



The opportunity of Greek food exports to thrive

Jessie Voumvaki

Deputy Chief Economist

+30 210 3341549

e-mail: fvoumv@nbg.gr

Niki Konstantopoulou

Economist

+30 210 3341646

e-mail: konstantopoulou.niki@nbg.gr

Theodoros Giouras

Economist

+30 210 3341457

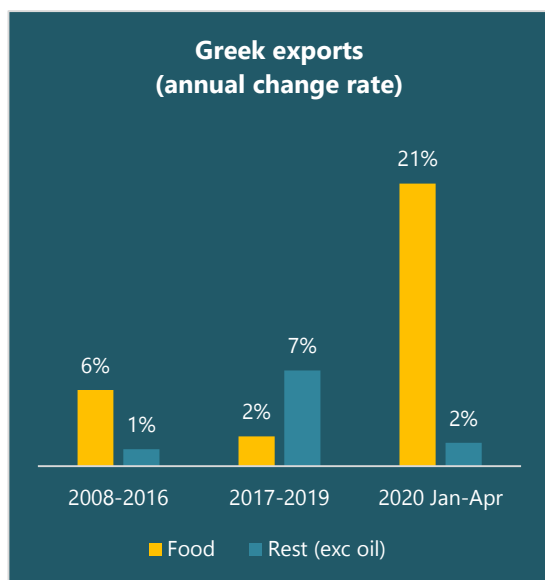
e-mail: giouras.theo@nbg.gr

- The Covid-19 pandemic has hit economic activity worldwide, with Greek exports proving no exception as they came under pressure (with non-oil exports declining by 7% in the two months March-April 2020 compared with the same period the previous year). Against this backdrop, Greek food exports were a positive exception, as they built on the country's positive health picture and posted an increase of 9% during the abovementioned period.
- The key question is whether this increase, which stems from a particular mix of circumstances, can serve as a springboard for greater penetration into global markets. Such a prospect may well be feasible, as there are several cases of Greek food products that have gained significant export shares over the last decade.
- Accordingly, we singled out five food products that have demonstrated successful export strategies: olives, yogurt, honey, kiwi fruit and apples. The key features that seem to have made the difference and therefore can be used by other Greek foods as a strategy for penetrating global markets are:

- ✓ Target developed markets
- ✓ Focus on branded products (not bulk)
- ✓ Achieve adequate volume to compete in the premium market

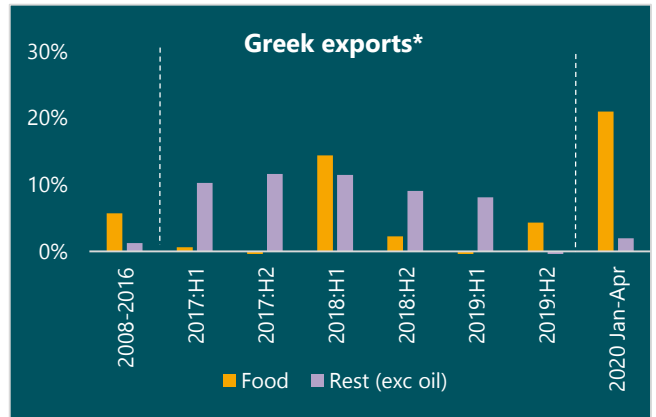
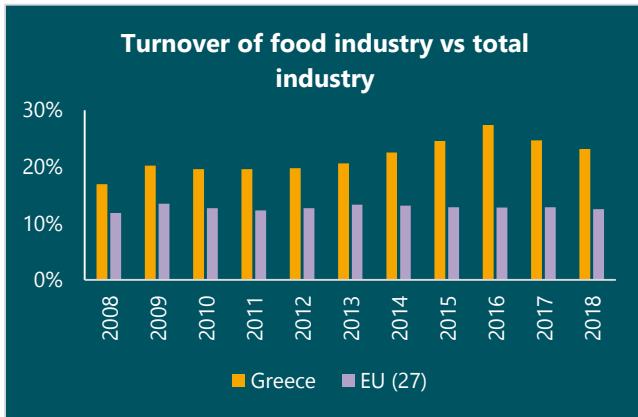
- Given the asymmetric impact of the pandemic among the Mediterranean countries (with Greece in a relatively more advantageous position), the situation can be considered favourable for pursuing the maximum possible share for Greece in the global food markets (given the production capacity of our country). A first estimate of the potential benefit of this export-oriented strategy (based on our position versus the main competitor, Italy) is close to €1.2 billion per year (with food exports rising to €6 billion from €4.8 billion in 2019).

Έμφαση έκδοσης



Sources: Eurostat, NBG estimates

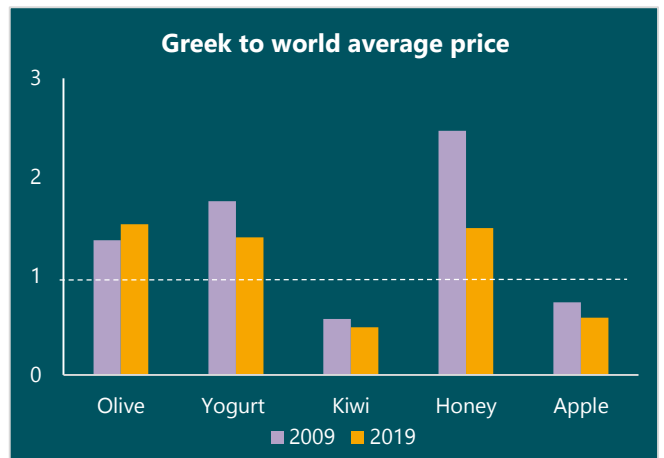
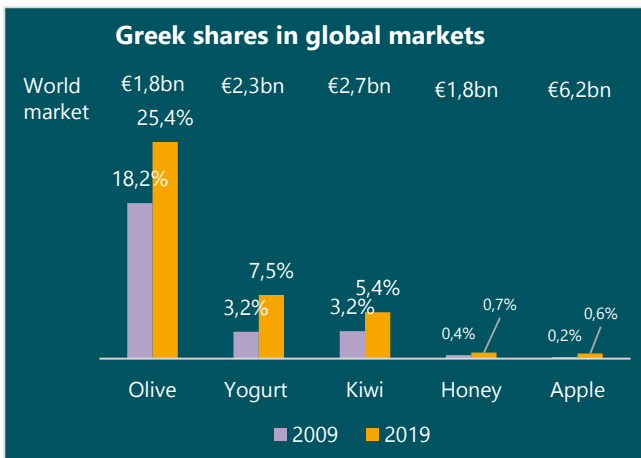
Significant growth in Greek food exports during the pandemic



* The export order index corresponds to the net balance of responses, decrease (-100), unchanged (0), and increase (+100).
Sources: Eurostat, European Commission, NBG estimates

- Over the past decade, the food industry has significantly increased its contribution to Greek industrial output (to 23% from 17%) – approaching almost the double of the European average (around 12%).
- In the midst of the pandemic, the external demand for Greek food products posted a significant increase. Specifically, Greek food exports increased annually by 9% in the two month period of March-April 2020 (versus a decrease of 12% for other non-oil exports).
- At the same time, the first indications towards this direction of further strengthening of the upward trend of Greek food exports, with the export order index on the scale of [-100, + 100] reaching +13 points for the months of April and May (vs. +3 points in March, +2 points in the first two months of the year, and -4 points in 2019). Practically, the positive reading of the index reflects the fact that the majority of Greek food exporters state that orders from abroad will remain strong for the months ahead.
- It is notable that Greece is the only European country that posted increasing food export orders during the two key months of the pandemic (April-May). Italy (Greece's main competitor in the global food market) recorded a sharp drop in the food export order index (-27 points in the two months April-May, from -12 points in March, -1 point in the first two months of the year, and -1 point in 2019).

How to achieve further penetration in the international market – the example of Greek foods that already stand out



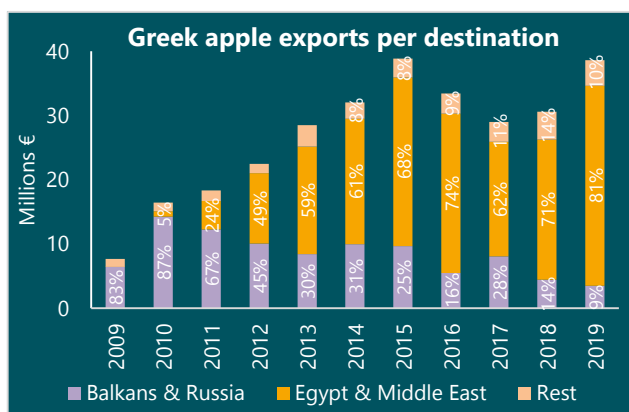
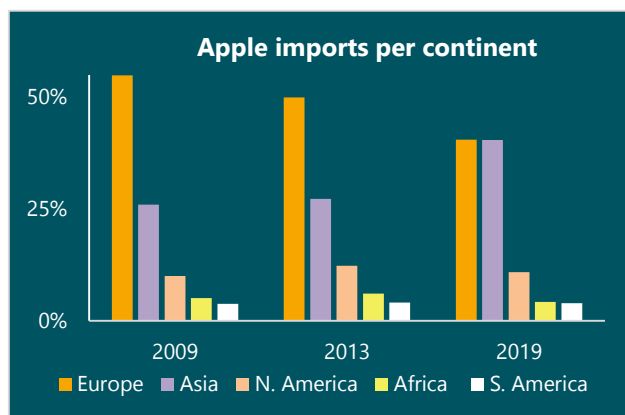
PRAMETER	BEST STRATEGY
<i>Destination country</i>	<i>Focus on developed markets</i>
<i>Market's segment</i>	<i>Branded as premium to achieve high price</i>
<i>Market's position</i>	<i>Holding high share</i>
<i>Volume (and uniqueness) of raw material</i>	<i>Adequate volume to tackle with competition</i>

*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).

Sources: Eurostat, Comtrade, NBS estimates

- Given that the current turmoil in global markets offers an opportunity for Greek foods to leverage the country's positive image, the crucial question is whether this opportunity could be the occasion for gaining market share in the medium term.
- In part, the answer lies in the adoption of effective strategies by Greek food exporters. To explore this possibility, we trace the examples of Greek food products that have managed to stand out in the global markets over the past decade – most prominently: olives, yogurt, kiwi fruit, honey and apples.
- To identify the key success parameters, we developed a framework for codifying the strategies applied in the case of these 5 food products based on the following lines of analysis:
 - ✓ destination country: degree of penetration in developed markets
 - ✓ market segment: premium versus mass
 - ✓ market position: potential for seizing a leading role
 - ✓ volume (and uniqueness) of raw material: ability to stand up to competitive pressures

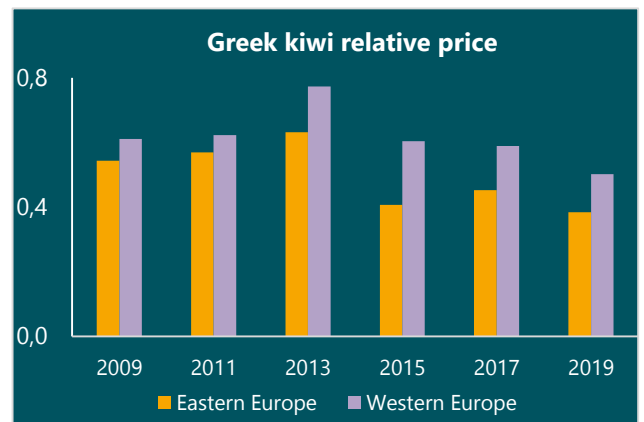
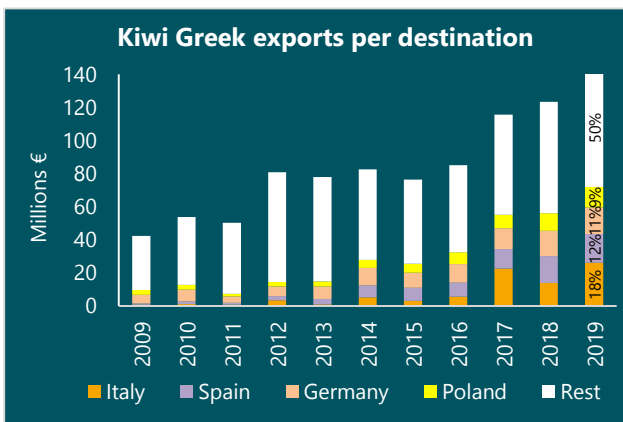
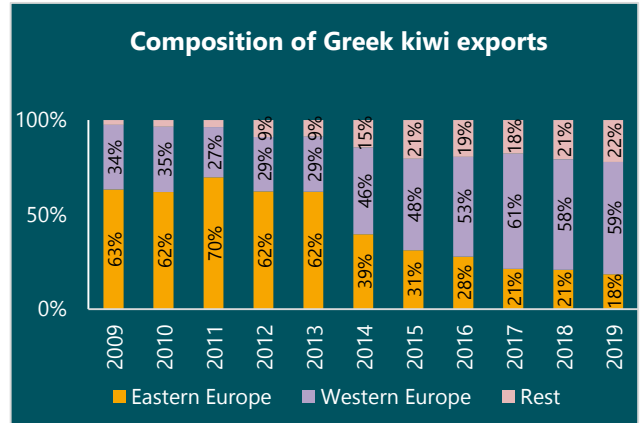
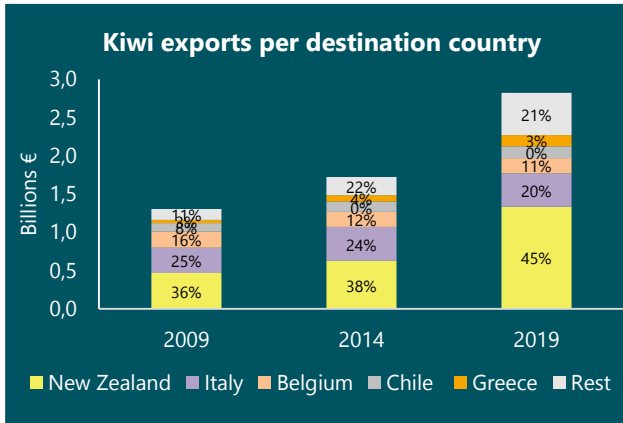
Apples: Seizing the moment for exports at non-developed markets



*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).
Sources: Eurostat, Comtrade, NBG estimates

- The market share of Greek apple exports in the world has tripled in the last decade (to 0.6% in 2019 from 0.2% in 2009). This massive increase reflects a 370% increase in the actual volume of Greek apple exports over the same period (vs. 13% worldwide). However, at the same time, there was a decrease in the relative price of Greek apples in global markets (to 0.58 in 2019 from 0.73 in 2009) – a development that “moves it away” from the premium market.
- In addition, there has been a realignment of destination markets for Greek apples, with Egypt and the Middle East (mainly Saudi Arabia and Jordan) gaining shares (covering 81% of Greek exports in 2019, from 1% in 2009). Greece’s entry into these markets has essentially exploited the gap created in those countries by the disruption in trade relations due to political turmoil in the region. On the other hand, it is worrying that our presence in SE Europe is shrinking, with our apple exports to the Balkans and Russia declining by 60% over the last decade.
- The high dependence of Greek apple exports on developing and volatile markets (in the Balkans a decade ago, and in the Middle East today) carries the risk of a sharp drop in demand if the specific market experiences some kind of disruption. By way of example, we note the 25% decline in Greek exports in the three years 2015-2017 due to the decrease in demand from Egypt (by 49%).
- In the next few years, it is important that Greece takes advantage of recent trade agreements with China and India – two markets that have been developing at double-digit rates over the past five years. At the same time, a more dynamic entry into the Eurozone market could be attempted, which currently accounts for just 11% of Greek apple exports, as compared with a 69% share for other food products.

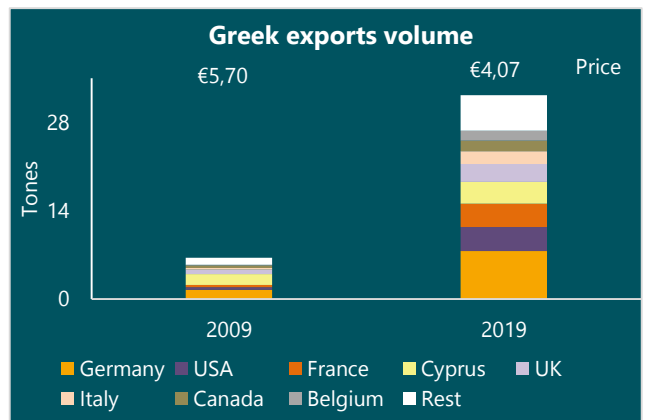
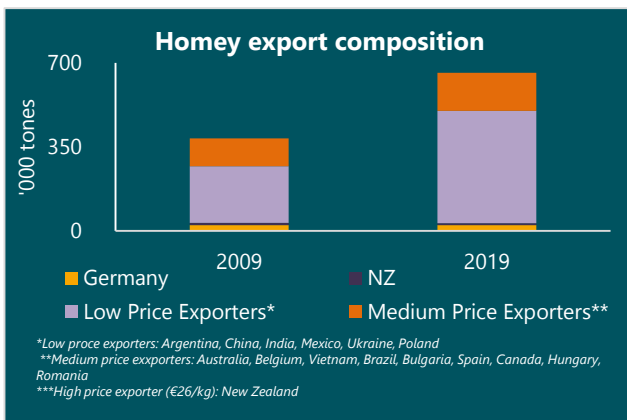
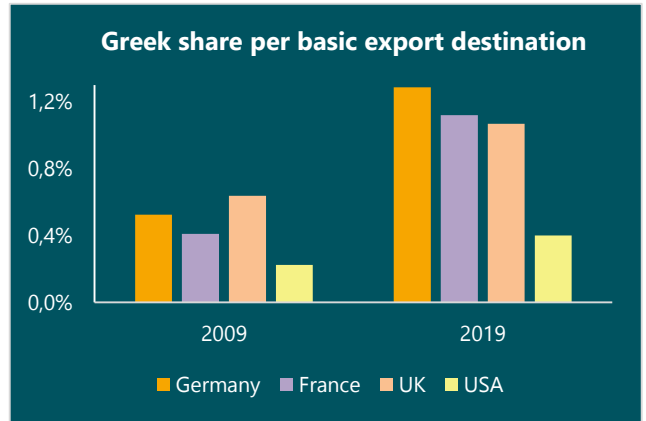
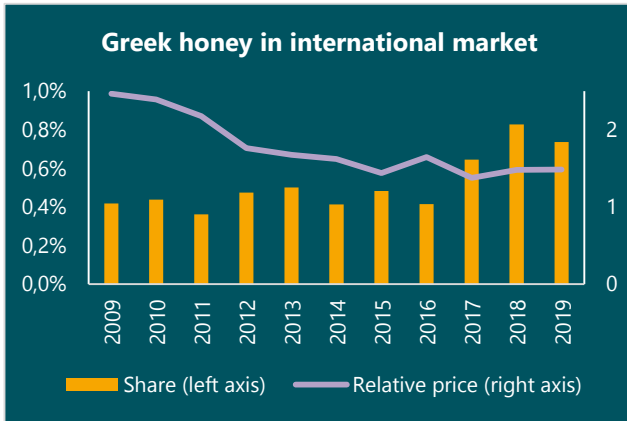
Kiwi fruit: Shift of Greek exports to developed markets



*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).
Sources: Eurostat, Comtrade, NBG estimates

- Greece ranked fifth among the countries that export kiwi fruit, with a share of 5.5% in 2019 (vs. 3.3% in 2009). In addition, over the last decade Greek exports showed a notable shift from Eastern European countries (1/5 of total exports in 2019 vs. 3/5 in 2009) to Western European countries (2/3 of total exports in 2019 vs. 1/3 in 2009). Note that Greece accounts now for 22% of the Italian market, 10% of the Spanish market, and 6% of the German market.
- The world market for kiwi fruit grew by 40% in terms of volume over the last decade. This growth in demand pushed global prices upwards (€1.75/kg in 2019 vs. €1.08/kg in 2009). The price of Greek kiwi fruit also followed an upward trend but less pronounced than the global average (probably due to efforts to claim a higher share). As a result, the relative price of Greek kiwi fruit against the average global price posted a decline (to 0.48 in 2019 vs. 0.57 in 2009). The same can be seen in both Western and Eastern European markets.
- Note that Italy as a hub country (i.e. importer and exporter of kiwi fruit) achieved an export price that was almost double of the price of fruit which imported from Greece (€1.44/kg vs. €0.84/kg) – and thus reaps significant gains.
- In any case, the global market for kiwi fruit is quite challenging, given that New Zealand, being the leading exporter, accounts for ½ of the global market and achieves three times the Greek price (€2.53/kg vs. €0.84/kg in 2019).

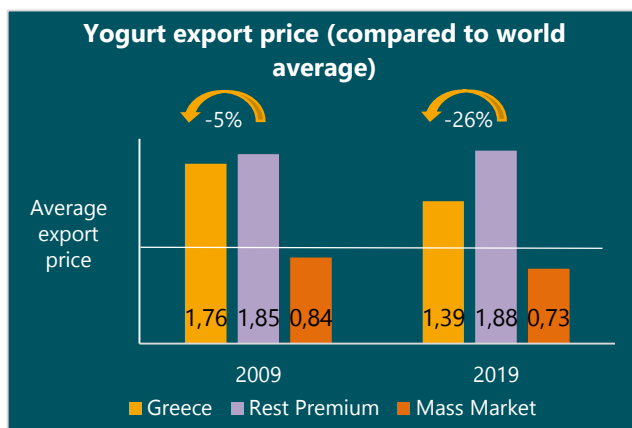
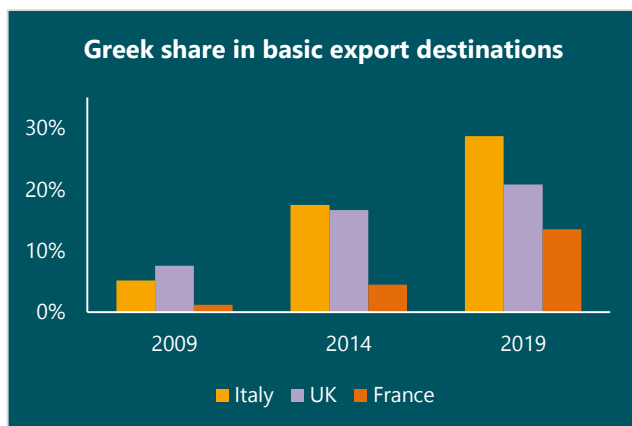
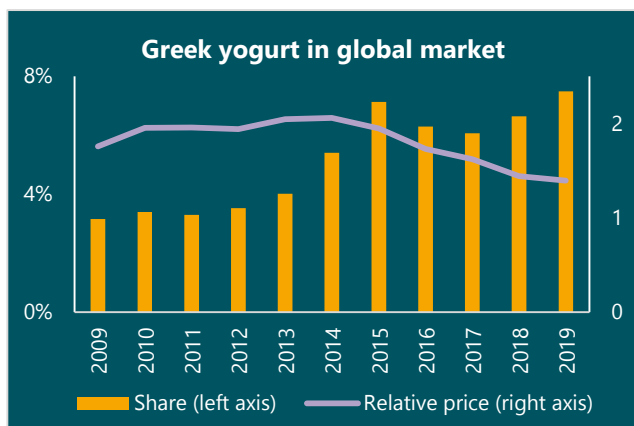
Honey: High-risk expansion strategy combining Greek production and re-exports



*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).
Sources: Eurostat, Comtrade, NBG estimates

- Greece posted a sharp increase in honey exports, nearly doubling its share of the global market over the past decade (to 0.74% in 2019 vs. 0.42% in 2009), with the volume of Greek exports growing fivefold over the same period (while the price fell by 29%).
- To understand these developments, it is important to outline the complexity of the global honey market, which, roughly speaking, is divided into three segments:
 - ✓ Low-price exporters (mostly of the raw material): Countries, such as China, Argentina and India export at prices below €2/kg and account for 70% of the market, in terms of volume.
 - ✓ Medium-price exporters (at a price of around €2-€5/kg): This segment includes mainly resellers, such as Germany, operating to a great extent as market regulators.
 - ✓ Premium brand: New Zealand reaches a price ten times over the average (around €25/kg), accounting in volume for just 1.2% of the global market.
- Against this backdrop, Greece is making efforts to increase its relative volume, deploying also honey imports from Bulgaria (which have increased six-fold in volume over the last decade). This strategy aims at combining the role of the quality producer with the role of the reseller, thus creating a delicate balance for the Greek honey brand. Note that the price of Greek exports has fallen on average to €4/kg vs. from almost €6/kg ten years ago.

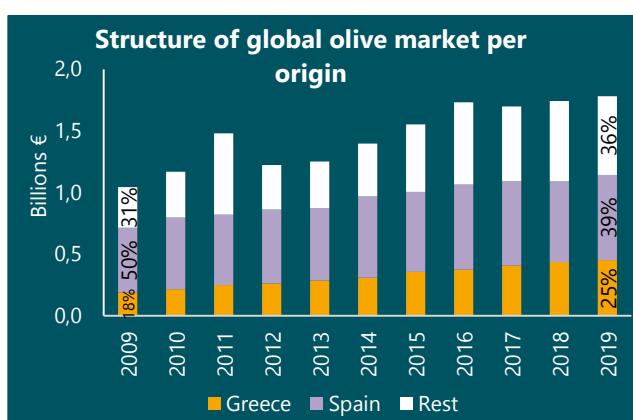
Yogurt: Strategic priority is to maintain leading position in the premium market



*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).
Sources: Eurostat, Comtrade, NBG estimates

- Greek yogurt maintains its strong position in global trade, doubling its share over the last decade (to 7.5% in 2019 vs. 3.1% in 2009) and keeping its relative price at 40% over the world average (€1.91/kg vs. €1.37/kg) – as a result, Greece ranks first in the premium market.
- Greece's strategy over the past decade can be characterized as aggressively expansive, aimed mainly at Western European countries – with efforts focusing particularly on the UK, as well as Italy and France. The penetration in these markets is impressive, since Greek share increased in 2019 to 29% in Italy (vs. 5% in 2009), 21% in the UK (vs. 8%), and 14% in France (vs. 1%).
- To get a broader understanding of the conditions prevailing in the global market, we single out 2 key segments:
 - ✓ Premium segment (with a price over €1.8/kg, covering 10% of the market volume in 2019 vs. 6% in 2009): Greece managed to increase its share in this segment to 48% in 2019 (vs. 29% in 2009). However, it was forced to partly “buy out” this penetration, given that the price of Greek yogurt is now 26% lower than its premium competitors (while it was at a similar level to its competitors a decade ago).
 - ✓ Mass segment (with a price below €1.8/kg, covering 90% of the market volume): The dominant countries in this segment are Germany and France (holding a cumulative share of 40% of this market), while Saudi Arabia, Austria and Spain are emerging (with a cumulative share of 26.5% in 2019 vs. 18.5% in 2009 in the mass market).

Olives: Greece dominates when it comes to quality



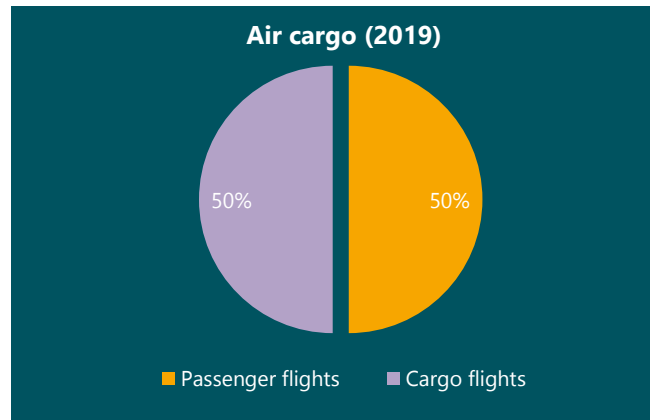
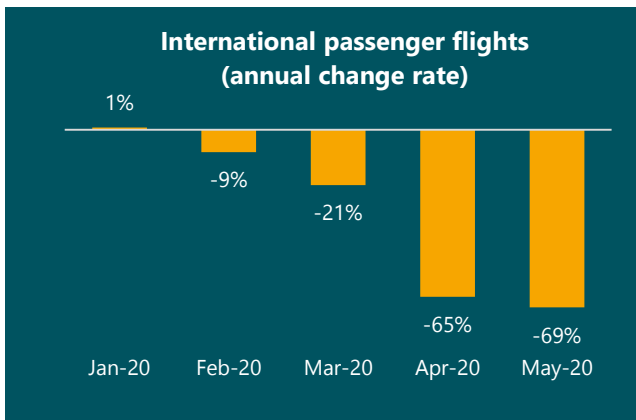
*The world, by sector, is calculated on the basis of the following countries: Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, Israel, Japan, Korea, Malaysia, Mexico, N. Zealand, Peru, Russia, Saudi Arabia, India, Singapore, S. Africa, Thailand, Turkey, USA, Indonesia, EU, which account for 90 per cent of global trade (adjusted for the share of the remaining countries in the total trade of non-oil goods).

Sources: Eurostat, Comtrade, NBG estimates

- Greek olives maintain a significant share in the global market (17% in terms of volume) and a high price (€2.6/kg compared to the average price of €1.73/kg), thus leading the premium market. The other major player, Spain (with a share of 39% in volume) leads the mass market (with a price at €1.3/kg).
- Greek olive exports proved to be particularly resilient over the last decade, recording a significant increase (to €452 million in 2019 vs. €190 million in 2009), with almost 80% of exports being directed at developed countries (mainly the US and Western Europe). Notably, Greece now accounts for 1/3 of the US, German, UK and Italian markets (vs. 1/4 in 2009).
- The leading position of Greek olives reflects to a great extent the superior quality of the product, which is attributed to the prevailing soil and weather conditions in Greece. However, there is room for further growth in the value of Greek exports, given that nearly 2/3 of olives are exported "in bulk". Given the fact that the price for bulk exports ranges from €1 to €2/ kg while the branded ones are around €5-€6/kg, it is important that product standardization be set as a key strategic target in the years ahead.

Learning from the past - Addressing new challenges

PARAMETER	BEST STRATEGY	Olive	Yogurt	Honey	Kiwi	Apple
Destination country	Focus on developed markets	✓	✓	✓	✓	✗
Market's segment	Branded as premium to achieve high price	✓	✓	✓	✗	✗
Market's position	Holding high share	✓	✓	✗	✗	✗
Volume (and uniqueness) of raw material	Adequate volume to tackle with competition	✓	✗	✗	✗	✗



Sources: IATA, OAG, UNICEF, NBS estimates

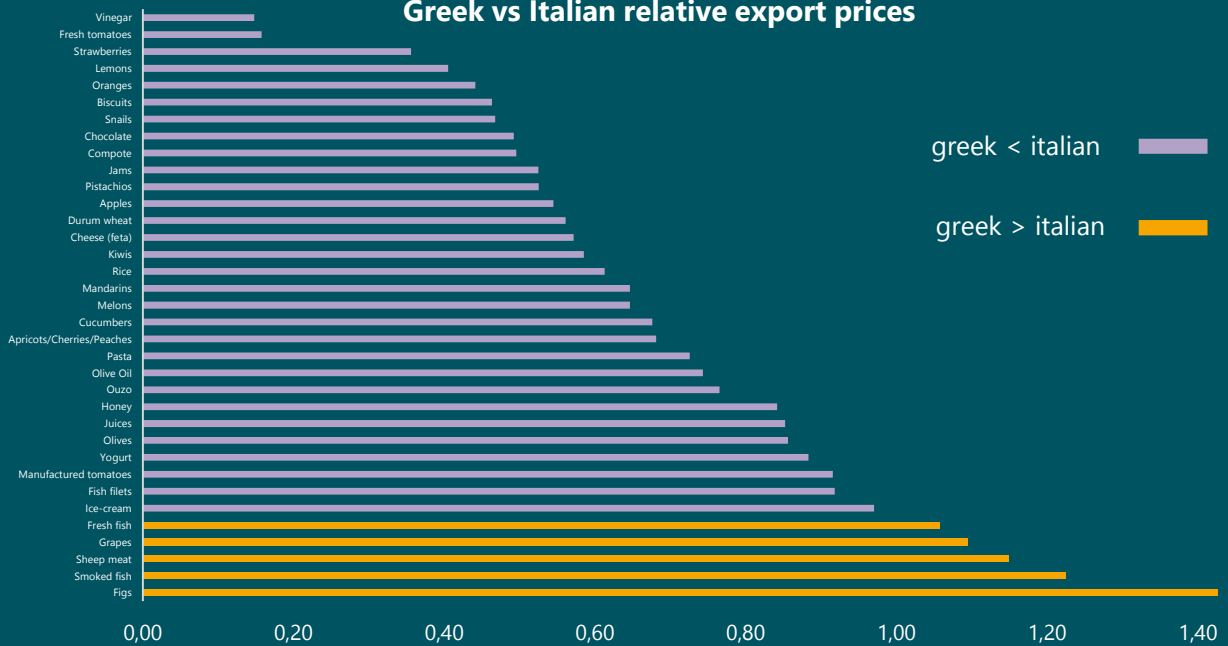
- The key factors that seem to have made the difference for all five products outlined above, and which can therefore be used by other Greek foods as a strategy for penetrating global markets, are:
 - ✓ Focus on developed markets
 - ✓ Marketing in branded form (not bulk), and ideally emphasis on the uniqueness of the raw material
 - ✓ Sufficient volume of products to gain a leading share in the premium segment of the market
- However, while the situation can be considered favorable for Greece – given the asymmetric shock of the pandemic among Mediterranean countries – it is important to take into account the additional obstacles created by the pandemic in the food industry and international trade:
 - ✓ Extensive cross-border controls create problems especially for vulnerable fresh food products. In addition, transport costs increased significantly due to the restrictions on capacity (air transport capacity reduced by 30% due to the sharp decrease in passenger flights by almost 70%, which accounted for half of air freight transport).
 - ✓ The slump in tourism (with travel revenue down by 70% in March) affects adversely specific food sub-sectors, such as fish farming, with production falling by 19% in April.
 - ✓ The dependence, for harvesting, on manpower from neighbouring countries means that the speed and arrangement of the actual harvest process has been made more complicated.

Leveraging the current positive image of Greece – Case study: the Mediterranean duo of Greece & Italy

Greek vs Italian relative export volumes



Greek vs Italian relative export prices



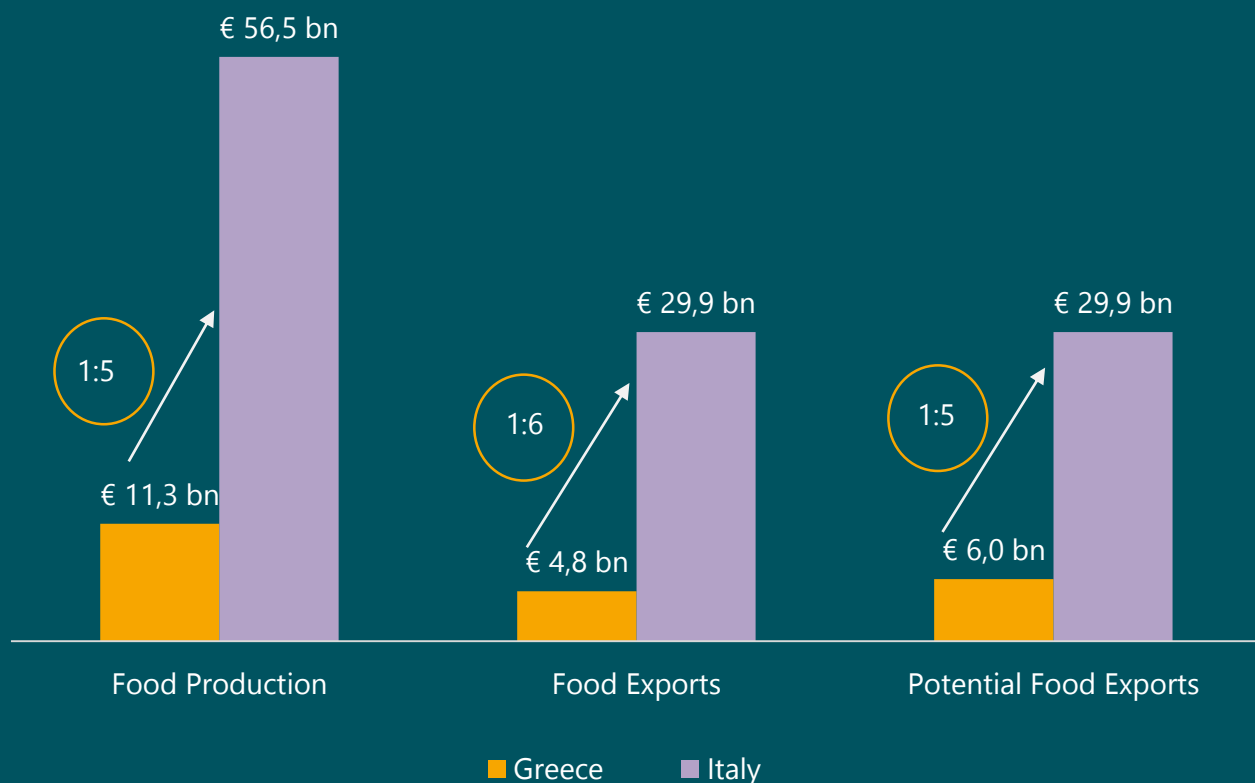
Sources: Eurostat, NBG estimates

➤ Before assessing the potential benefit that a more aggressive expansion strategy for Greek food exports could generate, it is useful to examine more closely our current position. First, we can compare our position with that of Italy, which is our main competitor. Focusing on the 35 basic exported food products of Greece (which account for 3/4 of Greek food exports) we can see that:

- ✓ Our share in volumes is satisfactory (15 of the 35 products show Greece to be in the lead).
- ✓ The problem, however, lies in prices: only 5 out of 35 products post a higher price than the corresponding Italian product – this suggests that Greece's weakness lies mainly in how its products are marketed.

By leveraging the production capacity of Greece it may be possible to gain higher shares in the global market, and thereby generate €1.2 billion annually for the Greek economy

Greek vs Italian food industry: Production and Exports



Sources: Eurostat, NBG estimates

- To take a broader look at the food industry as a whole, we focus on an assessment of the potential market share of Greece in global markets, taking into account the country's relative size in food production.
- Once again, using the comparison with Italy – our primary competitor – we venture a first estimate of the margin for growth of Greek food exports. Since primary production in Greece versus Italy stands at a ratio 1 to 5 (€11 billion in Greece vs. €56 billion in Italy), the ratio of Greek food exports to Italian food exports could potentially be expected to stand at similar levels.
- Given that Italian food exports amount to some €30 billion annually, Greek food exports could potentially stand at €6 billion, instead of the current €4.8 billion. Accordingly, Greek exports could realistically stake a claim to a larger share of the Mediterranean food market, adding €1.2 billion annually to the Greek economy.

NATIONAL BANK



ECONOMIC ANALYSIS DEPARTMENT

This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on its contents. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation for any offer to buy. Any data provided in this bulletin has been obtained from sources believed to be reliable. Because of the possibility of error on the part of such sources, National Bank of Greece does not guarantee the accuracy, timeliness or usefulness of any information. National Bank of Greece and its affiliate companies accept no liability for any direct or consequential loss arising from any use of this report.
