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Greece

Cotton and Products Annual

Cotton and Products Annual 2015

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Report Highlights:

Cotton is a crop of high importance for Greek agricultural production, accounting for more than 8 percent of total agricultural output. Greece's MY 2014/15 cotton production is estimated at 1,286,000 bales, down 6 percent from the previous season due to heavy rains during harvest which affected the color and quality of the lint. Greece is a major cotton exporter. Turkey was the main destination for Greek cotton during MY 2013/14, representing approximately 51 percent of total exports.

Cotton Lint

Table 1: Production, Supply, and Demand (1000 480 lb. Bales)

Cotton	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Aug 2013		Market Year Begin: Aug 2014		Market Year Begin: Aug 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	245	245	280	278		255
Beginning Stocks	345	42	349	48		70
Production	1,369	1,369	1,285	1,286		1,194
Imports	10	13	10	10		10
MY Imports from U.S.	0	0	0	0		0
Total Supply	1,724	1,424	1,644	1,344		1,274
Exports	1,200	1,286	1,000	1,150		1,083
Use	125	60	150	94		96
Loss	50	30	50	30		30
Total Dom. Cons.	175	90	200	124		126
Ending Stocks	349	48	444	70		65
Total Distribution	1,724	1,424	1,644	1,344		1,274

1000 HA, 1000 480 lb. Bales

Source: FAS estimates based on Greek industry contacts

Production

Cotton is a crop of high importance for Greek agricultural production, accounting for more than 8 percent of total agricultural output. More than 50,000 farmers grow cotton, producing almost 80 percent of the EU-28 total production. Thessaly, Macedonia, Thrace, and Mainland Greece are the major cotton-producing areas. Cotton is planted from March 1 to April 15; the crop life cycle is usually 170 to 210 days, depending on the variety and weather conditions. The harvest normally occurs from October 1 to November 30 and most of the cotton is machine harvested.

Greece's MY 2014/15 cotton production is estimated at 1,286,000 bales, down 6 percent from the previous season due to heavy rains during harvest which affected the color and quality of the lint. MY 2014/15 cotton area is expected to register an increase of 13.5 percent to 278,000 ha, thanks to improved seed cotton farm-gate prices (from 0.50 €/kg in October 2013 to 0.52 €/kg in January 2014), at the expense of durum wheat. Greece's MY 2015/16 cotton area is forecast to fall by 8 percent in favor of durum wheat, especially in Thessaly region, because of improved durum wheat farm-gate prices from 0.22 €/kg in June 2014 to 0.26 €/kg in February 2015.

Moreover, the regions of Thrace (Northern Greece) and Serres (Central Macedonia) are forecast to

register a decrease in cotton acreage during MY 2015/16 as a consequence of the flooding occurred in March 2015.

According to the latest industry figures, MY 2013/14 cotton lint ending stocks are estimated at 48,000 bales. This represents a residual number as Greek ginners prefer placing the product on the market than keeping stocks in warehouses because of high storage costs. MY 2014/15 cotton lint ending stocks are expected to increase compared to the previous year as traders are projected to deliver fewer quantities of cotton, because of the lower quality reported this year.

There are 35 ginning companies in Greece with a total of 70 ginning units placed close to the main production areas in Central and North Greece. Approximately 80 percent of the companies are private and the remainder are cooperatives. Greece's financial crisis has negatively affected the cotton market, creating greater risk and uncertainty. Without bank assistance, many ginners and cooperatives cannot store their stocks until prices improve. There also is a lot of debate about the survival of cooperatives that used to receive a large percentage of the agricultural loans. Ginners generally do not contract with growers, but compete with each other to purchase the crop.

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. Turkey was the main destination for Greek cotton during MY 2013/14, representing approximately 51 percent of total exports. Greek ginners are expanding their distribution channels rather than selling only to traditional buyers. Thus, during MY 2013/14, Greece exported increased quantities of cotton to Egypt, Sri Lanka, and the United Kingdom. The USD to EUR exchange rate favored Greek exports to extra-EU countries, especially Turkey (+57.3 percent in MY 2013/14 compared to MY 2012/13) and Egypt (+67.2percent in MY 2013/14). Small amounts of cotton are imported for blending by the domestic spinning industry. Despite a decreased production expected in MY 2014/2015, cotton lint imports are projected to keep a downward trend as the Greek economic recession forced numerous small industries to exit the market.

Table 2: Cotton Lint Exports (bales)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	60,310	75,325	46,168
Italy	31,113	26,846	22,294
Bulgaria	8,929	16,103	8,212
United Kingdom	0	4,965	5,493
Germany	9,971	18,027	5,429
Extra EU-28	1,038,671	1,016,588	1,239,962
Turkey	400,419	422,052	664,198
Egypt	50,265	75,077	228,633
China	286,854	113,616	101,711
Indonesia	163,294	105,845	85,323
Japan	28,899	37,221	45,902
World	1,098,981	1,091,913	1,286,131

Source: GTA (Global Trade Atlas)

Table 3: Cotton Lint Imports (bales)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	280	2,499	2,315
Spain	0	2,338	2,264
Italy	28	9	32
Bulgaria	0	0	9
Extra EU-28	19,341	14,449	11,101
Turkey	14,325	11,188	7,505
Kyrgyzstan	0	0	1,851
India	730	1,608	942
Pakistan	974	446	808
Argentina	914	0	0
World	19,621	16,948	13,416

Source: GTA

Policy

The future of the cotton sector in Greece is strictly related to the subsidy scheme and how the CAP reform is implemented. Cotton policy is detailed in EU Regulation No. 1307/2013 of December 17, 2013, establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009. 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 (the percentage of certified seed is also required-in 2015/16 it is set at 16 Kg/ha, comparing to 10 kg/ha on 2014/15), 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 MT/ha) with a reference amount of €234,18. If the eligible area exceeds the maximum base area, the aid per hectare is reduced proportionally by the excess area over the base area. For 2014/15, the amount of Greece's direct subsidies allocated by the Greek Payment Authority for Common Agricultural Policy (CAP) Aid Schemes (OPEKEPE) to 50,938 beneficiaries is estimated at €187 million, or approximately €672.9 per hectare (compared to €805 per hectare last year). Cotton is one of the crops in which some aid remained coupled, meaning linked to production of that specific crop, as a single farm payment without this coupling would introduce too much risk that production in key cotton producing regions might be disrupted. Thus the decoupled single area payment was set at 65 percent of the national share of aid available to producers and the remaining 35 percent is still coupled to cotton, but calculated on the basis of a per hectare payment.

Starting in 2015, the new CAP amended the farmer's historical rights and the farmer can no longer leave more than 50% of his/her land uncultivated, if he/she is to receive aid. In order to tie into the Europe 2020 strategy for smart, sustainable and inclusive growth, the European Commission organized an extensive public outreach effort to develop the new CAP. The new CAP is greener and, in theory, aid is more equitably distributed under the first pillar. Also, the second pillar is focused on increasing competitiveness and innovation and managing climate change and the environment. The new CAP identifies three categories of producers according to the size of the land cultivated. The first category includes cotton producers with less than 10 hectares, the second producers with 10-15 hectares and the third producers with more than 15 hectares. Producers with less than 10 hectares receive the basic area payment (70%) and a green aid (30%). Producers that cultivate an area from 10-15 hectares need to follow different rules to get the green aid. These farmers must cultivate at least two crops and the main crop cannot exceed 75 percent of the total cultivated area. Producers with more than 15 hectares must also maintain an "ecological focus area", equivalent to at least 5 percent of the total arable area of the farm. The ecological focus area can be cultivated with alfalfa, legumes, vetch (*Vicia sativa* plant), or be left idle or not used as crop land.

Textile products

According to the President of the Association of Hellenic Textile Industries (SEVK), Mr. Eleftherios

Kourtalīs, the Greek textile industry continues to suffer from high-energy costs. The cost of electricity for domestic textile industries is double the European average, thus affecting the international competitiveness and sustainability of the energy-intensive Greek textile sector. According to the Hellenic Fashion Industry Association (SEPEE), the Greek textile industry’s problems are being compounded by an absence of liquidity in the market, with banks pulling the plug on all sources of funding, forcing a number of businesses to seriously consider closing down entirely. The Greek textile industry is also complaining about current interest rates for loans, which can exceed 10 percent. Things are not better in retail. According to the latest data from the National Confederation of Hellenic Commerce, almost one-third of businesses in Athens have closed since last year. MY 2013/14 Greek cotton yarn imports remained flat thanks to a sustained supply from Bulgaria, Turkey, Egypt, and Germany.

Table 4: Cotton Yarn Imports (MT)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	1,030	1,142	1,544
Bulgaria	197	797	1,145
Germany	129	65	161
Italy	286	171	127
Austria	16	56	47
Extra EU-28	4,333	3,874	3,805
Turkey	3,432	3,154	3,199
India	667	503	337
Egypt	166	167	195
Pakistan	37	38	48
World	5,363	5,016	5,349

Source: GTA

Table 5: Cotton Yarn Exports (MT)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	8,866	10,214	9,265
Germany	2,366	2,957	2,694
Spain	1,446	1,797	1,751
Italy	953	1,125	1,341
Bulgaria	818	816	737
Extra EU-28	522	497	464
Switzerland	296	315	343
Tunisia	105	20	26
Serbia	18	19	23
Turkey	17	0	20
World	9,388	10,711	9,729

Source: GTA

Table 6: Cotton Fabric Imports (MT)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	984	1,767	1,189
Italy	514	646	725
Germany	112	116	123
Bulgaria	107	794	86
Spain	76	57	75
Extra EU-28	2,364	2,298	2,838
Pakistan	912	903	1,221
China	663	616	633
Turkey	596	504	625
Israel	82	147	147
World	3,348	4,065	4,027

Source: GTA

Table 7: Cotton Fabric Exports (MT)

	Aug-Jul 11/12	Aug-Jul 12/13	Aug-Jul 13/14
EU-28	2,100	1,872	1,062
Bulgaria	948	986	909
Cyprus	35	45	57
Italy	460	238	17
Romania	239	162	17
Extra EU-28	2,347	1,889	362
Turkey	1,033	915	152
Macedonia	132	104	98
Albania	69	48	36
Serbia	204	195	26
World	4,447	3,761	1,424

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

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

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

EU European Union

Ha hectare; 1 ha = 2.471 acres

MT Metric ton = 1,000 kg