USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 4/28/2009

GAIN Report Number: GR9006

Greece

Sugar

2009

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Report Highlights:
MY 2009 sugar beet acreage is forecast at 25,000 hectares—an increase of 16 percent from a year earlier. The Hellenic Sugar Industry (HSI) provides a variety of incentives for beets production. As a result, farmers may shift from corn to beets. As a result, Greece may exceed its sugar quota of 158,702 MT. HIS also aims to produce 300,000 cubic meters of bioethanol per year, in conformity with the EU directive to produce 5.7 percent of local fuel consumption by 2010. However, due to a variety of problems, Greece is unlikely to meet the bioethanol production target for 2010.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Rome [IT1]
[GR]

Sugar beet Acreage and Production

MY 2009 sugar beet planted acre is forecast at 25,000 hectares. A better picture will be available in June 2009. The national "weighted" average yield is 75 MT/ha but can exceed 90 MT/ha in certain areas. MY 2008 beet production is estimated at 1.73 MMT, while MY 2009 is forecast at 1.8 MMT, assuming normal weather. The Hellenic Sugar Industry (HSI) implements a variety of policies described below to provide incentives for beets. As a result, farmers may shift from corn to beets.

Greek Sugar Beet Acreage and Harvest
(Source: HIS Industry, Min Ag, and FAS Athens estimates)

Year	Acreage (Ha)	Output (MT)	Refined Sugar Production (MT)
2005	45,000	2,720,000	315,000
2006	25,000	1,483,000	170,000
2007	16,000	950,000	110,000
2008	21,000	1,730,000	147,000
2009*	25,000	1,780,000	170,000

***** Forecast***

Farmers contract with HSI based on Greece's production quota, which is set at 158,702 MT of white sugar (EU Regulation No. 247/2007). Farmers contract with HSI based on Greece's production quota, which is set at 158,702 MT of white sugar (EU Regulation No. 247/2007). Reducing the Greek quota by 50.2 percent under the new CAP, the HSI has benefited the amount of 118 million € from the EU. In order the HSI to accept the reduction of the quota by 50.2 percent, EU has offered a financial support to the Greek Industry to be spent for restructuring and investment. For Greece, the initial amount decided & agreed was at 118 million €, of which to date 87 million are already paid to HSI and the remaining 31 will not be paid if HSI will finally implement its bioethanol program.
Before the 2006 CAP reforms, Greece produced 2.8 million tons of sugar beets, which were processed by five plants located in Thessaly, Macedonia, and Thrace. Annual raw sugar output exceeded 300,000 tons, compared to quotas for Greece as set by the EU were 290,000 tons for the "A" quota and 29,000 tons for the "B" quota. During this time, production mainly satisfied local demand, although minor exports occurred.

Sugar beets are grown in the prefectures of Larissa in Thessaly, Imathia and Serres in Macedonia, and Xanthi and Evros in Thrace. Beet area in Larissa and Xanthi has decreased significantly since the local plants were closed. Since 2007, HSI has implemented a "balanced sugar beet distribution" plan in an attempt to keep the remaining three sugar plants operational at optimal levels.

The acreage is scattered inland from the Aegean roughly in a crescent starting in the south at Larissa and swinging northeast, parallel to the Bulgarian border. Total acreage is located on fertile, mostly flat irrigated land. Cotton, corn, and wheat are also grown in these areas. This land, unlike much of Greece's largely arid and rugged terrain, has fertile irrigated soils that can produce high yields at relatively low production costs.

Sugar Beet prices and farm income under the new CAP

Farmers are paid according to Pol value, which fluctuates between 12 and 14. For the small crop of 2007 which was badly affected by adverse weather conditions, Greek farmers received an extra bonus as an income support payment, which was an 18% increase on the top of the farmer price which was actually reduced by about 35.5% in 2007 in compliance to the new CAP reform for sugar. Some of this income loss due to price reductions is supplemented by the single payment support to those farmers who have established rights. The Hellenic Sugar Industry guarantees for Greek beet farmers a gross income at about €3,000/ha, with a variety of measures (bonuses, extra income supports per year, low priced inputs and assistance, single payments, etc). According to the HIS, these measures have increased average farm prices by more than 30 percent in 2008, after a bad year in 2007. The target of €3,000/ha or more, can be reached when the formula below is satisfied:

Production (>) or (=) 70 MT/ha + Poll Value at 13oS + extra bonus (paid by HIS per Pol value)

In 2008, a farmer who harvested 70 MT/ha with a Pol at 13oS, earned a gross income of €3,000/ha, plus a price increase of €6.5/MT = €455 (a bonus paid according to Pol value of delivered beets), plus €500 /ha the coupled payment (with the environmental quality deduction of about €110/ha already subtracted), plus €100/ha decoupled payment making a total single payment equal to €600/ha. So, the mixed gross farmer income in 2008 in this example reached €4,055/ha. The HIS reports that the 2008 national average for a yield more than 70 MT/ha was at €3,960/ha, compared to 2,740 Euros/ha in 2007. These payments are expected to provide attractive incentives to farmers who are willing to plant beets. The lower priced agricultural inputs provided by the HSI plus price bonuses, are the main incentives.

The Hellenic Sugar Industry (HIS) under the new CAP

Reportedly, if farmers manage to plant the above acreage in the spring of 2009, it is very probable that the national quota will be exceeded. Under the new CAP, the EU has cut sugar support prices and has reduced Member State production quotas, making unsustainable the continuous operation of the five HSI Greek plants. Today HSI operate with only three plants. HSI also operates two plants in Serbia (See: http://www.fas.usda.gov/gainfiles/200412/146118282.pdf).

The products produced and traded by the company are as follows:

- White crystal sugar
- Molasses
- Sugar-pie
- Nutrica 135 (a cattle feed product)
- Fresh pulp
- Beet seed (offered to farmers contracted to plant beets)
- NO bioethanol is produced yet

HSI has operated five sugar processing plants in Greece since the 1960s until 2006. The company's main focus is the production and trade of the white crystal sugar and its by-products. It is a quasi-governmental company with the Agricultural Bank of Greece being the main shareholder (>51%). HSI is the sole sugar producer in Greece. The company follows the rules and regulations established by the EU concerning the production and disposal of sugar and generally operate within the framework of the CAP. Before the implementation of the new CAP reform for the sugar sector in MY2006/07, HSI provided employment for about 335,000 beet growers and 52,000 employees of the 5 sugar plants. Today, beet farmers total less than 100,000 and sugar factory employees are less than 20,000 (including seasonal employees).

HSI offer growers' seed for planting, fertilizers, pesticides, herbicides at the minimum prices in the market, free technical support and advice on Integrated Pest Control and irrigation Water management matters. In 2008, HSI has contributed to the transport cost of beets to sugar plants with €0.5/MT.

Currently, negotiations are in progress between HSI and Eurosugar Group to form a joint company. Details on distribution, marketing and refining are the key issues discussed.

Bioethanol Production plans

In May 2007, HSI began seeking international investors to provide the capital to transform its sugar factories in Larissa and Xanthi into bio-ethanol production units, at an estimated cost of €200 million. The company aims to produce 300,000 cubic meters of bioethanol per year, in conformity with the EU directive for the production of 5.7 percent of local fuel consumption by 2010 (set at 10 percent by 2020).

Unfortunately, to date there is no progress. The bid invitation did not progress with success, while a dichotomy in opinion dominates between farming community and the HSI in converting the two sugar plants to bioethanol production. Due to the high grain prices in MY 2007/08 and the economic crisis which followed, there is no real interest from the private sector to invest in bioethanol in Greece. Farm and environmental organizations resist to the idea of wasting land in producing feedstock (soft wheat and corn) to be used in ethanol production, instead of durum wheat and animal feed crops.

The farming community prefers to see the two plants converted to produce either organic fertilizers and/or animal feeds. Greek livestock industry (mostly of pork, poultry, sheep and goats) is highly depended on imported feeds to a large extend (i.e. yellow No3 corn, barley, oilseeds and meals). According to GOG Ministry of Agriculture reports, for the operation of two bioethanol plants in Greece about 100,000 hectares are needed to produce feedstock to satisfy production. After the reduction of the national sugar quota by 50.1percent, which resulted in closing down two out of five sugar plants in the country, an irrigated acreage of 200,000 hectares is available to be cultivated with other crops. Most of the area went to corn, irrigated forage, wheat, sunflower, field vegetables, new tree crops and set aside. Some acreage shifts back to sugar beets this year.

Reportedly, two years are needed at least, to have the two HSI's ethanol plants retooled and reach full ethanol operation. Additionally, proper coordination between the Ministries of Development, National Economy, Agriculture, the Agricultural Bank, HSI and the Farming Organizations is needed, followed by the necessary legal framework and a number of Ministerial Decisions (taxing regulations, etc). It is obvious that Greece will not reach the target for 2010 to produce bioethanol and catch the 5.7 percent threshold.

Sugar Consumption and Trade

Total needs (all consumption plus stocks) of centrifugal sugar in Greece fluctuate between 450-600,000 MT annually, including all uses (home, confectionary and canned fruit industries). All depend on domestic crop output and demand from the food industry, canned fruit in particular. Before the implementation of the new CAP Greece was self-sufficient and an amount of 60-80,000 MT of sugar was normally exported. Starting with

MY 2007/2008 and after the small crop in 2007 Greece has imported about 60,000 MT from Serbia and another 45,000 MT from Germany and France (swap types) to satisfy domestic needs within 2007, plus large amounts from UK, Bulgaria, and third countries as the 2008 year progressed (all purchases took place within MY 2007/2008).

According to the National Statistical Service (NSS), in CY 2008 Greece exported 53,200 MT of beet sugar valued at US$49.7 million. Total imports of sugar in the same period were 272,000 MT valued at US$240.6 million.

There are more than 25 sugar trading businesses in Greece. The largest wholesaler of beet sugar in the country is HIS selling at €0.93 kg, while retail price is set at €1.00/Kg. Imported beet sugar is priced at €0.76/Kg (wholesale basis). The GOG's Ministry of Development and Commerce implements measures to control fraud and false documentation (invoices with wrong declaration of product origin, wrong labels on packaging material, etc). In the past two years, 23 out of the key 25 trade firms have committed offenses and paid high fines (tax fraud, selling imported sugar as Greek, etc). Imported cane sugar is priced between €1.15 – 1.55/kg according to refining, origin, package and additives (flavorings or colorants).