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P R E S S   C O N F E R E N C E

of the Minister of Agriculture

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Aspects of the Greek demand to the European Economic Community  
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for special measures in the Agricultural  
Sector

The significance of the agricultural sector in Greece.

Greece emerged from the second world war with a completely destroyed economy. From 1960, it went through a stage of underdevelopment to a process of fully adopting capitalist development. The agricultural sector's significance began to diminish gradually, while the development of the industrial sector was carried on.

In 1950, the agricultural sector accounted for 32% of the Gross National Product (GNP); its share of the GNP was decreased to 14.5%, in 1980, inspite of an average annual rate of increase of the Gross Agricultural product equal to 3.5% during the period between 1968 and 1980.

Dramatic changes occurred with respect to employment and in a very short time the number of people employed in agriculture fell drastically. These developments had serious socio-economic impacts. A massive immigration process which took place during the decade of 1960 played a more important role than the increase of the demand for labour by the industrial sector.

In 1961 56% of the total active population was employed in agriculture while the respective figure for 1971 was decreased to 40%. Today it is estimated that one third of the

working population is employed in agriculture.

The large number of people employed in Greek agriculture (close to 1 million) is a fact which can not easily be neglected in the Community of the ten.

It is interesting to note that in 1980 the number of people employed in agriculture in Greece accounted for about 11,6% of total Community employment in agriculture while the remaining of the total of actively employed in Greece (3356 thousand) accounted for only 3.1% of total employment in the Community. In spite of the drastic reduction of employment in agriculture the percentage it represents is still maintained at high levels when compared to the corresponding figure for the whole of the community of the nine (7.4% in 1980).

#### The level of development of Greek Agriculture

I will make use of a series of figures which demonstrate the situation the Greek economy is in, compared to that of the Community with emphasis on the agricultural sector. In Greece the per capita Gross Domestic Product (GDP) in European Monetary Units (ECU) was 2600 in 1978 whereas the corresponding figure for the Community was 6.000. The ratio of consumption of food, tobacco and beverages to total consumption was approximately 36% and 23.3% respectively for 1979.

In 1979 while the agricultural sector accounted only for 3.8% of the GDP in the community of the nine the relevant figure for Greece was 16%. The contribution of the agricultural production to the total value of exports was 7.9% for the Community and 32.2% for Greece.

The Gross value Added at factor cost per capita as well as per unit of cultivated area in Greece was one fourth of that in the Community. The agricultural holdings with an area of 10 hectares or more accounted for over 40% of the total in the Community of the nine whereas in Greece they did not exceed 8.5% of the total. Yields in wheat production were equal to 2.570 kgs per hectare in Greece and 4.600 kgs per hectare in the Community of the nine (1980-1981). The respective yields in milk production was 1700 and 4.040 kgs per cow per annum.

The higher percentage of total value of agricultural production accounted for by livestock production is also an indication of a higher level of development of agriculture. In the Community of the nine crop production accounts for about 40% of the total value of production while the rest is attributed to livestock production. In Greece the relationship is reversed. In 1980, crop production accounted for 65% of the total value of production and only 35% was attributed to livestock production.

In addition investment in the agricultural sector has been highly insufficient and continuously diminishing. Gross investment constitutes a relatively low percentage of the Gross value added and has progressively diminished at a time when the exact opposite development is taking place in the Community.

This percentage was over 19% in 1973 where as in 1980 it was reduced to 13.7%. The reduction of Gross Investment was higher than the reduction of the number of people employed in agriculture in relative terms.

On the basis of the above indicative comparative criteria it is demonstrated that the level of development of Greek agriculture is much lower than that of the rest of the Community.

Along with the weaknesses I just mentioned, Greek farmers are faced with great organizational problems. All their efforts to strengthen their cooperative organization, have encountered the hostile position of the middleman's capital. While in most Member States agricultural cooperatives control 40% to 75% of agricultural credit, in Greece the corresponding percentage just exceeded 1% in 1975. In the marketing sector agricultural cooperatives in Greece account for only 7% of the value of production in the fruit and vegetables sector as compared to 100% in Holland and 50% in Belgium. The same holds true in processing.

The agricultural situation in Greece with respect to structures is undoubtedly inferior to all other Member States in the Community. The structural problem of Greek agriculture is the result of a long sociopolitical process of the last 30 years which has characterized the sector and has been the decisive factor for the way it has developed.

I could outline the most important problems.

The average size of agricultural holdings is very low for European standards and such that it hinders the realization of sufficient investments. Fragmentation is also so high that any effort towards rationalizing farmer's time allocation becomes very difficult. All efforts toward land consolidation have failed because there had been no parallel legal measures taken in order to avoid new fragmentation.

The number of the actively employed in agriculture is very high and as a result a high percentage is underemployed with no possibilities of employment in other sectors of the economy.

The low level of general vocational and technical training of the farmers, has had a negative impact on productivity. There is a significant lack of basic social infrastructure not only in the mountainous and less favoured areas but elsewhere as well. As a result a high population concentration has taken place in a few urban centers.

Agricultural products processing and marketing infrastructure is insufficient and irrationally distributed in space.

This leads to irrational and inefficient marketing practices before the products reach the consumer. In addition the long distance from Greece to the major consumers' centers in Europe make transportation very difficult due to increased costs.

Agricultural cooperatives have no control or saying in the organization of marketing and processing. Further more the uncontrollable intervention of a host of middlemen resulted in the exploitation of the producers, the widening of the gap between producers' and consumers' prices and the loss of a good portion of value added which would otherwise benefit the farmers.

The low level of cooperative training has also contributed to the creation of a large number of small agricultural cooperatives all broken up with respect to their objectives and whose major function is to provide their members

with some inputs to production.

The insufficient administrative and executive organization in the centers of decision making resulted in the absence of a long term plan in the sector. There have been no specific objectives, priorities and proposals for alternative solutions.

The insufficient staffing with the appropriate personnel of extension services in the country side and the delay in the application of research programs have prevented the Greek rural sector from benefiting from current scientific knowledge and experience.

The irrational use of the country's water resources for irrigation purposes and the lack of small and large irrigation projects have made the cultivation of certain crops in which Greece has a comparative advantage, practically impossible.

The irrational utilization of the country's forestry resources as well as their constant degradation due to hazards such as fire have lead to the stripping of the mountains, and their corrosion along with negative impacts on agricultural production and the damaging of the natural environment.

The subsector of fishing is one of the most retarded in our national economy and is encountering serious problems due to the reduced endowments of the Greek seas when compared to the open seas of the oceans on one hand and to the lack of any planning and concrete policy on the other. Today the fishing fleet of the country is aging and consists of small, economically inefficient fishing units. The infrastructure for the conservation and processing of the production is insufficient. In addition a serious reduction

of the yields of fishing grounds has been observed. There is finally no serious cooperative organization for fishermen.

The objectives of government policy in Agriculture

The problem of Greek agriculture is a problem of structures and is part of the more general problem of an integrated development. The government has adopted a policy of coping with the structural weaknesses of the Greek economy. The process of development of the Greek Economy, in general and of agriculture more specifically will be based on global national planning oriented toward dealing with the problems of the sector as well as with eliminating regional disparities to the degree possible. The five year plan of economic development and restructuring of the economy is due to be applied early in 1983. Our goal is the modernization of the sector in such a way as to be able to face international competition. It is the government's firm position to keep the population in the rural areas in the framework of a wide effort in favour of administrative and economic decentralization. Therefore, the support of agricultural incomes, the strengthening of the cooperative movement and the improvement of social and cultural infrastructure of rural areas are necessary conditions.

The new government has inherited an agricultural sector seriously degraded, deeply in debt, characterized by a set of unfavourable economic and social well-being indicators.

The improvement of the conditions will require time and resources apart from the adoption of different policies. We are now proceeding with the changing of the legal framework



within which production, marketing and processing activities take place.

The agroindustrial cooperatives the nucleus of the change we are aiming at, will be instrumental in bringing about the revitalization of the countryside through a complex and costly process. We are already taking measures to be intensified with time for the incorporation of production activities in the framework of a voluntary, economically healthy and democratic cooperative movement.

However, Greece's adhesion into the European Economic Community under the present terms present us with certain contradictions and dangers for our farmers. Coexistence with countries whose economies and agricultural sectors in particular and highly developed create certain problems which could lead our agriculture and our farmers to a dead end, if certain measures are not taken. As an example I could mention the high rates of structural inflation which is currently characterizing our economy and the difficulties we are facing everyday in maintaining access to the Community market for our agricultural produce.

The total trade balance deficit has been increasingly widening during the last decade. In 1981 the deficit was increased by 10.5% with respect to 1980 and reached 256 billion drchs. In 1981 the trade balance deficit for agricultural products was equal to 4.6% billion drchs whereas that of 1980 was a surplus of 3.3 billion drchs. Our trade balance deficit with the community was almost doubled in 1981 as compared to that of 1980 (an increase of 93.7%). Further more, while in 1980 EEC accounted for 32% of the country's trade deficit, in 1981, it accounted for 56% of the deficit.

As far as the agricultural trade balance with the EEC of the 9 is concerned in 1981 it was proved to be negative, for the first time in the last decade. This is due to a rapid increase of imports by 139% as compared to 29.5% in 1980. On the contrary, exports of agricultural products to the EEC were increased only by 25.7% in 1981 as compared to the previous year. This percentage annual increase is almost the same as that of the previous year.

The share of imports of agricultural products to the total value of imports from EEC was increased from 9.5% in 1980, to 16.6% in 1981. It is obvious, that the trade balance deficit of agricultural production with the community is due to the shifting of imports of livestock products away from third countries toward EEC Member States. Such developments therefore prove that the opening of the markets has functioned as an one-way process. Community preference has favoured northern products (mainly meat and milk) while there has been no protection of mediterranean products against imports from their countries.

The incorporation of Greek agriculture into the EEC and the special measures

The information I presented you with shows that Greek agriculture differs from that of the Community as a whole with respect to the level of development as well as with respect to structures. One should question the normal functioning of the sector within the Community framework since the Treaty of adhesion did not take into account all the specific characteristics. The Community rules and regulations

favour the central and developed economies. Greek agriculture's problems would become more acute and the solution would become more difficult as long as no adjustments are made and no deviations are allowed in order for the peculiarities of the Greek economy to be taken into account.

The smaller agricultural holdings tend to disappear under competitive pressure. Small farmers are being forced to abandon agriculture and join the mass of unskilled labour. This development has immediate implications for the small livestock production farmer.

Today the CAP is oriented toward solving short term problems and does not sufficiently cope with the problems of structures. Community expenditures in agriculture are distributed almost in total for price support schemes for various products and only a small percentage is addressed to solving some of the long term structural problems. Besides, the ability to draw funds depends largely on the degree and level of development and farmers organization.

The Greek government has drawn the Community's attention to the specific problem of the Greek economy as well as to the policies chosen to cope with such problems. We hope that the Community will indeed see the need to proceed with the special arrangement that would allow our agricultural sector the desired growth and development.

We pointed out the need for a transfer of the necessary resources from the Community's budget for the gradual leveling off of the imbalances within the Community as a whole but also within the Member States belonging to the Community's perimeter. There is still unfavourable treatment of Greek

agriculture within the mediterranean regions. We aim therefore at the extension of Community's improved rules, regulations and directives that would provide sufficient community protection and higher percentages of contributions from the Community's funds.

The immediate problem of supporting the income of small farmers can not be neglected but should be solved by means of special community measures. For a transitional period input subsidies provided by the Community are also necessary.

In addition the adoption of measures of substantial support and permanent nature are necessary within the framework of the CAP for products which are not sufficiently covered or not covered at all. Some of such products are very important for Greek Agriculture.

A program for gradual restructuring of the crops and the substitution of crops of decreased demand should be carried out with full Community compensation that would make up for the cost for the loss of income to producers.

Community funds and technical assistance is also necessary for promoting integrated programs of a long term nature for the acceleration of the development of the agricultural economy in all unfavoured areas in Greece. Activities to be financed should include irrigation projects, agricultural and forestry roads, electricity centers of agricultural training pasture improvement, provisions for water for municipal use, and sewage, protection against corrosion, forestry measures, livestock production improvement programme.

The Community could also assist in seeking solutions for the problems in fisheries by providing assistance for the development of open sea fishing, for the modernization of the fleet,

for the construction of a network of port facilities and the development of production sites.

Finally, community finance and technical assistance is also needed for the establishment and organization of agroindustrial cooperatives with emphasis on the proper staffing with trained personnel.