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Greek Farmers Protest amid National Budget Crisis

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Report Highlights:

Demanding government subsidies and a boost in income, Greek farmers began blocking the country's major national highways and northern borders with Macedonia, Bulgaria, and Albania in mid-January. The Greek government, heavily in debt and suffering a large fiscal deficit as well as being under scrutiny in global financial markets, can ill afford any additional national subsidies to its farmers at this time.

Executive Summary:

On January 15th farmers erected blockades across Greece, thereby launching a protest for more government aid. Among their demands were secure subsidies, guaranteed prices for their produce, lower production costs, secure bank loans, and solutions to the farm sector's chronic problems. Some are seeking a freeze on debt repayments to the state-controlled Agricultural Bank. Others are

protesting the drop in prices for products such as wheat, cotton, milk, and olive oil. The protests threaten trade, all industries dependent on transportation, and Greece's image as a whole.

Greece's agricultural sector is one of the least efficient in the EU, due to various social and labor-related constraints as well as poor environmental conditions, such as rocky soil and prevalent fires. The problems in Greece are shared to various degrees by farmers throughout the EU as a result of a system of lavish subsidies that did too little too late to address systemic problems. Even so, the Greek government has little ability to meet the farmers' demands for additional government aid. Greece is not in compliance with its EU agricultural administrative and accounting responsibilities and, compounding the problem, its national debt (120 percent of gross domestic product (GDP)) is one of the largest in the European Union (EU). Greece's budget deficit stands at nearly 13 percent of GDP vs. the 3.7 percent the government reported to the EU in April, both of which are above the EU-approved deficit level of 3 percent.

Years of rampant spending, expansion of the civil service, and inefficient tax collection have left the country on the edge of bankruptcy. The Greek government is scrambling to reduce its deficit to levels acceptable to the European Union by freezing the pay of civil servants, increasing the fuel tax, and going after tax evaders. With Greek customs and tax officials now striking in addition to the farmers, a public sector strike set for February 10th, and a general strike planned for February 24th, the government is under severe pressure from various social groups for financial support, making grants for new farm aid improbable. The Agriculture Minister has explicitly stated that the government will not give in to the farmers' blockade and pay the farmers additional subsidies.

Farmer Protests

Farmers erected four blockades on January 15th, launching sweeping protests that have extended across northern and southern Greece. Farmers, using their tractors and machinery, blocked some 20 primary roads including two key crossings into Bulgaria – Promahon–Kulata and Exohi-Ilinden – the main border crossing with Macedonia, the east-west highway linking western Greece and Turkey, and the Albanian border. Farmers also blocked the main highways connecting the Greek capital Athens to the northern port city of Thessaloniki and the mainland city of Lamia, as well as the freeway connecting the central Peloponnese. Greece's national highways have become nearly impassable due to the farmers' blockades and a major inconvenience to travelers.

The Bulgarian and Romanian governments have appealed to the European Union to take "immediate" action to end the blockades. The Bulgarian government warned that if the border is not opened, they will demand compensation for each day the blockades continue because the Greek farmers' actions significantly damage the Bulgarian economy.

Many farmers continue to protest despite international criticism. Farmers from Thessaloniki erected more roadblocks at the Halkidona intersection, the Malgara toll post, and the Thessaloniki-Serres old national highway outside Liti. In the Peloponnese, a convoy of tractors of Laconia orange producers drove through the central streets of Sparta, headed for the city's entrance at the Evrotas River. Argolis orange growers also demonstrated outside the Prefecture building in Nafplio. Farmers on the island of Crete joined in the mobilizations of their mainland colleagues, temporarily blocking access to two public financial services in Chania in a warning move. As of late January farmers began blocking the

Hania-Rethymno national highway at the Megala Horafia intersection at regular intervals.

Other farmers chose to change tactics, dismantled their roadblocks at the Corinth-Tripolis national road at the Sterna intersection, and held sit-ins at the regional authority headquarters of the Peloponnese in Tripolis and of western Greece in Patras. A delegation of local producers and local authorities from Crete plan to meet in Athens with Deputy Agriculture Minister Michalis Karchimakis.

Those who continue to protest are no doubt hopeful that the Greek government will eventually cave to their demands. A year ago when farmers blockaded the main roads across the country (a month-long protest which caused major problems for commercial truck drivers and travelers) they forced the former Greek government to agree to a €500 million support program.

The Government's Response

Greece is in the middle of a major economic crisis and under strong EU pressure to reduce its budget deficit. The Greek socialist government does not have the money to bail out the ailing agricultural sector, regardless of the farmers' economically damaging protests, and has rejected the farmers' demands for immediate subsidies worth about €1 billion (\$1.4 billion). Instead, the government promised to provide state aid by mid-March and urged farmers to dismantle the roadblocks. New Agriculture Minister Katerina Batzeli said that the country's precarious fiscal situation makes subsidies impossible, and Prime Minister George Papandreou repeated his appeal that farmers immediately end the blockades that have caused major disruptions in trade and commerce.

While Greece cannot afford to grant all of the farmers' demands, a government spokesman explained that the government is taking ongoing steps to support its farmers. These encompass inclusion in the economic fluidity draft law, loan settlements, refundable VAT (from 7 percent to 11 percent), participation in the Credit Guarantee Fund for Small and Very Small Enterprises, a 30-euro increase in OGA farmers' pensions coupled with a further 20-euro increase in June, and participation in the Social Solidarity benefit. He also noted that payment of community subsidies will be completed by March 15th and that any other direct income support will have to come from the European Union.

A government spokesman underlined that the Ministry for Rural Development and Food has begun an open dialogue with all production sectors. The Ministry of Agriculture gave Greek farmers an "open invitation without conditions" to take part in dialogue for finding a permanent, viable solution to their problems, rather than the "temporary fixes" that they previously received. Speaking at a regular press briefing, a government spokesman stated that an open dialogue will culminate in Athens later this month in cooperation with the Economic and Social Council of Greece (OKE) and the Ministry of Economy, Competitiveness, and Shipping. The majority of farmers refuse to participate in these negotiations, instead demanding a meeting with the Prime Minister.

The country's farmers estimate that their income has declined 25 percent in the past 10 years. Greece's government blames the country's previous conservative administration -- led by former New Democracy (ND) leader Costas Karamanlis -- for the farmers' problems. The Ministry of Agriculture noted that the "payment of state subsidies, without planning and lacking a structure in support of the agricultural economy, will have no real effect on the farmers' income."

General Information: