products is based on EU rules and regulations. Greece requires that labels be in the Greek language. Multi-language labels are accepted. New to market food products require prior approval by the General Chemical State Laboratory. Products complying with the terms, regulations and provisions of the current Food Code do not require special permits in order to be imported and marketed in Greece.

To enter the Greek market, it is very important to have an agent or joint venture partner, with a suitable background, and the access to a service network, providing full support to the end-user. The FAS Office in Athens maintains a list of potential importers and distributors.

### B. Market Structure

The following diagram gives an overview of the distribution channels for imported food ingredients.



- ◆ Large food processing companies and big supermarket chains act as importers to better control prices of imported products.
  - ◆ The agents usually undertake promotional campaigns for the products they import.
- Most of the distributors have nationwide distribution channels.

#### C. Company Profiles

The following table provides information on major manufacturing companies of several food sectors.

#### **The Top 20 Manufacturing Companies in Food and Beverage Sector in 2004**

(million \$'s)

Ranked by Total Assets

<b>Company</b>	<b>Turnover</b>	<b>End-use Channel</b>	<b>Product</b>
Coca Cola Hellenic Bottling Company	774,315	Retail/HRI	Non-alcoholic beverages
Athenian Brewery S.A.	455,367	Retail/HRI	Beer, Beverages
FAGE Dairy Industry	419,304	Retail/HRI	Dairy Products (including ice cream)
Chipita International S.A.	128,572	Retail/HRI	Snacks
Delta Dairy S.A.	388,653	Retail/HRI	Dairy Products
Hellenic Quality Foods S.A.	121,605	Retail/HRI	Frozen vegetables, dough, frozen meals
Delta Ice Cream	88,352	Retail/HRI	Ice cream
Loulis Mills S.A.	131,780	Retail/HRI	Flour milling, raw material for bakery industry
Hellenic Sugar Industry	301,642	Retail/HRI	Sugar
Nestle Hellas	268,118	Retail/HRI	Dairy products,

			chocolate, coffee
Elais Oleaginous Products S.A.	268,118	Retail/HRI	Fats and oils
Mevgal S.A.	210,814	Retail/HRI	Dairy products
Agoinvest A.A.	97,828		
Creta Farm	96,519	Retail/HRI	Meat, meat by-products and poultry by-products
Nikas S.A.	85,112	Retail/HRI	Meat, meat by-products and poultry by-products
Tyras S.A.	135,916	Retail/HRI	Dairy products
Ion Cocoa & Chocolate Manufacturers	113,582	Retail/HRI	Chocolate, sweet snacks
Haitoglou Bros.	57,086	Retail/HRI	Halva, Confectionary products, sesame oil
Soya Hellas	293,166	Retail/HRI	Vegetable oils
Kolios S.A.	84,580	Retail/HRI	Dairy products

Source: ICAP Financial Directory, 2006

#### D. Sector Trends

The Greek food processing sector provides good potential for U.S. food products and ingredients. The hotel/restaurant industry food service sector has grown rapidly due to anticipated increase in tourism in conjunction with the Olympics and a tourism bubble for 2-3 years immediately after. The size of the overall HRI food service sector in 2004 was approx \$600 million. The sector is highly competitive but offers opportunities for U.S. food ingredients, tree nuts, frozen foods, finger foods and beverages. Ethnic foods, mainly Mexican, are experiencing a rising trend in the sector.

To a large extent, Greek food habits remain traditional, with a heavy emphasis on the Mediterranean diet. However, social changes such as new diets, more women working outside the home, and more disposable income, are all contributing to the rise in the frequency of eating out and use of catering services. In addition, the growing independence of Greek teenagers is increasing interest in fast foods. Fast-food chain restaurants' sales in 2004 were \$500 million. Healthy and nutritious foods, on the other hand, are also becoming a conscious part of the Greek diet.

Following is a brief analysis of various sectors that affect the food processing industry:

® **Frozen Products:** The frozen food sector is experiencing an upward trend, although per capita consumption of frozen products in Greece, at 12 kg, is among the lowest in Europe. In CY 2003 the frozen food product market size, including vegetables, seafood, dough, desserts, and ready-meals, was \$438 million, for a volume of 130,000 tons. Frozen vegetable sales in 2003 were \$60.8 million, an increase of 14.6 percent compared with 2002. Dough sales amounted \$90 million, increasing 5.26 percent over 2002. Although Greeks prefer fresh products over frozen, they have started admitting the advantages of frozen foods - such as shelf life, economy and availability.

The ready meal market size in 2004 was \$500 million, with a 10 percent increase over 2003 and with a favorable forecast for 2005, especially for frozen meals. This market sector is concentrated, with 68% of sales achieved by 12 companies. The main competitor of ready meals is take-out food for home consumption, common in urban areas and especially in Athens. Another competitor with the ready meals sector is fast food.

® **Nuts and dried fruits:** The nut and dried fruit sector is also experiencing an upward trend. The market favors companies that offer high quality products at fair prices. Large consumption (approx 65,000 tons), coupled by the fact that local production cannot meet demand, provide potential for tree nut imports from the U.S., almonds, pistachios, hazelnuts and pecans in particular.

® **Snack foods** (sweet and salty): The consumption of snacks, both sweet and salty, is in an upward trend with an annual growth of 8.5 percent. CY 2004 snack food imports amounted \$226 million. Chocolate consumption also grew, although consumption is relatively low in Greece (2.1 kg per capita), compared to other European countries, with a 1.5 percent annual growth rate. Imported chocolate products in 2004 amounted 9,600 tons compared with 8,500 tons in 2000, while consumption in 2004 reached 27,000 tons.

® **Food ingredients:** Bakery and confectionary mixes, flours, seasonings, fats, cereals, flavors and aromas, fruit fillings and other ingredients are in great demand by food processing companies.

® **Frozen fish and seafood:** Needs in this sector are mainly covered by imported products. The frozen seafood market has recorded a steady growth in recent years, as a result of new product introductions and higher quality standards, as well as consumers' preferences to healthier foods. The frozen seafood market shows a steady increase of 6% annually for the last several years, and this increase is expected to continue.

® **Beverages:** Sales of juices in Greece have been showing an increase, and are expected to expand in the coming years. CY 2004 juice sales amounted \$238 million, with long life products dominating the market (\$164 million). Cola products are also popular in Greece. Sales of beer in the Greek market have been stable for a number of years, with a wholesale market of \$570 million. Greece is a \$450 million wine market, with wine consumption on an upward trend. Greece is a promising market for imported wines, considering the limited local production and high production costs.

® **Meat:** The Greek meat-processing sector is going through a transition to adapt to new conditions. Local production is unable to meet market demands and consumers' increasing attention to matters of quality. Almost 90 percent of beef consumed in Greece is imported. However, opportunities for U.S. beef are limited given the import quota on meat and high prices.

### SECTION III. COMPETITION

U.S. products face competition mainly from EU suppliers and Greek domestically produced products. In 2004, EU-15 countries supplied \$4.2 billion in food products out of a total Greek market of \$6.2 billion.

The following table provides Greek imports and exports for CY 2004 by product category.

#### 2004 Greek Imports – Exports by food products (million \$'s)



Product	Imports	Exports
Meat	940,245	19,704
Dairy Products	721,971	216,796
Beverages and refreshments	440,986	440,986
Cereals	361,990	49,181
Seafood products	250,951	376,015
Tree nuts and fresh fruits	334,339	448,671
Snack foods	301,437	123,624
Various products not mentioned elsewhere	260,563	76,108
Processed fruits and vegetables	223,950	522,840
Vegetables	210,360	116,810
Fats and oils	180,442	198,879
Cocoa products	162,545	16,001
Confectionary products	150,085	25,455
Meat and fish by products	131,885	29,766
Coffee, tea, spices	80,652	9,734
Bakery products	37,981	12,242
TOTAL	4,790,382	2,682,812

Source: TROFIMA KAI POTA magazine

The following tables lists Greece's top 15 suppliers of consumer-oriented food products, not including seafood products.

#### CONSUMER-ORIENTED AGRICULTURAL TOTAL

Greece Imports as derived from available Exporter Data Top 15 Ranking	Import		
	2002	2003	2004
	1000\$	1000\$	1000\$
France	400,558	554,762	619,272
Germany	330,037	444,914	553,086
Italy	373,110	434,974	512,173
United Kingdom	62,186	70,428	85,877
Turkey	39,865	55,061	80,738
United States	40,508	60,525	62,367
Austria	32,340	53,042	58,254
Ireland	33,579	39,074	46,365
New Zealand	18,580	19,019	22,065
Romania	8,591	11,650	19,401

<b>Macedonia (Skopje)</b>	8,635	11,067	18,995
<b>Brazil</b>	7,149	7,852	16,526
<b>Finland</b>	10,706	12,792	15,760
<b>Switzerland</b>	11,771	13,566	14,392
<b>China (Peoples Republic of)</b>	9,058	12,337	13,675
<b>Other</b>	958,622	1,183,594	1,042,541
<b>Total</b>	2,345,295	2,984,657	3,181,487

NA - Data not available (not reported) Data: Harmonized Tariff Schedule (HS 6 Digit)  
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

#### SECTION IV. BEST PRODUCT PROSPECTS

Products present in the market which have good sales potential	Products not present in significant quantities but which have good sales potential	Products not present because they face significant barriers
Tree nuts	Meat	Turkey
Frozen and salted fish	Dairy Products	
Frozen foods	Organic foods	
Bakery and confectionary mixes	Pulses	
Snacks		
Finger foods		

#### SECTION V. POST CONTACT INFORMATION

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#### Exchange Rates Used:

Average 2004 €0.822 = \$1.00  
Average 2005: €0.788 = \$1.00

Source: Charleston Financial Management Center