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Overview of Greek Agriculture

Abstract Greek agriculture has shown a remarkable resilience during the financial crisis of 2008–today. Agriculture output increases, while all other sectors' output fell by a gross 30%. Greek agriculture is dominated by small farms scattered over a diverse territory. The structure of Greek agriculture reflects the unique geography and climatic conditions, the historical path and the cultural diversity of the country. The challenge is to turn this diversity into a competitive advantage via reorganization following a new paradigm.

Keywords Greek agriculture • Farm structures • Agricultural crisis

2.1 Agriculture Anti-cyclical

After Wall Street imploded in 2008, Greece dived into a deep recession. The Greek government announced in October 2009 that it had been understating its deficit figures for years. This raised alarm about the soundness of Greek finances and Greece was shut out from the

international financial markets. By the spring of 2010, the country was on the verge of bankruptcy, threatening to pull the entire world financial system into a new financial crisis. In a collaborative action to avoid the worse, three institutions—the so-called troika—the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission (EC), decided to bail out Greece with collective international funding that reached eventually more than €240 billion.

The lenders asked for austerity measures, deep budget cuts, tax increases and a general restructuring of public administration, by streamlining the government, fighting tax evasion and easing business processes. The terms of the agreement were set out into three consecutive memoranda of understanding, signed between the Greek government and the “troika”—as the three institutions are known in the Greek crisis jargon.

Greece was certainly not the only country that was hit by the crisis. Cyprus, Portugal and Ireland also required an intervention by the international institutions; however, one after the other, they managed to exit the crisis, while Greece still remains under surveillance by the four so-called “institutions” (The European Stability Mechanism joined the troika in 2015) and functioning within three consecutive memoranda.

Greece is in a crisis path for almost a decade now, undergoing a devastating recession, which has caused the country a loss of more than one-third of its GDP. This has hit almost every single citizen and every single sector of the Greek economy. Yet there is one sector that has exhibited a remarkable resilience: agriculture.

Greek agricultural sector ranks tenth among EU-28 member countries in terms of the total value of agricultural production at EURO 9.6 billion in 2015 (EUROSTAT). The total value of agricultural production (not including subsidies) follows an upward trend, which continues even during the years of the financial crisis (2008 and onwards) (Fig. 2.1). However, the Agricultural Goods Output (AGO) of agriculture (production less intermediate consumption of variable inputs) has been decreasing since 2005 (after the 2003 CAP reform), although at a slower rate during the crisis with indications of upward movement after 2013 (Fig. 2.1). The decline in agricultural GDP can be explained partly by the increase in the costs of production.

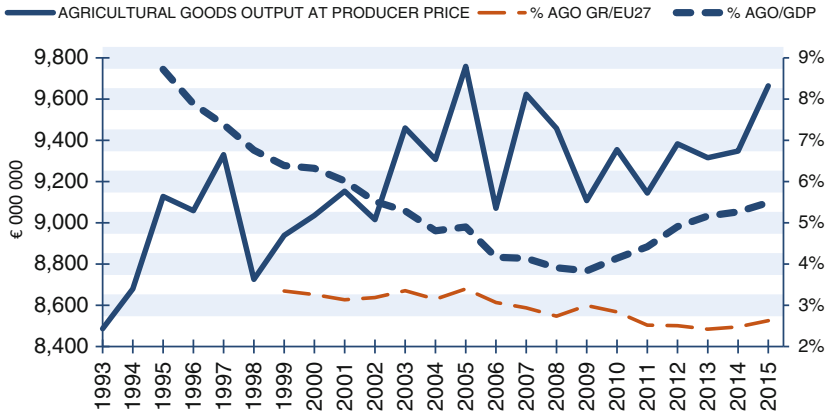


Fig. 2.1 Agricultural production as % of Greek GDP and % EU-27. *Source* EUROSTAT, own calculations

The importance of Greek agricultural production, both relative to the rest of the EU and in terms of contribution to Greek GDP, is overall shrinking, although the picture is changing during the crisis. Greek agriculture has shown a poor performance relative to the rest of EU. The share of Greece's agricultural output in EU-27 decreased from 3.3% in 1993 to 2.6% in 2015. Similarly, the growth of farm income, both in terms of income per worker (indicator A) and in terms of entrepreneurial income (indicator B), has followed disparate paths from similar EU indicators, especially after 2009 (Eurostat).

The share of agriculture in Greek GDP decreased from 8.7% in 1995 to 5.5% in 2015. Notice, however, the relative anti-cyclical behaviour of the agricultural sector: during the years of the Greek financial crisis (since 2008), the contribution of Greece's agricultural production to the country's GDP has increased, mainly due to a more than 30% collapse of GDP. The share of agriculture increased from 3.8% in 2008 to 5.5% in 2015. This is true in comparison with the rest of the Greek economy— not true however relative to the rest of the EU.

The fact that a sector remains strong in the middle of chaos where the country has lost one-third of its national income is a very positive trait of the Greek agricultural sector as a whole. This resilience needs

to be understood, improved and scaled up. Agriculture and food could potentially become one of the drivers of future growth in the Greek economy. This, however, may require a paradigm shift.

2.2 Structures

Greek agriculture is dominated by small farms, and the distribution of land ownership is very skewed. The utilized agricultural area (UAA) in Greece was 2.8 m. ha in 2013 (excluding grassland).¹ This is about 21% of the total country area (40% if grassland is included). Whereas land in Greece is distributed relatively evenly between small, medium and large holdings (Fig. 2.2), ownership is very much concentrated. While 10.5% of the UAA is distributed among very small farms (with less than 2 ha), these small holdings comprise more than half of the total number of farms (53.6% or 347,950 farms out of the total 648,610 in 2013). Most farms (approximately 80%) are below the country average (4.6 ha in 2013), while about 95% of the farms would fall below the EU-27 average (14.6 ha).

A small number of farm operators (470 holdings, or 0.07%) operate farms larger than 100 ha, which constitute 3% of total UAA (Fig. 2.2). A large reduction in total UAA occurred between 2007 and 2010—a decrease of 529,350 ha, −16.25%, whereas this is stabilized in 2013 at 2,754,300 ha. Similarly, the total number of holdings is decreased by 115,560 farms, or −14.9%, between 2007 and 2010 and by 11,440 farms between 2010 and 2013. The largest absolute decrease is in the smallest farms (a decrease of 87,170 farms, or −14.1%). On the other hand, the number of the largest farms (>100 ha) increased by 40 (or +14.3%) between 2007 and 2010 and by 150 holdings (+46.8%) between 2010 and 2013. The area cultivated by the largest farms increased by 12.6% and 22.8% between 2007 and 2010 and 2010 and 2013, respectively. Entry in this category was by farms at the bottom of the scale (100 ha), as indicated by the decrease in the average size of the >100 category from 215.75 ha to 212.56 ha and 177.8 ha, for 2007, 2010 and 2013, respectively. The dynamics of the farms size distribution show a decrease in holdings and UAA by holdings of less than 10 ha.

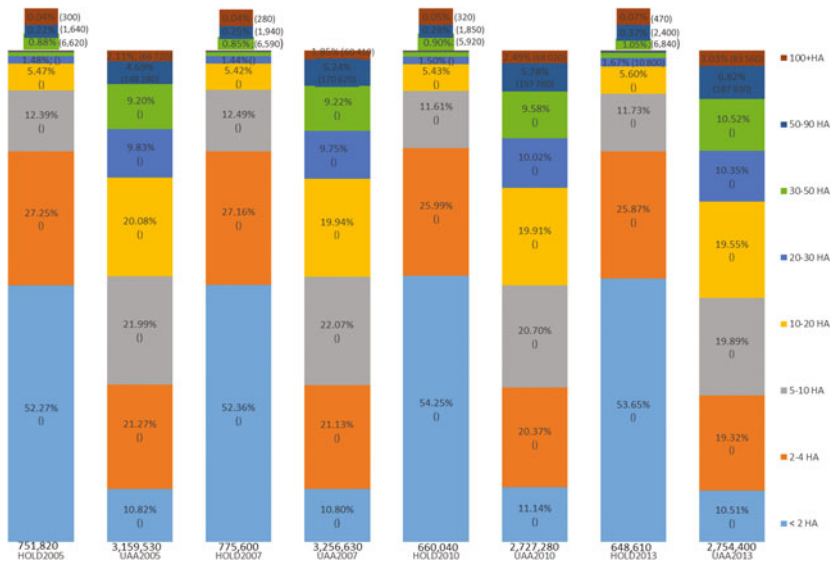


Fig. 2.2 Distribution of utilized agricultural land (UAA) and number of holdings (%). *Source* EUROSTAT, own calculations

The overall average size of farm did not change much in this period but fluctuated: 4.2 (2005), 4.19 (2007), 4.13 (2010), 4.25 (2013). Concerning these figures, one has to be careful since data definitions may vary and also be aware that it is common practice, usually for tax and other reasons, with farmers in Greece to register holdings under other family members. Therefore, the number of holdings and the average farm size are not representative of the actual situation. The average farm sizes are actually larger, although we cannot tell with certainty by how much.

Due to geography and certain historical path dependence, the distribution of land varies between areas in Greece. In 2013, there were 347,950 (53.7%) small farms in Greece with size less than 2 ha (Fig. 2.2). The distribution is very unequal and skewed between regions. In the entire country, 10.5% of the land is held by farms with less than 2 ha (excluding permanent grasslands). In some regions, more land is held by small farmers; this is true for mountainous areas and islands. In the Ionian Islands, for example, 37.4% of the land is small farms, and 29.1% in Attiki (EUROSTAT).

Most of the small farms (<2 ha), a cumulative 52.9% of all small farms in Greece, are in four regions: DytikiEllada (51,430 farms), StereaEllada (36,420 farms), Peloponnisos (48,040 farms) and Kriti (53,620 farms).

2.3 Summary

The number, size and distribution of small farms are a complex matter. We only touch this issue briefly in this book due to time and size limitations. We look only at the regional dimension of the structure of farms; however, it is important to analyse structures for various farms activities and crops, which goes beyond the scope of this book. However, any serious agricultural and rural development policy must look at this issue very carefully and more resources need to be dedicated to further analysis and understanding of small farms, and their role in development and restructuring. Small farms differ from one area to the next, and between crop, or livestock activities. A single policy that fits all small farms is neither desirable nor possible. Instead, policy-makers must design customized and specialized policies that deal with the complexity and special needs of each region and farm activity.

Often, small farms are considered an impediment to development and growth. Policy-makers, however, should pay attention to the fact that while small farms may often - but not always - exhibit diseconomies of scale, they offer variety and product differentiation. Furthermore, in some mountainous regions, small farms are the only feasible structure. One important factor that is stressed very much in this report is that the largest gains in economies of scale are not necessarily at the primary production level, but mostly downstream and upstream the farm. The logistics and distribution system processing, as well as farm inputs and research, are operations that exhibit large economies of scale. If the value chain is integrated and coordinated appropriately, and the benefits of scale are distributed evenly along the chain, then small farms will not only simply survive, but they could contribute greatly to variety and product differentiation. In this way, small farms can add income to families and growth and development in the rural areas. Without an integrated value chain, however, the small farms are doomed to become

extinct, with very severe negative consequences to rural development and the continuation of social, economic and cultural life in the rural areas. This does not mean that a policy for Greek agriculture and food should aim at maintaining every single farm, irrespective of size and level of efficiency and capabilities of its operator. Instead, the agricultural policy should aim at developing a structure in the value chain and should provide support that offers opportunities to all farms, small or large, to grow and add value to the system and income to its owner and to the local economy. Farms, small or large, should not be supported in perpetuity, if their operators are not able to, or are not willing to add value and adjust to the needs of the demand and to respond to the opportunities and incentives offered by a well-structured and sustainable value chain.

Careful planning with strategic targeting of funds, for the development of a sustainable value chain, can lead to the sustainability of small farms. Any policy, however, should aim at providing balanced opportunities to all involved.

Note

1. Structures exclude “Permanent grassland and meadow”. In 2010, Greece had to report all its “common land area” which were added to structures mostly as grasslands under a single ownership (owned by “the local community”). “Permanent grass land and meadow” was 546, 440 ha (76,350 holdings) in 2005, 819,610 ha (78,520 holdings) in 2007, whereas it increased to 2,450,240 ha (56,830 holdings) in 2010 and 2,102,380 ha (54,990 holdings) in 2013. These figures are excluded from structures reported here. (Statistics Explained (http://epp.eurostat.ec.europa.eu/statistics_explained/)—22/05/2014- 15:49)

A New Paradigm for Greek Agriculture

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2017, XIX, 112 p. 42 illus., 39 illus. in color., Hardcover

ISBN: 978-3-319-59074-5