

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Greece**

### **Cotton and Products Annual**

### **Cotton and Products Annual 2013**

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**Report Highlights:**

Cotton is a major agricultural crop in Greece, accounting for more than 8 percent of total agricultural output. Greece's MY 2012/13 cotton production is estimated at 265,000 MT or 8.6 percent down from the previous year due to lower than expected yields because of bad weather and lower fertilization usage. Greece is a major cotton exporter. During MY2011/12, Turkey has been the main destination for Greek cotton, accounting for approximately 35 percent of total exports.

## GREECE

### Cotton Lint

**Table 1: Production, Supply, and Demand (MT)**

Cotton	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	285,000	285,000	285,000	285,000		220,000
<b>Beginning Stocks</b>	0	0	5,000	5,000		1,000
<b>Production</b>	290,000	290,000	300,000	265,000		200,000
<b>Imports</b>	2,000	2,000	2,000	1,000		3,000
<b>MY Imports from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	292,000	292,000	307,000	271,000		204,000
<b>Exports</b>	261,000	261,000	270,000	244,000		171,000
<b>Use</b>	20,000	20,000	20,000	20,000		27,000
<b>Loss</b>	6,000	6,000	6,000	6,000		6,000
<b>Total Dom. Cons.</b>	26,000	26,000	34,000	26,000		33,000
<b>Ending Stocks</b>	5,000	5,000	3,000	1,000		0
<b>Total Distribution</b>	292,000	292,000	307,000	271,000		204,000

1000 HA, 1000 MT

Source: FAS estimates based on Greek industry contacts

### Production

Cotton is a major agricultural crop in Greece, accounting for more than 8 percent of total agricultural output. More than 75,000 farmers grow cotton, producing about 80 percent of the EU-27 crop. Thessaly, Macedonia, and Mainland Greece are the major cotton-producing areas. Cotton is planted from March 1 to April 15 and the harvest occurs from October 1 to November 30. Most cotton is irrigated and machine harvested.

Greece's cotton area, yields, and production have declined significantly following Common Agricultural Policy (CAP) reforms effective in 2006 that decoupled payments and reduced support and market barriers for a number of crops, including cotton. Greece's MY 2011/12 cotton production has been good, up almost 42 percent from last season due to increased acreage and more effective pest control because of less investment in the sector. Initial delays during the planting period due to constant

rainfalls and low temperatures have been offset by warm and sunny days in August and September. Greece's MY 2012/13 cotton production is estimated at 265,000 MT, 8.6 percent down from the previous year due to lower than expected yields because of bad weather and lower fertilization usage. MY 2013/14 cotton area and production are forecast to decline by approximately 22.8 and 24.5 percent respectively, in favor of durum wheat and corn —especially in Thessaly— because of cheaper production costs and the strong rebound in durum wheat and corn farm-gate prices from 0.22 €/Kg in June 2012 to 0.26 €/Kg in February 2013.

There are roughly 30 ginning companies in Greece with a total of about 65 ginning units. About 80 percent of the companies are private and the remainder are cooperatives. The top 5 companies handle about 70 percent of ginning capacity. Greece's financial crisis has negatively affected the cotton market, creating risks and uncertainty. Without bank assistance, many ginners and cooperatives cannot hold stocks to secure a premium price. There also is a lot of debate about the survival of cooperatives that used to receive a large percentage of the agricultural loans. Due to last season's defaults and delivery issues, many international cotton merchants have decided to narrow their exposure by buying only from the top ginners/exporters based on their prior performance. Ginners generally do not contract with growers, but compete with each other to purchase the crop. Greek seed cotton prices have increased from 0.42-0.43 €/Kg in October 2012 to nearly 0.48 €/Kg for limited quantities in January 2013.

## **Consumption**

Domestic spinners consume approximately 10 percent of lint production and the remainder is exported. About 58 percent of cottonseed production is exported (mainly to Italy) and the remainder is crushed for oil and oilseed cake or retained for seed.

## **Trade**

Greece is a major cotton exporter. During MY2011/12, Turkey has been the main destination for Greek cotton, representing approximately 35 percent of total exports. Greek ginners are expanding their distribution channels rather than selling only to their traditional buyers. Thus, during MY 2011/12, Greece exported huge quantities of cotton to China (63,482 MT) and increased amounts to Indonesia (35,553 MT) and Pakistan (6,636 MT). MY 2011/12 has been characterized by reduced exports to Egypt even after March 18, 2012, when the Egyptian Government lifted the import ban imposed in October 2011 (Ministerial Decree No. 1864/2011) in an effort to increase the demand for locally produced cotton. Small amounts of cotton are imported for blending in the domestic spinning industry.

**Table 2: Cotton Lint Exports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>20,335</b>	<b>21,117</b>
Italy	5,659	10,229
Germany	8,122	4,377
France	1,927	2,712
Bulgaria	1,887	1,863
<b>Extra EU-27</b>	<b>137,048</b>	<b>226,348</b>
Turkey	86,877	87,268
China	589	63,482
Indonesia	9,274	35,553
Egypt	27,789	9,826
Pakistan	2,039	6,636
<b>World</b>	<b>157,383</b>	<b>247,465</b>

Source: GTA

**Table 3: Cotton Lint Imports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>1,355</b>	<b>935</b>
Bulgaria	404	486
Belgium	428	219
Germany	377	174
<b>Extra EU-27</b>	<b>5,153</b>	<b>4,373</b>
Turkey	2,994	3,192
Brazil	0	390
Pakistan	1,027	261
Argentina	0	199
India	219	159
<b>World</b>	<b>6,508</b>	<b>5,308</b>

Source: GTA

## Policy

The future of the cotton sector in Greece is strictly related to the subsidy scheme and how the CAP reform will be implemented. Cotton policy is detailed in EU Regulation 637/2008, amending Regulation 1782/2003, and the national restructuring programs for the cotton sector. Because of the risk of production disruptions in the cotton producing regions, the payment has two components: 65 percent of the aid is "decoupled" and 35 percent is "coupled." "Decoupling" means that priority is given to supporting the income of producers, rather than the product they produce. Producers receive the aid in return for respecting strict standards of environmental protection, animal welfare, and food safety ('cross

compliance'), and are free to produce whatever they wish. In "coupling," the aid is linked to cotton production and granted per hectare of eligible area of cotton. In order to be eligible, the area must be located on agricultural land authorized by the Member State for cotton production, sown under authorized varieties, and actually harvested under normal growing conditions. The aid is paid for cotton of fair and marketable quality. Greece's base area is established at 250,000 Ha. The amount of the aid per eligible hectare in Greece is established by multiplying fixed yields (3,2 tons/ha) with a reference amount of Euro 251, 75. If the eligible area exceeds the maximum base area, the aid per hectare is reduced proportionally. It is estimated that in MY 2011/12, the amount of direct subsidies paid for production in Greece was \$266 million (\$280 million in MY 2010/11) or approximately 43 US cents per pound of lint production – considerably lower than the 70 U.S. cents in 2010/11.

### **Textile products**

According to the Association of Hellenic Textile Industries (SEVK), the Greek textile industry is facing tough times as not only the sector's production has dropped by 18 percent, but domestic orders have also slumped 20 percent. A negative trend has dominated the export market, which has shrunk by approximately 23.8 percent during MY 2011/12 compared to the previous year.

The problems for the Greek textile industry are compounded by the absence of liquidity in the market, meaning that banks have pulled the plug on all sources of funding, forcing a number of businesses to seriously consider closing down entirely. The SEVK has also complained about the amount of interest charged on loans, which can exceed 10 percent. A number of Greek businesses are exploring alternative avenues of funding by approaching potential investors as far afield as the United States and China. Given these circumstances, the industry is looking for an intervention of the State to revitalize the sector, starting with a settlement of millions of euro in VAT restitution to the leading exporters.

**Table 4: Cotton Yarn Imports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>1,949</b>	<b>1,089</b>
France	482	372
Italy	1,020	304
Bulgaria	115	203
Germany	202	133
<b>Extra EU-27</b>	<b>6,256</b>	<b>4,387</b>
Turkey	4,405	3,468
India	1,179	667
Egypt	199	166
Pakistan	48	45
<b>World</b>	<b>8,205</b>	<b>5,476</b>

Source: GTA

**Table 5: Cotton Yarn Exports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>13,495</b>	<b>8,260</b>
Germany	4,898	2,273
Spain	974	1,446
Italy	1,619	891
Bulgaria	1,282	750
<b>Extra EU-27</b>	<b>1,080</b>	<b>801</b>
Switzerland	227	297
Tunisia	160	104
Serbia	54	32
Turkey	113	17
<b>World</b>	<b>14,575</b>	<b>9,061</b>

Source: GTA

**Table 6: Cotton Fabric Imports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>1,674</b>	<b>1,178</b>
Italy	901	573
Spain	270	173
Germany	134	120
Bulgaria	113	111
<b>Extra EU-27</b>	<b>3,709</b>	<b>3,025</b>
Pakistan	1,217	1,127
Turkey	1,203	965
China	924	734
India	85	85
<b>World</b>	<b>5,383</b>	<b>4,203</b>

Source: GTA

**Table 7: Cotton Fabric Exports (MT)**

	<b>Aug-Jul 10/11</b>	<b>Aug-Jul 11/12</b>
<b>EU-27</b>	<b>3,190</b>	<b>2,337</b>
Bulgaria	1,571	1,195
Italy	1,420	463
Romania	64	246
Germany	26	198
<b>Extra EU-27</b>	<b>3,082</b>	<b>2,440</b>
Turkey	1,186	1,044
Tunisia	411	326
Morocco	521	284
Serbia	204	206
<b>World</b>	<b>6,272</b>	<b>4,777</b>

Source: GTA

### **Abbreviations and Definitions Used in this Report**

The PSD tables are prepared based on an August 1 to July 31 marketing year.

HS codes considered for Lint Cotton trade data: 5201, 5202, 5203.

HS codes considered for Yarn Cotton trade data: 5204, 5205, 5206, 5207.

HS codes considered for Fabric Cotton trade data: 5208, 5209, 5210, 5211, 5212

EU European Union

CAP Common Agricultural Policy

Ha hectare; 1 ha = 2.471 acres

MT Metric ton = 1,000 kg