

THE AGRICULTURAL SITUATION IN GREECE AND THE COMMON AGRICULTURAL POLICY

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15 years after Greece's accession to the E.U., its agricultural sector continues to hold an important role in the overall economic and social life of the country, certainly much more important than in the other Member States of the Union.

Due to this fact, Greek agriculture is characterized by certain peculiarities, imposing problems which, sometimes, require a specific approach before being settled.

It should be noted that, due to the overall economic problems of the country (financial deficits, relatively high inflation rate, increase of unemployment, etc), the contribution of the agricultural sector to the total basic economic magnitudes is not reduced as drastically as before the country's accession, but continues to be still much higher compared with the average levels of the E.U. Members.

Main features/peculiarities of Greek agriculture

Outlining the present situation of the Greek agricultural sector and comparing the relevant macro-economic magnitudes to those of E.U., the following remarks can be made:

1) The Agricultural Output still accounts for 13-14% of the country's Gross Domestic Product (compared with 3,5% in EU). Therefore, contrary to the rest of the Union, small changes in the value of the Greek Agricultural Output affect seriously the total economy of the country. However, in absolute terms, the value of the agricultural production does not exceed the 4% of the total E.U.'s.

2) The share of the agricultural products in the country's total exports is about 30% (compared with 8,3% in the E.U.), and in the total imports it amounts to 17% (compared with 14% in the E.U.). Obviously, the agricultural trade is **very** important for the country's overall trade balance. Therefore, any downward trend in the country's agricultural net trade, either intra- or extra- Community, affects both the trade balance and the agricultural income more seriously than in any other Member State.

3) 6-7% of the Gross Fixed Capital Formation is invested in Agriculture (compared with 3,4% in the E.U.). This percentage, al-

Abstract

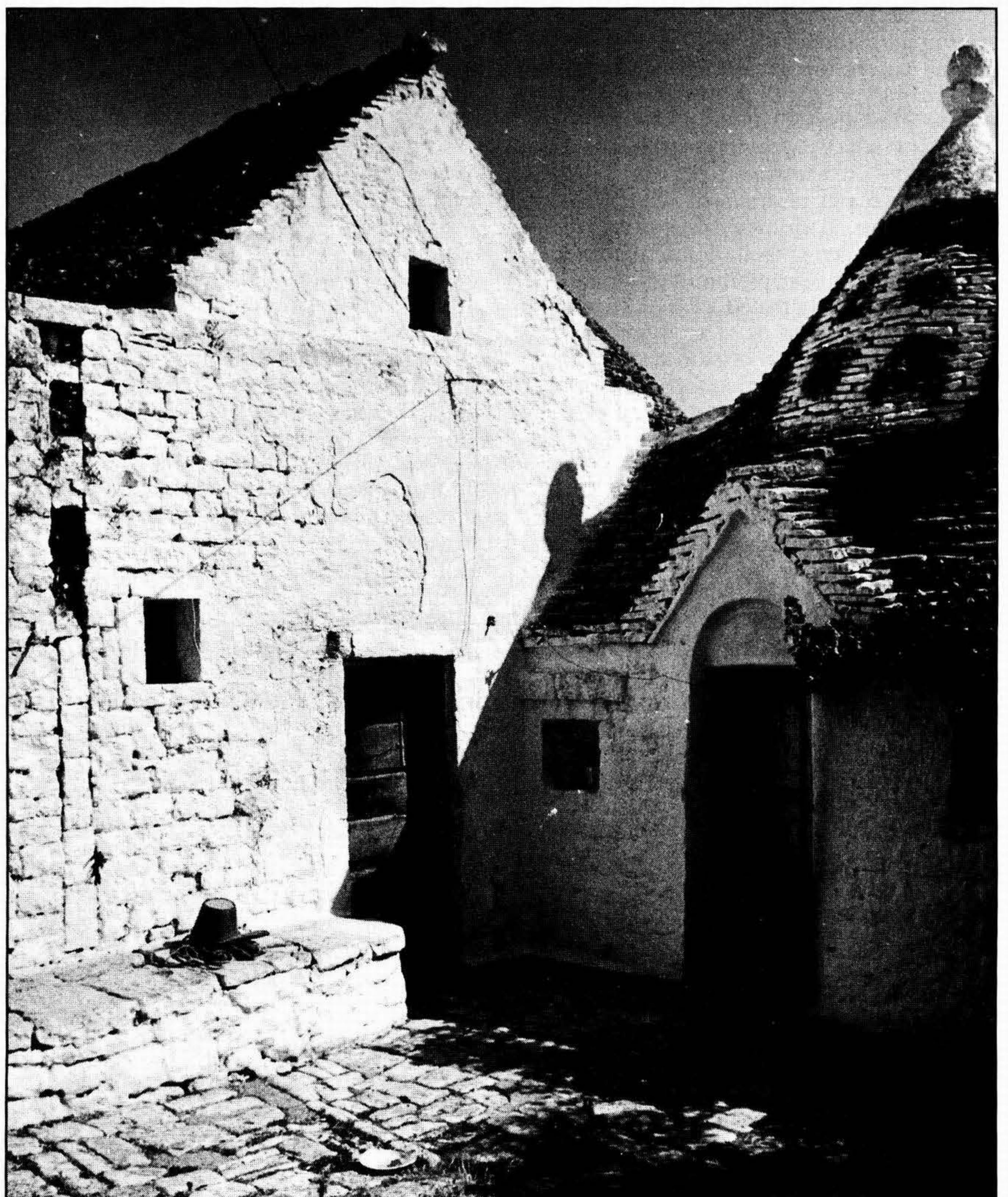
A brief description of the Greek agricultural sector is presented in this paper, stressing the main economic features of the recent situation compared with the relevant average magnitudes of the European Union of "12".

It considers the policy problems arising from those features in relation to the recent developments of the Common Agricultural Policy.

Résumé

Ce travail donne une brève description du secteur agricole en Grèce en mettant en évidence les principaux aspects économiques de la situation récente vis-à-vis de l'Union Européenne des "12".

Il aborde les problèmes de politique qui résultent de ces aspects économiques vis-à-vis des derniers développements de la Politique Agricole Commune.



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though low, underlines, to some extent, the reality and the necessity to promote public investments in Agriculture, taking into consideration that individual farmers have very limited sources of capital of their own to invest in the sector.

4) The persons employed in agriculture represent 21-22% of the total labour force of the country (compared with 6% in E.U.). In absolute terms, the Greek farmers constitute more than 10% of the E.U. farmers, while the country's total population represents only 3% of the Union's population. From this point of view, the Greek farmers are justified in considering themselves as the mostly concerned by any developments in C.A.P. that affect the level of their income.

It should be noted that the average age of the Greek farmers stands over the age of 55 years, while the succession rate in agriculture approaches zero.

It is true that, there are certain reasons which continue to encourage the enduring decrease of the rural population and the devastation of the rural areas, such as, the diminishing employment needs, the reversion of the age pyramid, the unequal distribution of income between the agricultural and urban population, the low efficiency of the farm holdings, and so on.

However, the maintenance of the agricultural population in rural areas constitutes one of the major matters in formulating the Greek agricultural policy, taking into account, from the one hand, the unemployment and the lack of job creation in the other sectors of the economy and, from the other, the new necessities appeared and the farmers' role in the protection of the environment.

5) The cultivated land (3,5 mil.ha) represents only 27% of the country's total surface (compared with 55-60% in the E.U.). This relatively low percentage is due actually to the mountainous nature of the Greek landscape.

In addition and beyond, 40% of the total surface is characterized as "grazing land" or "permanent pastures", while forest area accounts for the 22% of the surface. Out of the total of "permanent pastures" (5,1 mil.ha), the 3,1 mil.ha are considered to be owned by the State.

Although limited, it is sure that, the cultivated land together with a part of the permanent pastures, are more than sufficient to cover the country's needs in producing agricultural (especially plant) products, on the exception of the bovin animals & their products and feedingstuffs.

The greatest part of the cultivated land (40%, compared with 55% in the E.U.) is used for the cultivation of cereals. About 23% of it is used for other arable crops (industrial and fodder plants), while a relatively high percentage (29%, compared with 10-15% in E.U.) is covered by permanent crops (trees and vineyards). The greatest part (76%) of the *area under trees* is covered by the cultivation of olive-trees. It should be noted that, during the last

decade, the land under arable crops and vineyards decreases slightly in favour of the area under trees.

Under the data in **table 1**, it is obvious that the Greek side shows off a special interest and "sensitiveness" on matters like "set-aside", "grubbing-up" (eradications) or related to "agriculture and environment".

6) The Greek farm holdings account almost 900.000, a number disproportionately large in relation to the total cultivated land of the country.

The Greek farms represent the 11% of the

Table 1

Cultivated Land	Thousand ha
Cereals	1.406
Industrial crops	480
Breeding crops	331
Vegetables	117
Vineyards	151
Fruit trees	923
TOTAL	3.510

total number of the Union's farm holdings. It is obvious, therefore, that the access to the Community's activities of structural character in each farm, is of great importance for Greece and its farmers, certainly greater than in any other Member State.

It should be noted that the average size of the Greek farms is not bigger than 4,5 ha (compared with 13-14 ha in total E.U., 65 ha in U.K., 32-35 ha in Denmark, 23-30 ha in France). Additionally, each farm consists of 6-7 disperse parcels on average. Actually, 75% of the total farms have a size smaller than 5 ha, 15% are 5-10 ha and only 9% are over 10 ha.

Certainly, a permanent ambition of the Greek agricultural policy was always to increase the average size of the farms, aiming at the increase of the yield of the factors of agricultural production. However, the changes occurred in the structure of the holdings during the last 20 years, were very limited. In that respect, it is rather considered that the maintenance of the big number of the holdings, together with their relatively small size and the dispersion of the parcels, is a permanent and lasting characteristic of Greek agriculture.

The "resistance" to the above policy orientation is due, of course, to a number of social, economic, historical and cultural factors, including the natural (geophysical) ones. These factors cannot be basically changed from one day to the other. In addition to these factors, it should be taken into account:

- The "instinctive" tendency of the Greek farmers to have their own land (almost the total of the 3,5 mil ha of the cultivated land is private-owned and only 20.000 ha remain under the State's property),
- The traditional rules of heritage predominated in the Greek country-side.

It is obvious, therefore, that the *family-type* of the farms constitute the great majority (if not the unique type) of the agricultural units in Greece.

7) Mostly due to geoclimatic reasons, the basic structure of the Greek production is inverse to the relevant structure of the Union; 70% consists of plant products and 30% of livestock (compared with 40-45% and 55-60% respectively, in the total product of the E.U.). The above relation between plant and livestock products, not only remained stable over the last 20 years, but it seems to have worsened at the expense of livestock.

Although this structure could be considered as reflecting the country's comparative advantages, there are many consequences within the Community's framework, most of which tend to be negative:

* Given the present propensities to consume food products and the prevailing consumption standards, the Greek livestock production (especially regarding the red meat and dairy products) cannot meet the relevant needs and is intensively in deficit. This situation has a significantly negative effect on the trade balance of the agricultural products. Since the adhesion to the E.U., Greece experienced a trade diversion effect on its livestock imports from third countries to the Community's members at higher prices. Hence, the surplus of the plant production was not sufficient to compensate the deficit of the livestock production.

* The plant products, a significant part of which consists of fresh fruits + vegetables, are considered to be quite perishable, cannot be preserved for a long, and require a high transport cost, while they are of rather lower unit value in relation to the livestock products.

* It has been repeatedly argued that, in general, the mediterranean products, though of high nutritional value with internationally recognized quality standards (i.e., olive-oil, citrus fruits, currants, vine products, tomato products, durum wheat, cheep+goat meat), enjoy a rather low level of support and protection through C.A.P.. As a consequence, they are exposed more intensively to international competition.

Apart the above basic structure, agricultural production seems to have undergone several "internal" changes, during the last 15 years, as a response to the changing market conditions, to the possibilities to dispose and distribute the products, as well as to several restrictions and limitations imposed by C.A.P. (especially after the successive reforms on the Common Organizations of the Markets).

In so far, during the eighties (1980-90), the volume of production increased by 5,1% in total. In fact, the plant production increased by 7,8% , while the livestock production almost stagnated (increased only by 0,4%).

Significant increases are observed for: durum wheat, maize, sugarbeets, cotton, fresh vegetables, citrus fruits, sheep+goat meat.

Decreases have occurred for: soft wheat, burley, pulses, currants, wine products, olives, bovine meat.

Stagnation has been noted for: rice, potatoes, tobacco, fresh fruits and nuts, olive-oil, pigmeat, poultry meat.

Consequently the main agricultural products which contribute to the total volume of the Greek agricultural production, are the following (1992 data).

fresh vegetables	12.7 %
fresh fruits and citrus	11.7 %
cotton	9.3 %
olive oil	9.1 %
cereals	9.0 %
milk	8.7 %
sheep and goats meat	8.0 %
tobacco	7.3 %

The data already referred indicatively, determine the extent of structural changes that have been taking place as far as Greek agricultural production is concerned. However, this does not mean that the possibilities for further structural changes have been exhausted. For example it can be noted that:

- The average production of milk in Greece is about only 3.000 kgr/per cow (compared with 4.500 - 5.000 kgr. in the EU-12),

- The average yield of cereals is about 3,5 tn/ha (compared with 5-5.5 tn/ha in the EU-12).

Indeed, apart of maize produced mainly in irrigated areas, of which the average yield is especially high, the rest of cereals produced in arid areas present a much more lower yield.

This indicates, as everyone can realize, the significance of irrigation (the irrigated area in Greece today covers the 35% of the cultivated land) and land reclamation, as well as, the extent of structural intervention and investments which are needed to improve the Greek agricultural structures. In any case, Greek agricultural production represents the 4.4% of the value of Community agricultural production (1992 data). More especially, plant production represents the 6.3 % of Community's plant production, while the livestock represents only the 2.5% of the relevant Community production.

Moreover the contribution of the main Greek agricultural products in the total Community production is as follows :

cotton	77.6 %
olive oil	22.7 %
sheep fruits	16.8 %
fresh fruits	7.3 %
maize	7.1 %

The C.A.P. and the Greek agriculture

The general geoclimatic conditions in Greece (the relief of the ground, the ex-



tensive mountainous bulk with infertile and unproductive lands, the limited area of plains and valleys, the scarcity of water resources, etc) restrain the possibilities to intervene drastically in the structures of agricultural holdings and production. As a consequence, the possibilities to create economies of scale in Greek agriculture, according to the international standards, are quite limited. In this regard, the complete liberalization of agricultural trade, without a minimum and, of course, selected framework for farmers' protection (similar to that offered by C.A.P.), would expose the Greek agricultural sector to a hard competition, threatening the farmers even with complete disappearance.

Of course, nobody could imagine such a perspective, not only for Greek but also for European agriculture in general. To our opinion, agriculture, as it has been shaped out *historically* in Europe, cannot be left alone against the uncontrolled forces of a completely liberal market and of speculation, simply because agricultural products could not be considered only as merchandises but also as goods of broader significance for the human life.

Under these circumstances, the regulatory framework offered by C.A.P., constitutes a necessary condition for the social, economic, regional, cultural and environmental balances to be kept intact or restored. However, what was under question (especially during the period of the negotiations in Uruguay Round), was whether the C.A.P. mechanisms are also a sufficient condition for removing the existing imbal-

ances.

Concerning Greek agriculture, it is true that the C.A.P. implementation from 1981 until now, had positive results on ensuring agricultural incomes at a satisfactory and relatively stable level. Moreover, despite certain contradictions, the C.A.P. contributed, to a great extent, to the development and specialization of the agricultural production, to the better organization and supply of the domestic market, to the modernization of the agricultural structures, to the mechanization and intensification of production systems, to the increase of productivity, as well as to the improvement of production factors capacity.

From the other side, however, the complementarity of the Greek agricultural production to that of the Union, resulted in favour of imports rather than of exports (especially meats and dairy products). Furthermore, the C.A.P. broadened the unequal distribution of income, either within the agricultural sector as such or between the regions of the country and those of the E.U., leading to a divergence rather than a convergence of agricultural economies.

In 1992, it was well recognized that, at the Union's level, the 80% of the subsidies are absorbed by the 20% of the large-scale producers, who are mainly responsible for the accumulation of structural surpluses and the enormous increase of the budgetary costs.

This reality was reflected also into Greek agriculture. In this context, for instance,

small producers in Greece (constituting a *structural characteristic* for the agricultural sector, especially those who produce mediterranean products) have not derived yet the relatively same benefits, in comparison with the large-scale producers, despite their greater need for support and protection.

Successive reforms of the C.A.P. starting from the early eighties, could not reverse radically this situation and even more, they were not sufficient to counter the criticism from the side of the main competitors of the E.U., who blamed the C.A.P. for its intense subsidized character resulting in the distortion of international trade. The last reform of 1992 (still under formulation), aims to a more general change of the system, from an almost exclusively price support mechanism to a system of protecting farmers' income rather and his work. It is assumed that the drastic price and subsidy reductions (which are the main target of the reform), will be fully compensated, so as the present level of producers' income to be ensured.

Indeed, it is rather true that, theoretically, the long-run effect of the C.A.P. reform could turn to be positive for Greek agriculture, resulting in the rational use of the natural resources, the better organization of production, the removal of existing imbalances and the substantial protection of the environment.

However, once again, the implementation of the last reform (and especially, under the pressure of the undertaken commitments in GATT), seems to add some new problems which turn to be against the producers of the south European regions. It is obvious that Greece cannot but be opposed to a such tendency.

Only indicatively, some of those problems arising in relation to Greece and just before the full implementation of GATT commitments, are mentioned below in brief:

1) The first stage of the C.A.P. reform regarded not the total of the Community's production but only the basic products comprising the main bulk of the world trade, that is, the products characterized by their structural surpluses (cereals, oil-seeds, meat + dairy products). Tobacco was also included, for its own special reasons, in the same packet of reform, which, however, ended into an unjustifiably restrictive new Organization of its Market. In any case, the above mentioned phase of the reform was fulfilled before the conclusion of the GATT negotiations. Following that procedure, the positive elements of the reform (i.e. compensatory aids, maintenance of the export refunds regime, set-aside etc) were consolidated in the GATT agreement, in the sense that, the commitments undertaken by E.U. were carried out on the basis of what had been already reformed before the assignment of the agreement.

Nevertheless, the rest of the products comprising the main bulk of the south-europe-

an production, were left out of the first stage of the reform, although it was clear that GATT negotiations (the principal target of which was certainly to reduce substantially the support and protection level) were open-questioned to all the agricultural products.

Any compensation, therefore, that would be considered necessary to counterbalance the reductions of the support and protection, is not safeguarded in advance, but it should be geared to the commitments already taken in GATT, without taking into account the structural and other production necessities, concerning especially the products produced in less-favoured areas. To our opinion, the above manipulation turns to be one more discriminatory treatment at the expense of the agriculture in european south.

2) The guarantee limits that exist mostly in the production of all the products and operate as production thresholds, are generally comprehensible and rather desirable to the extent that they are applied in products with high surpluses.

However, their severe application even into the products showing a serious deficit in the E.U. market (i.e. tobacco and cotton), cultivated on a land with no alternative possibilities and used not to add a surplus in a food production but to be consumed as raw materials by the Industry, condemns the agricultural production of the relevant areas into stagnation, technological degradation and removes any opportunity for their dynamic development.

3) By the same way, the need to impose restrictive production quotas into products characterized by deep structural surpluses of their total production (like the cow milk) is also considered comprehensible. However, the inelastic application of such quotas into areas like Greece, characterized not only by a strong production deficit but also by the technical incapability to cover the deficit by imports from other surplus areas of the Community (due to the long time transport), condemns all the consumers of the country in an inadequate supply for a very basic food. Practically, that means to keep under degradation the living standards of the whole population.

To overthrow the above situation, Greece needs (and demands persistently) an increase of the national quota of milk, at a level sufficient to cover the greatest part of the home consumption. This is an objective of high priority for the Greek agricultural policy which has to be comprehensible and respectable by the other partners.

4) Additionally, the imposition of quotas or guarantee limits on a personal (per producer) basis (the case of sheep+goat meat), makes the system completely inelastic and extremely bureaucratic, causing a high administrative cost. Moreover, the producer's profession turns to become a "closed" one with a declining prospect since it makes the succession and the entrance of young

farmers exceptionally difficult, causing speculative handlings by selling and buying production rights.

To our opinion, the essence of the reform would not be affected seriously, if the personal limits change to collective (on a cooperative basis) or, even better, to regional limits.

5) The obligation of the Members to apply the set-aside system and mainly the eradication of permanent plantations (as included in the reform proposals for the sectors of fruit+vegetables and vine products) will have, among others, a great environmental impact especially in the less-favoured and mountainous areas.

If there is no found other means or measures to reduce the surplus production, such proposals like the above have, in any case, to be accompanied by suggestions with possibilities of alternative cultivations.

6) Any restrictions to increase production could not be conflicted with the need to maintain, consolidate and improve the traditionally cultivated areas (zones), in which products of high quality standards are usually produced. Therefore, any attempt to enlarge or transfer these zones to other non-suggested areas actually operates as a practice against the qualitative orientation of the C.A.P. and, most important, causes a technical shift of the cultivated zones from South to North at the expense of the Southern regions.

This is the case, for instance, of extending the cultivation of durum wheat beyond the traditional Mediterranean regions. Another example is the case of limiting the southern areas of vineyards (with the excuse that contribute in a surplus production) through obligatory eradications, although these eradications turn against the production of wine physically enriched by must (and not by sugar).

7) Finally, the marking out of the qualitative advantages and the upgrading of the Greek (as well as of the Community) agriculture demand an integrated approach of the problems of the country-side, by intensifying and generously financing the structural interventions when necessary. This implies a faster change in the relation between the Guarantee and the Guidance Section of the Agricultural Fund, in favour of the latter, with initiatives and measures to fortify the internationally comparative advantages of the regions.

Regarding, generally, the recent developments of the C.A.P., the pursuits of the Greek side could be summed up to:

- upgrade the policy measures in favour of the mediterranean products,
- ensure the complete and continual compensation of the farmers' income due to any reduction of production and prices,
- promote the status of the family-type agriculture, with policy measures facilitating, through the provision of incentives, the succession and the entry of young farmers in the agricultural sector,
- strengthen the structural fold of the C.A.P.