

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Greece

### Food Processing Ingredients

**2012**

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**Report Highlights:**

Food processing is one of the major sectors in Greece, holding about 21 percent of the total sales and accounting for around 25 percent of the Greek manufacturing industry. More than 10 percent of the Greek labor force works in supplying raw materials to the food processing industry through farming. A large proportion of raw materials has to be imported.

**Post:**

Rome

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**SECTION I. MARKET SUMMARY****Greek Economy Overview**

Greece finds itself in one of its most challenging periods in its post-war history. Greece is contending with sizeable government deficit (-10.8 percent of GDP in 2010, -9.6 percent estimated in 2011), increasing public debt (149 percent of GDP for 2010, 165 percent in 2011), and is entering its fifth year of recession. The economy shrank by more than 6 percent in 2011 after a contraction of 4.5 percent in 2010, resulting in a 15 percent contraction since the beginning of the recession. The protracted economic crisis has led to a contraction in bank lending, project development and investment.

Due to its sizable debt and deficit, in May of 2010, Greece requested financial assistance from the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF) - the so-called "Troika." A multiannual financing package for Greece of €110 billion was announced, payable in installments through 2012. In exchange, Greece agreed to implement tough fiscal austerity measures and structural reforms designed to cut the budget deficit to 7.6 percent of GDP by the end of 2011. These included a hike in the top rate of the VAT, an increase in excise taxes and a steep cut in the pay of civil servants. Pension reforms also included a limit on early retirement, an increase in the retirement age to 65 for both men and women and an index linking benefits to prices.

By May 2011, it appeared highly likely that the original deficit target of 7.6 percent in 2011 would not be met. In an effort to plug a newly emerging deficit shortfall of €2 billion, the government agreed in September 2011 to levy an emergency tax on private property in 2011 and 2012. To appease its creditors, the government prepared a new economic-recovery program, including asset sales and spending cuts of €76 billion.

In October 2011, the EU agreed to a second multiannual financing package for Greece that was approved on February 21, 2012. On 14 March 2012, euro area finance ministers approved financing of the second Greek economic adjustment program for an amount of up to EUR 130 billion until 2014 - including an IMF contribution of EUR 28 billion - conditional on the implementation of another harsh austerity package, reducing the Greek spending with €3.3bn in 2012 and another €10bn in 2013 and 2014. Greece will hold a new election in June 2012 after politicians failed to form a government, prolonging a political crisis that is pushing it closer to

bankruptcy and an exit from the euro. No party won an outright majority in Greece's May 6 election, leading to an impasse that has shaken financial markets and led to questions about Greece's ability to stay in the euro zone.

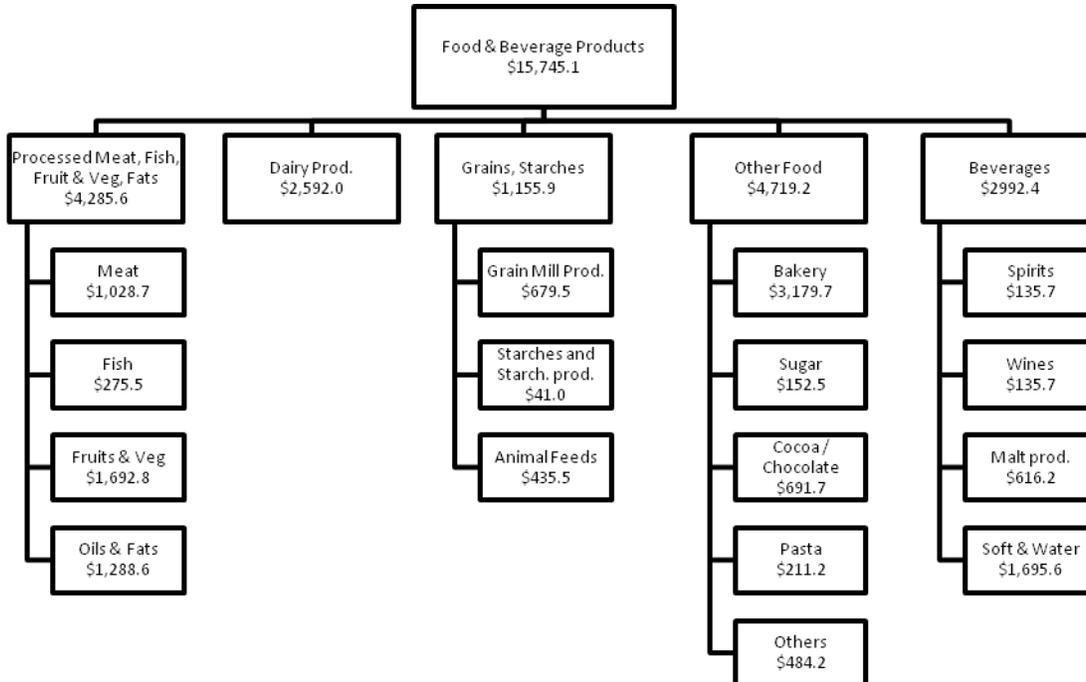
## **Structure of the Economy**

With a population of approximately 11 million and a Gross Domestic Product (GDP) of about \$305 billion, Greece is a relatively small country. Greece adopted the Euro as its new common currency in January 2002. Greece has a capitalist economy with the public sector accounting for about 40 percent of GDP and with per capita GDP about two-thirds that of the leading euro-zone economies. Greece has a predominately service economy, which accounts for over 79 percent of GDP. Tourism provides 15 percent of GDP. Immigrants make up nearly one-fifth of the work force, mainly in agricultural and unskilled jobs. Almost 8 percent of the world's commercial shipping is Greek-owned, making the Greek commercial fleet the largest in the world. Other important sectors include food processing, tobacco, textiles, chemicals (including refineries), pharmaceuticals, cement, glass, telecommunication, and transport equipment. Agricultural output has steadily decreased in importance over the last decade, accounting now for only 3.3 percent of total GDP compared to a 17 percent in the early 1990's.

## **The Greek Food Processing Sector**

Food processing is one of the major sectors in Greece, holding about 21 percent of the total sales and accounting for around 25 percent of the Greek manufacturing industry. The Greek economy is highly dependent on the food and beverage industry. More than 10 percent of the Greek labor force works in supplying raw materials to the food processing industry through farming. Food and beverage manufacturing, in turn, provides jobs to more than 20 percent of the employed population. Most of the food manufacturing companies are family-based and former artisans (more than 97 percent of Greek enterprises are categorized as "Micro") specialized in the production of food from local agriculture.

## **Food and Beverage Processing Industry in Greece 2011 (US\$ mln)**



Source: Euromonitor

Greece's financial crisis is affecting all areas of the economy, including agriculture, which accounts for 3.3 percent of total GDP. Greece is an import-dependent country, with the EU countries supplying the majority of food products. The Netherlands, Germany, France, and Italy are the leading country suppliers in the food and agricultural trade. The leading importers of Greece's goods are Italy, Germany, Turkey, Bulgaria, and United Kingdom. Greek primary agricultural imports include cheese, beef, wheat, pork, and sugar. Olives dominate Greece's food exports, followed by canned peaches, cotton, olive oil, and cheese. In 2011, tree nuts and soybeans were the leading U.S. agricultural exports to Greece, while processed fruits and vegetables, cheeses, and olives were the leading Greek agricultural exports to the United States.

### **Advantages and Challenges for U.S. Exporters in Greece**

Advantages	Challenges
Greece needs agricultural imports to sustain its food and feed processing industry.	U.S. exporters new to the Greek market may find the Greek bureaucracy difficult to maneuver.
There are strong private sectors trading ties between the U.S. and Greece in certain products.	There are widespread biases against U.S. food as inferior in favor of Greek and Mediterranean diets.
Greek importers favor U.S. products because of good quality and wider variety.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements hinder U.S. exports.
EU enlargement creates new market opportunities for the Greek food processing industry.	Biotech products are prohibited in Greece.

## SECTION II: ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

Eighty per cent of Greece's import trade is handled through sales agents or distributors. Distributors operate on wholesale (and in some cases, retail) basis with exclusive sales rights for certain districts or for the entire country. There are over 300,000 trading establishments in Greece, often small, family-owned and operated businesses, each of which deals in a narrow range of foods. There are 7,700 corporations and limited liability companies engaged in wholesale trade and 3,200 corporations and limited liability companies handling retail trade.

Food and beverage products of U.S. origin, which comply with EU rules and regulations, do not require special permits (nor are they subject to special rules or regulations) for commercialization in Greece. However, biotech products are handled quite strictly. If a U.S. food product, other than food supplements, conforms to any single EU member state's rules and regulations, that product can then be transshipped and sold in any other EU member state.

As a member of the EU, the Common Agricultural Policy (CAP) governs Greece's agricultural sector. Similarly, Greece employs the same tariffs and border measures as the other EU member states. Product imported into Greece must meet all Greek and EU food safety and quality standards, as well as labeling and packaging regulations. It is important to work with experienced importers, and/or have an agent to work with Greek regulatory authorities to ensure the acceptability of specific products. Personal relationships and language ability are of value when conducting business transactions. It is also advisable for the agent to contact health authorities at the port of entry as interpretation of health directives may vary from port to port. For more information on

Product Trade Restrictions, Food Standards and Regulations, please refer to Post's FAIRS GAIN Report GR1207.

Tariffs are based on the Harmonized System, with duties levied on imports from non-European Union (EU) on an ad valorem cost, insurance, and freight (CIF) basis. Import duty is five to seven per cent for most products when charged. Most raw materials for manufacturing input can be imported without duties, or with minimal duties only. Preferential tariffs and EU trade barriers are applied.

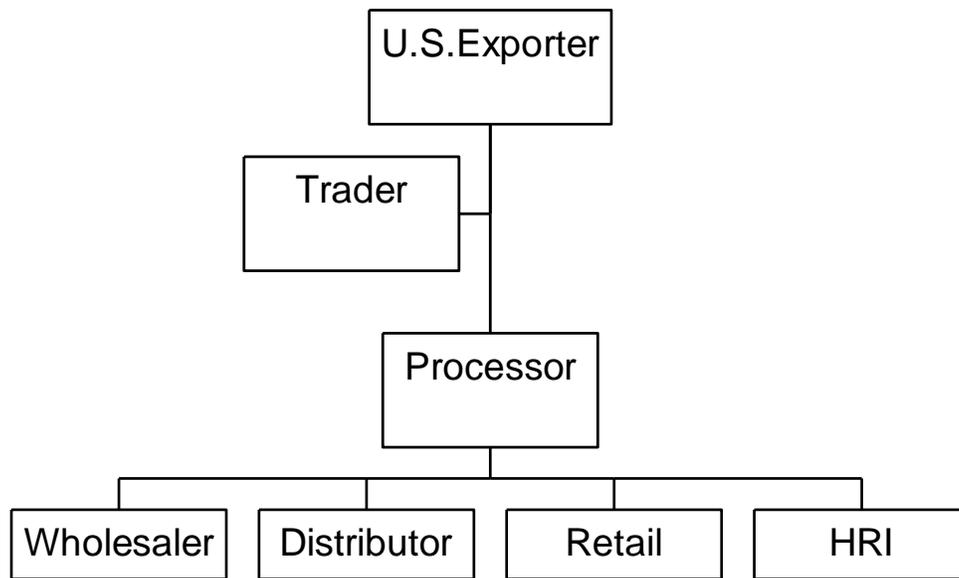
Greece is a World Trade Organization (WTO) member and applies both European Union (EU) mandated and Greek government-initiated trade barriers. As a member state of the EU since January 1981, is fully harmonized with EU regulations, directives, and legislation pertaining Agricultural production, Ag Trade and Food. Import licenses are required for all agricultural commodities, processed food products, and ingredients. Special licenses and phytosanitary certification are required for imports from third countries where certain plant and animal diseases occur. Special import licenses are required for goods, including plant propagation material, seeds, textiles, meat products, pet foods, and wood products, while aflatoxin content certificates are required for all tree nuts imported from third countries including the U.S. A number of products are under surveillance according to EU quotas (i.e., beef meat).

Exporters to Greece must seek advice from importers on the quota system for certain goods. The Common Agricultural Policy (CAP) covers most agricultural product imports, under which many items (including cereals, rice, milk, and milk products, beef and veal, olive oil, dried fruit, and sugar) are subject to variable levies and a complicated protection system.

Occasionally, non-tariff barriers are imposed by GOG in an attempt to protect local production in years when stocks are piling (i.e., grain imports from third countries priced at lower levels from that domestically produced). Non-tariff barriers are imposed in the form of intensified sampling and laboratory testing for GMO, heavy metals, radioactivity, plant disease, and aflatoxin content. Most frequently, such strict controls take place for cereal shipments from third countries (originating mostly in the Black sea, Romania, Bulgaria, and Kazakhstan).

## **B. MARKET STRUCTURE**

The following diagram gives an overview of the distribution channels for imported food ingredients in Greece.



U.S. firms exporting food to the Greek market contact a trade agent that could be either an intermediary between them and local transformation companies, or an import/export company that buys the American food and sells it to Greek distributors/retailers/wholesalers/HDI. In the Greek market, it is common for big-size retailers and wholesalers to be present in more than one stage of the production chain at the same time.

### C. COMPANY PROFILES

The following table provides a list of 20 major players in the Greek food and beverage processing market. Most of these firms are multinational companies that usually import their products directly, without the intervention of trade intermediaries.

Company	Turnover (€ million)	End-Use Channels	Product
Coca-Cola Hellenic Bottling Company	609.0	Retail and HRI	Non-alcoholic beverages
Athenian Brewery S.A.	440.8	Retail and HRI	Beer, beverages
Nestlé Hellas S.A.	350.1	Retail and HRI	Coffee, ice cream. Bottling of natural mineral water
Soya Hellas S.A.	245.7	Retail and HRI	Soybean and sunflower oils; soy meal and sun meal; lecithin, seed oils, tropical oils, vegetable fats, and margarine
Glaxosmithkline S.A.	227.0	Retail and HRI	Medicines, soft drinks, fruit juices, and personal care products
Delta Foods S.A.	212.4	Retail and HRI	Dairy Products, fruit juices, chocolate drinks
Mevgal S.A.	183.4	Retail and	Dairy products, fruit jelly, and ready-to-

Dairy Product Industry		HRI	drink coffee
Kraft Foods Hellas S.A.	133.4	Retail and HRI	Food products
Elanthi Industrial and Commercial S.A. of foods	130.0	Retail and HRI	Olive oil, seed oil, vegetable oils, cooking fats, and tomato products
Olympus Larisa Dairy Industry S.A.	127.4	Retail and HRI	Products and cheese (in third party facilities). Production of fruit juices
Tyras S.A.	120.1	Retail and HRI	Yogurt and cheese
PepsiCo – Ivi S.A.	106.2	Retail and HRI	Soft drinks, soda water, condensed and natural fruit juices and ice-tea. Bottling of mineral water
Chipita S.A.	100.0	Retail and HRI	Salty snacks, croissants, confectionery and bakery products
Pernod Ricard Hellas S.A.	82.7	Retail and HRI	Beverages and vinegar
Loulis Mills S.A.	77.5	Retail and HRI	Flour and by-products
Mythos Brewery S.A.	74.5	Retail and HRI	Beer
Epirotiki Bottling Co. "Vikos" S.A.	69.0	Retail and HRI	Bottling of natural mineral water and table water. Production of soft drinks.
Agno S.A.	66.0	Retail and HRI	Dairy products, cheese, ice cream, fruit juices and natural mineral water
Evga S.A.	65.2	Retail and HRI	Ice cream, fruit juices, soft drinks, frozen dough products, and croissants
Chitos S.A.	45.2	Retail and HRI	Mineral water, beverages

Source: Kompas

### SECTION III. COMPETITION

Greece's financial crisis is affecting all areas of the economy, including agriculture, which accounts for 3.3 percent of total GDP. Greece's main competitor is the European Union. The Netherlands, Germany, France, and Italy are the leading country suppliers in the food and agricultural trade. The leading importers of Greece's goods are Italy, Germany, Turkey, Bulgaria, and United Kingdom. Greek primary agricultural imports include cheese, beef, wheat, pork, and sugar. Olives dominate Greece's food exports, followed by canned peaches, cotton, olive oil, and cheese. In 2011, tree nuts and soybeans were the leading U.S. agricultural exports to Greece, while processed fruits and vegetables, cheeses, and olives were the leading Greek agricultural exports to the United States.

<b>Bilateral Ag Trade 2011</b>	
<b>U.S. Ag Exports to Greece \$122 M</b>	<b>U.S. Ag Imports from Greece \$ 249 M</b>
- Tree Nuts: \$25 million	- Canned Olives: \$88 million
- Soybeans: \$21 million	- Cheese: \$23 million
- Tobacco: \$12 million	- Canned Peaches: \$20 million

- The United States exports both Bulk and Consumer products to Greece.
- Greece exports mainly Consumer products to the United States.

**U.S. Imports of Agriculture, Fish, and Forestry products from Greece  
FY 2007-2011  
(In Thousands of Dollars)**

<b>Product</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>%Chg.</b>
Processed Fruit and Vegetables	126,985	114,159	100,860	125,693	143,811	14.41
Seafood Products	9,290	12,635	14,108	16,656	24,691	48.24
Cheese	17,873	18,814	20,500	20,273	23,198	14.43
Vegetable Oil	22,128	22,184	19,738	17,628	17,623	-0.03
Wine and Beer	10,228	10,086	9,995	9,956	11,056	11.0
Snack Foods	17,526	21,746	8,432	4,579	5,847	27.71
Hides and Skins	1	92	132	4,129	4,928	19.3
Tobacco	30,349	29,374	22,717	6,775	4,041	-40.3
Roasted and Instant Coffee	1,805	1,691	2,234	2,417	2,338	-3.26
Other Dairy Products	26,693	26,542	887	1,468	1,544	5.17
<b>Ag, Fish and Forest Products</b>	<b>272,388</b>	<b>267,337</b>	<b>206,287</b>	<b>216,693</b>	<b>248,981</b>	<b>14.90</b>

Source: BICO

**U.S. Exports of Agriculture, Fish, and Forestry products to Greece**  
**FY 2007-2011**  
**(In Thousands of Dollars)**

<b>Product</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>%Chg.</b>
Tree Nuts	47,268	61,292	36,446	36,384	25,415	-30.15
Soybeans	4,519	9,661	14,134	8,406	21,078	150.73
Hides and Skins	9,511	8,575	2,960	8,742	13,550	55.00
Tobacco	30,653	23,157	17,278	21,658	12,318	-43.19
Fish Products	6,961	7,582	8,739	5,229	6,132	17.28
Processed Fruit and Vegetables	3,192	3,501	3,752	3,788	4,851	28.06
Hardwood	12,971	15,279	8,670	9,559	4,737	-50.45
Snack Foods	3,036	3,464	2,670	3,069	3,495	13.87
Pulses	1,201	1,875	1,910	1,242	3,122	151.26
Poultry Meat	7,788	9,917	9,523	6,121	2,795	-54.33
<b>Ag, Fish and Forest Products</b>	<b>157,030</b>	<b>176,329</b>	<b>146,137</b>	<b>128,774</b>	<b>121,718</b>	<b>-5.48</b>

Source: BICO

## **SECTION IV. BEST PRODUCT PROSPECTS**

### **A. U.S. products in the Greek market that have good sales potential:**

- Frozen food
- Frozen and salted fish
- Tree nuts
- Pulses

### **B. Products not present in significant quantities but which have good sales potential:**

- Meat
- Wine
- Beer
- Juices and soft drinks
- Organic foods
- Dairy products
- Chocolate, ice cream, and confectionary
- Food ingredients
- Snack foods
- Readymade meals

### **C. Products not present because they face significant trade barriers:**

- Turkey and other poultry products
- Beef meat and products
- Processed food products containing biotech ingredients
- Low volume high value food ingredients
- Corn oil
- U.S. milling wheat

## **SECTION V. POST CONTACT AND FURTHER INFORMATION**

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