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Greece

Canned Deciduous Fruit Annual

Canned Deciduous Fruit 2010

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Report Highlights:

MY 2010/11 Greek cling peach production is estimated at 390,000 metric tons (MT), significantly down from the approximately 450,000 MT produced last year. Hot weather in June reduced both the quality and the size of the fruit. The Greek canned peach industry is in transition and recovering from difficult circumstances. In MY 2010/2011, Greece is expected to work off burdensome stocks due to improved demand as well as to reduced competition from China (due to greater domestic consumption). Sources report that due to the global financial crisis and the Greek debt crisis, the government no longer earmarks EU aid for historic peach producers but now pools it with all other EU aid. Thus, peach producer received no aid or emergency income support in 2009 or thus far in 2010. The lack of earmarked aid is also expected to accelerate the transition from cling peaches to other horticultural production.

CANNED PEACHES

Production

Horticultural production, especially fruit production, generates about 1/3 of agricultural income. Table 1 shows Greece's annual harvested production of fresh peaches, pears, and apricots (see GR1002 and GR1006 for additional information).

Table 1. Annual Fresh Fruit Production (MT)

	2008/09	2009/10	2010/11
Fresh Peaches	863,500	822,000	810,000
Fresh Pears	51,000	43,000	52,000
Fresh Apricots	77,400	52,100	75,400

Source: Eurostat and industry contacts

Cling Peaches: Peach production is far less concentrated in Greece than in the United States. Greek farms are typically four or five hectares, much smaller than the average size in either the EU or the United States. Although there are no official statistics, cling peaches are grown on approximately 23,900 hectares in six territories of Central Macedonia and Thessaly, located in northern Greece. As a result of the downturn in the industry, some smaller growers reportedly are switching to apples, kiwis, or table peach production. There are about 17 peach processors in Greece, compared to four in the United States. Most Greek peach processors are located in Central Macedonia, particularly in Pella and Imathia counties.

MY 2010/11 Greek cling peach production is estimated at 390,000 metric tons (MT), significantly down from the approximately 450,000 MT produced last year. Hot weather in June reduced both the quality and the size of the fruit. An estimated 300,000 MT of the MY 2010/11 crop was harvested and sold to canners and other processors, with the remainder sold for fresh consumption or left on the farm. Table 2. shows the conversion rate for raw cling peaches to canned peaches and puree.

Table 2. Conversion Rates for Canned Peach Production

1 standard case = 17 kg of grade I peaches raw + 2 kg of rejected peaches used for puree
1 case = 20.4 kg (11.52 kg drained weight)
1 MT = 45 standard cartons of 24 x 850 ml peaches

Canned Peaches: The Greek canned peach industry depends on domestic fresh peach production for all of its raw material. Of the 300,000 MT of cling peaches harvested and bought by processors, the industry will can 180,000 MT, puree 80,000 MT (for juice), dice 20,000 MT (for mixes), and freeze 20,000 MT.

Table 3. Cling Peach Production and Processing (MT)

	2008/09	2009/10	2010/11
Production	420,000	450,000	390,000
Procured	390,000	280,000	300,000
Canned	240,000	160,000	180,000
Juiced	90,000	80,000	80,000
Diced	30,000	20,000	20,000
Frozen	30,000	20,000	20,000

The Greek canned peach industry is in transition and recovering from difficult circumstances. MY 2008/09 was the first year in which production exceeded demand due to increased export competition from China, coupled with reduced demand due to the global financial crisis. In MY 2009/10, processors adjusted by limiting purchases of raw material and reducing prices. Producers, especially marginal ones, who do not have the same flexibility will opt out to produce other crops and continue to press the government for additional assistance. In MY 2010/11 processors continued to adjust. Greece is expected to work off burdensome stocks due to improved demand as well as to reduced competition from China (due to greater domestic consumption). Observers expect the Greek industry will stabilize around its current level (while cling peach production will continue to decline) thanks to its access to the protected EU market, especially as long as the Yuan remains overvalued and EU duties remain at 22 percent.

Table 4. Canned Peach Production (Million Std Greek Cases)

	2008/09	2009/10	2010/11
Begin Stocks	3.1	7.5	4.9
Production	14.9	10.0	10.4
Total Supply	18.0	17.5	15.3
Consumption	0	0	0
Exports	12.1	12.6	13.1
Total Use	10.5	12.6	13.1
End Stocks	7.5	4.9	2.2
Total Distribution	18.0	17.5	15.3

Prices

Despite lower quality, processors increased MY 2010/11 prices to €0.20/kg. for grade 1 peaches for canning—well below the historical levels shown in Table 5. Prices for cling peaches for other uses are generally lower.

Table 5. Cling Peach Grower Prices

	2004	2005	2006	2007	2009	2010
Paid by canners (€/kg)	0.22	0.19	0.23	0.23	0.18	0.20
Aid to grower (€/kg)	0.05	0.05	0.05	0.05	0	0
Total (€/kg)	0.27	0.24	0.28	0.28	0.18	0.20

Source: United States International Trade Commission and industry sources

Low prices and lack of support are the chief reasons for peach growers' protests, which receive national and international attention when they block highways and ports. Sources report that due to the global financial crisis and the Greek debt crisis, the government no longer earmarks EU aid for historic peach producers but now pools it with all other EU aid. Thus, peach producer received no aid or emergency income support in 2009 or thus far in 2010. The lack of earmarked aid is also expected to accelerate the transition from cling peaches to other horticultural production.

Sources report that production costs for an average size (7-acre) cling peach farm is €0.16/kg and about €0.12/kg for larger (25-acre) producers. Since canners pay €0.20/kg, producers conceivably can make a profit even at this low price level. One problem is that canners pay €0.20/kg for only the portion of production that is canned. Other processors pay lower amounts for other uses. Thus producers may incur losses on the portion sold at a lower price as well as the remainder that (mainly) goes unsold. Unless demand for Greek canned peaches increases (which appears unlikely), there likely will be major changes in deciduous fruit production in Greece during the next several years as smaller, less efficient producers opt to produce other crops.

Several things may be done in the short term to ease this transition. Observers note that coops, which play a major role in marketing cling peaches, are inefficient and can cost producers as much as €0.05/kg. Reforming the coop system may make peach production more profitable for producers. Additionally, it may be possible to reduce costs for seasonal labor.

Trade

Greek industry officials estimate that it costs roughly the same for Greek canners and California canners to ship their products to the east coast of the United States. However, the EU canned fruit market is significantly larger than that of the United States, and Greece ships the majority of its products to other EU countries. Although Greece was in a competitive position to export canned fruit products to the United States, during the last several years Greek canned peaches faced stiff competition from other producers, especially China.

Greece is the largest exporter of canned peaches in the world, accounting for over one-third of global canned peach exports. Most (about 76 percent) of Greek canned peach exports are destined for other EU countries. Sources expect increased exports to SE Asia, particularly Thailand, where international processors repack, mix, and re-export canned fruit to the United States and other markets. Sources report that the reported deal to ship 2 x 400,000 (24 can cases) to Russia resulted in less than 50,000 cases actually shipped. Reportedly, numerous trade difficulties have developed in associated with possible canned peach exports to Argentina.

Table 6. Greek Exports of Canned Peaches (MT)

	2008/2009	2009/2010
EU-27	215,353	180,323
Germany	77,138	57,599
Poland	18,264	21,333
United Kingdom	19,935	18,220
France	23,216	17,394
Italy	19,912	14,542
Austria	11,800	12,896
Extra EU-27	55,465	57,522
Thailand	7,083	10,014
United States	2,460	7,381
Russia	9,693	5,049
Egypt	3,434	4,573
United Arab Emirates	3,356	3,977
World	237,845	237,845

Source: GTA

Policy

Background on EU Subsidies: For decades the US canned peach industry has sought relief from the EU's canned peach subsidies. The long history of the U.S. dispute with the EU over its canned fruit subsidy regime has included numerous U.S. government interventions at the very highest levels, even including a bilateral agreement under which the EU agreed to discontinue subsidizing its canned peach processors. Despite these efforts, subsidized EU canned peaches weaken the competitive position of U.S. canned peach growers and processors relative to their EU counterparts. Consumption of canned peaches within the United States has fallen alongside domestic production since 2002. While imports

accounted for 8 percent of U.S. consumption in 2004, they rose to 18 percent of consumption in 2006, with similar trends in canned pears (12 percent to 16 percent) and in canned fruit mixtures (3 percent to 7 percent).

The United States is the largest producer of canned peaches in the world followed by Greece. Accession into the European Union greatly enhanced Greek peach production. When Greece entered the European Union, Greek producers received production subsidies, access to the EU market, and protection from foreign competition.

CAP Reforms: The aim of the Common Market Organization (CMO) reforms, which entered into force on January 1, 2008, was to bring the Fruits and Vegetable (F&V) sector in line with other agricultural sectors that have already been reformed under the Common Agricultural Policy (CAP) (Council Regulation 1182/2007). Under this reform, the old-style production-linked payments are being replaced by decoupled payments. The shift from production support to direct aid to producers is designed to improve the competitiveness, market orientation, and sustainability of the sector. Commission Regulation 1580/2007 lays down rules for the implementation of the reform.

The F&V sectors were integrated in the Single Payment Scheme (SPS), and land utilized for F&V production (including orchards and potatoes for human consumption) will be eligible for payments under the decoupled aid scheme, which already applies in other farm sectors. All existing support for processed F&V (tomatoes, citrus fruit, peaches, pears, prunes, figs, and dried grapes) has been decoupled and Member States' (MS) budgetary ceilings for the SPS were increased accordingly.

Within the framework of the SPS, the calculation of the budget to be paid to the farmers is based on the historical average payments received by peach growers (see below). However, these amounts have been globally added to the SPS envelope, and they can be reattributed among farmers (in conformity with point A of annex IX of Regulation 73/2009 - previously point M of annex VII of Regulation 1973/2004).

Subsidies: Unlike the United States, Greece provides direct decoupled payments to peach and pear growers under the EU Common Agricultural Policy (CAP). Following the 2008 reforms of the CAP Common Market Organization for fruit and vegetable production, the Greek government announced that it would follow a fully decoupled payment scheme and will allocate €11.8 million of its awarded CAP subsidies to historic (base period) peach producers from 2008 to 2013. However, due to the global financial crisis and the Greek debt crisis, sources now report that the €11.8 million is no longer earmarked for peach producers but is pooled with overall SPS payments. Sources also report that the government did not provide emergency support to peach growers.

Marketing

The purée market is quickly expanding in Greece, and most Greek peach producers have opened a purée line. The EU subsidizes approximately 40 percent of the financing for investment in new product lines, including for purée equipment which costs between €1.5 and €2 million to install. Purée production uses a large amount of fresh peaches, and as this market expands the cost of Greek cling peaches may rise.

CANNED MIXED FRUIT

There are no official statistics for pear and apricot production. Production of canned mixed fruit has steadily declined since 2005 due largely to competition from China, with production of 25,000 MT in 2008 and less than 20,000 MT for MY 2009/10. Greece is the second largest canned fruit mixtures producer in the EU behind Italy, and it accounts for about 26 percent of EU production. Canned fruit mixtures usually consist of peaches, pears, cherries, pineapples, and grapes. Greece is a minor producer of canned pears. It is the fourth largest canned pear producer in the EU behind Italy, Spain, and France, and it accounted for about 7 percent of EU production with 5,500 MT in 2006.

Greece is a net-exporter of canned fruit mixtures. While far behind canned peaches in terms of value, canned fruit mixtures are Greece's second most important canned fruit export. About 80 percent of Greek canned fruit mixture exports went to other EU countries in MY 2009/2010.

Table 7. Greek Exports of Canned Fruit Mixtures (MT)

	2008/2009	2009/2010
EU-27	19,630	15,169
Germany	6,999	4,033
Netherlands	1,446	3,902
United Kingdom	4,453	3,361
Finland	1,295	1,118
Sweden	1,094	776
Extra EU-27	3,983	4,237
Japan	1,766	1,525
Canada	797	748
Switzerland	493	620
World	23,613	19,406

Source: GTA

While Greece did not import any canned fruit mixtures from the United States during MY 2009/2010, it did import limited quantities during MY 2007/2008 and 2008/2009. In MY 2009/2010, 57 percent of Greece's imported canned fruit mixtures came from other EU countries. Greece is a minor destination for U.S. exports of canned fruit mixtures, as the majority go to Canada, Mexico, Japan, Saudi Arabia, and others.

CANNED APRICOTS

Greece is a net-exporter of canned apricots. Canned apricots are Greece's third most important canned fruit export. About 90 percent of Greek canned apricot exports go to other EU countries. The United States has not imported canned apricots from Greece since 2006.

Table 8. Greek Exports of Canned Apricots (MT)

	2008/2009	2009/2010
EU-27	11,748	10,687
France	5,417	5,293
Germany	3,573	2,819
Italy	848	627
Czech Republic	564	553
United Kingdom	341	358
Extra EU-27	1,007	1,267
Libya	170	284
Albania	214	207
Saudi Arabia	65	130
Russia	178	120
World	12,755	11,954

Source: GTA

Greece began to import canned apricots from the United States during the first half of 2009. In MY 2009/2010, 58 percent of Greece's imported canned apricots came from other EU countries.

CANNED PEARS

Greece is a net-importer of canned pears. Canned pears are Greece's least important canned fruit export. Greece exports a limited amount of canned pears, 80 percent of which go to other EU countries.

Table 9. Greek Exports of Canned Pears (MT)

	2008/2009	2009/2010
EU-27	400	567
Germany	79	283
United Kingdom	313	260
Poland	0	21
Extra EU-27	90	143
Canada	30	88
Japan	0	18
Angola	18	18
Albania	36	15
World	490	710

Source: GTA

Table 10. Greek Imports of Canned Pears (MT)

	2008/2009	2009/2010
EU-27	2,011	191
Italy	1,832	113
Germany	117	69
Extra EU-27	5,917	3,669
China	4,786	2,410
Argentina	1,131	1,118
South Africa	0	71
World	7,928	3,860

Source: GTA