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GAIN Report

Global Agricultural Information Network

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Cost of New Bailout Agreement to Greek Agriculture Estimated to be more than €2 Billion

Report Categories:

Agricultural Situation

Policy and Program Announcements

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Report Highlights:

On July 13, Eurozone leaders reached an agreement on a third bailout to save Greece from bankruptcy, with a new loan of €86 billion. The Pan-Hellenic Confederation of Unions of Agricultural Co-operatives (PASEGES) believes that the cost to Greek Agriculture of a new bailout agreement will be more than €2 billion per year.

General Information:

On July 13, Eurozone leaders reached an agreement on a third bailout to save Greece from bankruptcy.

On July 15, Greek Prime Minister Alexis Tsipras will present to Parliament legislation which needs to be voted and approved, as part of the EU's precondition for creditors in order to initiate talks for a new loan of €86 billion(\$94 billion). The Pan-Hellenic Confederation of Unions of Agricultural Co-operatives (PASEGES) believes, based on an analysis of EU data (Eurostat), that the cost to Greek Agriculture of a new bailout agreement will be more than €2 billion per year.

The costs refer to:

- Direct taxation of all subsidies which would cancel the current exemption for incomes below €12,000. Farmers would then have to pay taxes valued at €506 million on the €2.3 billion in income they receive in the form of EU subsidies;
- The new tax rate would go from 13 percent to 26 percent, meaning farmers would have to pay approximately €200 million than before;
- Farmers would lose a fuel tax benefit that was valued at €183 million in 2013, last year in which the benefit was offered;
- Farmers Insurance costs would increase an additional €1 billion per year; and,
- The VAT for agricultural supplies would increase from 13 percent to 23 percent, accounting for an additional €283 million in costs.

On July 13, PASEGES President Tzanetos Karamihas issued a press release saying that “measures required by our country's bailout agreement with the creditors are very harsh and will overwhelm Greek farmers. But it would be much worse if no agreement was reached at all and Greece was led to a disastrous exit from the Eurozone and the European Union.” Karamihas added, “the Greek agricultural sector needs political stability at this moment and a new production reform and strategic plan, developed in cooperation with and in consultation with institutions and productive associations of the country. This is necessary in order to mitigate any negative effects and enable Greek agriculture to remain competitive.”

Also on July 13, Deputy Minister of Rural Development and Food Vangelis Apostolou issued a press release in support of the new bailout agreement noting; “today is an important day for both Europe and Greece. With the signing of a new agreement Greece will continue to be a productive member of the European Union. While the agreement may be tough, and its implementation will certainly have consequences for the Greek people, it is a necessary step for Greece's continued membership as part of the Eurozone. We (Greece), therefore, pledge to implement the plan accordingly.”