Evaluation of the impact of actions implementing Regulation (EEC) No 2019/93 on the economic situation of the small islands in the Aegean Sea

FINAL REPORT

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INTRODUCTION

This report highlights the main findings from the evaluation of the measures and actions implementing Regulation (EEC) No2019/93 on improving the socioeconomic situation of the small islands in the Aegean Sea.

More specifically, the Regulation (EEC) No 2019/93 includes a number of intervention measures (Titles I and II) designed for the stabilization of the agricultural markets, and a number of derogations applicable to structural field (Title III). A number of Commission Regulations and Decision have been adopted laying down detailed rules of application.
The Regulation is being implemented by the following set of measures :

- ***TITILE I: Specific supply arrangements** (SSA) were designed to cover the extra costs derived from transportation, due to the geographical remoteners of the islands, for certain products considered essential for human consumption (flour, sugar, fruits, vegetables and yoghurt) and animal feeding stuffs. The expenditure of SSA was covered by EAGGF Guarantee Section.*

- ***TITLE II: Support to local production** (SLP) included a number of measures designed to support traditional agricultural activities (olive growing, vine growing, cheese productions, beekeejoing, stockfarming, etc), to improve quality and minimize product in costs. The expenditure of SLP was aslo covered by EAGGF Guarantee Section.*

- ***TITLE III: A set of derogrations** applicable in the structured field (improvement plans, processing marketing) were covered by EAGGF Guidance under the CSF*

1. *THE CONTEXT OF THE SMALL ISLANDS OF THE AEGEAN SEA*

The small islands of the Aegean Sea lag behind the changes and trends observed in agrifood system in mainland Greece and the rest of Europe.
The main characteristics of the above islands are as follows :

- *The small size of the market system and the long distance from the central port of Greece (Piraeus) :4.5 and up to 17.0 hr by sea transport, mean distance over 10.0 hr.*
- *A high level of imports of main agricultural products (flour, sugar, fruits, vegetables, etc.).*
- *Huge divergences within the level of development of the islands. The tourist resorts (Rhodes, Kos, Myconos, Paros,Santorini) appear deep discrepancies in the main socioeconomie indices when compared to the smaller islands of the Cyclades and the Dodecanesse, or the other island complexes of the of the N. Aegean (Lesvos, Chios, Samos). Farming and agriculture constitute an important economic activity in N. Aegean Region, whereas tourism is the major economic activity in S. Aegean Region.*

2. EVALUATION OF THE OBJECTIVES AND MEASURES

***In general terms it can be said that the measures implementing the Regulation have had a positive impact on supply in foods, certain agricultural activities and traditional food production in the islands.** Albeit this, after completing the evaluation, the following **weaknesses** have been observed.*

*2.1 There is a flat aid to all islands, either A or B group, both in SSA and the SLP, which does not correspond to either of the **actual trasportation costs**, the **socioeconomic situation** of the islands, the **subsidized product cost**, or the **double insularity**. To be more specific :*

- *The **cost of transporting the products** is rarely proportional to the distance involved.*
- *The per **capita regional income** in Dodecanesse is 137% of the national average which is anticipated to be mainly due to two islands (Rhodes and Kos). These islands receive the same aid as the less developed N. Aegean islands the very small islands of S. Aegean which in addition suffer from **double insularity costs.***
- *Fixed aid in certain products is particularly low, in relation to product price and this is the main reason for the very poor implementation (eg. yoghurt).*

*2.2 Concerning **quality criteria,** it was difficult to identify any in the procedures employed for the acceptance of applications for feedings stuff, flour or sugar, and in the case of fruits and vegetables, low absorbance was due to a great extent quality inspection requirements and the relevant shortage of personnel in the Agricultural Directorates.*

2.3 Certain constrains set out by the Regulation (minimum area for fruit / vegetable cultivation, or for breeding suckler cows) were too strict with regard to the situation prevailing in the islands.

3. *EVALUATION OF SPECIFIC SUPPLY ARRANGEMENTS (TITLE I)*

- *The balances (annual maximum quantities) were calculated just below to the total needs. In this way waste of resources was avoided and at the same time an important part of local needs was covered.*
- *The balances targeted for the period 1994-1996 were covered satisfactorily in feeding stuffs and flour. Irregular or low absorption was observed in sugar, fruits and vegetables while for yoghurt the balance was not covered at all.*

The application of Specific Supply Arrangements had a positive impact on the price of certain products financed under the Regulation.
The main points of the evaluation are summarized below.

- *Aid to raw materials intended for processing (flour in bakeries) or other productive activities (feeding stuffs in stock breading) had important impact on prices and helped to maintain competitive prices.*
- *Consumer products of high added value such as yoghurt or fruits & vegetables, where the contribution of the aid, especially in Group A islands is very small, low implementation was obserbed.*

4. *EVALUATION OF MEASURES TO SUPPORT LOCAL PRODUCTS (TITLE II)*

*In general terms, the aid given by the measure during the year 1993-96 have **covered a significant part of local production and have contributed decisively to sustaining agricultural activity in most islands**. In addition **positive environment impacts** are expected by the maintenance of traditional agricultural activities: maintenance of olive groves and cultivation of vines in traditional wine-growing zones protect the soil from erosion, bee-keeping has as an effect the biodiversity and the sustaining the ecosystem of the islands.*

The key points of the evaluation are the following :

- *There was widespread implementation of the measures regarding traditional agricultural activities: livestock breeding, olive cultivation, the VQPRD vineyards, and bee-keeping.*
- *The aid given by the measures of the Regulation (EEC) No 2019/93 to support local production although not too high, does cover a critical percentage of the production cost.*
- *There was limited implementation of the measures in the area of product storage (private storage of cheeses and ageing of wines), and in fruit / vegetable due to market conditions (quick circulation of the products / marginal coverage of storage cost by the aid) and restrictions imposed by the Regulation (minimum area, producer groups) respectively.*

5. *EVALUATION OF DEROGATIONS APPLICABLE TO STRUCTURAL MEASURES (TITLE II)*

It appears that the implementation has had a far more dynamic effect than was anticipated on the level of agricultural holdings through the mass implementation of improvement plans. More specifically : Response to the derogations applicable to Regulation (EEC) No.2328/91 was particularly positive in the Aegean islands.

6. *RELEVANCE OF MEANS AND COMPATIBILITY BETWEEN THE SPECIFIC SUPPLY ARRANGEMENTS AND MEASURES TO SUPPORT LOCAL PRODUCTS*

In general the objectives that were set out by the Regulation appeared to be compatible with each other and with good synergy, despite the fact that the objective to stabilize the market balance of a number of products (fruits / vegetables, yoghurt) could put in risk the effectiveness of local production support.
It should be noted though, the means and measures designed by the Regulation in many cases were not concrete enough (the grouping of islands A and B, the determination of a fixed aid for all products) or do not correspond to real figures that prevail in the islands (minimum area of land required for support to local production of fruits and vegetables.

7. *EVALUATION OF PUBLIC ADMINISTATION AND MONITORING*

Concerning public administration and monitoring of the Reg. (EEC) No. 2019/93, the major weakness identified was the lack of an effective mechanism for monitoring implementation, with specified file and data keeping procedures and requirements.

8. COMMENTS AND RECOMMENDATIONS

A set of recommendations for improving the implementation and the efectiveness of the Regulation are presented below, which mainly focus on policy measures rather than a product-by-product suggestions.

8.1 REDEFINTION OF THE PRODUCTS TO BE SUBSIDIZED UNDER SPECIFIC SUPPLY ARRANGEMENTS BY THE REGULATION (EEC) No. 2019/93

We consider that the "basket" of the products subsidized under the Regulation, requires a total (global) reexamination.

What is needed is to redefine which products are "essential" for human consumption, in relation to production and / or consumption standards prevailing in the islands.

- *In addition, **it is recommended to differentiate the aid according to product**. For example the dairy sector (a sector with strong competition and eveling trends of price differences even in the islands) versus the fruit vegetable sector (a sector with weak competition and expensive products in the islands).*
- *The measure should concentrate selectively towards **subsidizing products that have permanent and serious price deviations** in relation to mainland prices (e.g. fruits & vegetables) and imputs to local micro enterprises (e.g. flour) or rural activities (e.g. feeding stuffs).*
- *In order to promote the distribution of fruits & vegetables in the islands, it is suggested to initiate specific incentives for producer groups in the mainland that will undertake the distribution of their produce to the islands.*

8.2 CHANGE THE GROUPING OF THE AEGEAN ISLANDS (A / B GROUPS)

- *We suggest that this system should be replaced by a system based on the actual transport cost according to island destination.*
- *Special attention should be given to the very small islands, with the characteristics of **double insularity**, where the subsidy never reached.*

8.3 ADJUSTMENT OF THE AID TO LOCAL PRODUCE "ESSENTIAL FOR THE LOCAL NEEDS"

- *Successful measures to support local products (olive groves, vineyards, livestock, beekeeping) should continue.*
- *It is suggested to use more flexible criteria for subsidizing fruit / vegetable producers. Certain restrictions such as minimum area, establishment of producer groups should be reexamined. Technical support for the latter is considered a prerequisite. In addition, a study should be required in order to initiate 2-3 pilot producer groups with specific sectoral orientation in neighbouring islands.*

8.4 SPECIFICATION OF DEROGATIONS APPLICABLE TO THE STRUCTURAL FUNDS

- *The successful implementation of the derogations applicaple to the structural funds (improvement plans, compensatory allowance, young farmers) clearly indicates the **need for continuing this measure.***
- *In addition, it is suggested that the above interventions should be supplemented by the **elaboration of a specific programme to support the processing units** in the islands with sectoral and geographical priorities, taylored interventions according to priorities and simplification of the procedures. The introduction of **quality labels** for certain agricultural products of the islands should also be considered.*
- *The experience from the implementation of relevant integrated interventions (LEADER II Initiative) could be taken as a guidance (integrated support for investments, organization of distribution and marketing activities, renovation of the processing units, etc.)*

8.5 DEVELOPMENT OF A MANAGEMENT AND MONITORING SYSTEM- SIMPLIFICATION OF PROCEDURES

- *For the smooth and effective implementation of the measures and actions of the Regulation it is strongly recommended to establish a management monitoring mechanism (Monitoring Secretariat) that will undertake the task of monitoring the implementation of the Regulation by specified procedures and computerized data and file keeping.*

- *The coordination of actions and the communication with the Commission Services on a well organized and regular basis, should be undertaken by the Monitoring Secretariat, which could be established and operate within the framework of the Agriculture Ministry 's Services.*

8.6 COORDINATION OF STUCTURAL MEASURES IN THE AEGEAN SEA ISLANDS

- *In the region of the Aegean islands, a number of interventions are being and are going to be implemented having as an overall goal the improvement of the socio-economic situation of the islands (POP, LEADER initiative, INTERREG, etc.), which should be compatible to the interventions foreseen by the Regulation, so as to form an effective set of measures.*

- *It is suggested to initiate an **expert assessment** for the integrated application with additionality and synergy of actions so as to create the relevant infrastructure, to support small enterprises. This could include **Centre to support the small agribusiness enterprises** in the islands, **development of new financing tools** (leasing, venture capital) etc.*

8.7 ESTABLISH AN OBSERVATORY FOR THE PRICES OF PRODUCTS ESSENTIAL FOR HUMAN CONSUMPTION IN THE ISLANDS OF THE AEGEAN SEA

- *To ensure an effective control of price and production cost evolution in the islands the establishment of an Observatory is proposed.*

1 .INTRODUCTION CONTEXT

1.1 PRESENTATION OF THE REGULATION (EEC) N_0 2019/93

COUNCIL REGULATION (EEC) No. 2019/93 of 19 July 1993, introduces specific measures for the smaller Aegean islands (less than 100,000 inhabitants) concerning certain agricultural products.
Following the Rhodes European Council of 2 and 3 December 1988 that recognized the specific socioeconomic problems affecting certain island regions of the Community, the Commission undertook a general study of the specific problems of the Aegean islands and in collaboration with Greek authorities elaborated a report, accompanied by suitable proposals that defines the overall strategy and means to solve the problems of the Aegean islands.

The Regulation introduces the following measures

- **TITILE I: Specific supply arrangements** (SSA) were designed to cover the extra costs derived from transportation, due to the geographical remoteners of the islands, for certain products considered essential for human consumption (flour, sugar, fruits, vegetables and yoghurt) and animal feeding stuffs. The expenditure of SSA was covered by EAGGF Guarantee Section.

- **TITLE II: Support to local production** (SLP) included a number of measures designed to support traditional agricultural activities (olive growing, vine growing, cheese productions, beekeejoing, stockfarming, etc), to improve quality and minimize product in costs. The expenditure of SLP was aslo covered by EAGGF Guarantee Section.

- **TITLE III: A set of derogrations** applicable in the struclured field (improvement plans, processing marketing) were covered by EAGGF Guidance under the CSF

Details of the programme are presented below

Specific supply arrangements

The measure covers the extra costs due to the geographical position of the islands, for a number of products considered essential for everyday consumption (yoghurt, sugar, flour, feeding stuffs, fruits & vegetables)
The quantities of the above products are determined on the basis of forecast supply balance, reviewed on a yearly base.

Depending on their distance from mainland, the islands are classified into two groups: Group A (close to mainland) and Group B (distant islands)

Geographical distribution of specific supply arrangements over the period of implementation is given in the following table

TABLE 1.1.1: *Geographical distribution of specific supply arrangements* (% quantities)

PREFECTURES	**FLOUR (%)**	**FEEDING STUFF (%)**	**FRUITS & VEGETABLES (%)**	**SUGAR (%)**
DODECANESSE	24,5	22,4	8,2	51,8
LESVOS	22,7	43,8	54,3	16,5
CHIOS	10,7	13,0	5,2	17,0
SAMOS	9,6	5,7	18,6	6,7
CYCLADES	26,3	11,3	4,5	8,0
OTHERS	6,2	3,8	9,2	0,0
TOTAL	100,0	100,0	100,0	100,0

Owing to lack of personnel in the National Administration only minute progress was observed during the first year of implementation (1993)

Measures to support local products

The aid was provided in a number of traditional agricultural activities to support and revitalize them. More specifically :

- In the **stock farming** sector, a supplement was granted to the**fattening aid of male** bovine animals, and a supplement to the premium for maintaining **suckler cows.**

- In the **dairy sector**, aid was granted for the private storage of locally manufactured cheeses (Feta, Graviera, Ladotyri, Kefalograviera)

- **In the fruit, vegetable & flowers sector**, aid was granted to recognized producer groups with a minimum area of 0.3 hectares in order to improve quality in fruits / vegetable-except tomatoes and diversify production.

- In the **potato sector** aid was granted to producers with a minimum area of 0.2 hectares to cultivate seed potatoes and potatoes for human consumption.

- In the **wine sector**, a flat rate aid was granted for the **continued cultivation of vines** for the production of quality wines VQPRD in traditional wine-growing zones. An aid is also granted for private storage of **Liqueur wines** for at least 2-years ageing.

- In the **olive oil sector** , a fixed- rate aid was granted for maintaining olive groves in good conditions in traditional olive ciltivation areas.

- In the **honey sector,** an aid per hive was granted to recognized honey-producer groups for the production of a high quality- thyme honey.

Geographical distribution of support to local production over the period of implementation is given in the following table

TABLE 1.1.2: *Geographical distribution of support to local production* (% quantities).

PREFECTURES	LIVESTOCK (%)	OLIVE GROVES (%)	POTATO CULTIVATION (%)	VQPRD VINES (%)	WINE STORAGE (%)	CHEESE STORAGE (%)	BEE-KEEPING (%)
DODECANESSE	28,3	16,8	27,5	23,7	0,0	0,0	21,7
LESVOS	36,6	48,9	13,7	14,3	46,1	96,7	11,6
CHIOS	4,1	8,3	5,8	0,0	0,0	0,0	5,9
SAMOS	2,0	13,8	1,4	25,5	0,0	0,0	20,8
CYCLADES	28,8	3,4	51,3	36,5	53,9	3,3	32,3
OTHERS	0,2	8,8	0,3	0,0	0,0	0,0	7,7
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Derogations applicable to structural funds

A set of derogations applicable to structural funds included derogations to Reg. (EEC) N_0 2328/91, Reg. (EEC) N_0 866/90, Compensatory allowance, young farmers with 0.5 M.W.U

Geographical distribution of derogations from structural measures over the period of implementation is given in the following table.

TABLE 1.1.3: *Geographical distribution of derogations from structural measures*

PREFECTURES	NUMBER OF IMPROVEMENT PLANS	(%)
DODECANESSE	551	23,7
LESVOS	731	31,5
CHIOS	438	18,9
SAMOS	206	8,9
CYCLADES	395	17,0
TOTAL	2321	100,0

Budgetary amounts used for all measures of the regulation.

A table locating the budgetary amounts used for all measures of the Regulation for each financial year is presented below :

TABLE 1.1.4 Specific supply *arrangements (payments*)

Products	1994 Payments (ECU' 000)	1995 Payments (ECU' 000)	1996 Payments (ECU' 000)
Sugar	5,370	245,786	15,350
Flour	1.029,130	1.148,195	883,409
Feeding Stuffs	1.042,915	1.635,008	1.659,581
Fruits and Vegetables	75,586	121,646	71,091

Source : GEDIDAGEP-PAYMENTS 1994, 1995, 1996.

TABLE 1.1.5 : *Local Production (payments)*

Products	1994 Payments (Ecu' 000)	1995 Payments (Ecu' 000)	1996 Payments (Ecu' 000)
Stockfarming	662,757	822,203	878,06
Milk Products	—	83,813	94,070
Potatoes	556,387	776,307	886,955
VQPD	2.168,399	2.283,448	2.460,896
Liguer wines	—	31,675	1,044
Olive groves	26.009,921	12.622,819	14.404,842
Honey	1.520,681	332,371	585,700

TABLE 1.1.6 : *Improvement Plans (Budget)*

1994 (ECU' 000)	**1995 (ECU' 000)**	**1996 (ECU' 000)**
19.712	17.366	24.883

Source : VACAKIS, KANTOR, REMACO (PROGRAMME MANAGER OF THE OPERATIONAL PROGRAMME FOR AGRICULTURE.)

1.2 THE CONTEXT OF THE SMALL ISLANDS OF THE AEGEAN SEA

THE SOCIO ECONOMIC SITUATION

The level of economic and social development of the Aegean islands is determinated by the typical insular character and the permanent and structural difficulties to raise the geographical and economic remoteness despite the great progress observed in 90 ‘s.
It is certainly very difficult to consider the Aegean islands as a whole, given the differences related to the development trends and the capacity of adjustment to European and International market situation.
In the Aegean islands region, there are serious differences between the tourist resorts (Rhodes, Kos, Mykonos, Santorini, Paros) and a vast number of islands that lag behind economic development.
The development support policies should take account of these important differentiations.

A. THE POPULATION

The population of the Aegean islands is 492.660 inhabitants (Inventory 1991,Table 2.1). This population is distributed to a great number of islands and from this point of view does not constitute a unique and homogenous market.
In some important insular units (Lesvos, Samos, Chios) the population change, (births-deaths) remains negative (Inventory 1991).
During summer the islands are submitted to a strong pressure due to the arrival of a great number of tourists. The seasonal movement (tourists) amounts about 12.800.000 nights per year that corresponds to 35.000 inhabitants (Table2.1).
The market size and the consumer model are changing radically during this period.

B. THE LOCAL ECONOMY

The local economy is characterized by the intensive and increasing tourism activity. The rural and the processing sector present declining figures (Dodekanesse, Cyclades) or remain at a low level (Lesvos, Samos, Chios)
Private investments oriented towards tourism show a spectacular increase of relevant infrastructure (hotels etc) all over Aegean area.
The cultivated areas in Aegean islands fall in a structural stagnation as well as the productivity of agricultural sector due to the low part of irrigated cultivations. So a high level of imports of main agricultural products (flour, sugar, fruits, vegetables) is observed.
The rural sector of the Aegean islands keeps, in a large part, its traditionnal character so its productive specialization remains unchanged.
The typical Aegean agricultural products are some “well known” specialities like cheese, olive-oil, wine, honey, fruits and vegetables etc.
The degree of integration of the local economy is low so the supply of islands with basic imputs come from the mainland.

Finally, in the Aegean island, particularly high rates of unemployment are observed. This fact is to be attributed to unofficial employment and the high degree of seasonal
employment

C. INDICATORS OF PROSPERITY

The per capita GNP in the Aegean islands is below the national average except in the Prefecture of Dodekanesse (in Dodekanesse are situated two of the most developed tourist centers of the Mediterranean, Rhodes, and Kos) (Table 2.2). Nevertheless official statistics do not take into account the differences between islands situated in the same Prefecture, especially in Dodekanesse and Cyclades. There are islands round Rhodes and Syros where the living standard tends to reach poverty conditions (typical cases : Kassos, Nisyros, Lipsi, Agathonissi, Sikinos, Folegandros, Kimolos).
In contrast, indicators of saving behavior and tax payment capacity present similar caracteristics with mainland.
Finally, a remarkable lack is observed among the typical prosperity indicators like the quality of medical care (number of physicians), the number of private cars etc (Table 2.2).

D. TRANSPORT SERVICES AND CONNECTIONS

Despite the real improvement in the last years, the transport conditions face serious problems. Commodity transportations for the regular supply of islands present more intensive weakness.
The logistic infrastructure is old and insufficient. The head-cities of islands lack of modern storage areas for food preservation.
Dispatch of commodities becomes difficult due to the their small volume.
Transportation cost in the areas is too high and expensive when referring to the re-loading from a larger to a smaller island (double insularity).
The duration of sea transport remains too long since, even for the island of Rhodes (destination de luxe) the ships need over 17 hours of travel.
In general, the sea transportation system lacks regularity and reliability, especially during winter.
In addition, the use of air transport for commodities remains marginal.

E MARKET OPERATION

The rationale behind the Regulation (supply arrangements) is that price subsidization will reduce final consumer prices which generally reflect production, distribution, transportation costs and profit margins. This is generally so since it has been formally proved that in Greece these relations on the whole hold true. In particular, it has been

shown empirically for the case of Greece that there exists a stable relationship between agricultural input prices, producer prices and final consumer food prices[1].

According to this relationship which applies to the short and long run at the national level and for total agricultural production, changes (reductions) in prices at any stage before the final consumption stage are expected to affect (decrease) final consumption food prices. As a result, if producer and/or wholesale prices are subsidized final consumers will be faced with lower prices. Hence, price subsidies under the Regulation are expected to have a beneficial impact on local communities of the Aegean Islands.

However, the empirical estimation of similar relationships for particular products at regional and local level is not feasible due to non-availability of data. Besides, we have the feeling that at local level these relationships might not hold true. The reason being that small local markets and in particular local agricultural markets of more or less isolated places like the Aegean Islands do not function "properly" (i.e. as suggested by current economic theory). As a result final consumer prices do not necessarily reflect costs.

In brief, we believe that **in the case of Aegean Islands market behavior differs substantially to that of fairly large and advanced "metropolitan" markets such as that of the Athens-Piraeus area**. This is due to a variety of factors relating to the functioning of large vis-à-vis local markets. These factors include the level of competition and the determination of profit margins, the role of pricing and marketing policies of various products, the capacity of specific products to be produced, distributed and marketed locally and their capacity to meet local needs, the share of local production in final consumption of various products, etc.

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[1] See G. Hondroyannis, S. Lolos and E. Papaperou (1998), "The causal relationship between agricultural input prices, producer prices and final food consumption prices: The case of Greece", *5th Panhellenic Conference of Agricultural Economics*, Athens, October.

TABLE 2.1: POPULATION TRENDS

PERFECTURES	POPULATION (1991)	RURAL POPULATION (%)	DENSITY (in habitants/km^3)	POPULATION CHANGE (Births-deads /1000inh.)	SEASON MOVEMENTS[1] number of equivalent inhabitants
CYCLADES	94.005	63.8	37	+0.40	2.564
LESVOS	105.082	60.0	49	-3.77	973
SAMOS	41.965	59.5	54	-3.51	1.210
CHIOS	52.184	42.3	58	-2.91	363
DODEKANESSE	163.476	26.3	60	+5.07	27.643
OTHERS	35.948				2.326
TOTAL	**492.660**				**35.079**

Source: NATIONAL STATISTICAL SERVICE OF GREECE

[1] nights: 365 days

TABLE 2.2:PROSPERITY INDICATORS

PERFECTURES	GNP per capita	SAVINGS per capita (in million DR)	INCOME per capita (in million DR)	PHYSICIANS / 1000 RESIDENTS	CARS / 1000 RESIDENTS	DURATION OF SEA TRANSPORT (hours)
CYCLADES	96	1,9	1,0	1,9	9,4	4,5
LESVOS	83	1,5	0,8	1,6	13,0	12,0
SAMOS	103	1,7	0,9	3,5	14,0	11,0
CHIOS	81	1,8	0,9	2,9	23,2	10,0
DODEKANESSE	137	1,6	1,0	2,5	20,7	17,0
GREECE	**100**	**1,6**	1,1	**4,0**	**22,0**	

Source : NATIONAL STATISTICAL SERVICE OF GREECE

TABLE 2.3:LOCAL ECONOMY FIGURES

PERFECTURES	AGRI-CULTURE (% of NPG)	SERVICES (% of NPG)	HOTEL CAPACITY (in beds)	NUMBER OF NIGHTS SPENT BY FOREIGNERS PER RESIDENT	CULTIVATED AREAS (in ha)	IRRIGATED CROPS AREAS (%)	UNEMPLOYMENT (%)
CYCLADES	6	67	33.247	8,9	44.352	9,3	12,0
LESVOS	13	69	8.428	4,3	77.436	7,8	28,3
SAMOS	12	69	11.730	19,6	18.479	9,1	17,7
CHIOS	7	74	2.230	1,7	16.683	8,7	11,8
DODEKANESSE	4	82	102.834	72,5	43.916	9,0	34,2
GREECE	**8.6**	**67.9**	**571.656**	**3,5**	**13.644.263**	**34,5**	**10,4**

Source : NATIONAL STATISTICAL SERVICE OF GREECE

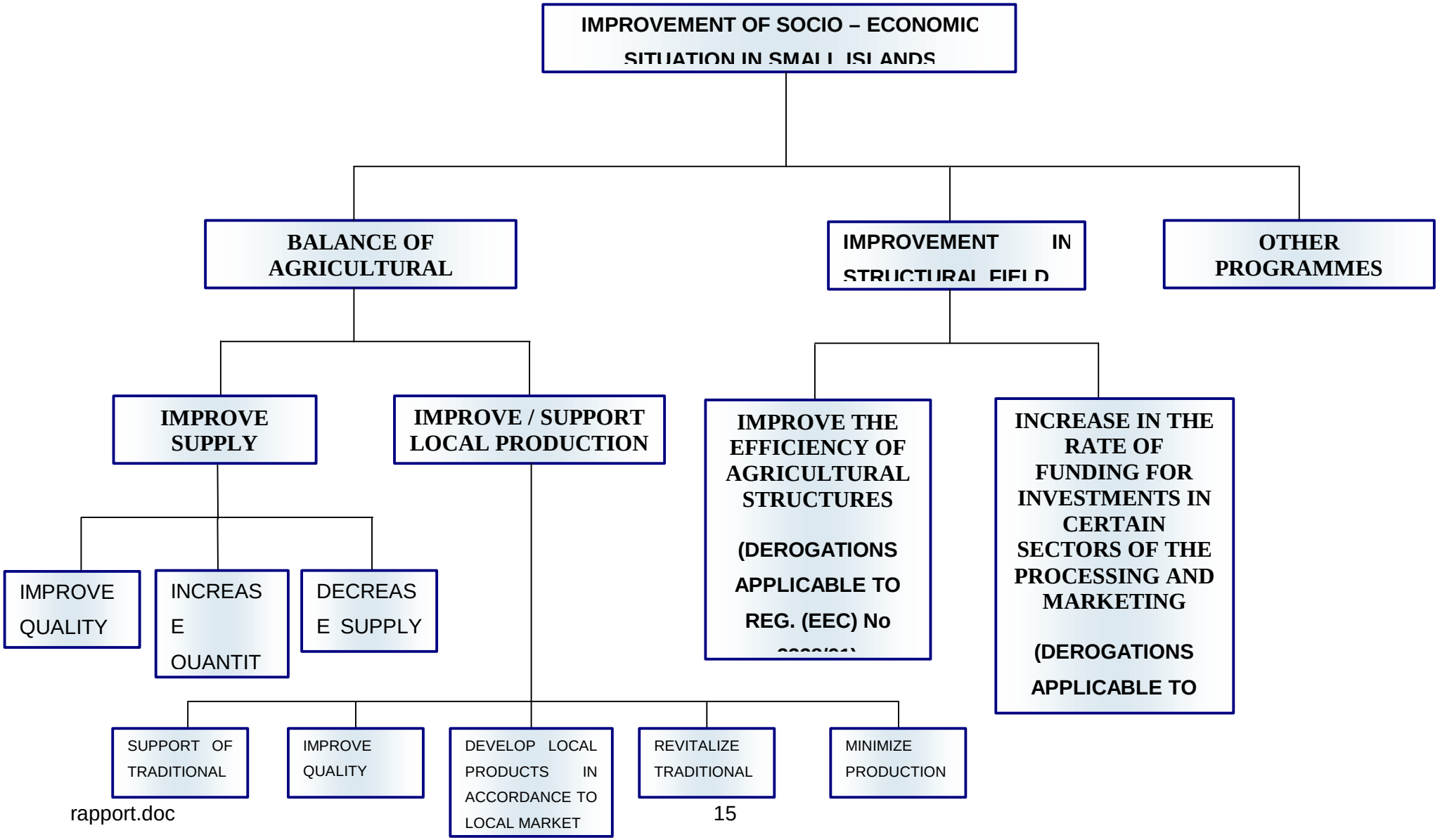
1.3 ANALYSIS OF THE OBJECTIVES OF THE REGULATION (EEC) N_0 2019/93: RELEVANCE OF MEANS AND COMPATIBILITY BETWEEN MEASURES

The Regulation (EEC) No 2019 includes a number of intervention Measures (Titles I and II) designed for **the stabilization of the agricultural markets** within the meaning of Article 3(1) of Council Regulation (EEC) No 729/70 on the financing of the common agricultural policy (specific supply arrangements and measures to support local products), and a number of **derogations applicable to structural field** (Title III). A number of Commission Regulations have been adopted laying down detailed rules of application, forecast supply balance, amending prices, etc., for the **Specific supply arrangements** and the **Measures in support of local products,** and two Commission Decisions for the **Derogations applicable to structural measures,** concerning greater efficiency in agricultural stuctures in Greece. In the Diagramme that follows an outline of the objectives set out by the specific Regulation is presented.

At first view, the objectives of the Regulation were characterized from a potential competitive interaction.
More specifically, the objective to stabilize the balance of the agricultural market required for its implementation support on a number of agricultural products essential for human consumption (e.g. flour, fruits / vegetable, yoghurt, etc.)
This support, could put in risk the viability of certain sensitive local products (especially the fruit & vegetable produce), as well as the effort of modernization of agricultural structures. This risk was avoided due to a highly inteligent provision that took into consideration the gradual dicrease of the aid concerning these sensitive local products.
On the other hand, the aid for industrial yoghurt was designed in contrast to the fact of traditional yoghurt production in most of the islands.
In general, **the objectives that were set out by the Regulation appeared to be compatible with each other and with good synergy.**
For the set out objectives a panoply of means and measures was designed, which in many cases, were not concrete enough. More specifically, the grouping of islands A and B does not always correspond to actual transportation cost expenses. In addition, the determination of a fixed aid for all products independent of product price, had as a consequence to affect the implementation of the measure, following the relation between aid to final product price.
Within the framework of the goal to achieve a balance on the agricultural markets, the definition of the “basket” of products, though was targeted to essential needs of the population in the islands, included also some products with declining contribution in the Mediteranean diet, such as sugar.
The aid given in supply arrangements had as overall aim the passing over to final consumer. Control and action taken in case of failure should be designed from the beginning to ensure proper monitoring, which were absent in the initial design of the programme.

Concerning the measures to improve local production, the Regulation covered the most important cultivations of the islands of the Aegean Sea.
In certain cases though, the constrains set out for the support (minimum area of land required) do not correspond to real figures that prevail in the islands.
The derogations to the structural funds are consindered as a critical intervention for the modernization of the agricultural holdings (improvement plants / processing and marketing) given the situation prevailing in insular economy, which is lagging behind modern productive structures.

FRAMEWORK OF OBJECTIVES OF REG (EEC) No 2019/93



1.4 ENVIRONMENTAL ISSUES

By the implementation of measures to support local production and the relevant maintenance of traditional agricultural activities some positive environmental impacts are expected in Aegean islands. In fact, maintenance of olive groves and cultivation of vines in traditional wine-growing zones protect the soil from erosion, bee-keeping has as an effect the biodiversity and sustaining of the ecosystem of the islands.
If should be noted that the Aegean islands is a very sensitive zone in terms of actual and potential soil erosion risk. It is important in these areas to ensure that regional development measures in support of local products and other activities lead to protect the vegetation and thus minimize soil erosion. Percentage of land of high erosion risk in Aegean islands vary from 60% (actual risk) to 100% (potential risk). Following the CORINA programme report (soil erosion risk in the Southern regions of the E.C-EUR 13233 EN), soil erosion is a threat to agricultural land but also it may threaten natural habitats. According the CORINA report conservation of culture and vegetation not only protects wild life, but it may also help to prevent soil erosion. In Aegean islands, where biotopes and soil erosion risk coincide, they are strong needs for careful management and maintenance of agricultural activities.

2 .METHODOLOGICAL APPROACH

2.1 INDICATORS FOR MEASURING THE IMPACTS OF THE MEASURES

A complete system of **evaluation indicators** for each intervention category included in the Regulation, was prepared. This system comprises 5 categories of indicators for interventions relating to **supply arrangements** and **support for local production**, namely : A. **Financial Indicators**, B. **Physical Index Indicators**, C. **Capacity Indicators**, D. **Effectiveness Indicators**, and E. **Impact Indicators**.

This is an integrated recording system, providing in simplified form all the information needed to monitor the progress of implementation of the Regulation, to correlate it with economic and productive data for the islands and to estimate the initial results of its implementation.

A. INDICATORS FOR SPECIFIC SUPPLY ARRANGEMENTS

With regard to the indicators that were finally selected in addition to the financial component, we note (and this applies particularly to the **physical indicators**) the necessity of recording not only the quantities subsidised (**supply** category) but also the number of certificates issued (indication of the degree of fragmentation of subsidised support) and the number of suppliers (systematisation of supplies).

The capacity indicators are intended to be used to compare the quantities subsidised with local consumption and the amount of the subsidy with the price of the product on the local level. The ultimate aim is to estimate subsidy range in relation to local consumption and price levels.

Effectiveness indicators mean the percentage of quantities that are finally absorbed in relation to the forecast balances (**supply** category).

The **impact indicators** were intended to help estimate the impact of **supply** support on the development of final product prices and consumption, in conjunction with those administering subsidies under the Regulation within the local Directorates and in conjunction with selected surveys of consumer prices carried out by the Greek National Statistics Service on the local level (for certain products, at least).

B. INDICATORS FOR THE EVALUATION OF SUPPORT FOR LOCAL PRODUCTION

The physical object indicators in this category refer mainly to acreages and number of animals subsidised, as well as to the number of beneficiaries (diffusion of interventions).

The capacity indicators correlate subsidised acreages or number of animals with the corresponding total figures in the reference areas, in order to estimate the scope of the support interventions.

The effectiveness indicators correlate the final values of the physical object with the initial quantified targets – if any.

The impact indicators are intended to help assess the impact of subsidies for local products on maintaining local production, on the income of producers and the conditions in which they exercise their occupations. The estimate of impact was carried out in collaboration with cadres from the Agriculture Directorates and from the production data processing services.

C. INDICATORS FOR THE EVALUATION OF DEROGATIONS APPLICABLE TO STRUCTURAL MEASURES

The evaluation task force drew up a system of indicators for improvement plans in the Aegean islands receiving extra support, on the basis of data from the Directorate of Agricultural Applications. The system includes the following categories of indicators:

- General indicators, such as size of budget by improvement plan, distribution of plans by age group, etc.

- Distribution of improvement plans by category of orientation of agricultural exploitation.

- Distribution of improvement plans by type of investment planned.

2.2 FIELD SURVEY FOR THE ASSESSMENT OF REGULATION 2019/93 MEASURES

The evaluation team carried out a field survey in the area of implementation of the Regulation in order to establish the effectiveness of each measure, the degree of relevant information of the local population, the respect of formal obligations on sales documentation, and the proposals of persons involved into the implementation.

- First, a special survey was carried out in four insular towns (Syros, Rhodes, Chios, Mytilene) in order to assess the implementation of supply measures. Success and failure factors have been examined as well as the impact on the level of product prices and the indications about passing on the aid to the final consumer.

The product transportation cost has been estimated in detail for each product from continental Greece to the four destinations. A number of on-the-spot-checks was conducted on sale points as well a number of interviews with beneficiaries of the Regulation. The survey results are presented at Chapter 3.2 (THE STUCTURE OF THE LOCAL MARKET FOR PRIME COMMODITY PRODUCTS-RESULTS OF THE IMPLEMENTATION OF THE SUPPLY MEASURES AND THEIR PASSING ON TO THE CONSUMER).

- A detailed questionnaire has been completed by the relevant local Directorates in six head-towns (Syros, Rhodes, Chios, Mytilene, Kavala, Alexandroupoli). The questionnaire reflects qualitative assessment of Regulation measures by the personnel involved in their implementation. The results are highlighted at chapters 3.2, 4.2 and 4.3 (ASSESSMENT OF R. 2019/93 MEASURES AT LEVEL OF AGRICULTURAL DIRECTORATES).

- For a complete description of the monitoring system of the Regulation and the relevant difficulties, a number of work sessions with four Directorates of Agriculture were conducted in towns of Syros, Chios, Rhodes, and Mytilene. The results of this work are presented at chapter 6 (EVALUATION OF PUBLIC ADMINISTRATION AND MONITORING).

2.3 BEHAVIOR OF FINAL CONSUMER PRICES (STATISTICAL APPROACH) AT A REGIONAL LEVEL

In our investigation we shall try to analyze and see whether and to what extend local market conditions in the Aegean region, that are not related to the actual production and transportation costs, affect the determination of final consumer prices of the specific products covered by the Regulation. In other words we will try to see **whether cost factors and in particular transport costs, which are expected to be related to the implementation of the Regulation, play a decisive role in the determination of final consumer prices**, or if consumer prices are mainly determined by local market conditions (in the case that the latter applies we are lead to the conclusion that the impact of the Regulation on the socioeconomic fiber of the Aegean Islands is rather trivial).

The methodological approach for the evaluation of the impact of the Regulation on prices moves along two broad, though interrelated directions, as follows:

- In the first, we have collected and evaluated all useful quantitative information on final consumer prices for each particular product, expected to be benefited from the implementation of the Regulation in the Aegean Region. As expected, the necessary quantitative information is both fragmented and not always available nor fully reliable.

More particularly, our methodological approach, which is intertemporal and comparative is the following:

a) We have collected all available, quantitative data on the pattern of behavior of **final consumer prices** for each particular product.

The quantitative analysis covered the following specific products:

- *Flour*
- *Sugar*
- *Cow's Yogurt*
- *Sheep's Yogurt*
- Note that *fresh vegetable* was **not** analyzed for a number of reasons.

Firstly, because there was effectively no absorption of funds from the Regulation for this category. Secondly fresh vegetable is particularly heterogeneous, consisting of a great number of different kinds, thus becoming extremely difficult, if not impossible, to figure out their exact "price" and to pinpoint price differences between regions. Besides, their prices very much affected by weather conditions and they exhibit abrupt variations on a daily basis.

- Note finally that *feeding-stuffs* are **not** dealt in this analysis, since they are not final products. Feeding-stuffs are dealt in the analysis of the wholesale prices.

The main source of information for the statistical analysis is unpublished, though official, data from the National Statistical Service of Greece (NSSG) over the period 1992-98.
Statistical information is available only for the islands of Lesvos and Chios, which were taken as representative cases of the Aegean Region in our quantitative analysis.

b) Also, we have collected the corresponding information of the Athens-Piraeus area. We then compared the behavior of final consumer prices between the Aegean Region (i.e. Lesvos and Chios) and the Athens-Piraeus Area.
This gives us a first indication of any differences in price behavior between the two regions.

c) In addition, we have collected similar information for other Greek Regions not covered by the Regulation, such as Crete, Corfu, Kalamata and Komotini, aiming at detecting the pattern of final consumer price behavior in those regions.
These results were systematically compared to those of the Aegean Region as well as to the Athens-Piraeus Area.
This gives us a further and fairly sound indication of the formation of consumer prices in local markets at a regional level.

d) In relation to the above two points should be made:

- The quantitative regional price data used is based on a limited sample and therefore price differentials should be looked at with particular attention. However, analyzing price developments over an adequate time span in conjunction with the analysis at regional level the possible sampling errors tend to be minimized.

- Our analysis is carried out at a very detailed product level (as detailed as possible). The NSSG sampling and price collection method refers to products of the **same** make. Therefore price differences do not reflect differences between “product makes”.

e) The analysis was enriched from the results of the case studies markets, aiming at evaluating their particular characteristics, such as the role of pricing and marketing policies and the role of product differentiation, the effect of transport cost on consumer prices, the conditions of market competition and the role of price subsidization under the Regulation.

Once this investigation was carried out we got an understanding of how prices are determined, we could draw conclusions on the impact of the Regulation on final consumer prices, using the particular results drawn at each stage of our analysis.

Results from this syrvey are prevented at chapter 3.3 (PRICE DETERMINATION MECHANISMS- COMPARATIVE ANALYSIS BETWEEN AEGEAN ISLANDS AND THE MAINLAND)

2.4 DATA & STATISTICS

2.4.1 STATISTICAL RESEARCH DATA COLLECTION, (MEETINGS & INTERVIEWS)

The task force of the evaluation team had meetings with all competent Directorates and Departments of the Ministry of Agriculture, for each product subsidized by the Regulation.

1. **SPECIFIC SUPPLY ARRANGEMENTS**

For each product financed under the Regulation the following data were inquired:

i. Number of certificates and quantities financed under the REG. For the years 1993, 94, 95, 96 – according to destination island.

ii. Number of beneficiaries.

iii. An estimate of the transportation cost and its correlation to the aid granted for each one of the group A or B of islands.

iv. An estimate of the balance of local production and local consumption needs.

v. Estimate and controls regarding the passing of the aid to end-user.

vi. An account of checks, audits and controls performed by the relevant Directorates of Agriculture.

vii. Any data concerning the process of implementation of the Regulation and any recommendations for improving it.

More specifically, the following interviews were carried-out:

a. **Yoghurt** (Ministry of Agriculture)

We discussed difficulties of implementing the specific supply arrangement concerning yoghurt and response of trade organizations and whole salers. Specific mention was made on the relevant high cost of special labelling required, especially with regard of the low rate of aid in terms of product value and the difficulties in passing the aid to final consumer.

No data regarding quantities, absorbance, etc. by island or prefecture are kept in this Directorate.

b. **Fruits – vegetables and potatoes** (GEDIDAGEP)

In this Directorate there was no available data. It was noted that during the last 3 years there isn't but a very small absorbance in potato products only.

c. **Flour** (GEDIDAGEP)

The relevant data on quantities absorbed is kept in this department according to local Directorates of Agriculture for the years 1994, 95, 96, 97, 98 (i.e. by prefecture and not at individual island level). These data were handwriting and difficult to be elaborated.

d. **Sugar** (GEDIDAGEP)

In this Directorate we were able to find data regarding quantities and No of certificates by island for the years 1995, 96, 97, 98 (For the year 1994, only data on certificates published).

e. **Animal Feeding – stuff** (Ministry of Ariculture)

The relevant data quantities absorbed is kept by Prefecture (local Directorate of Agriculture) for the years 1995, 96, 97, 98. For the same years, there are also estimated balances for the needs of each prefecture and transportation costs (in 1993 prices) between ports.

There was a detailed discussion on the actual factors that determine transportation cost in groups A and B of islands – as well as the methodology of estimating needs and balance of feeding-stuff in each island (livestock population, local production, etc.).

2. MEASURES TO SUPPORT LOCAL PRODUCTS

For each product financed under Title II of the Regulation, the following data was enquired:

i. Number or applications submitted / approved and quantities subsidized per island under the Regulation for the years 1993, 94, 95, 96.

ii. Constrains imposed by the Regulation for approval of applications in each specific product and the relevant problems that may arise from these constrains.

iii. Required aid in relation to the ceiling imposed by the Regulation – where applicable.

iv. Production costs of products financed under the specific measures and the contribution of the aid to this cost.

v. Reports on checks and controls carried out by the competent Directorates of the Ministry of Agriculture.

vi. Any relevant data concerning the implementation process of the Regulation and any suggestions and recommendations for improving it to the benefit of the producers.

More specifically the following interviews were carried-out:

a) **Stock farming** (Ministry of Agriculture)

Main points of the discussion:

- Problems that arise from the constrains imposed by the Regulation (0.5 he per suckler cow and 0.3 he per male bovine animals), which are not the usual case in many Aegean islands.
- Problems that arise from the shortage of personel in local Directorates of Agriculture, regarding controls and monitoring of the programme.

b) **Milk products** (GEDIDAGEP)

The following points were finalized:

- Data on private storage of certain local cheeses by island, type of cheese, days of storage, quantities (TN) and number of approved applicants, for the periods 1994-95, 1995-96, 1996-97, 1997-98, 1998-99.
- Contribution of aid to the cost of storage of cheese

c) **Fruits, vegetables & flowers**

There was no data to work out concerning this specific measure, because the measure was not applied

d) **Potatoes** (Ministry of Agriculture)

The following points were finalized:

- Statistical data (number of applications approved, number of hectares being subsidized by the Regulation) by prefecture (Local Directorates of Agriculture), for the years 1994, 95, 96, 97, 98.
- No specific data concerning potato seed.
- There where no data available concerning production costs of potatoes.
- Problems that arise regarding the constrain of minimum 0.5 he, imposed for financing under the Regulation – which is considered as a rather limiting factor with regard of the small size of the farms in the Aegean islands.

e) **Wine sector** (Ministry of Agriculture)

- Concerning quality wines psr the following were pointed out:

- Number of hectares financed for the continued cultivation of specific wine varieties, per island for the periods 1993-94, 1994-95 and 1995-96.
- Production costs and the contribution of the aid to it.

f) **Olive groves** (Ministry of Agriculture)

The following points were discussed:

- Problems and difficulties related to the type of works required for olive production under the conditions prevailing in the islands.
- The constrains set-out by the Regulation (well organized olive groves with a density of 80 trees per hectare).
- The difficulties of controls by the local Directorates of Agriculture – due to the small size and large number of the farms.
- The cost of olive oil production in the islands as compared to the cost in the mainland country.

g) **Honey** (Ministry of Agriculture)

The following were finalized:

- Data concerning the number of hives financed by the Regulation, by the prefecture, for the years 1996, 97, 98.
- The ceilings of the measure in relation to actual demand / quantities required.
- Constrains regarding specific quality honey (high thyme honey).
- Promotion and marketing initiatives.

3. *DEROGATIONS APPLICABLE TO STRUCTURAL MEASURES*

The case of derogarions applicable to structural funds seems rather more complicated than the case of supply arrangements. Data of individual investment plans are kept only at prefecture level, and it is very difficult to identify data at specific islands, let alone the fact that even this data is not provided at a regular basis to the Central Information System of the Ministry of Agriculture (Cyclades, Samos).

This is especially difficult for the case of Improvement Plans (Reg. (EEC) No 2328/91).

The evaluation team succeeded to get a survey carried out by the Programme Manager of the Operation Programme for the Agriculture (1994-99) which was kindly granted for the purpose of the evaluation. In this report there is data for each prefecture for the years 1994, 95, 96, 97 according to the orientation of the investments budget, age – sex – experience of beneficiaries and type area (urban / rural).

2.4.2 DIFFICULTIES ENCOUNTERED IN STATISTICAL RESEARCH

The evaluation team had systematic collaboration with the services of the Ministry of Agriculture (particularly GEDIDAGEP and the Information System department) in order to ascertain the possibility of retrieving data on the application of the Regulation on the individual island level, to allow us to establish figures for the various classifications we were using (tourist destinations, non-tourist destinations, islands close to the mainland, islands with well-developed agricultural sectors and significant permanent populations).

Here we must mention the tremendous difficulties we encountered, owing to the lack of flexibility in the data system used by the Ministry of Agriculture and the lack of provision for the possibility of seeking information under other classifications than the usual designations of islands as A or B class.

The excellent collaboration we enjoyed with the staff of the Information System department, most notably Mr Alifranghis, proved profitable up to a certain point, namely that we were able to retrieve information about payments per island, but only for cases where payments to beneficiaries were made on the island itself; **it was not in other words possible to identify payments to island beneficiaries which were made in other areas, particularly in Attica**. According to the initial print-outs from the Information System department's data system, made once the 6-digit payment

codes identifying the Regulation by island and by prefecture had been found, a particularly large number of payments were made in Attica, where, however, it proved impossible to identify the discharge point for payments relating to ***supply*** or the addresses of beneficiaries of subsidies for local production. In the first instance (***supply***), a large number of beneficiaries were commercial firms registered in Athens; as for the second (**local production**), in most cases the Agricultural Bank appeared as the intermediary, but as a rule there was no record of the particular branch or even the general area. At this point we must notice that, after the systematic collaboration with the Information Department of GEDIDAGEP, the geographical destination of payments of the Agricultural Bank was achieved. After that, the task force had data of payments by Prefecture but on a level beyond that (by island) the data collection was impossible.

A deeper and more thorough investigation into actual data of the relevant Directorates of the Ministry revealed that what is missing is a well-organized data collection and processing information system. It is extremely difficult to compare data from various sources (Ministry of Agriculture) – as they are being kept (listed) in many different ways: No of certificates acquired, No of certificates published and / or implemented, payments, and *ad hoc* geographical destination by prefecture , or island, or group A/B type island depending on the person in charge of each specific measure / product – and in most cases in hand writing(see Annex 1 : Comparative Presentation between data of the Ministry of Agriculture and GEDIDAGEP).

The most reliable and well-organized data system was considered to be the Information System of the Ministry of Agriculture that records the payments, but after reviewing all data given to us we realized that:

Payments are very often delayed and discrepancies are observed in relation to the ministry's of Agriculture data regarding certified quantities forwarded to the islands, within a specific period.

In this respect, it was impossible to trace supply arrangements by island - according to our proposed typology in our methodology.

The Regulation was therefore evaluated as a whole and down to the prefecture unit – for the five main prefectures of N. and S. Aegean regions (Dodecanesse, Cyclades,

Lesvos, Chios, Samos), as well as for the small close to mainland islands (Samothraki, Thasos) with data of payments to the end-users.

Data that was used for this evaluation was based on annual payments (Information System of GEDEDAGEP, Ministry of Agriculture), and not on implementation figures.
This approach was considered as more appropriate for the particular task of estimating geographical distribution of the aid at prefecture level, and also for the reason that it presented integrated data on an annual base. The follow-up system used by the Ministry of Agriculture (approved certificates)-albeit consistent at product level, presented difficulties in homogenizing data for the evaluation (different time periods for each product-lack of data at prefecture level).

3 .SPECIFIC SUPPLY ARRANGEMENTS

- ***The balances (annual maximum quantities) were calculated just below to the total needs. In this way waste of resources was avoided and at the same time an important part of local needs was covered.***
- ***The balances targeted for the period 1994-1996 were covered satisfactorily in feeding stuffs and flour. Irregular or low absorption was observed in sugar, fruits and vegetables while for yoghurt the balance was not covered at all.***
- ***There is clearly a trend to pass over price reductions from supply arrangements to intermediate users (bakeries, confectioneries, stockbreeders). The tracing of the reduction to final consumer is somewhat more difficult, since a number of factors interfere in the formulation of consumer prices (competition between retail outlets and / or industries, discount policy, etc.).***
- ***The implementation of the measures on the islands exerts pressure on the level of prices in a characteristic manner (Formulation of 1 leader in the market for animal feeding stuffs, which happens to be the Union of Cooperatives, whose prices operate as 'reference' prices). Pressure is also exerted on the flour industry, their product being sold in certain cases at the same price as the subsidized product, even though they are not receiving the subsidy.***
- ***In the case of high added value products – such as in the sector of Turkish delight sweets in Syros, or the boiled sweets in Chios – the effect of the subsidized product is not so important (small contribution of sugar to final product price).***
- ***The same applies to products of high added value such as yoghurt or fruits & vegetables, where the contribution of the aid, especially in Group A islands is very small.***
- ***Fruit and vegetable produce remains 20 to 30% more expensive than in urban centres. We might say, in fact, that this is the category of produce (among the products covered by the Regulation (EEC) No 2019/93) with the widest divergences. The meager local production can only cover a tiny proportion of consumer needs, and in most cases is sold at prices equal to those of the imported products, owing to the structure of wholesale and retail trade on the islands (the absence of a producers' group, the absence of street markets).***
- ***The differences in cost which emerge do not appear to be proportional to the distances and in no case do they correspond to the differences in subsidy between A and B group of islands. The final price of the product is most heavily affected by transport costs in the case of products sent from certain central island ports to the very small harbours of the Aegean Sea.***

- ***The supply conditions and the existence of local or regional producers-suppliers play a crucial role in determining retail prices.***
  This is shown in the case of sheep's yogurt, where the existence of local suppliers (Lesvos, Crete, Kalamata, Corfu, Komotini) has lead to lower prices than in the Athens-Piraeus area. It is also shown in the case of cow's yogurt, where in the absence of local suppliers (Crete, Kalamata) prices have been much higher than at the Centre, while competition from local suppliers in Komotini result to low consumer prices.
- ***Although the role of transport costs in the formation of retail prices is generally acknowledged, transport cost does not seem to be always a crucial direct determinant of the final consumer price, since the suppliers' and retailers' pricing and marketing policies prevail.***
  Thus, in the case of sugar, the retail price is almost at the same level in all regions we examined, irrespective of the distance from the only producer and supplier, situated in Northern Greece. Also, in the case of flour , retail prices in Chios and Lesvos are higher to those of the Athens-Piraeus market, while in other regions with around the same transport cost burden, like Crete, Corfu and Kalamata (but not in Komotini) are lower.
- ***The pricing and marketing policies of particular retailers (and suppliers) together with the market conditions, such as the degree of competition, seem to greatly affect directly the determination of consumer prices.***
  The quantitative analysis showed that greater price differentiation characterizes greater markets, while price variations between various retailers is limited in small and regional markets.
  This is definitely the case of flour , which exhibits a fair price variation in the Athens-Piraeus markets and less so in regional markets. Also, in the case of sugar the differentiation of prices in the Athens-Piraeus market amounts to 7 per cent, being insignificant in other towns and around 4 per cent in the fairly big town of Herakleon (Crete).

3.1 CALCULATION OF LOCAL NEEDS

Local needs in **flour** were estimated on an average consumption of 200 gr. of bread per capita / per day. This bread consumption corresponds to a consumption of 120 gr. of flour per capita / per day, according to the Local Professionnal Bakers Organizations.

Local needs in **suga**r were estimated on an average consumption of 90 gr of sugar per capita / per day. This sugar consumption corresponds to the data of the Greek Sugar Industry / Agricultural Bank of Greece and was based on a total consumption of 330.000 tn of sugar / per year in Greece.

Local needs in **fruits and vegetables** were estimated on an average consumption of 263 Kgr / per capita / per year according to the data of Ministry of Agriculture.

Local needs in **feeding-stuffs** were estimated on an average of quantities required by the Ministry of Agriculture from the Local Directiorates of Agriculture during the years 1995.

Local needs in **yoghurt** were estimated on an average consumption of 12 Kgr / per capita per year according to the data of Ministry of Agriculture.

Local needs are calculated also taking into account the seasonal variations (tourism)

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS
TABLE 3.1.1:FEEDING STUFF (TN)

PREFECTURES	Local Needs [*1]	Local Production [*2]	Local Production in relation to local needs (%)	Support [*3]	Support in relation to local needs (%)	Uncovered part of needs (%)
LESVOS	89.570	38.000	***42,4***	21.377	***23,8***	***33,8***
CYCLADES	30.800	27.800	***90,2***	5.503	***17,8***	***-8,0***
DOD/NESSE	23.300	3.770	***16,2***	10.944	***46,9***	***36,9***
SAMOS	6080	1.086	***17,8***	2.799	***46,0***	***36,2***
CHIOS	26.000	5.800	***22,3***	6.335	***24,4***	***53,3***
OTHERS	6160	1480	***24,1***	1835	***29,8***	***46,1***
TOTAL	**181.910**	**77.936**	***42.8***	**48793**	***26,8***	***30,4***

[*1] Data of Ministry of Agriculture : quantities required by Local Directorates(1995)

[*2] Data of Ministry of Agriculture : Annual indigenous production (data 1991,1994)

[*3] Data of GEDIDIGEP (average of years 1994, 1995, 1996)

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS
TABLE 3.1.2.a : FLOUR (TN)

PREFECTURES	Local Needs [*1]	Local Production	Local Production in relation to local needs (%)	Support[*2]	Support in relation to local needs (%)
LESVOS	4.518	—	—	8.276	***183,2***
CYCLADES	4.042	—	—	9.564	***236,6***
DOD/NESSE	7.030	—	—	8.930	***127,0***
SAMOS	1.805	—	—	3.524	***195,2***
CHIOS	2.244	—	—	3.878	***172,8***
OTHERS	1546	—	—	2.247	***145,3***
TOTAL	**21.185**	—	—	**36.419**	***171,9***

[*1] Calculation : population * 0,043 tn of average consumption per year(or 120gr, average consumption per person/ per year)

[*2] Data of Gedidagep (average of years 1994, 1995, 1996)

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS
(including seasonal variations)
TABLE 3.1.2.b : FLOUR (TN)

PREFECTURES	Population including seasonal movement tourism	Local Needs Including seasonal movement tourism	Local Production	Local Production in relation to local needs (%)	Support	Support in relation to local needs (%)
LESVOS	106.055	4.560	—	—	8.276	***181,2***
CYCLADES	96.569	4.152	—	—	9.564	***230,3***
DOD/NESSE	191.119	8.218	—	—	8.930	***108,7***
SAMOS	43.175	1.856	—	—	3.524	***189,8***
CHIOS	52.547	2.259	—	—	3.878	***171,7***
OTHERS	38.274	1.646	—	—	2.247	***136,5***
TOTAL	**527.739**	**22.693**	—	—	**36.419**	***160,5***

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS
TABLE 3.1.3.a: SUGAR (TN)

PREFECTURES	Local Needs [*1]	Local Production	Local Production in relation to local needs(%)	Support [*2]	Support in relation to local needs(%)	Uncovered part of needs (%)
LESVOS	3.468	—	—	487	***14,0***	***86,0***
CYCLADES	3.102	—	—	233	***7,8***	***92,2***
DOD/NESSE	5.395	—	—	1522	***28,2***	***71,8***
SAMOS	1.385	—	—	198	***14,2***	***85,8***
CHIOS	1.722	—	—	500	***29,0***	***71,0***
OTHERS	1.186	—	—	—	—	—
TOTAL	**16.258**	—	—	**2.940**	***18,1***	***81,9***

[*1] Calculation : population * 0,033 tn of average consumption per year(or 90gr average consumption per person / per day)

[*2] Data of Gedidagep (average of years 1994, 1995, 1996)

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS (including seasonal variations)
TABLE 3.1.3.b : SUGAR (TN)

PREFECTURES	Population including seasonal movement (tourism)	Local Needs Including seasonal movement (tourism)	Local Production	Local Production in relation to local needs (%)	Support	Support in relation to local needs (%)	Uncovered past of needs
LESVOS	106.055	3500	—	—	487	***13,9***	***86,1***
CYCLADES	96.569	3187	—	—	233	***7,3***	***92,7***
DOD/NESSE	191.119	6307	—	—	1522	***24,1***	***75,9***
SAMOS	43.175	1425	—	—	198	***13,9***	***86,1***
CHIOS	52.547	1734	—	—	500	***28,8***	***71,2***
OTHERS	38.274	1263	—	—	—	—	—
TOTAL	**527.739**	**17415**	—	—	**2.940**	***16,8***	***83,2***

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS

TABLE 3.1.4.a :Fruits & Vegetables (TN)

PREFECTURES	Local Needs [*1]	Local Production [*2]	Local Production in relation to local needs (%)	Support [*3]	Support in relation to local needs (%)	Uncovered part of needs (%)
LESVOS	27.637	21.186	***76,6***	2154	***7,8***	***15,6***
CYCLADES	24.723	16.612	***67,2***	178	***0,7***	***32,1***
DOD/NESSE	42.994	34.246	***79,6***	325	***0,7***	***19,7***
SAMOS	11.037	8.050	***72,9***	738	***6,7***	***20,4***
CHIOS	13.724	5.533	***40,3***	205	***1,5***	***58,2***
OTHERS	9454	—	—	364	*3,8*	—
TOTAL	**129.569**	**85.627**	***71,3***	**3964**	***3.1***	***25,6***

[*1] Calculation : population * 0,263 tn of average consumption per year

[*2] Data of Agricultural Statistics (average of years 1994, 1995, 1996)

[*3] Data of Gedidagep. (average of years 1994, 1995, 1996)

EVALUATION OF IMPLEMENTATION OF SUPPLY ARRANGEMENTS MEASURES IN RELATION TO LOCAL NEEDS

(including seasonal variations)

TABLE 3.1.4.b :Fruits & Vegetables (TN)

PREFECTURES	Population including seasonal movement (tourism)	Local Needs Including seasonal movement (tourism)	Local Production	Local Production in relation to local needs (%)	Support	Support in relation to local needs (%)	Uncovered past of needs
LESVOS	106.055	27.892	21.186	***75,9***	2.154	***7,7***	***16,4***
CYCLADES	96.569	25.398	16.612	***65,4***	178	***0,7***	***33,9***
DOD/NESSE	191.119	50.264	31.246	***68,1***	325	***0,6***	***31,3***
SAMOS	43.175	11.355	8.050	***70,9***	738	***6,5***	***22,6***
CHIOS	52.547	13.820	5.533	***40,0***	205	***1,5***	***58,5***
OTHERS	38.274	10.066	—	—	364	**3,6**	—
TOTAL	**527.739**	**138.795**	**85.627**	***61,7***	**3964**	***2,8***	***35,5***

3.2 THE INFLUENCE OF QUANTITIES ALLOWED

The quantities of product qualifying under the supply arrangements are determined on the basis of forecast supply balances, reviewed periodically in the light of market requirements.

The Community legislation envisages annual maximum quantities for the use of aid for supplies. Every year a balance plan was accepted by the European Administration.

These balances for each product concerning the supply arrangements (calculated as an average of years 1994-1996) appear in the tables 3.2.a, 3.2.b comparing balances with the local needs.

Fruits and Vegetables : The balance covers 46,9 % of the local needs (or 43,8% including needs of tourism) which means that the ceiling is well below calculated.

The support corresponds to a percentage of 6,5% ofbalance which means that the use is very little.

Sugar : The balance covers 73,8% of local needs (or 68,9% including needs of tourists) which means that the ceiling is a little below calculated.

The support corresponds to a percentage of 24,5% ofbalance which means that the use is relatively low.

Flour : The balance covers 192,3% of local needs (or 179,6% including needs of tourists) which means that the ceiling is largely calculated. At this point we must note that the flour needs (120 gr / person / year) include only the use of flour for bread (not for biscuits etc.)

The support corresponds to a percentage of 89,4% ofbalance which means that the use is beside the maximum and therefore the regulation was correctly applied.

Feeding stuffs : The balance covers 42,6% of local needs which means that the ceiling is well below calculated.

The support corresponds to a percentage of 62,8% ofbalance which means that the use is relatively satisfactory and therefore the regulation was correctly applied.

In conclusion, with the exception of the flour arrangement case, the balance was calculated just below to the total needs. This fact constitutes a guarantee for the smooth implementation of the Regulation.

In this way waste of resources was avoided and at the same time an important part of local needs was covered.

TABLE 3.2.a Balance in relation to local needs

Categories	Fruits and Vegetables	Sugar	Flour	Feeding stuffs
Local needs	129.569 tn	16.258	21.185	181.910
Support	3.964 tn	2.940	36.419	48.793
Balances (average 94-96)	60.878tn	12.000	40.750	77.583
% Support in relation to balance	6,5%	24,5%	89,4%	62,8%
% Balances in relation to needs	46,9%	73,8%	192,3%	42,6%

TABLE 3.2.b Balance in relation to local needs (including needs of tourists)

Categories	Fruits and Vegetables	Sugar	Flour	Feeding stuffs
Local needs Including season movement	138.795	17.415	22.693	—
Support	3.964	2.940	36.419	—
Balances	60.878	12.000	40.750	77.583
% Support in relation to balance	6,5%	24,5%	89,4	—
% Balances in relation to needs	43,8%	68,9%	179,6	—

3.3 EFFECTIVENESS, CAPACITY AND IMPACTS FROM IMPLEMENTING THE MEASURES OF REGULATION (EEC) NO 2019/93

The effectiveness (percentage of implemented balance), the capacity (percentage of covering local needs) and the impacts (on final product prices, local production, structure of local trade) from implementing the measures of Reg. (EEC) 2019/93 were evaluated and assessed according to an integrated set of indicators that were described on Chapter 2, Methodological Approach, and presented in detail in Appendix IV of this report

The assessment of impacts was based on Questionnaires that were completed by local Administration in 6 Directorates of Agriculture in collaboration with the Evaluation team, and presented in detail in AppendixVI .

Concerning the effectiveness and capacity of the Regulation, the processing of data for the subsidies under specific supply arrangements leads to the following conclusions:

FEEDING STUFFS: The balance that was targeted for the period 1994-96 was covered satisfactorily in most islands (effectiveness indicators), with a comparative slight lag in Cyclades and the small Group A islands. Absorbance was low in certain types of feeding stuffs (e.g. mixtures) and it was suggested by local administration during our field survey that absorbance would be higher if distribution of balance to specific types of feeding stuffs was avoided.

Local needs were covered by subsidized feeding stuffs by 26,8% (capacity indicators). This figure was particularly high in Samos and Dodecanesse, while lags behind local needs in Cyclades, Lesvos and Chios. Local production represent 42,8% of the total local needs (Table 3.1.1)

The uncovered part of local needs remains at 30,4% of the total (Table 3.1.1).

FLOUR: The balance that was targeted for the period 1994-96 was covered satisfactorily in almost all islands (effectiveness indicators). Besides, the balance was exceeded in many cases. Local needs for bread production were covered by subsidized flour by 172% (capacity indicators) (Table 3.1.2.a). Additional quantities have evidently covered the needs for other bakery products such as biscuits, crackers, etc. as well as additional consumption by tourists. Taking in account of the seasonal variations (tourism) local needs were covered by subsidized flour quantities by 160%. (Table 3.1.2.b)

The highest absorption was observed in Cyclades and Samos, although in all areas absorption appears more than 100%.

SUGAR: Provisions of sugar to the islands, though it was satisfactory for many islands, shows in general irregular absorption in relation to forecast balance (effectiveness indicators). In general, subsidized quantities cover *ca* 18,1% of local needs (Table 3.1.3.a) in the 5 Aegean Prefectures – far behind targeted quantities (capacity indicators). Taking into account the seasonal variations (tourism), subsidized quantities cover 16,8% of local needs. (Table 3.1.3.b)

The uncovered part, by the Regulation, of local needs remains at 80,5% of the total (or 83,2% taking in account needs of tourists).

FRUITS / VEGETABLES - POTATOES: The balance for these products had a rather low absorption, an exception being observed in Lesvos, Samos and Kythira with relatively satisfactory coverage (effectiveness indicators). Local production represents 71,3% of the total needs (Table 3.1.4.a)(or 61,7% taking in account needs of tourists) (Table 3.1.4.b). The uncovered part of local needs remains at 25,6% of the total (or 35,5% taking in account needs of tourists).

Local needs were covered by the aid marginally (3,1%) in all islands (capacity indicators) (Table 3.1.4.a). Taking into account the seasonal variations (tourism), subsidized quantities cover 2,8% of local needs. (Table 3.1.4.b.)

In general, the aid given by the Regulation hasn't attract the interest of fruit / vegetable wholesalers / distributors, not even during the first years of implementation that it was quite substantial. The gradual decrease of the aid the following years further diminished the interest of traders.

YOGHURT: Implementation of the measure for yoghurt was rather poor. The balance of 900 TN / year was not covered at all, while the needs of local population are estimated to 5000 TN / year. This is due to market competition (price policy of big dairy companies), a relevant sufficiency by local produce of yoghurt in many islands as well as the the very low subsidy of the transportation cost of the product, representing, ~ 1,5% of product price in Group A and 3,0% in Group B

3.4 THE STRUCTURE OF THE LOCAL MARKET FOR PRIME COMMODITY PRODUCTS / RESULTS AND IMPACT OF THE IMPLEMENTATION OF THE SUPPLY MEASURES AND THEIR PASSING ON TO THE CONSUMER

In order to evaluate the effects of the supply support measures in the islands of the Aegean with products of Regulation (EEC) No 2019/93, visits and research were carried out in four island towns – the capitals of prefectures (Syros, Rhodes, Chios, Mytilene). The research, whose results are presented below in detail by category of product and by region, leads to certain useful conclusions on the implementation of the Regulation (EEC) No 2019/93 in respect of its original intentions (Annex 2).

Specific supply arrangements seem to influence the local market both in the level of prices and in respect of its structures. Although it is in practice extremely difficult to assess the degree to which subsidies are passed on, there is nevertheless no doubt that according to the field survey the implementation of the measures on the islands exerts **pressure on the level of prices by decreasing also non-subsidized product price**, (indicative prices are shown in the following table) This results in the formulation of 1 leader in the market for animal feeding stuffs, which happens to be the Union of Cooperatives, whose prices operate as 'reference' prices**Pressure is also exerted on the flour industry**, their product being sold in certain cases at the same price as the subsidized product, even though they are not receiving the subsidy.
For each product and each port of destination an assessment was made of the transport costs. **The differences in cost which emerge do not appear to be proportional to the distances and in no case do they correspond to the differences in subsidy between A and B group of islands**. **The final price of the product is most heavily affected by transport costs in the case of products sent from certain central island ports to the very small harbours of the Aegean Sea**.
The very small islands (approximatively less than 2000 habitants) are supplied with products from the principal port of the prefecture. From this fact, results a double procedure of loading and unloading, the interposition of great number of wholesalers and higher cost.
For example, the transportation cost of vegetables from Syros to neighboring island, is equivalent 3 to 10 times the aid given by the Regulation for Syros.

DISTRIBUTION COST TO SYROS & NEIGHBORHOOD				
From Piraeus (Refrigerated Lorries)	*From Piraeus (net freight)*	*Loading/ unloading cost*	*From Syros to other islands (Refrigerated)*	*From Syros to other islands loading/ unloading cost*
30 dr./kg	20 dr./kg	4 dr./kg	8-45 dr./kg	7-30 dr./kg

The results are set out in detail below:

ANIMAL FEED: In most of the large islands of the Aegean the distribution of animal feed products is divided among the Unions of Agricultural Cooperatives and private merchants, the proportion of the trade thus distributed varying from region to region. Allocation among the two categories of distributors is on the basis of the initial request, with proportional reductions whenever dealing in excess of the two-monthly quantity ceilings is identified. This is the only product covered by the Regulation (EEC) No 2019/93 in the case of which management and issuing of the necessary supporting documents is carried out by the local services. It is also the only product which manifests a constant and systematic exceeding of the ceiling set for certain, at least, goods (grain seeds, food industry by products). In general terms, in all four island centres where on site research was conducted, there was ample evidence that all interested final users (livestock breeders) are receiving full and regular information.

Although it was found that the formal obligation to register the Regulation (EEC) No 2019/93 subsidy in sales documentation was being methodically observed by all distributors, nevertheless it remains unclear how much of the subsidy offered is being passed on to the final consumers. Prices of basic kinds of animal feed on the Aegean islands remain perceptibly higher than corresponding prices in the mainland, without there being evidence however on the basis of which this can be attributed to failure to pass on the subsidy. On the contrary, in the majority of cases there was observed a systematic alignment of prices to the level of subsidized prices. The most tangible effect of the measures to reinforce supply of animal feed seems to be the fact that **the private (merchants) bring their own prices into line with the subsidized prices of the Unions of Cooperatives (with slight divergences in both directions) regardless of whether or not they themselves receive a subsidy.**

On site research in the four island towns did not reveal differences proportional to distances (islands A and islands B). Sample-taking of prices which was carried out showed that for basic kinds of animal feed Syros (island A), despite its proximity to the mainland, is consistently more expensive than destinations such as Rhodes or Chios (islands B). The explanation lies rather in the differences in the structure of the local animal feed market than in the different costs involved in transporting the animal feed. Furthermore,**the cost of transporting the products, regardless of such differences, is rarely proportional to the distances involved**. To give a specific example, in the Cyclades we recorded a higher cost of transport for an island in group A (Andros) than for a destination in group B (Mylos, Folegandros).

In general terms, the subsidy offered appears to**cover a significant part of the transport costs for animal feed for the islands in group B**. However, it falls considerably short of the cost of transport for the islands of group A. The element of the final cost of animal feed to be attributed to transport is far from being proportional to the distances involved.

The unified implementation of the Regulation (EEC) No 2019/93 subsidy in islands of both groups, A and B, fails to take account of the substantial addition to the final price

deriving from transshipment and transport costs from the large islands to the very small harbours of the Aegean Sea.

Therefore, it is calculated that **the additional cost for an internal distribution of animal feed**, packaged in sacks, **between two islands in the same prefecture** ranges from 5 to 15 drachmas per kilo. It is certain that in the case of the small islands the support offered, although substantial, is easily dissipated. In certain cases (e.g. Mytilene) the cost of distribution by lorry through the interior of the island (road transport) is also by no means negligible (3 drachmas per kilo).

An important part of the difference in animal feed prices among the four key destinations examined as part of the assessment of the Regulation (EEC) No 2019/93 is due to – and this is a characteristic of the absence of operating regulations in island transport – the difference in **charges for unloading produce at the ports of destination** (for example, at Syros 4 drachmas per kilo, in the Western Cyclades 2 drachmas per kilo, at Chios no charge at all, etc.).

A definitive estimate of the final effect of the support measures in covering the burden of transport costs on animal feed prices, and by extension the implementation of a passing on to the consumer **of the subsidy**, has proved very difficult to achieve in practice. Particularly useful were the checks carried out by the Lesvos Directorate of Trade at three animal feed trade and distribution companies (both cooperatives and private companies) on the extent of passing over. After detailed investigation in 1997 it was ascertained that all three receive significantly different sums in retail profit (variation of between 6 and 29% for the same products).

INDICATIVE SALE PRICES OF FEEDING STUFFS IN SYROS (23/02/99)

CATEGORIES	*WITHOUT SUBSIDY (COOP)*	*WITH SUBSIDY (COOP)*	*WITHOUR SUBSIDY (PRIVATE WHOLESALER)*
Bran	67	62	64
Cottonseed cake	60	55	57
Corn	73	68	70
Mixtures (t 29)	112	107	-

INDICATIVE SALE PRICES OF FEEDING STUFFS IN WEST CYCLADES												
CATEGORIES	*WITHOUT SUBSIDY*			*WITH SUBSIDY*			*WITHOUT SUBSIDY*			*WITH SUBSIDY*		
Corn	Coop			Coop			Wholesaler			Wholesaler		
	?	?	?	?	?	?	?	?	?	?	?	?
	75	75	77	70	70	67	78	72	75	-	-	65
Cottonseed cake	65	57	60	60	52	50	64	54	60	-	-	50

?=Andros, ?=Kea, ? =Milos

FLOUR: Distribution of flour around the Aegean islands is essentially handled directly by the large mills of the mainland which collaborate with local merchants-representatives, who in turn function as either brokers or as wholesale dealers (issuing their own sales documentation). In all cases investigated the discount offered by the Regulation (EEC) No 2019/93 was being recorded. However, the extent to which this reduction is being passed on is difficult to ascertain and can only be indirectly calculated, given the mode of pricing for the flour used for the intermediate users, the bakers, before the final consumer. The initial price of the basic types of flour (e.g. 70% flour) is exactly the same on the islands as it is on the mainland. Over and above this price, however, must be calculated discounts which vary from 0 to 20%, according to the customer. It is obvious that with this system of pricing the calculation of the amount passed on is almost impossible. From a sampling of prices for final bakery products the fascinating conclusion emerged that **in all four island towns the prices were the same as or lower than the corresponding prices in Athens**.

The cost of transport for flours ranges from 12 drachmas per kilo (in the case of Syros – group A) to 18 drachmas per kilo (Rhodes – group B) and the relevant cost is calculated and explicitly stated in the suppliers' invoices which are issued.

From discussions with the local representatives of the flour trade it emerged that one of the **positive effects** of the implementation of the measure is that in periods when there is no subsidy the industry cannot return to the original price which prevailed before the subsidy was introduced. **The industry is under pressure from its customers, because of the intense competition, and retains its prices at the level of the subsidized price**.

FORMULATION OF BREAD FLOUR PRICE IN SYROS (Feb.'99)				
Catalogue price	*Mill discount*	*Transportation cost*	*Fixed aid*	*Final price*
127 dr./kg	20 dr./kg	12 dr./kg	5 dr./kg	114 dr./kg

INDICATIVE CONSUMER PRICES OF BAKERY PRODUCTS IN SYROS (February '99)			
BREAD 70%	*WHOLEFLOUR BREAD*	*CRACKERS*	*BISCUITS*
300 dr./kg	360 dr./kg	900 dr./kg	1300-1600 dr./kg

SUGAR: With the exception of Syros, the island towns have been regularly supplied with subsidized sugar. We observed relative homogeneity of wholesale sugar prices at the other island towns where on site research was conducted. It is characteristic that the **sugar prices in Chios, Mytilene and Rhodes (regular distribution of subsidized sugar) are perceptibly lower than the prices in Syros (non-subsidized)**.

Distribution of the product is handled largely by agencies of the Hellenic Sugar Industry (HSI) and only secondarily by private merchants. We observed regular recording of the offered discount in the records of sales.

However, both the estimate of the carry-over and the mechanism which facilitates it present serious problems. It seems that the basic supplier (HSI) follows a tactic of offering discounts on the basis of the customer's record, a practice which makes it extremely hard to calculate the amount of carry-over.
Moreover, it was observed that in the past there have been cases of arbitrary withholding of the aid by the HSI and post-dated payment to beneficiaries through the issuing of sale by credit documentation. Latterly this practice appears to have ceased, but there remains the tactic of adding to the price of the product 3 drachmas per kilo to cover management costs, without this being mentioned in the sales invoices or having been established in the regulations.

The cost of transport of sugar in the Aegean islands varies from 10 to 15 drachmas per kilo. What is note worthy, however, is that it **does not follow the differentiation between islands A and B** (e.g. Chios and Syros have more or less the same transport costs).

FRUIT AND VEGETABLE PRODUCE: The low level of interest in the supply subsidy is mainly to be attributed to the declining value of the aid, but is also connected with the lack of information in certain cases. Another reason for the lack of interest is the **complexity of the procedures, given the low level of organization of potential beneficiaries** (small commercial businesses). In the case of the A group islands it is clear that the support provided by the Regulation (EEC) No 2019/93 covered only a very small percentage of the cost of transport.

Generally speaking, fruit and vegetable produce are the commodities with the highest transport costs (they are usually transported in refrigerated vehicles) and the lowest subsidy. The cost of transport is much higher in the case of transshipment from 'central' Aegean islands to smaller islands.

As for differences in cost, fruit and vegetable produce**remains 20 to 30%** more **expensive than in urban centres**. We might say, in fact, that this is the category of produce (among the products covered by the Regulation (EEC) No 2019/93) with the widest divergences. The meager local production can only cover a tiny proportion of consumer needs, and in most cases is sold at prices equal to those of the imported products, owing to the structure of wholesale and retail trade on the islands (the absence of a producers' group, the absence of street markets). Local production and external delivery are distributed by the same wholesaler. This fact leads to the homogenization of prices and the stagnation of the local production. In adittion the Regulation (measures to support local production) set out strict pre-conditions* for the support of fruits and vegetables production. These pre-conditions limited the mass-implementation of the Regulation for this crucial sector.

DISTRIBUTION COST TO SYROS & NEIGHBORHOOD				
From Piraeus (Refrigerated Lorries)	*From Piraeus (net freight)*	*Loading/ unloading cost*	*From Syros to other islands (Refrigerated)*	*From Syros to other islands loading/ unloading cost*
30 dr./kg	20 dr./kg	4 dr./kg	8-45 dr./kg	7-30 dr./kg

* Minimum area producer groups etc.

3.5 PRICE DETERMINATION MECHANISMS: COMPARATIVE ANALYSIS BETWEEN AEGEAN ISLANDS AND THE MAINLAND (QUANTITATIVE ANALYSIS)

A. Flour

Consumer price developments of flour in various Greek regions are shown in **Tables 3.5.1.a and 3.5.1.b.**

Table 3.5.1.a presents annual retail price developments of flour in the Athens-Piraeus area and in the Aegean islands of Chios and Lesvos, where the Regulation was applied. Comparisons between prices in the Athens-Piraeus area and the Aegean islands are also presented (in terms of percentage deviations from the center). The analysis covers the period 1993-98. We observe the following:

- The pattern of retail price developments, in terms of annual rates of change, of flour is similar and fairly smooth in all areas (Athens-Piraeus, Chios and Lesvos), with a decreasing pace which is explained by the decreasing rate of inflation in Greece in recent years.

- Average flour consumer prices in Chios and Lesvos seem to exceed systematically, though with varying magnitude, those observed in the Athens-Piraeus area by around 5 per cent on average. Furthermore, observed average prices in the Aegean islands are moving close or even higher to the upper bound of the Athens-Piraeus area price level.

- In the Athens-Piraeus area there exist fairly large differences in the prices quoted by various retailers, which range from 20-40 per cent (on average 32 per cent). In particular, prices for one kilogram of flour differ by 60-120 Drs. with an average unit price of around 280 Drs.
- This can be possibly explained by the different pricing and marketing policies of each particular super-market and the existence of increasing competition in the food market.

- On the other hand, retail price differences of flour within the Chios and the Lesvos markets are rather small, of the order of less than 10 per cent (6-8 per cent), or by about 20 dr, with an average unit price of around 290 dr. This finding can be possibly attributed to two factors, namely to the increased cost of transport and also to the absence of competition in the local market and the pricing policies of the particular retailers (or suppliers).

- With regard to transport costs, these definitely add a burden to final consumer prices, explaining the existence of higher prices in Chios and Lesvos. On the issue of the local market conditions, nothing can be said with certainty at this point, although the relatively small price differentials in Chios and Lesvos *vis-a-vis* the Athens-Piraeus market point to a market with a low degree of competition.

Table 3.5.1.b presents the developments of retail price of flour in various Greek regional towns, like the islands of Crete and Corfu, as well as in the rather distanced towns of Kalamata and Komotini, where the Regulation does not apply. The analysis covers the period 1995-98. We observe the following:

- Final consumer prices of flour in most cases (Crete, Corfu, Kalamata) have been lower than those in the Athens-Piraeus area, with the exception of Komotini where prices are higher.

- This fact raises questions on the issue of transport costs: Both Corfu and Kalamata with the lowest prices of flour in relation to the Athens-Piraeus area (by 4-7 per cent) are the relatively most distanced towns from the flour producers. In Crete (Herakleon) price deviations are the smallest (2 per cent), although Herakleon is relatively not that distanced from the Crete flour producers. Finally, flour prices in Komotini exceed those of the Athens-Piraeus by over 10 per cent, although the town is situated relatively close to local producers. This leads us to the conclusion that the role of transport cost is weak in the formation of flour *consumer* price, since the mechanism of pricing policies of the various processing industries (offering different price reductions to retailers) prevails.

- With regard to price differences of various retailers within the four regional towns, they amount to over 10 per cent, being greater than the corresponding differencesin the two Aegean islands under consideration. These observed small price variations gives further support to our argument of the imperfect functioning of local markets *vis-a-vis* the Athens-Piraeus market. Especially if we further observe that in the “continental” towns (Kalamata and Komotini) price variations within local markets are much greater (around 15 per cent).

TABLE 3.5.1.a: Consumer price Developments of Flour in the Athens Area, in Chios and Lesvos (1)

Area :	Athens-Piraeus			Chios			Lesvos			B. Price Deviations from Athens-Piraeus (per cent)	
	A. Absolute price level for 1 kg of flour (in drs)										
Year (2)	min	max	median	min	max	median	min	max	median	Chios	Lesvos
1993	200	235	*225*	...	...	250	...	...	230	11%	2%
1994	220	250	*240*	...	...	260	...	...	255	8%	6%
1995	210	290	*260*	...	...	285	...	...	270	10%	4%
1996(3)	230	290	*275*	270	300	*285*	270	290	*280*	4%	2%
1997	225	300	*285*	280	300	*290*	280	300	*290*	2%	2%
1998	190	320	*280*	285	305	*295*	300	310	*305*	5%	9%
1993-98(4)			*261*			*278*			*272*	6%	4%
	C. Annual rate of increase in the price of flour (per cent)										
1994/3			7%			4%			11%		
1995/4			8%			10%			6%		
1996/5			6%			0%			4%		
1997/6			4%			2%			4%		
1998/7			-2%			2%			5%		
1998/93			*4%*			*3%*			*6%*		
	D. Absolute and Percentage Price Differentials										
1996-98(4)	88 Drs.		32%	23 Drs.		8%	17 Drs.		6%		

Source: National Statistical Service of Greece.

Notes:
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.

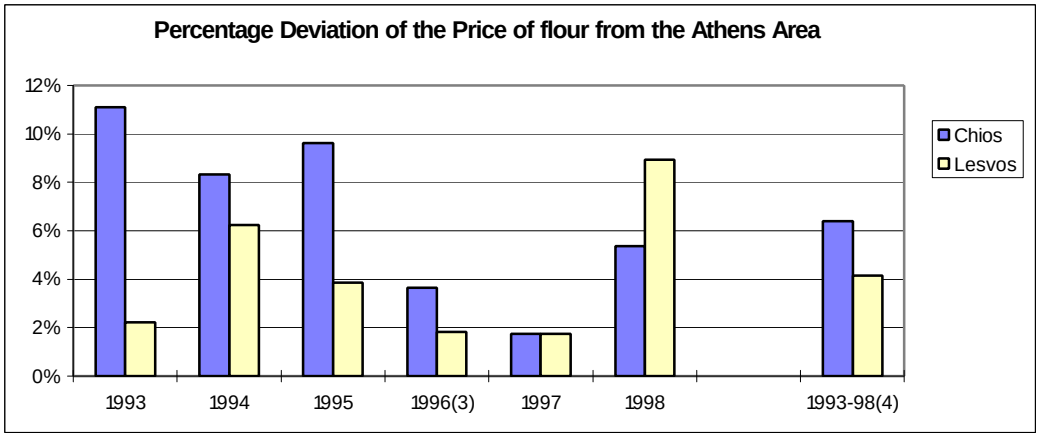
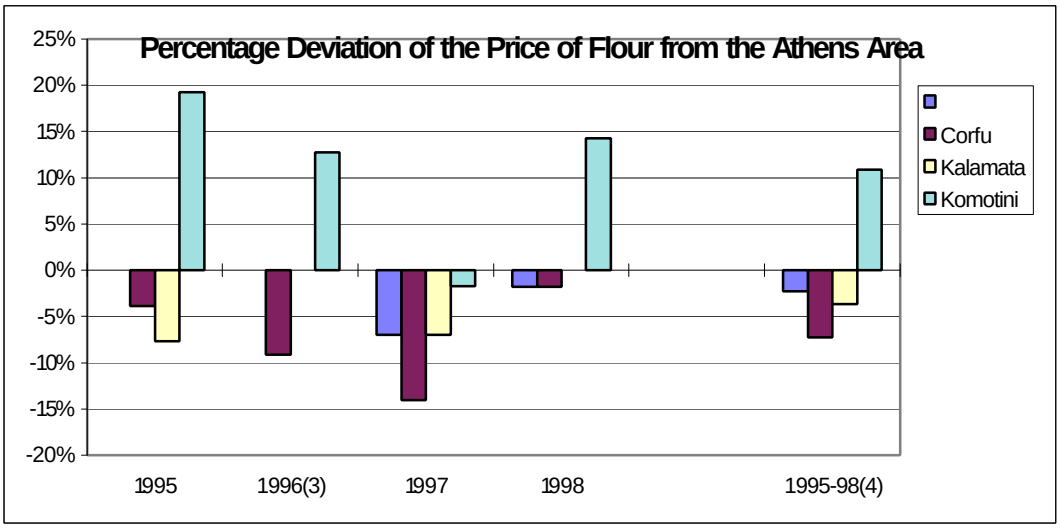


TABLE 3.5.1.b: Consumer prices of Flour in Regional Markets (1)

Area :	crete			Corfu			Kalamata			Komotini		
	A. Absolute price level for 1 kg of flour *(in drs)*											
Year (2)	min	max	median	min	max	median	min	max	median	min	max	median
1995	...	...	*260*	...	...	250	...	...	240	...	...	310
1996(3)	260	280	*275*	230	260	*250*	260	280	*275*	290	330	*310*
1997	245	285	*265*	245	245	*245*	245	285	*265*	275	290	*280*
1998	250	290	*275*	275	310	*275*	245	310	*280*	295	370	*320*
1995-98(4)			*269*			*255*			*265*			*305*
	B. Price deviations from the Athens-Piraeus area (per cent)											
1995			0%			-4%			-8%			19%
1996(3)			0%			-9%			0%			13%
1997			-7%			-14%			-7%			-2%
1998			-2%			-2%			0%			14%
1995-98(4)			-2%			-7%			-4%			11%
	C. Absolute and Percentage Price Differentials											
1996-98(4)	33 Drs.		12%	22 Drs.		8%	42 Drs.		15%	43 Drs.		14%

Source: National Statistical Service of Greece.

Notes:
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.
(5) Herakleon



Sugar

Consumer price developments of sugar in various Greek regions are shown in **Tables 3.5.2.a** and **3.5.2.b.**

Table 3.5.2.a presents the analysis of retail price developments of sugar in the Athens-Piraeus area, Chios and Lesvos, where the Regulation has been operative. The analysis covers the period 1992-98. We observe the following:

- The pattern of price developments, in terms of annual rates of change, is similar and fairly smooth in all regions (Athens-Piraeus, Chios and Lesvos), in line with the decreasing rate of inflation in Greece.
- With the exception of certain years (1992 and 1998), average sugar prices in Chios and Lesvos do not depart from those observed in the Athens-Piraeus area.

- Furthermore, retail price variations of sugar between retailers do not differ significantly in Chios, Lesvos and the Athens-Piraeus area, ranging from 2 to 7 per cent on average. This could be explained by the fact that there is only one sugar producer and supplier in Greece, the Hellenic Sugar Industry, situated in Northern Greece. Hence, various retailers have a little room for maneuvering in their and marketing pricing policies.

- So far we could come to the conclusion that price subsidization through the Regulation is playing a positive role in alleviating transport costs in the Aegean islands, the cases of Chios and Lesvos taken as examples. However, this does not hold if we examine price developments in the other regional towns.

Retail price developments of the other Greek towns are presented in Table 3.5.2.b for the period 1995-98. The following points can be raised:

- With the exception of Komotini, where the price of sugar exceeds that of the Athens-Piraeus area by 6 per cent on average, in the other places prices are at the same level to those observed in Chios, Lesvos and the Athens market.

- Also, as in the case of Chios and Lesvos, sugar price variations within each market are very small, not exceeding 4 per cent at the most.

- This price behavior is obviously explained by the existence of only one supplier. This is valid for longer time periods, since in the short-run any retailer can make arrangements with

the supplier to obtain lower prices and penetrate the market, or else can try to sell at higher prices in order to make higher profits. This explains the observed year-to-year price variations of sugar (and particularly monthly variations, not show in the Tables).

- If this rationale is correct, then our conclusion on the role of transport costs made for the case of Chios and Lesvos does not seem to hold, since we would expect sugar prices to be higher at least in Crete and in Kalamata, the most distanced places from the supplier. We would also expect sugar prices in Corfu and Komotini, situated closer to the supplier to be lower. Instead, prices in Corfu do not depart from the Athens market, while in Komotini are much higher (by 6 per cent on average).

- With regard to Komotini, a final point is in order. The fact that consumer prices of all products so far referred (flour, and sugar) are the highest can be possibly explained by the conditions existing. In the particular market (inadequate competition, inadequate links with other markets, etc.).

- This supports our hypothesis even further, that it is market conditions that largely determine **directly** retail prices in regional markets and to a lesser extend transport costs. Especially if we bear in mind that there is a unique sugar producer in Greece.

TABLE 3.5.2.a:Consumer Price Developments of Sugar in the Athens Area, in Chios and Lesvos (1)

Area :	Athens-Piraeus			Chios			Lesvos			*from Athens-Piraeus* (per cent)	
	A. Absolute price level for 1 kg of sugar *(in drs)*										
Year (2)	min	max	median	min	max	median	min	max	median	**Chios**	**Lesvos**
1992	210	220	*210*	...	...	220	...	...	220	5%	5%
1993	230	240	*230*	...	...	230	...	...	230	0%	0%
1994	250	265	*255*	...	...	260	...	...	255	2%	0%
1995	260	275	*270*	...	...	270	...	...	270	0%	0%
1996(3)	260	285	*270*	265	270	*270*	265	275	*270*	0%	0%
1997	270	285	*270*	265	270	*270*	265	275	*270*	0%	0%
1998	280	300	*280*	265	270	*270*	270	275	*273*	-4%	-3%
1992-98(4)			*255*			*256*			*255*	*0%*	*0%*
	C. Annual rate of increase in the price of sugar (per cent)										
1993/2			10%			5%			5%		
1994/3			11%			13%			11%		
1995/4			6%			4%			6%		
1996/5			0%			0%			0%		
1997/6			0%			0%			0%		
1998/7			4%			0%			1%		
1998/2			*5%*			*3%*			*4%*		
	D. Absolute and Percentage Price Differentials										
1996-98(4)	20 Drs.		7%	5 Drs.		2%	8 Drs.		3%		

Source : National Statistical Service of Greece.

Notes :
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.

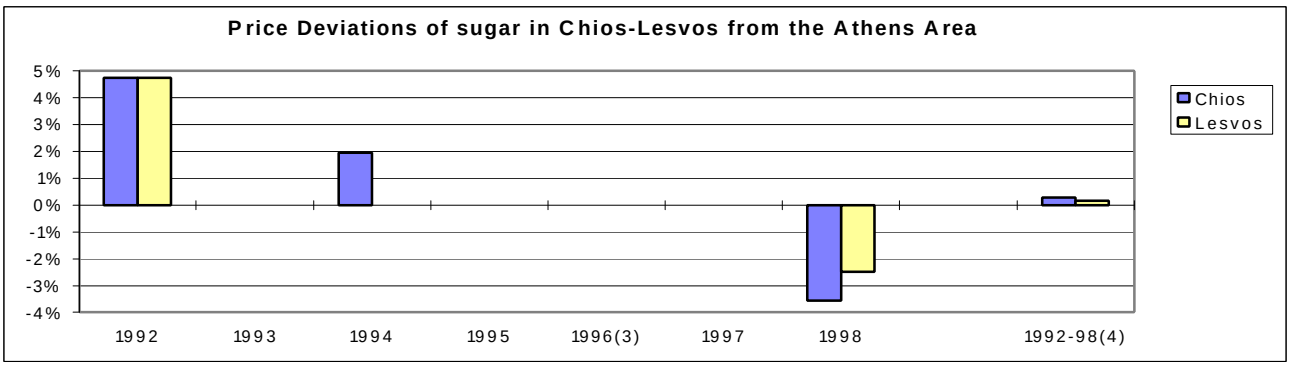


TABLE 3.5.2.b: Consumer Prices of Sugar in Regional Markets (1)

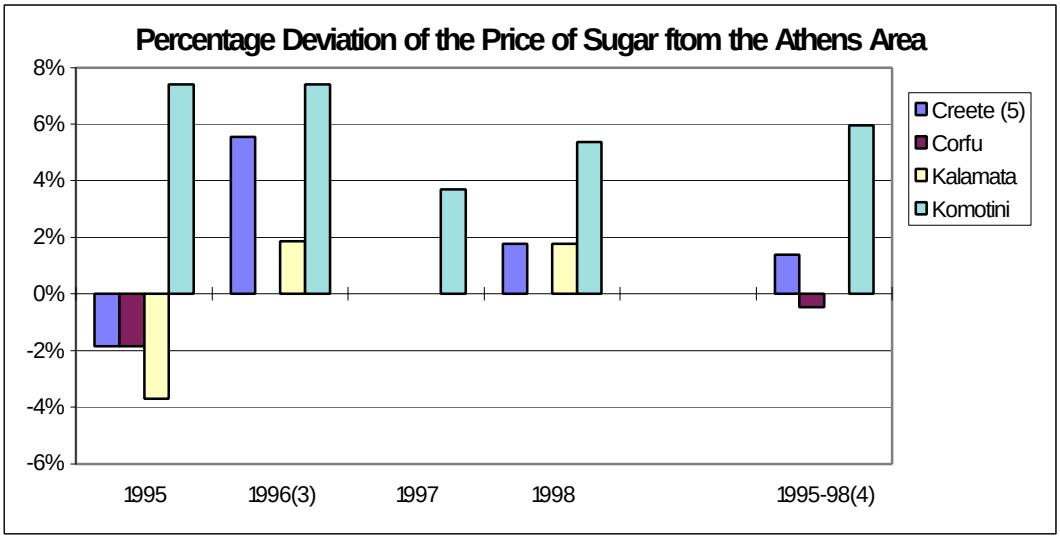
TABLE 3b

Consumer Prices of Sugar in Regional Markets (1)

Area :	Creete (5)			Corfu			Kalamata			Komotini		
	A. Absolute price level for 1 kg of sugar *(in drs)*											
Year (2)	min	max	median	min	max	median	min	max	median	min	max	median
1995	...	...	*265*	...	...	265	...	...	260	...	...	290
1996(3)			*285*			*270*			*275*			*290*
1997	270	285	*270*	269	270	*270*	270	275	*270*	285	290	*280*
1998	280	295	*285*	278	280	*280*	280	285	*285*	295	300	*295*
1995-98(4)			*276*			*271*			*273*			*289*
	B. Price deviations from the Athens-Piraeus area (per cent)											
1995			-2%			-2%			-4%			7%
1996(3)			6%			0%			2%			7%
1997			0%			0%			0%			4%
1998			2%			0%			2%			5%
1995-98(4)			1%			0%			0%			6%
	C. Absolute and Percentage Price Differentials											
1996-98(4)	10 Drs.		4%	1 Drs.		0%	3 Drs.		1%	3 Drs.		1%

Source: National Statistical Service of Greece.

Notes:
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.
(5) Herakleon



B) **Cow's Yogurt**

The analysis of consumer price developments of cow's yogurt are presented in **Tables 3.5.3.a** and **3.5.3.b.**
Note that, as discussed in detail in other sections of this Report, the absorption of funds from the Regulation for the price subsidization of cow's yogurt has been rather limited.

Table 3.5.3.a depicts retail price developments of cow's yogurt in the Athens-Piraeus area, in Chios and Lesvos. The following points can be raised:

- The pattern of price developments, in terms of annual rates of change, of cow's yogurt is similar and in all regions (Athens-Piraeus, Chios and Lesvos), with a decreasing pace as it is the case of the inflation rate in Greece.

- Cow's yogurt prices in the Aegean islands under investigation are, on the average, at more or less at the same level to the Athens-Piraeus prices. In particular, prices in Lesvos exceed those observed in the Athens area by around 2 per cent, while those in Chios are slightly lower (around 1 per cent).

- Price variations within the Athens market are greater (13 per cent on average) compared to those in Chios and Lesvos, which move around 5 per cent.

- The impact of transport cost on the formation of final consumer prices is low, due to its small contribution to the retail price. Note also the high cost of special Regulation labeling of each pot.

Table 3.5.3.b presents the analysis of retail prices of cow's yogurt in the other Greek regional towns, where the Regulation does not apply. We can make the following points:

- The final consumer prices of cow's yogurt in Creete and Kalamata greatly exceed those of the Athens market by around 30 per cent on average. In Corfu prices are close to the ones observed in Athens, in Chios and Lesvos. On the other hand, cow's yogurt prices in Komotini have been always lower than in the Athens-Piraeus area.

- The very different behavior in consumer prices can be attributed to the different supply conditions of the market of cow's yogurt and the existence of competitive local producers which exert pressures on retail prices.

- Thus in Komotini, the existence of competitive producers gives rise to the formation of lower prices of cow's yogurt (8 per cent on average in relation to the Athens-Piraeus market), while the prices of all products in Komotini, examined so far, exceed those of other areas. On the contrary, retail prices are relatively higher in markets where there are no local competitive producers, like in Crete and Kalamata.

- Finally, price variations within the regional markets under investigation are similar to those of Chios and Lesvos (around 6 per cent on average).

TABLE 3.5.3.a: Consumer Price Developments of Cow's Yogurt in the Athens Area, in Chios and Lesvos (1)

Area :	Athens-Piraeus			Chios			Lesvos			B. Price Deviations from Athens-Piraeus (per cent)	
	A. Absolute price level for 250 gr of cow's yogurt (in drs)										
Year (2)	min	max	median	min	max	median	min	max	median	Chios	Lesvos
1993	135	145	*135*	...	...	135	...	...	135	0%	0%
1994	140	150	*140*	...	...	145	...	...	145	4%	4%
1995	155	170	*160*	...	...	155	...	...	165	-3%	3%
1996(3)	155	175	*160*	160	165	*162*	160	165	*162*	1%	1%
1997	165	180	*175*	170	175	*173*	170	190	*180*	-1%	3%
1998	165	200	*185*	175	190	*180*	185	185	*185*	-3%	0%
1993-98(4)			*159*			*158*			*162*	-1%	2%
	C. Annual rate of increase in the price of cow's yogurt (per cent)										
1994/3			4%			7%			7%		
1995/4			14%			7%			14%		
1996/5			0%			5%			-2%		
1997/6			9%			7%			11%		
1998/7			6%			4%			3%		
1998/93			*7%*			*6%*			*7%*		
	D. Absolute and Percentage Price Differentials										
1996-98(4)	23 Drs.		13%	8 Drs.		5%	8 Drs.		5%		

Source: National Statistical Service of Greece.

Notes:
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.

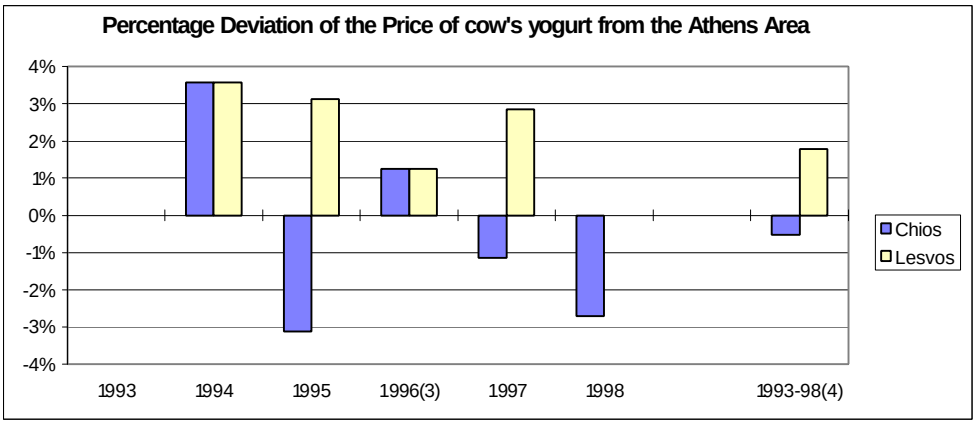


TABLE 3.5.3.b: Consumer Prices of Cow's Yogurt in Regional Markets (1)

Area :	Creete (5)			Corfu			Kalamata			Komotini		
	A. Absolute price level for 250 gr of cow's yogurt *(in drs)*											
Year (2)	min	max	median	min	max	median	min	max	median	min	max	median
1995	...	...	*174*	...	...	165	...	...	249	...	...	150
1996(3)	190	210	*200*	175	185	*180*	240	250	*240*	140	160	*150*
1997	265	265	*265*	170	175	*175*	175	260	*200*	165	170	*165*
1998	260	285	*270*	175	190	*185*	165	275	*210*	165	170	*170*
1995-98(4)			*227*			*176*			*225*			*159*
	B. Price deviations from the Athens-Piraeus area (per cent)											
1995			2%			-3%			46%			-12%
1996(3)			21%			9%			45%			-9%
1997			51%			0%			14%			-6%
1998			50%			3%			17%			-6%
1995-98(4)			32%			2%			30%			-8%
	C. Absolute and Percentage Price Differentials											
1996-98(4)	15 Drs.		6%	10 Drs.		6%	68 Drs.		32%	10 Drs.		6%

Source : National Statistical Service of Greece.

Notes :

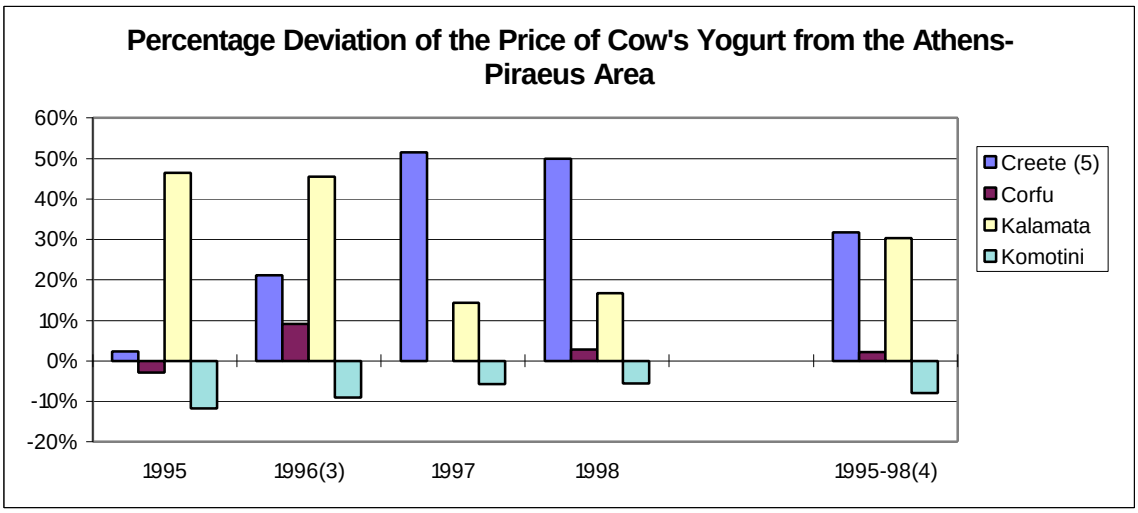
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.

(2) End of Year data.

(3) Change of Base Year and coverage of the Price Index.

(4) Approximately.

(5) Herakleon



C) **Sheep's Yogurt**

Consumer price developments of sheep's yogurt are analyzed in**Tables 3.5.4.a** and **3.5.4.b** Note again that the absorption of funds from the Regulation for the price subsidization of sheep's yogurt has been limited.

Table 3.5.4.a presents the retail price developments in the Athens-Piraeus area, in Chios and Lesvos, where the Regulation applied. As in the previous cases, the analysis covers the period 1993-98. We observe the following:

- Retail price developments of sheep's yogurt in Athens-Piraeus and in Chios are similar and quite smooth, with no significant price differences. Over the period 1993-98 retail prices are increasing at an annual rate of 8-9 per cent in both markets.

- On the contrary, retail sheep's yogurt prices in Lesvos are significantly lower (over 20 per cent) and they are also increasing at much slower annual rates. This is attributed to the local production of sheep's yogurt in Lesvos, which seems to be particularly competitive since it keeps prices down and also achieves small annual price increases.
- As regards to price variations within each market, they are greater in the Athens-Piraeus area, around 10 per cent against 5 per cent in the Aegean islands, but they are not considered qualitatively different.

As in the case of cow's yogurt, Table 3.5.4.b analyzes retail prices of sheep's yogurt in the selected Greek regional markets, where the Regulation does not apply. We following points can be raised:

- The average retail prices of sheep's yogurt in the Greek regional markets under consideration have been significantly lower than in the Athens-Piraeus area, by around 10-20 per cent. This is due to the competitive local production which keeps prices at levels much lower than those of the Athens-Piraeus super-markets. To these cases we should add that of Lesvos, discussed just above, the case of Chios resembling to that of Athens-Piraeus.

- Retail price variations within regional markets are of the same magnitude to those of the Athens-Piraeus area (5-10 per cent). Hence, in the case of sheep's yogurt we cannot detect significant differences in the pricing policies between regional retailers and those of the centre.

TABLE 3.5.4.a: Consumer Price Developments of Sheep's Yogurt in the Athens Area, in Chios and Lesvos (1)

Athens-Piraeus			Chios			Lesvos			B. Price Deviations from Athens-Piraeus (per cent)	
A. Absolute price level for 250 gr of sheep's yogurt (in drs)										
min	max	median	min	max	median	min	max	median	Chios	Lesvos
185	225	*185*	...	...	175	...	...	150	-5%	-19%
190	245	*200*	...	...	195	...	...	170	-3%	-15%
205	260	*215*	...	...	220	...	...	170	2%	-21%
225	245	*225*	220	240	*230*	160	165	*170*	2%	-24%
240	260	*250*	240	255	*250*	175	185	*180*	0%	-28%
255	290	*270*	265	270	*265*	190	195	*190*	-2%	-30%
		224			*223*			*172*	-1%	-23%

C. Annual rate of increase in the price of sheep's yogurt (per cent)		
8%	11%	13%
8%	13%	0%
5%	5%	0%
11%	9%	6%
8%	6%	6%
8%	*9%*	*5%*

D. Absolute and Percentage Price Differentials					
25 Drs.	10%	13 Drs.	5%	7 Drs.	4%

National Statistical Service of Greece.

(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
(2) End of Year data.
(3) Change of Base Year and coverage of the Price Index.
(4) Approximately.

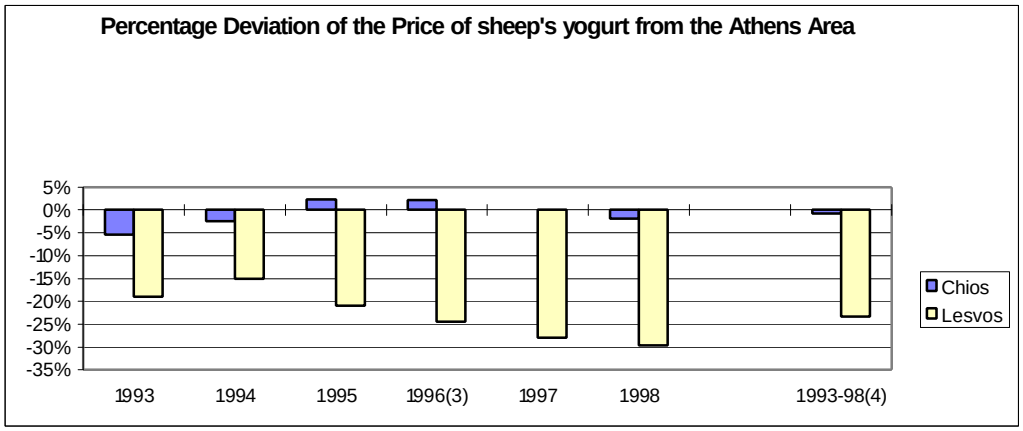


TABLE 3.5.4b: Consumer Prices of Sheep's Yogurt in Regional Markets (1)

Area :	Creete (5)			Corfu			Kalamata			Komotini		
	A. Absolute price level for 250 gr of sheep's yogurt *(in drs)*											
Year (2)	min	max	median	min	max	median	min	max	median	min	max	median
1995	...	...	*265*	...	...	215	...	...	185	...	...	210
1996(3)	190	200	*195*	240	260	*250*	200	230	*225*	200	210	*210*
1997	195	225	*210*	250	270	*260*	240	245	*240*	210	220	*220*
1998	225	250	*235*	250	270	*260*	260	270	*265*	215	225	*220*
1995-98(4)			*226*			*246*			*229*			*215*
	B. Price deviations from the Athens-Piraeus area (per cent)											
1995			2%			-17%			-29%			-19%
1996(3)			-29%			-9%			-18%			-24%
1997			-26%			-9%			-16%			-23%
1998			-16%			-7%			-5%			-21%
1995-98(4)			-18%			-10%			-17%			-22%
	C. Absolute and Percentage Price Differentials											
1996-98(4)	22 Drs.		10%	20 Drs.		8%	15 Drs.		6%	10 Drs.		5%

Source : National Statistical Service of Greece.

Notes :
(1) Own estimates based on unpublished data kindly provided by the Direction of Economic Indicators of the NSGG.
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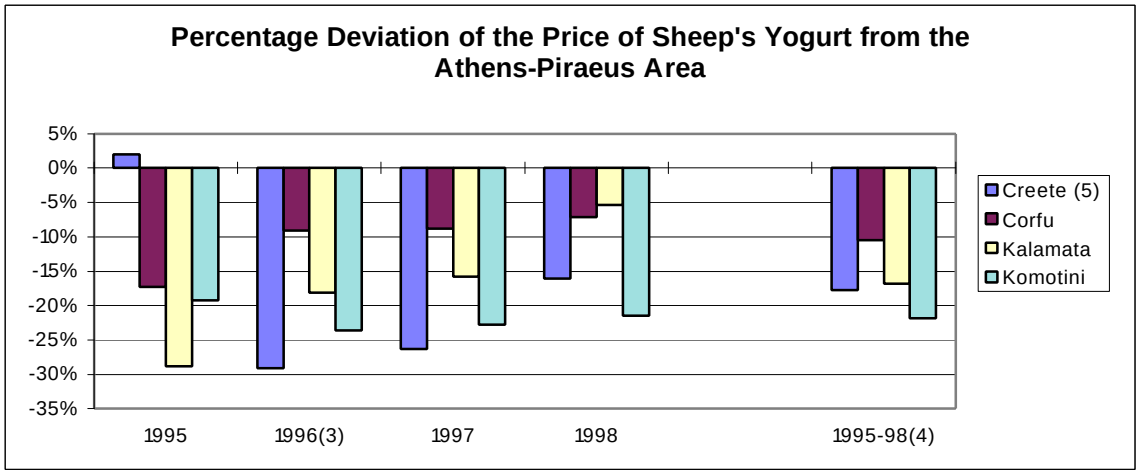

4 MEASURES TO SUPPORT LOCAL PRODUCTION

- ***In general terms, there was widespread implementation of the measures in the following areas: livestock breeding, olive cultivation, the VQPRD vineyards, and bee-keeping. There was limited implementation of the measures in the area of product storage (private storage of cheeses and ageing of wines), and in fruit / vegetable cultivation.***

  The subsidies paid in the years 1993-96 appear to have covered, however, a particularly significant part of local production, and to have contributed decisively to sustaining agricultural activity in most regions.

- ***Data do not appear to confirm certain working assumptions of a consistently higher cost of production on the islands. However, what is confirmed is the assessment that there exists marginal profitability or loss-making activity in these local sectors of cultivation in the Aegean islands.***

- ***The aid given by the measures of the Regulation (EEC) No 2019/93 to support local production although not too high, does cover a critical percentage of the production cost, which for a large number of agricultural establishments may mean the difference between financial ruin or survival.***

4.1 THE IMPLEMENTATION OF THE REGULATION (EEC) NO 2019/93 IN RESPECT OF THE SCALE OF THE RURAL ECONOMY OF THE AEGEAN ISLANDS

The package of support measures for local production in the Aegean islands appears to be implemented differently depending on the island region and the type of production being supported, (implementation data are presented in detail in Appendix IV of this report). In general terms, there was **widespread implementation of the measures in the following areas**: **livestock breeding**, **olive cultivation**, the **VQPRD vineyards**, and **bee-keeping**. There was limited implementation of the measures in the area of product storage (private storage of cheeses and ageing of wines), and in fruit / vegetable cultivation.

The subsidies paid in the years 1993-96 **appear to have covered, however, a particularly significant part of local production**, and to have **contributed decisively to sustaining agricultural activity in most regions**.
In the **livestock breeding** sector the subsidies seem to have covered from 48% of **fattening calves** in the Cyclades to 116% in Chios of the total population of male bovine animals and from 4% (Chios) to 47% (Lesvos) of the suckling cows of the island regions. (Table 4.1.9)

Subsidies for **olive cultivation** appear to have covered all systematic olive growing in all the island regions without exception (Table 4.1.10).

Subsidy cover was more limited, however, in the **potato** and seed potato sector (roughly half of cultivation in the Cyclades, the Dodecanese and Lesvos, and low coverage in Chios and Samos) (Table 4.1.11).

As far as **viticulture** is concerned, most of the VQPRD vineyards were subsidized by the Regulation (EEC) No 2019/93 (Table 4.1.12). However, interest in subsidies for the ageing of wines was very limited, with the exception of minute quantities in the Cyclades (Paros, Santorini) and Lesvos (Limnos) (Table 4.1.13).

The very low quantities of **locally produced cheeses** subsidized represent a very low percentage of local production. There was substantial interest in the private storage of cheeses only in Limnos island (Prefecture of Lesvos), which is the most important cheese-producing region in the Aegean (4% of local production was subsidized for storage) (Table 4.1.14).

In the **bee-keeping** sector coverage with subsidies represents large part of the installations (the exception being the prefecture of Dodecanesse at 48,6% and the islands of Skopelos and Skiros) (Table 4.1.15).

Nevertheless, the linking of subsidized products with the data of local production has to be viewed with due care given the many problems encountered in the registration of the subsidized areas and the statistical figures for production. In some cases the subsidized areas appear more numerous than the cultivated areas (Agricultural Statistics of the National Statistics Service), while in the registration of subsidies the year 1994 appears to have been systematically 'overloaded', because the subsidies for 1993 have been factored into the calculations.

The estimates for areas and number of livestock appearing in the attached tables were arrived at by converting the sums into subsidized units on the basis of the equivalence in force in each case; this was done because the data supplied by the Ministry of Agriculture (Information Dept.) only refer to subsidy values. The data presented may well diverge from other estimates, but the evaluation team deemed this conversion necessary in order to permit comparison, **even if only approximate**, of the subsidized units with the data for each sector and to be able to **estimate the total capacity of the Regulation (EEC) No 2019/93** for each sector of agricultural production on the islands. The analysis is also carried out on the prefectural level to meet the need to extract conclusions by geographical area.

In order to achieve the fullest possible assessment of the impacts of implementation of the Regulation (EEC) No 2019/93, the evaluation team proceeded to relate the subsidies to the actual cost of production for the main products covered by the Regulation (EEC) No 2019/93. On site sampling research was conducted on islands of the Dodecanese (Rhodes and Kos) in selected and represented examples of agricultural production (olive cultivation, vineyards, cattle-breeding and bee-keeping) (Tables 4.1.3, 4.1.4, 4.1.5, 4.1.6)

It is of course very difficult to speak of an average or representative cost of production on the islands. Conditions of cultivation vary significantly, especially on the islands, and the cost of production varies in accordance with those conditions. Local research, however, showed that subsidies cover 5% of the cost of olive oil production, 14.9% of the cost of production of grapes for wine, 4.1% of the cost of cattle breeding and 12.6% of the cost of producing thyme honey (Table 4.1.1).

Although the investigation covered isolated production units, their selection on the basis of the systematic character of their activity leads to the conclusion that **the aid given by the measures of the Regulation (EEC) No 2019/93 to support local production although not too high, does cover a critical percentage of the production cost, which for a large number of agricultural establishments may mean the difference between financial ruin or survival.**

More precisely, assessment data from the review of cost estimate show, for example, a 'profit margin' before calculation of the subsidy, for oil-producing olives of 5.4%, for wine grapes of -6.6%, for beef of 2.3% and for honey of 7.3% (Table 4.1.2).

In its attempt to assess as precisely as possible the impacts of the implementation of the Regulation (EEC) No 2019/93 the evaluation team gathered comparative data on production costs among selected island regions and mainland areas for oil-producing olives and wine grapes (regular research by the Dept. of Crop Production, Agricultural Bank of Greece). From the data presented it is apparent that the cost of production of oil-producing olives is significantly lower in the case of Mytilene than the average for the whole country (Table 4.1.7). For wine grapes the cost of production per hectare is clearly higher in Limnos and Samos and perceptibly lower in Rhodes (Table 4.1.8). These Agricultural Bank data do not appear to confirm certain working assumptions of a consistently higher cost of production on the islands. However, **what is confirmed is the assessment that there exists marginal profitability or loss-making activity in these local sectors of cultivation in the Aegean islands**.

4.2 ASSESSMENT OF REGULATION (EEC) NO 2019/93 MEASURES AT LEVEL OF AGRICULTURAL DIRECTORATES

In order to ascertain the effects of the Regulation (EEC) No 2019/93 in the support of local production interviews using a questionnaire were conducted at the Agricultural Development Directorates in the main towns of the island prefectures with the officials in charge of the various individual sectors of implementation. Response to the research in question was limited and repeated attempts were required by the evaluation team to secure the return of completed questionnaires. In four prefectural towns the questionnaires had to be completed in the course of a visit by team members, while in one case (Samos) not even this was possible. From processing of the responses the team was able to extract the following conclusions for each sector covered by the measures in the Regulation (EEC) No 2019/93 (the responses to the relevant questions have three grades: 'decisively', 'fairly' and 'not at all', for all the questions in the investigation without exception).

1) Support measures for livestock farming seem to have made a significant contribution to maintaining the livestock capital of the islands. In the prefecture of Lesvos the contribution made by the Regulation (EEC) No 2019/93 was appraised as "decisive", while Chios, the Cyclades and the Dodecanese gave the answer 'fairly important contribution'. The contribution made by livestock raising subsidy to maintaining the livestock farming population and supporting income from livestock raising was deemed significant but not decisive.

2) Subsidies for private storage of cheeses were judged by the officials of the Agriculture Directorates to be of no particular significance. In the two prefectures which implemented the measure (Cyclades, Prefecture of Lesvos) the answer was still ‘not significant at all’. Effects on the improvement of trade in the market were only marginal, since only a very small percentage of the already small local production was subsidized for storage. Local production was not given a significant boost by the application of the measure. It remains at low levels.

3) Subsidies for seed potatoes and potatoes were deemed to have had a significant effect (eliciting the response ‘fairly‘) on local production in the prefectures of Chios, the Cyclades and the Dodecanese, but no effect at all in the prefecture of Lesvos. The effect on supporting potato-growers income were deemed positive in the Cyclades and Chios (answer ‘fairly’) and non-existent in the Dodecanese and Lesvos (answer ‘not at all’).

4) Subsidies for maintenance of VQPRD vineyards earned a positive reaction in the three prefectures which responded with the exception of Chios where there are no VQPRD vineyards. Their contribution to the maintenance of vineyards and the support of vine-growers’ income was deemed decisive in the prefecture of Lesvos (VQPRD Limnos). It should be noted that it had not proved possible to secure a response from the prefecture of Samos at the time this report was completed. Subsidies for storage of ageing wines were given a favorable response only by the prefecture of the Cyclades (response: ‘fairly’). In Santorini two wine producers (EAS, Boutari) made use of the subsidy.

5) Subsidies for the maintenance of olive cultivation were given a favorable response in Chios and Lesvos (important olive-producing regions), the question how far the subsidy contributed to maintaining the olive groves and good conditions of production securing the response ‘fairly’. In the Dodecanese and Cyclades (regions with very limited production of olives) the subsidy was deemed inadequate to maintain olive cultivation (response: ‘not at all’). In the prefecture of the Dodecanese, nevertheless, the subsidy was deemed significant in improving the income of growers (response: ‘fairly’). The environmental aspect of olive groves is most important to maintain in good conditions the olive groves.

6) Subsidies for the Associations of Beekeepers appear to make a reasonably significant contribution to improving trading conditions and promotion of the product (responses of ‘fairly’ were given in Chios, Lesvos and the Cyclades). In the prefectures of Lesvos and the Cyclades the Associations of Beekeepers trade together under a common brand name. In the prefecture of Chios the Association of Beekeepers handles only common distribution. In the Dodecanese the support measures were not implemented at all due to the absence of an Association. Beekeeping and honey production had recorded growth in all three island prefectures which supplied a response (Chios, Lesvos, the Cyclades). In fact in Lesvos the impetus provided was decisive once payment of the subsidy had been made (response: decisive).

The contribution of the Regulation (EEC) No 2019/93 to the formation of Producers’ Associations was decisive, since the producers were obliged to proceed to form associations after the first two years of the Regulation (EEC) No 2019/93 application

(response: ‘decisive’, except in the prefecture of the Dodecanese, where no Association has been established).

4.3 SMALL ISLANDS CLOSE TO MAINLAND COVERED BY REGULATION (EEC) N_O 2019/93

In the case of the small, isolated islands covered by the support measures in Regulation (EEC) No 2019/93 (Thasos, Samothrace, Amouliani, Scopelos, Skyros, Kythera) response to the questionnaires was limited. Only the Agricultural Development Directorates of Evros (for Samothrace) and Kavala (for Thasos) responded positively.

In both these cases interest in the support measures for local production was **confined to the subsidies for maintenance of olive cultivation and beekeeping.**

Subsidies for **maintenance of olive cultivation on Thasos** were deemed to contribute to good conditions of production (response: ‘fairly’), are under the control of the Service and also deemed to help in improving the growers’ income (response: ‘fairly’). On the other hand, their contribution to the maintenance of cultivation is deemed non-existent (response: ‘not at all’) since there are no possibilities of alternative cultivation on the island.

On **Samothrace** subsidies for the maintenance of olive cultivation were deemed to have made a positive contribution in the case of three questions (maintenance of olive groves, agricultural good practice, growers’ income: responses ‘fairly’). However, in both these small islands the level of subsidy was deemed especially low because of the very small scale of the operational holdings.

In the **beekeeping sector on Thasos** the introduction of the Regulation (EEC) No 2019/93 prompted the setting up of a Producers’ Association only in 1998, which is expected to have a positive effect on the island’s production of honey. On Samothrace the application of the Regulation (EEC) No 2019/93 appears to have already had a positive effect in improving trade conditions, developing beekeeping activity and spurring the producers on to set up organized Associations (response: ‘fairly’ to all three questions).

TABLE 4.1.1 : *PRODUCTION COST OF ESTABLISHMENTS IN RHODES &KOS / RELATION OF PRODUCTION COST TO THE AID GIVEN BY REG 2019/93 (PRODUCTION PERIOD 1997-98)*			
	PRODUCTION COST	***AID Drs***	***%***
OLIVE TREES[2] (cost per 0.1 he)	84.182	4.637	5,5
VINES (VQPRD) (cost per 0.1 he)	102.368	15.264	14,9
BEEF MEAT (cost per head)	376.000	15.455	4,1
HONEY (cost per hive)	30.600	3.872	12,6

Source: FIELD SURVEY

TABLE 4.1.2*: PROFIT MARGINS OF AGRICULTURAL ESTABLISHMENTS IN RHODES & KOS* **(PRODUCTION PERIOD 1997-98)**	
OLIVE TREES	5,4 %
VINES (VQPRD)	- 6,6 %
BEEF MEAT	2,3 %
HONEY	7,3 %

Source: FIELD SURVEY

[2] Net production cost without the rights of olive oil production units.

TABLE 4.1.*3*: *COST ESTIMATE OF OLIVE TREE CULTIVATIONS (ACCOUNTING)*

The cost estimate presented below was made on a 28-year / 0.85 ha systematic olive tree cultivation psr in W. Rhodes irrigated with an automatic drip irrigation system and operating in full capacity and standard outputs. The variety of the cultivation is Koroneiki the total production of olive oil during the period 1997-98, 750 kg.This categorie of tree cultivation (systematic and irrigated) allows to conduct a cost analysis relatively sure. The cost estimation of other types of tree cultivation (remote mountainous, parcels) is extremely hazardous The year 97/98 was a very good year for olive production generally in Greece.

I. *PRODUCTION EXPENDITURES*		
1. Labour		
a. Family members (male, female)		**382.000 DR**
b. Others	77.000 DR	
		305.000 DR
2. Inputs & Utilities		**65.000 DR**
a. Fertilizers	35.000 DR	
b. Agricultural chemicals etc.	-	
c. Fuel, electricity etc.	30.000 DR	
3. Capital encumbering (charges)		**268.550 DR**
a. Land	90.000 DR	
b. Culture	125.000 DR	
c. Buildings (alloc.)	7.650 DR	
d. Machinery & equipment (alloc.)	28.200 DR	
e. Various provisions	11.300 DR	
f. Land reclamation works	6.400 DR	
4. Other expenditures		**105.000 DR**
a. Right of oil extraction units, disease fight etc	105.000 DR	
Total of production expenditures		**820.550 DR**
(Actually paid 456.300 DR, imputed 364.250 DR)		
II. *GROSS INCOME*		**825.000 DR**
III. *PRODUCTION COST* *DR 820.550 : 750 kg* ?		**1.094 DR/kg**

Source : FIELD RESEARCH

TABLE 4.1.4: ***COST ESTIMATE OF WINE PERODUCING VINE CULTIVATIONS***

The cost estimate presented below was made on a 16-year/0.5 ha non-irrigated vineyard psr, at some height in W. Rhodes. The variety of the cultivation is Athiri and total production of grapes during the period 1997-98, 4000 kg.

I.	*PRODUCTION EXPENDITURES*	
1. Labour		**260.000 DR**
a. Family members (male, female)	224.000 DR.	
b. Others	36.000 DR.	
2. Inputs & Utilities		**73.000 DR**
a. Fertilizers	28.000 DR	
b. Agricultural chemicals etc.	35.000 DR	
c. Fuel, electricity etc.	10.000 DR	
3. Capital encumbering (charges)		**178.839 DR**
a. Land	50.000 DR	
b. Culture	64.000 DR	
c. Buildings (alloc.)	13.768 DR	
d. Machinery & equipment (alloc.)	45.771 DR	
e. Various provisions	5.300 DR	
f. Land reclamation works		
Total of production expenditures		**511.839 DR**
(Actually paid 109.000 DR, imputed 402.839 DR)		
II.	*GROSS INCOME*	**480.000 DR**
III.	*PRODUCTION COST* *DR 511.839 : 4.000 kg* *?*	**128 DR/kg**

Source : FIELD RESEARCH

TABLE 4.1.5: *COST ESTIMATE OF BEEF MEAT PRODUCTION*

The cost estimate presented below was made on a 50 head fattening male bovine unit, in private establishments as initial weight of 150 kg and breeded for about a year-unit the reach 500 kg of live weight. Carcass yield is estimated around 55% of live weight and the average invested capital to 200.000 dr/head.

I.	*PRODUCTION EXPENDITURES*	
1. Labour		**2.625.000 DR**
a. Family members (male)	2.625.000 DR	
2. Inputs & utilities		**16.000.000 DR**
a. Purchase of male bovine	9.000.000 DR	
b. Breeding costs	5.000.000 DR	
c. Fuel, electricity etc.	500.000 DR	
d. Short-term loan in target	1.500.000 DR	
3. Capital encumbering (charges) – (redemptions, maintenance etc.)		**176.000 DR**
a. Land	20.000 DR	
b. Buildings (alloc.)	47.650 DR	
c. Machinery & equipment (alloc.)	98.200 DR	
d. Various provisions	10.150 DR	
Total of production expenditures		**18.801.000 DR**
Total live stock 25.000 kg. Total meat 113.750 kg		
II.	*GROSS INCOME*	**19.250.000 DR**
III.	*PRODUCTION COST* *?. DR 18.801.000 : 25.000 kg*	**725 DR/kg of live stock**
	?. DR 18.801.000 : 13.750 kg ?	**1.367 DR/kg of meat**

Source : FIELD RESEARCH

TABLE 4.1.6: *COST ESTIMATE OF THYME HONEY PRODUCTION*

The cost estimate presented below was made on a 200 hive unit, which is seasonally transferred to various regions in Rhodes island by private lorry. The yield is estimated to 20 kg hive and the average invested capital to 60.000 dr/hive.

I.	*PRODUCTION EXPENDITURES*	
1. Labour		**2.720.000 DR**
a. Family members (male, female)	2.600.000 DR	
b. Others (male)	120.000 DR	
2. Inputs & Utilities		**1.400.000 DR**
a. Fuel, electricity etc.	580.000 DR	
b. Packaging costs	500.000 DR	
c. Promotion & Distribution	200.000 DR	
d. Pastures	120.000 DR	
3. Capital encumbering (charges)		**2.000.000 DR**
a. Special Equipment (heaves etc.)	1.200.000 DR	
b. Buildings	110.000 DR	
c. Process equipment	680.000 DR	
d. Various provisions	10.000 DR	
Total of production expenditures		**6.120.000 DR**
II.	*GROSS INCOME*	**6.600.000 DR**
III.	*PRODUCTION COST* *DR 6.120.000 : 4.000 kg* ?	**1.530 DR/kg**

Source : FIELD RESEARCH

TABLE 4.1.7:*COMPARATIVE COSTS OF OLIVE PRODUCTION IN TWO AREAS OF LESVOS ISLAND AND COUNTRY AVERAGE*

TYPE OF EXPENDITURE	***LESVOS 1 (Plomari area)***	***LESVOS 2 (Kaloni area)***	***COUNTRY AVERAGE***
Labour	16.240	8.870	22.930
Equipment (loan)	-	1.000	540
Imputs	2.880	3.170	10.000
Redemptions	4.040	3.450	8.730
Maintenance	1.100	410	1.230
Interest	9.480	4.230	25.310
Other expenditures	2.280	1.500	6.110
TOTAL	**36.020**	**22.630**	**74.670**
Yield (kg/str)	36,7	25,0	68,6
Aid (Drs per 0.1 ha)	4.637	4.637	-
Percentage on production cost per 0.1 he	12,5 %	19,8 %	-
Average producer price	1.067	998	1067,4
Gross production value per 0.1 he	39.195	24.950	73.220
Percentage of the aid on gross production value	11,4	18,0	-

DR per 0.1 he

Source : PLANT PRODUCTION DIRECTORATE AGRICULTURAL BANK OF GREECE

TABLE 4.1.8*:COMPARATIVE COSTS OF WINE VINES PRODUCTION IN SOME ISLAND REGIONS AND COUNTRY AVERAGE*

TYPE OF EXPENDITURE	*LIMNOS (muscadet)*	*SAMOS (muscadet)*	*RHODES (Athiri)*	*COUNTRY AVERAGE*
Labour	78.300	129.170	36.430	43.350
Equipment (loan)	4.000	-	-	250
Imputs	27.070	30.330	10.980	23.590
Redemptions	14.000	65.460	8.540	21.542
Maintenance	1.330	6.480	4.960	2.560
Interest	25.670	128.330	26.450	40.145
Other expenditures	-	33.470	-	2.940
TOTAL	**150.370**	**393.240**	**87.360**	**134.377**
Yield (kg/0.1 he)	1.300	1.330	800	1.790
Aid (Drs per 0.1 he)	15.264	15.264	15.264	-
Percentage on production cost per 0.1 he	6,2 %	2,4 %	10,7 %	-
Average producer price	111,6	269,0	124,0	77,0
Gross production value per 0.1 he	145.210	358.670	99.200	137.930
Percentage of the aid on gross production value	6,4 %	2,6 %	9,4 %	-

DR per 0.1 he

Source: PLANT PRODUCTION DIRECTORATE AGRICULTURAL BANK OF GREECE

TABLE 4.1.9: MEASURES TO SUPPORT STOCK BREEDING (No of Livestock)						
PREFECTURE	***CALENDAR YEAR***			***AVERAGE OF 1994-96 PERIOD***	***EXISTING LIVE STOCK AVERAGE 94-96***	***% OF TOTAL *LIVE[3] STOCK***
	1994	***1995***	***1996***			
CYCLADES						
MALE BOVINE	2.146	3.215	3.249	2.870	5950	48,2
SUCKLING COWS	1.717	1.264	1.139	1.373	11.660	11,7
No OF STOCK BREEDERS FINANCED	12	10	9			
DOD/NESE						
MALE BOVINE	828	2.022	2.126	1.658	2.276	72,8
SUCKLING COWS	2.514	2.456	2.570	2.513	5.828	43,1
No OF STOCK BREEDERS FINANCED	2	2	2			
SAMOS						
MALE BOVINE	61	108	139	103	208	49,5
SUCKLING COWS	205	177	214	198	518	38,2
No OF STOCK BREEDERS FINANCED	2	2	2			
CHIOS						
MALE BOVINE	267	750	613	543	466	116,5
SUCKLING COWS	66	52	53	57	1.373	4,2
No OF STOCK BREEDERS FINANCED	2	3	3			
LESVOS						
MALE BOVINE	2.111	2.893	3.334	2.779	3.942	70,5
SUCKLING COWS	2.794	2.532	2.592	2.639	5.554	47,5
No OF STOCK BREEDERS FINANCED	4	7	4			
KAVALA THASOS)						
MALE BOVINE	15			5	1506	0,3
SUCKLING COWS	27			9	6.456	0,1
No OF STOCK BREEDERS FINANCED	2					

* (Agricultural statistics-average 1994-1996)

[3] Male bovine or suckling cows of island / prefecture.

PREFECTURE	CALENDAR YEAR			AVERAGE OF 1994-96 PERIOD	EXISTING LIVE STOCK AVERAGE (94-96)	% OF TOTAL* LIVE STOCK[4]
	1994	1995	1996			
CHALKIDIKI (AMOULIANI)						
MALE BOVINE	2	5	3	3	1.400	0,2
SUCKLING COWS	8	6	7	7	4.217	
No OF STOCK BREEDERS FINANCED	2	2	2			
TOTAL						
MALE	5430	8993	9464	7962	15.748	50,5
COWS	7331	6487	6575	6796	35.606	19,1

Source : GEDIDAGEP

Note: A relative high value of aid- which does not correspond to the livestock of Kythira appears in Attica Prefecture. These sums of aid were eliminated from Table 10 in order to avoid arbitary conclusions.

Note: Concerning the male bovine the payment can be for two years. Taken that, the same bovine can be subsidized during 2 years, the percentage of covered population is probably sur-evalyated.

*Agricultural statistics (average 1994-1996)

[4] Male bovine or suckling cows of island / Prefecture.

TABLE 4.1.10: *SUPPORT TO OLIVE GROVES (ha)*

PREFECTURE	*CALENDAR YEAR*			*PERIOD AVERAGE ('93-'96)*	*AREAS[1] CULTIVATED (ha) (average 93-96)*	*% OF OLIVE [*] GROVES*
	1993+1994	*1995*	*1996*			
CYCLADES	7.022	2.477	2.443	2.985	2.944	101,4
DOD/NESE	33.381	15.385	15.808	16.143	12.359	130,6
SAMOS	24.102	12.767	13.342	12.553	9.026	139,0
CHIOS	16.379	5.867	7.448	7.424	3.577	207,5
LESVOS	88.388	44.478	44.193	44.264	46.552	95,0
KAVALA (THASOS)	11.440	4.933	5.220	5.398	7.506	71,9
EVIA (SKIROS)	595	82	92	192	526	36,6
EVROS (SAMOTHRAKI)	1.835	814	828	869	900	96,5
ATTICA (KITHIRA)	2.845	1.522	1.730	1533	932	164,5
CHALKIDIKI (AMOULIANI)	16			4	106	3,7
TOTAL	186.003	88.325	91.104	91.358	84.428	108,2

Source : GEDIDAGEP

[1] Data concerning areas cultivated and communicated to EU are for 95/96: Cyclades 4.411,8-Dod/nese 17.253-Samos 14.364-Chios 9.608-Lesbos 44.312. This data coincide with the data provided by the Ministry of Agriculture-Olive Section. The data of the present study (table above) have been provided from the National Statistical Service (ESYE) as well as the data concerning all the products supported by the Regulation. It should be noted that data presented at table 4.1.10 are calculated on the basis of compact plantations in contrast with the data provided by the Ministry of Agriculture which concern the whole cultivated areas declared by the olive groves owners.

[*] Agricultural statistics (average 93-96).

Note : It should be noted that payments of the calendar year 1993 were included in 1994 payments. For this reason the average was estimated for a 4-year period.

Note : It should be noted that the subsidized areas appear in excess of officially given figures of cultivated areas

TABLE 4.1.11:*SUPPORT TO POTATO CULTIVATION (ha)*

PREFECTURE	*CALENDAR YEAR*			*PERIOD AVERAGE ('94 -'96)*	*AREAS CUTIVATED (AVERAGE 94-96)*	*% OF ⋆ CULTIVATED HECTARES*
	1994	*1995*	*1996*			
CYCLADES	565	655	764	661	1.448	45,6
DOD/NESE	263	397	405	355	805	44,1
SAMOS	10	17	26	18	311	5,8
CHIOS	53	81	91	75	253	29,6
LESVOS	84	216	230	177	416	42,5
ATTIKA (KITHIRA)	4	3	4	4	32	12,5
TOTAL	979	1369	1520	1289	3265	39,5

Source : GEDIDAGEP

⋆ Agricultural statistics (average 94-96)

TABLE 4.1.12: ***SUPPORT TO VQPRD VINES (ha)***

PREFECTURE	*CALENDAR YEAR*			*PERIOD AVERAGE (94-96)*	*AREAS CULTIVATED (ha)AVERAGE (94-96)*	*% OF VINE CULTINATION*[5]
	1994	*1995*	*1996*			
CYCLADES	1.750	1.804	1.937	1.830	4.277	42,8
DOD/NESE	1.172	1.221	1.173	1.189	1.874	63,4
SAMOS	1.276	1.251	1.307	1.278	2.079	61,5
CHIOS	-	-	-	-		-
LESVOS	689	723	720	710	1.130	62,8
TOTAL	4.887	4.999	5.137	5.007	9.360	53,5

Source : GEDIDAGEP

* Agricultural statistics (average 1994-1996)

[5] Total vines (VQPRD or not)

TABLE 4.1.13:*SUPPORT TO PRIVATE STORAGE OF LIQUEUR WINES (CLT)*

PREFECTURE	*CALENDAR YEAR*			*YEARLY WINE PRODUCTION (AVERAGE 94-96)*	*%OF YEARLY WINE⋆ PRODUCTION*[6]
	1994	*1995*	*1996*		
CYCLADES	-	-	1.583	71.150	2,2
DOD/NESE	-	-	-	-	-
SAMOS	-	-	-	-	-
CHIOS	-	-	-	-	-
LESVOS	-	4.000**	65	27.786	14,4
TOTAL					

Source : GEDIDAGEP

⋆ Agricultural statistics

[6] Total wine production (VQPRD or not)

** This figure is for a 2-year storage period.

TABLE 4.1.14: SUPPORT TO PRIVATE STORAGE OF CERTAIN LOCAL CHEESES (??)						
PREFECTURE	***CALENDAR YEAR***			***PERIOD AVERAGE***	***LOCAL CHEESE PRODUCTION (AVERAGE 94--96)***	***% OF LOCAL[*] CHEESE PDN***
	1994	***1995***	***1996***			
CYCLADES	-	-	8	8 (1996)	3606	0,2
DOD/NESE	-	-	-	-		-
SAMOS	-	-	-	-		-
CHIOS	-	-	-	-		-
LESVOS (LIMNOS ISLANDS)	-	210	266	238 ('95-'96)	5632	4,2
TOTAL		210	274	242	9238	2,6

Source : GEDIDAGEP

[*] Agricultural statistics

TABLE 4.1.15: *SUPPORT TO BEE-KEEPING (No OF HIVES)*

PERFECTURE	*CALENDAR YEAR*			*PERIOD AVERAGE*	*NUMBERS OF HIVES (AVERAGE 94-96)*	*% OF *HIVES**
	1993-1994[1]	*1995*	*1996*			
CYCLADES	39.190	27.212	23.766	30.056 ('94-'96)	30.932	97,2
DOD/NESE	60.494	-	-	20.165	41.459	48,6
SAMOS	31.923	14.990	11.298	19.404	18.023	107,6
CHIOS	12.664	-	3.766	5.477	7.156	76,5
LESVOS	20.307	4.962	7.088	10.786	10.288	104,8
MAGNESIA (SKOPELOS)	1.693	-	-	564	23.662	2,4
EVIA (SKIROS)	1.261	-	-	420	89.745	0,5
EVROS(SAMOTHRAKI)	1.141	-	1.290	810	1.872	43,3
ATTIKI (KITHIRA)	16.080	-	-	5.360	-	-
TOTAL	184.753	47.164	47.208	93.042		

Source : GEDIDAGEP

* Agricultural statistics

[1] In 1993 there was a ceiling of 100.000 hives which was reduced to 50.000 hives in 1994.

5 . DEROGATIONS FROM THE STRUCTURAL MEASURES

- ***It appears that the implementation of the derogation measures of Regulation (EEC) No 2019/93 have had a far more dynamic effect than was anticipated on the level of agricultural holdings through the mass implementation of improvement plans.***

- ***The most significant aspect from the implementation of the derogation measures is the high percentage of establishments that benefited on the islands*** .

- ***During the period of application of the Regulation (EEC) No 2019/93 the foundations were laid not only for maintaining the agricultural population and preserving agricultural activity on the islands, but also for developing an effective initiative to reverse the trend in which the population has been abandoning the countryside regions of the islands*** .

The Aegean islands had a particularly positive response to the derogations from Regulation 2328/91 offered by Regulation (EEC) No 2019/93, specifically the subsidies for investments to modernize agricultural establishments. In the five purely island prefectures of the Aegean (the Cyclades, Dodecanese, Lesvos, Chios, Samos) over the period 1994-97 2320 improvement schemes were approved, **constituting 16.4% of the total number of schemes approved for the whole country.**[7]

The most significant aspect from the implementation of the derogation measures is the high percentage of establishments that benefited on the islands. The percentage of all farming units in the islands of the Northern Aegean (Lesvos, Chios, Samos) was 4.1% and in the islands of the Southern Aegean 4.0%, while for the country as a whole it was just 1.7%.**The islands of the Aegean, with the increased incentives (investment support of up to 55% and 68% for young farmers) and the elastic application criteria (those are entitled who have at least 25% of their income from farming) provided for by Regulation (EEC) No**

[7] Data concerning the progress of implementation of the improvement schemes were extracted from the research carried out by the Programme Manager of the Operational Programme for Agriculture (Vakakis, Kantor, Remaco) for the period 1994-97 over the whole country, some of whose findings were very kindly made available for inclusion in this evaluation report, according to suggestions by the relevant ministry's directory. However, these data are different from the data provided for the annual reports on progress in implementation of the derogations from the structural measures. Details are presented in APPENDIX III of this Report.

2019/93, are the region of the country with the highest proportion of farming holdings implementing improvement schemes!

This major structural change occurring in the agricultural economy of the islands through the implementation of a large number of investment schemes for modernization of farming establishments is illuminated below by the presentation of certain qualitative features of the application of the deviations provided for by Regulation (EEC) No 2019/93 (age of those entitled, experience, budget, investment orientation).

More specifically, throughout the whole region it appears that 44.6% of the improvement schemes concern young farmers (under 40)! Likewise 49.2% of the schemes are being carried out by farmers with fewer than 10 years experience.

As for the size of budget of the improvement schemes being implemented, 49.2% are low-budget schemes (up to 7.5 million drachmas), to be expected given the size of holdings on the islands. However, there is also a considerable number of schemes with a relatively high budget (over 18.5 million drachmas – 20.2% of the schemes).

The majority of the schemes being implemented on the islands concern investment in crop cultivation (42%), agricultural buildings and equipment (13.2%) and rural tourism activity (11%). In comparison with the country as a whole, the Aegean shows relatively little in the way of schemes involving tractors and livestock breeding equipment.

Distribution of the schemes among the five prefectures of the Aegean appears well balanced with the prefectures of Lesvos and the Dodecanese representing the largest proportion of improvement schemes in the region. The highest percentage of holdings covered by improvement schemes is to be seen in Samos (5.1%), followed by the Dodecanese (4.8%). The tables which follow at the end of the chapter offer a full breakdown of the implementation of the measures by region (Northern and Southern Aegean) and by island prefecture.
The use made of the favorable derogations in Regulation (EEC) No 2019/93 on investments for processing and trade in agricultural produce (subsidy of up to 75%) was, however, limited.

In all, just four investment schemes have so far been approved for refrigerated storage facilities on four islands in the Aegean (Limnos, Kalymnos, Kos, Rhodes). Despite the limited response to the incentives exclusively for processing of local produce, the implementation of these four schemes is an initiative of great significance in the creation of a storage infrastructure for agricultural produce providing satisfactory distribution conditions for local

production and supplying these islands with fresh produce. It should be noted that one of the reasons for high prices of fruit and vegetable produce distributed on the islands, above and beyond the cost of transport, is the lack of organized refrigerated storage facilities. However, there is cause for concern in the failure to make use of the measures both geographically (limited implementation on the Dodecanese and in Limnos) and by sector (lack of investment in the modernizing of certain processing activities on the islands such as modernization of cheese-making enterprises, etc.

The deviations from the structural measures are supplemented by the favorable measures provided for in Regulation (EEC) No 2019/93 for an increased amount of balancing compensatory allowance by unit of livestock and its extension to cover all forms of crop cultivation. The further financing of agricultural activity on the islands arising from application of the Regulation (EEC) No 2019/93 is calculated at an extra 30% approximately of the balancing compensation paid to those entitled owners of systematic agricultural holdings on the islands of the Aegean (estimate of the Crop Production Directorate of the Ministry of Agriculture). For the period 1994-96 it has been calculated that the number of those entitled to compensatory allowance on the Aegean islands was approximately 13,000 annually (16,000 in 1997) according to figures from the Planning and Agricultural Structural Change Directorate (26% of all holdings).

Finally, the deviation measures provided for the possibility of establishing young farmers with a smaller than anticipated (0.5 Man Work Units -MWU- instead of 1.0) workload on the Aegean islands. **It is estimated that 140 young farmers in all have benefited from this specific measure throughout the Aegean islands.**

To conclude, it appears that the implementation of the derogation measures of Regulation (EEC) No 2019/93 have had a far more dynamic effect than was anticipated on the level of agricultural holdings through the mass implementation of improvement plans, which are, admittedly, being implemented at very high levels of subsidy (from 55% to 68% for young farmers). The relation of the number of improvement schemes to the scale of the agricultural economy of the islands (4.1% of all holdings and 15% of systematically farmed holdings, i.e. those receiving compensatory allowance) allows us to draw the conclusion that **during the period its application contributed not only to maintain the agricultural population and preserving agricultural activity on the islands, but also to develop an effective initiative to reverse the trend in which the population has been abandoning the countryside regions of the islands**. **This assesment (reverse the trend of abandoning the rural zones of islands) is the result of qualitative approach and a number of interviews with the heads of regional Directorates of Agriculture.** Less use

was made of the Regulation (EEC) No 2019/93 measure allowing increased subsidies as a deviation from Regulations 866/90 and 4253/88. There was little response to the possibilities offered by the Regulation (EEC) No 2019/93 for increased subsidy for small packaging operations for fresh fruit and vegetable produce, purchase of refrigerated lorries, improvement in wine-making conditions, etc., as well as the other subsidies provided for other processing activities (cutting / packaging of meat, dairy product units, honey processing, etc.) within the context of the Operational Programme for Agricultural Development.

6 EVALUATION OF PUBLIC ADMINISTRATION AND MONITORING

8 ***What we are trying to do is to demonstrate the lack of an effective mechanism for monitoring implementation, with specified file and data keeping procedures and requirements. The tortuous path that has to be followed to ferret out a single piece of information on the implementation of the programme must surely, we feel, cause serious problems for the Ministry as well. The biggest problem, however, is not the search for a specific piece of information, but lies rather in the lack of co-ordination and the concomitant delay in identifying problem areas in the application of the Regulation. The operation of a Monitoring Bureau on the lines of those set up for the Operational Programmes should be given serious consideration if this Regulation is to continue and if it has clear programmatic goals and goal analysis. In other terms, and judging from our experience to date, the Regulation appears to function more as a fund and virtually not at all as an institutional and financing framework for the development of the island economies.***

6.1 IMPLEMENTATION PLANNING

The implementation of Regulation (EEC) 2019/93 required the drafting of a particularly large number of individual regulations and **administrative acts**, which were prepared with the participation of the several competent Ministry of Agriculture services. The detailed **rules of application** provided for arrangements for the application of the Regulation to all products covered by the measure and set out the procedures for the approval of beneficiaries and for the control of implementation and payments.

Implementation planning is annual for all island regions, and concerns the distribution by the Agriculture Directorate of the total annual balance for the **specific supply arrangements** of the **Regulation**. The local Directorates draw up 3-month balances for each island, which are sent to the agronomists on the islands and to interested beneficiaries.

On the level of the Agriculture Directorates, the task of monitoring implementation of the Regulation appears to have been allotted, being divided up among the employees by product or crop (flours, potatoes, animal feeds, olives, apiaries, etc.), and on the basis of the turnover for these various products and the consequent labour required.

The process of approving beneficiaries for **supply arrangements** takes two months, and indicatives in the case of feeding stuff includes an application by the interested party to the local agronomist, which must be accompanied by a bank letter of guarantee (20% of the subsidy applied for) or other security (e.g. blocked accounts). These documents are sent to the local agronomist, who issues the so-called green certificate (approval document).

The process of payment to beneficiaries always begins with the local agronomist, with the deposition of the proper documents (invoice, bill of lading, consignment note). The local agronomist dispatches these documents to the Agriculture

Directorate, which forwards them to GEDIDAGEP for payment to the beneficiaries, who then forward the receipt of payment to the Agriculture Directorate for its files.

With regard to measures to support local production and the derogations applicable to the structural measures (improvement plans, young farmers, compensatory allowance), things follow the usual support procedures generally in effect throughout the country, the difference being in the percentage level of the subsidy.

The administrative innovation with regard to the implementation of **Regulation (EEC) 2019/93** thus principally concerns the **specific supply arrangements**. Here, indeed, a new implementation mechanism has grown up, which inevitably caused serious problems and delays.

6.2 MONITORING OF IMPLEMENTATION

The **Regulation (EEC) 2019/93** evaluation team conducted a number of joint surveys with the competent Department of the Ministry of Agriculture and with the Agriculture Directorates (in Syros, Mytilene, Rhodes and Chios) these were designed to identify implementation and control problems on both sides and to rethink and re-organise the task of evaluation.

The findings of the evaluation team revealed major problems that could nullify any advantages local island economies might derive from the implementation of the Regulation. The particularly serious problem of monitoring implementation on the central (Ministry of Agriculture Directorates and competent departments) and decentralized (Agriculture Directorates and local agronomists) levels is discussed in another section of this report. The fact that in order to record implementation on the island level one currently has to go to the Agriculture Directorate's manuscript files and search the bi-monthly schedules of payments to beneficiaries in order to locate payments any of the islands in the scheme is, in our opinion, a serious handicap to the organization and administration of the Regulation.The fact that it is only GEDIDAGEP that maintains a system monitoring payments by island category (A, B) may be necessary for the purpose of regular reporting to the appropriate directorates in the Ministry of Agriculture and the European Commission, but does not meet the need for systematic monitoring of the implementation and effects of the Regulation.

During our collaboration with the various Ministry of Agriculture directorates and departments, we found considerable differences in the monitoring or lack of monitoring of the programme by product and geographical zone (A and B class islands, prefectures, single islands). For example, **for products subsidized under the specific supply arrangements**, we found the situation perfectly satisfactory with regard to flours (monitored by island and by supplier) and reasonably satisfactory with regard to sugar (monitoring by beneficiary); we also found that no files were kept on animal feeds, and there was no monitoring at all for fruits, vegetables and yoghourt. Of course, the GEDIDAGEP accounting department keeps computer records of all payments, but these are listed by name of the beneficiary and class of island, without any of the additional details that would be useful for the evaluation of the programme in case of overlapping administrative competence. Here too we found considerable variation with regard to the substantial monitoring of the implementation of the Regulation. The monitoring of subsidies for VQPRD grape cultivation was found to be satisfactory, as was support for potato growers and bee-keepers. Serious weaknesses were identified in the sector relating to support for olive-growers (no quantitative data in the competent department), bovines and animal feeds (irregular monitoring of information reaching the Agriculture Directorates on the islands).

Our inquiries revealed an even greater monitoring problem when it comes to derogations applicable to structural measures (improvement schemes, new farmers, etc.). Here the competent department of the Ministry of Agriculture collects the data from the local directorates, processes it and scraps it.

These observations are not intended as a criticism of the various Ministry of Agriculture services or the implementation mechanism, nor of course as a simple formulation of the difficulties we encountered in finding quantitative data for the requirements of the evaluation of the Regulation. What we are trying to do is to demonstrate the lack of an effective mechanism for monitoring implementation, with **specified file and data keeping procedures and requirements**. The tortuous path that has to be followed to ferret out a single piece of information on the implementation of the programme must surely, we feel, cause serious problems for the Ministry as well. The biggest problem, however, is not the search for a specific piece of information, but lies rather in the lack of co-ordination and the concomitant delay in identifying problem areas in the application of the Regulation. The operation of a **Monitoring Bureau** on the lines of those set up for the Operational Programmes should be given serious consideration if this Regulation is to continue and if it has clear programmatic goals and goal analysis. In other terms, and judging from our experience to date, the Regulation does not function at all as an institutional and financing framework for the development of the island economies.

6.3 PROCEDURES FOR APPROVAL AND PAYMENTS

With regard to the **length and speed of procedures**, our surveys to date have revealed serious problems here too. The lack of staff, the burden of work, the large number of services involved (local agronomist, Agriculture Directorate, GEDIDAGEP), the complexity of the procedures (two separate procedures for the selection of beneficiaries, one for approval and one for payment), all lead to unacceptable delays in payments to beneficiaries. This is especially acute foe the measure of Specific Supply arrangements where are cases of delay payments up to 18 months after deposition of the documentation. This can obviously create serious problems for beneficiaries, who have blocked considerable sums in guarantees for long periods of time, and thus decrease interest in the programme.

6.4 EVALUATION & SELECTION OF CANDIDATE S

The evaluation and selection of candidates is implemented by a bi-monthy planning and the issue of final acceptance of beneficiaries does not follow a candidate selection procedure, especially in the case of supply arrangements. There are cases where the aid is withdrawn export-after the beneficiary has implemented the distribution of products under the normal procedure (with the discount which is foreseen under the Regulation).

This cut-down of subsidy to the candidates do not follow any criteria but it represents a percentage of the initial application, equal for each beneficiary (e.g. 5% or 15%), and it is due to the lack of intime planning of the balance. A particularly serious problem in implementing

the specific supply arrangements measures of the Regulation constitutes the absence of any selection criteria and procedures for the evaluation of candidates besides the formal ones (application forms, guarantees, freight print-outs etc.).

The loose criteria in the selection of candidates have mobilized a number of private merchants who in many cases do not posses any experience or the relevant infrastructure, or even with disputed conduct in certain cases. The absence of a penalty system for the beneficiaries that misbehave to the obligations that they undertake is considered as a serious handicap of the implementation mechanism of the Regulation.

In addition, there are delays in informing the information system of the Ministry of Agriculture (Informatics Directorate / GEDIDAGEP) for the payments of beneficiaries of the supply arrangements – who may submit the invoices (for payment) within 12 months after certification of subsidized products -.

This in turn has as a result the annual data sheets of the information system of the Ministry to be according to the financial index (payments) and not according to the physical index (certificates). Data on physical index are in the competent departments of the Ministry of Agriculture - but without any organized systems - which could help the task of the evaluation.

7 CONCLUSIONS

The main conclusions from the evaluation procedure are the follow :

7.1 EVALUATION OF SPECIFIC SUPPLY ARRANGEMENTS (TITLE1)

The application of Specific Supply Arrangements had a positive impact on the price of certain products financed under the Regulation.

The main points of the evaluation are summarized below.

- The balances (annual maximum quantities) were calculated just below to the total needs. In this way waste of resources was avoided and at the same time an important part of local needs was covered.

- The balances targeted for the period 1994-1996 were covered satisfactorily in feeding stuffs and flour. Irregular or low absorption was observed in sugar, fruits and vegetables while for yoghurt the balance was not covered at all.

- Raw materials intended for processing (flour in bakeries) or other productive activities (feeding stuffs in stock breading) had important impact on prices and helped to maintain competitive prices.

- The most remarkable effect is that in those two products (flour & feeding stuff) the implementation of the measure exerts pressure on prices by pushing down the price of non-subsidized quantities of these commodities as well.

- In the case of high added value products-such in the sector of Turkish delight sweets in Syros, or the boiled sweets in Chios-the effect of the subsidized product is not so important (small contribution of sugar to final product price).

- The same applies to consumer products of high added value such as yoghurt or fruits & vegetables, where the contribution of the aid, especially in Group A islands is very small.

- Fruit and vegetable produce remains more expensive than in urban centres, but despite this, the measure had very small absorbance owing to the structure of wholesale and retail trade, and the poor contribution of the aid to transport cost.

- The differences in transportation cost which emerge do not appear to be proportional to the distances and in no case do they correspond to the differences in subsidy between A and B group of islands. The final price of the product is most heavily affected by transport costs in the case of products sent from certain island ports to the very small harbours of the Aegean Sea (double insularity).

7.2 EVALUATION OF MEASURES TO SUPPORT LOCAL PRODUCTS (TITLE II)

In general terms, the aid given by the measure during the year 1993-96 have **covered a significant part of local production and have contributed decisively to sustaining agricultural activity in most islands**. In addition **positive environment impacts** are expected by the implementation of traditional agricultural activities : maintenance of olive groves and cultivation of vines in traditional wine-growing zones protect the soil from erosion, bee-keeping has as an effect the biodiversity and the sustaining the ecosystem of the islands.

The key points of the evaluation are the following :

- There was widespread implementation of the measures regarding traditional agricultural activities : livestock breeding, olive cultivation, the VQPRD vineyards, and bee-keeping.

- The aid given by the measures of the Regulation (EEC) No 2019/93 to support local production although not too high, does cover a critical percentage of the production cost, which for a large number of agricultural establishments may mean the difference between financial ruin or survival.

- There was limited implementation of the measures in the area of product storage (private storage of cheeses and ageing of wines), and in fruit / vegetable due to market conditions (quick circulation of the products / marginal coverage of storage cost by the aid) and restrictions imposed by the Regulation (minimum area, producer groups) respectively.

7.3 EVALUATION OF DEROGATIONS APPLICABLE TO STRUCTURAL MEASURES (TITLE II)

It appears that the implementation has had a far more dynamic effect than was anticipated on the level of agricultural holdings through the mass implementation of improvement plans. More specifically :

Response to the derogations applicable to Regulation (EEC) No.2328/91 was particularly positive in the Aegean islands. Over the period 1994-97 2320 improvement plans were approved, which represent 16.4% of total plants at national level, while the population of the islands represents 5% of total population.

- Agricultural holdings financed represent 4.1% of total in N. Aegean region (prefectures of Lesvos, Chios, Samos) and 4.8% in S. Aegean region (prefectures of Dodecanesse and Cyclades), while the national average was 1.7%. What is more striking is that 45% of the improvement plans were implemented by young

farmers (under 40) and 49% implemented by farmers with less than 10 year's experience.

- Modernitation and improvement of agricultural holdings are generally considered as positive mechanisms for maintaining the agricultural population and preserving the agricultural activities, but also for developing an effective intiative to reverse the trend in which the population has been abandoning the countryside regions of the islands.

8 COMMENTS AND RECOMMENDATIONS

As already presented in the evaluation of the relevant measures (supply arrangements, support to local production, derogations to structural funds), **the Regulation has had an overall positive impact on the socioeconomic situation of the small islands** in the Aegean Sea, albeit certain problems that appeared during the implementation.

It is certain that abolition of Regulation will exert negative impacts on the economic and social situation of the islands and will hold back the process of socioeconomic improvement achieved so far.

A set of recommendations for improving the implementation and the efectiveness of the Regulation are presented below.

It should be noted that our recommentations focus on policy measures rather than a product-by-product suggestions

8.1 REDEFINTION OF THE PRODUCTS TO BE SUBSIDIZED UNDER SPECIFIC SUPPLY ARRANGEMENTS BY THE REGULATION (EEC) NO. 2019/93

We consider that the “basket” of the products subsidized under the Regulation, requires a total (global) reexamination.

What is needed is to redefine which products are “essential” for human consumption, in relation to production and / or consumption standards prevailing in the islands.

To be more specific

- Sugar price has no direct impact on the level of living standards of islands population, neither on the level of consumption.
- The same applies to packaged yoghurt. The subsidy only marginally could increase its consumption in the islands.
- In addition, **it is recommended to differentiate the aid according to product**. For example the dairy sector (a sector with strong competition and eveling trends of price differences even in the islands) versus the fruit vegetable sector (a sector with weak competition and expensive products in the islands).
- If it is continue, the measure should concentrate selectively towards**subsidizing products that have permanent and serious price deviations** in relation to mainland prices (e.g. fruits & vegetables) and imputs to local micro enterprises (e.g. flour) or rural activities (e.g. feeding stuffs).

- In order to promote the distribution of fruits & vegetables in the islands, it is suggested to initiate specific incentives for producer groups in the mainland that will undertake the distribution of their produce to the islands.

- The permanent conflict that arises between the cooperatives and the private merchants could be solved by examining the alternative to consider as direct beneficiaries the stock breeders according to their stock capacity. The administration of the payments to the beneficiaries could be undertaken by the cooperatives, by reimbursing to them the administrative cost of the operation.

8.2 CHANGE THE GROUPING OF THE AEGEAN ISLANDS (A / B GROUPS)

- The grouping of islands to A & B groups following their distance from the mainland was irrelevant from the actual transport cost and caused “unfair” situation between the islands as it was revealed by the evaluation study.

- We suggest that this system should be replaced by a system based on the actual transport cost according to island destination.

- An indicative solution could be the awarding of the transportation to large and well organized transport companies and parallel change of payment procedure and intermediate beneficiaries.

- Special attention should given to the very small islands, with the characteristics of **double insularity**, where the subsidy never reached (no extra aid was given from main island ports to small island ports, which in some cases was much higher that the transportation from mainland).

8.3 ADJUSTMENT OF THE AID TO LOCAL PRODUCE “ESSENTIAL FOR THE LOCAL NEEDS”

- Implementation of the measures to support local product was satisfactory for most products subsidized under the Regulation (olivegroves, vineyards, livestock, beekeeping), and it is suggested to continue.

- We consider though that the set of measures designed for private storage of cheese and wines does not correspond to market needs in the islands and in turn they should be reexamined or even limited.

- It is also suggested to use more flexible criteria for subsidizing fruit / vegetable producers. Certain restrictions such as minimum area, establishment of producer groups should be reexamined. Technical support for the latter is considered a prerequisite. In addition, a study should be required in order to initiate 2-3 pilot producer groups with specific sectord orientation in neighbouring islands.

8.4 SPECIFICATION OF DEROGATIONS APPLICABLE TO THE STRUCTURAL FUNDS

- The successful implementation of the derogations applicaple to the structural funds (improvement plans, compensatory allowance, young farmers) clearly indicates the **need for continuing this measure.**

- In addition, it is suggested that the above interventions should be supplemented by the **elaboration of a specific programme to support the processing units** in the islands with sectoral and geographical priorities, taylored interventions according to priorities and simplification of the procedures. The introduction of **quality labels** for certain agricultural products of the islands should also be considered.

- The experience from the implementation of relevant integrated interventions (LEADER II Initiative) could be taken as a guidance (integrated support for investments, organization of distribution and marketing activities, renovation of the processing units, etc.)

The local development agencies that implement the LEADER II initiative could undertake the implementation of supplementary activities of this type, if they are foreseen by the Regulation.

- Additionally, the experience gained by the interventions financing SMES in the economic declining regions within the framework of the 2nd CSF (financing of business plans with 3-fold objectives : investment, promotion marketing and personnel training), could be valorized for the case of the Aegean islands.

8.5 DEVELOPMENT OF A MANAGEMENT AND MONITORING SYSTEM- SIMPLIFICATION OF PROCEDURES

- For the smooth and effective implementation of the measures and actions of the Regulation it is strongly recommended to establish a management monitoring mechanism (Monitoring Secretariat) that will undertake the task of monitoring the implementation of the Regulation by specified procedures and computerized data and file keeping.

- The coordination of actions and the communication with the Commission Services on a well organized and regular basis, should be undertaken by the Monitoring Secretariat, which could be established and operate within the framework of the Agriculture Ministry ’s Services.

- The management and implementation of the interventions of the Regulation need improvement especially with regard to the certification of payments in the supply arrangements, as well as the evaluation and selection of beneficiaries (register of beneficiaries, simplification of certification procedures, avoid of ex post reductions of subsidies).

- In order to face bureaucratic procedures for the measure of supply arrangements it is suggested to examine the possibility to award contracts after an open bid to well organized transport companies.

8.6 COORDINATION OF STUCTURAL MEASURES IN THE AEGEAN SEA ISLANDS

- In the region of the Aegean islands, a number of interventions are being and are going to be implemented having as an overall goal the improvement of the socio-economic situation of the islands (POP, LEADER initiative, INTERREG, etc.)

- The above programmes with a rather structural orientation should be compatible and in connection with the interventions foreseen by the Regulation, so as to form an effective set of measures.

- Emphasis should be given to soft interventions that create and enhance the enterpreneurship of the very small companies in the islands. It is suggested to initiate an **expert assessment** for the integrated application with additionality and synergy of actions so as to create the relevant infrastructure, to support small enterprises. This could include **Centre to support the small agribusiness enterprises** in the islands, **development of new financing tools** (leasing, venture capital) etc.

8.7 ESTABLISH AN OBSERVATORY FOR THE PRICES OF PRODUCTS ESSENTIAL FOR HUMAN CONSUMPTION IN THE ISLANDS OF THE AEGEAN SEA

- To ensure an effective control of price variations in the islands, we would recommend the founding of an Observatory that will follow-up the evolution of prices for the products financed under the Regulation.

- A separate study will be needed to finalize the procedures, objectives and other operational activities.

- The observatory could undertake on-the-spot research in order to check the passing over of prices to end-users, identify false or defect performance in implementation and inform the Monitoring Secretariat.

ANNEX N_0 1

COMPARATIVE PRESENTATION BETWEEN DATA OF THE MINISTRY OF AGRICULTURE AND GEDIDAGEP

COMPARATIVE PRESENTATION BETWEEN DATA OF THE MINISTRY OF AGRICULTURE AND GEDIDAGEP

The Evaluation of Reg. EEC No 2019/93 was methodically based on data concerning payments of end-users who are the traders and the deliverers for the measures of supply arrangements and the farmers for the measures of local production support.

The most significant reason for using the data of payments was that they were the only available and adequate in terms of the main Prefectures of Aegean region.

Comparisons between these data and the data of Progress Report which the Ministry of Agriculture submits annually to the European Committee have considerable differences. This is attributed to the fact that the data of Progress Report concern mainly approved subsidies and not payments. In terms of time-period their is a difference of 12 months, at least.

In this chapter, for the better analysis of this problem, we presented comparisons between the both source of data (Progress Report and GEDIDAGEP) for each product covered by the Regulation (supply arrangements and local production).

We also present for any possible use or need the approved data, as they were given to us by the directorates of the Ministry of Agriculture, but these data could not be used to the Evaluation of the Regulation EEC No 2019/93 for many reasons: weakness of presenting the calendar years, data not available for specific years, data not available for a whole of some Directorates of the Ministry of Agriculture.

The data of this chapter reassure practically the already mentioned need for the installation of a well organized data collection and processing system for the follow-up of the Regulation.

A. SPECIFIC SUPPLY ARRANGEMENTS

A.1 SUGAR

Table A.1 contains quantities of sugar which were subsidized by the Regulation EEC No 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

These elements in comparison to the approved quantities of sugar (Progress Report, 1995, CEC) have quite differences.

According to the Greek Industry of Sugar the payments for the approved quantities of sugar have been undecided since 1994.

The table below shows the approved and subsidized quantities of sugar.

TABLE A.1.a

SUGAR (TN)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	1.692	6.615	542
Approved quantities[1]	-	8.131	8.139,5	577

Data of the approved quantities of sugar covered by the Regulation have been collected from the Directorates of the Ministry of Agriculture. These data have not so many differences comparing to the data of the Progress report but these data are available only for the years 1995 and 1996.

The table below contains the approved quantities of sugar per island which have been collected by the Ministry of Agriculture.

TABLE A.1.b

SUGAR (TN)				
	1995		**1996**	
	Number of Certificates	*Tones*	*Number of Certificates*	*Tones*
Syros	8	277	5	147
Naxos	5	90	4	105
Samos	12	188,5	7	165
Sifnos	2	7	1	2,5
Kea	-	-	1	12
Ikaria	4	80	3	50
Limnos	-	-	2	60
Rhodes	7	4.565	-	-
Lesvos	6	1.400	-	-
Chios	6	1.500	-	-
Milos	2	7	-	-
TOTAL	**52**	**8.114,5**	**23**	**541,5**

[1] Progress Report 1995, (CEC)

A.2 FLOUR

Table A.2 contains quantities of flour which were subsidized 1994, 1995, 1996.

Source of these data is the computer system of GEDIDAGEP.

These data in comparison to the approved quantities of flour (Progress Report, 1995, CEC) have not many differences.

The table below contains the approved and subsidised quantities of flour.

TABLE A.2

FLOUR (TN)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	38.693	40.010	30.257
Approved quantities[2]	-	38.018	38.805,5	38.832

Besides, data of approved quantities of flour were collected from the Directorates of the Ministry. The elaboration of these data was not feasible, due to a lot of corrections (manuscript data) and it was not clear which quantities had been approved.

[2] Progress Report 1995, (CEC)

A.3 FEEDING STUFF

The table A.3 contains quantities of feeding stuff which were subsidized by the Regulation No 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

These data compared to the quantities of feeding stuff which were approved (Progress Report 1995, CEC) have quite differences.

The table below contains the approved and subsidized quantities of feeding stuff.

TABLE A.3

FEEDING STUFF (TN)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	42.256	51.395	53.003
Approved quantities[3]	-	59.248,1	58.577	62.340

In addition, we asked for data of approved quantities of feeding stuff from the Directorates of the Ministry. The elaboration of these data complicated more the situation because the subsidized quantities (and not the approved quantities) for the years 1995 and 1996 coincide with the approved quantities of the data appeared in the Progress Report.

A.4 FRUITS AND VEGETABLES

[3] Progress Report 1995, (CEC)

Table A.4 shows quantities of fruits and vegetables which were subsidized by the Regulation 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

Source of these data is the computer system of GEDIDAGEP.

These data in comparison to the quantities of fruits (Progress Report, 1995, CEC) which were approved, have quite differences which are due to the difficulties in enforcing the Regulation to this product.

Data of approved quantities were asked also from the Directorates of the Ministry of Agriculture but there were not available.

The table below contains the approved and subsidized quantities of fruits and vegetables.

TABLE A.4

FRUITS / VEGETABLES (TN)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	2.700	4.490	3.284
Approved quantities[4]	-	1.123	3.746	4.717

B. MEASURES TO SUPPORT LOCAL PRODUCTION

[4] Progress Report 1995, (CEC)

B.1 MEASURES TO SUPPORT STOCK BREEDING

Table B1 contains the number of animals which were subsidized by the Regulation 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

These data in comparison to the data of the approved number of animals covered by the Regulation (Progress Report, 1995, CEC) have slight differences which are attributed to the fact that payments were transferred to the next years throughout the whole period of time.

The table below contains the data of the approved and subsidized number of animals.

TABLE B.1

MEASURES SUPPORT CATTLE – RAISING (number of animals)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized number of animals	-	14.321	18.794	19.081
Approved number of animals[5]	15.090	18.770	21.793	20.369

Furthermore, data of approved number of animals covered by the Regulation as well as the explanation for the differences that appeared, were asked from the Directorates of the Ministry of Agriculture but no further available data existed except those from GEDIDAGEP.

From the office of the Coordinator of the Regulation. 2019/93 the following explanations were given:

The measures follow the general regulation.
For each economic X year of GEDIDAGEP, all the applications for the X-1 year are paid. To each year of payment corresponded the approved quantities of the previous economic year of GEDIDAGEP, which coincide with the calendar year.

B.2 SUPPORT TO PRIVATE STORAGE OF CERTAIN LOCAL CHEESES (TN)

Table B.2 presents quantities of cheese (TN) which were stored under the Regulation, according to the corresponding payments.

The source of these data is the computer system of GEDIDAGEP.

These data in comparison to the quantities of cheese which were approved by the Regulation (Progress Report, 1995, CEC) have differences which can be attributed to the delay of payments and to the fact that (according to the responsible of the Ministry of Agriculture) the quantities which are approved to the producers are not always the same with those which are finally subsidized. This happens because the producers ask a specific quantity which is being approved, but later throughout the implementation of the measure the same quantity is not available (usually smaller quantity is available).

The table below shows the approved and subsidized quantities of cheese for storage.

TABLE B.2.a

SUPPORT TO STORAGE OF CERTAIN LOCAL CHEESES (TN)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	-	210	274
Approved quantities[6]	-	210	484	398

Data of approved quantities were asked from the relevant Direction of the Ministry of Agriculture but they were not available. Available data concern subsidized quantities by year of FEOGA.

These data are contained to the following table:

TABLE B.2.b

SUPPORT TO STORAGE OF CERTAIN CHEESES (TN)				
1993-1994				
	Storage	***Product***	***Tones***	***Days of storage***
Lesvos	1	feta	200	150
Lesvos	1	ladotyri	10	120-150
TOTAL	**2**		**210**	

[5] Progress Report 1995, (CEC)
[6] Progress Report 1995, (CEC)

TABLE B.2.c

SUPPORT TO STORAGE OF CERTAIN LOCAL CHEESE (TN)				
1995-1996				
	Storage	***Product***	***Tones***	***Days of storage***
Lesvos	4	feta	253,5	150
Lesvos	2	ladotyri	12,5	120-150
Tinos	1	graviera	8	
TOTAL	**7**		**274**	

TABLE B.2.d

SUPPORT TO STORAGE OF CERTAIN LOCAL CHEESES (TN)				
1996-1997				
	Storage	***Product***	***Tones***	***Days of storage***
Lesvos	2	feta	384	150
Lesvos	2	ladotyri	12	120-150
ΣΥΝΟΛΟ	**4**		**396**	

Since the above elements concern FEOGA years, it is not possible to compare them with the approved quantities of Progress Report, 1995, CEC or with the subsidized quantities of GEDIDAGEP.

From the office of the Coordinator of the Reg. 2019/93 the following explanations were given:

The storage of cheeses (Reg. 3393/93/Commission) foresee the following: A contract is joined (independently of time-period) which cannot be shorter, than 60 days and longer than 150 days though, it is paid within 90 days since the last day of the contracting storage. Consequently, it can be paid (in proportion to the date of the beginning), within or not the economic or calendar year, since the beginning of the storage.

B.3 SUPPORT TO CULTIVATION OF POTATO

Table B.3a contains cultivated areas of potatoes which were subsidized by the Regulation 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

These data in comparison to the data of the approved areas of potatoes (Progress Report, 1995, CEC) have significant differences mainly for the years 1994 and 1995 which are shown to the following table.

TABLE B.3.a

SUPPORT TO THE CULTIVATION OF POTATO (ha)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized areas	-	979	2.772	1.520
Approved areas[7]	-	1.202	1.484	1.544

Data collected of approved cultivated areas of potatoes from the Directorates of the Ministry of Agriculture showed slight differences from the data of the progress Report.

TABLE B.3.b

SUPPORT TO THE CULTIVATION OF POTATO (ha)				
	1993	**1994**	**1995**	**1996**
Ministry of Agriculture Approved areas	-	1.068	1.434	1.578
Approved areas[8]	-	1.202	1.484	1.544

[7] Progress Report 1995, (CEC)
[8] Progress Report 1995, (CEC)

The data of the approved areas of potatoes covered by the Regulation for each Directorate of Agriculture and for each year according to the data of the Ministry are shown to the following table:

TABLE B.3.c

SUPPORT TO THE CULTIVATION OF POTATO (ha)			
	1994	**1995**	**1996**
Cyclades	634,2	723,9	746,1
Dodecanese	161,2	386	503
Samos	18,8	19,6	12,2
Chios	53,9	88,8	98
Lesvos	195,6	213,1	217,6
Kithira	4,3	2,2	1,5
ΣΥΝΟΛΟ	**1068**	**1433,6**	**1578,4**

From the office of the Coordinator of the Reg. 2019/93 the following explanations were given:

The support to the cultivation of potato (Reg. 3404/93/ΕΠΙΤΡ.) refers to the following:

Article 2
The applications take place:
1) since 30 September for the crop 1 November – 31 March.
2) since 10 March for the crop 1 April – 31 July.
3) since 15 May for the crop 1 August – 31 October.

According to the circular 166309/26.02.94, the support is given to the cultivators of potato within 3 months since the date of crop.
Consequently, for the case 3) the payment takes place in other period not referring to the economic and probably the calendar year of cultivation in which it was subsidized.

B.4 SUPPORT TO VINES VQPRD

Table B.4 contains the areas of vineyards which were subsidized by the Reg. 2019/93 according to the corresponding payments for the years 1994, 1995, 1996..

The source of these data is the computer system of GEDIDAGEP.

These data in comparison to the data of the approved areas of vineyard (Progress Report, 1995, CEC) have differences at first sight but these differences must be attributed to the transfer-delay of payments of one year throughout the whole period of time.

The table below shows the data of approved and subsidized areas.

TABLE B.4.a

SUPPORT TO VINEYARDS VQPRD (ha)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized areas	-	4.887	4.999	5.124
Approved areas[9]	4.887,3	4.993,5	5.199,5	5.156,5

Data of approved areas of vineyards covered by the Regulation were also asked from the competent Directorates of the Ministry of Agriculture which are refereed to years of FEOGA (for each cultivated period) as following:

TABLE B.4.b

SUPPORT TO VINEYARDS VQPRD (ha)			
	1993 - 1994	**1994 - 1995**	**1995 - 1996**
Limnos	689,2	723,08	720,25
Samos	1.279,2	1.249,74	1.298,03
Rhodes	1.172,18	1.216,44	1.164,51
Santorini	1.262,8	1.242,11	1.364,71
Paros	5.26,05	5.62,15	572,05
TOTAL	**4.929,95**	**4.993,52**	**5.119,5**

Since the above data concern FEOGA years, it is not possible to compare them neither with the approved areas from the Progress Report nor with the subsidized areas of GEDIDAGEP.

[9] Progress Report 1995, (CEC)

From the office of the Coordinator of the Regulation. 2019/93 the following explanations were given:
According to the Reg. 3112/93/Commission:

a) Vineyard VQPRD

Article 2
Applications are submitted: until 1st May (with the exception for the year 1993: until 31 December 1993) for the next period of viticulture.

Article 3
The member state after estimating the crop and the real yield submit the support before 1st April of the period of viticulture for which the support had been subsidised.

b) Liqueur Wines

Article 6
The storage period (minimum duration 2 years) begins the first day of the period when the crop takes place and it is not interrupted until the end of the next period.

Consequently, the payment takes place at a period which is not refer info the economic or the calendar year for each cultivation.

B.5 SUPPORT TO PRIVATE STORAGE OF LIQUEUR WINES

Table B.5 presents quantities of wines for storage which were subsidized by the Reg. 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

Comparisons between these data and the approved quantities of wine for storage (Progress Report, 1995, CEC) seem to have differences which are attributed to the fact that payments are delayed per year throughout the whole period of time.

The table below presents the approved and subsidized quantities of wines for storage.

TABLE B.5

SUPPORT TO STORAGE OF LIQUEUR WINES (CLT)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized quantities	-	-	4.000	1.583
Approved quantities[10]	2.000	2.154	2.154	132,75

Data concerning the approved quantities were asked by the relevant Directorates of the Ministry of the Agriculture but they were not available.

From the office of the Coordinator of the Regulation. 2019/93 the following explanations were given:
According to the Reg. 3112/93/Commission:

a) Vineyard VQPRD

Article 2
Applications are submitted until: 1st May (with the exception of year 1993: until 31 December 1993) for the next period.

Article 3

The member state after estimating the crop and the real yield submits the support before the 1st April of the trade period for which the support had been subsidized.

[10] Progress Report 1995, (CEC)

b) Liqueur wines

Article 6
The storage period (minimum duration 2 years) begins the first day of the trade period when the crop takes place and it is not interrupted until the end of the next trade period.

The support is given as follows: 50% at the beginning and the rest at the end of the second period of storage.

Consequently the payment takes place at a period which is not referring to the economic or the calendar year for each cultivation.

B.6 SUPPORT TO OLIVE GROVES

Table B.6 presents areas of olive groves which were subsidized by the Reg. 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.
The source of these data is the computer system of GEDIDAGEP.

Comparisons between these data and the approved areas of olive groves (Progress Report, 1995, CEC) have many differences only for the years 1993 and 1994 which are attributed to the fact that payments were transferred from the year 1993 to the year 1994. More specifically, according to the Progress Report (1995) CEC, the approved areas were 93.020 ha for the year 1993 and 100.390 ha for the year 1994.

Table 11, which corresponds to payments (subsidized areas), state that the areas of olive groves were 186.003 ha for the year 1994 comprising the payments of the year 1993, as well.

For the next years 1995-1996 the differences between the approved areas of olive groves (Progress Report, 1995, CEC) and the subsidized areas (source the GEDIDAGEP) are very slight.
The table below presents the approved and subsidized areas of olive grove.

TABLE B.6

SUPPORT TO OLIVE GROVES (ha)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized areas	-	186.003	88.325	91.104
Approved areas[11]	93.020	100.390	90.473	93.660,1

Despite our effort to find out data of approved areas of olive groves from the relevant Directorates of the Ministry of Agriculture they were not available.

From the office of the Coordinator of the Regulation. 2019/93 the following explanations were given:
According to the Reg. 3112/93/Commission Article 2, the applications are submitted until the 15th June of each year (except for 1993: until 30th November 1993), while the payments take place from 16th October to 30th December 1993).

Thus, the payments for the year X took place within the GEDIDAGEP economic year X+1 and within the calendar year X.

B.7 SUPPORT TO BEE-KEEPING

[11] Progress Report 1995, (CEC)

Table B.7 presents the number of hives which were subsidized by the Reg. 2019/93 according to the corresponding payments for the years 1994, 1995, 1996.

The source of these data is the computer system of GEDIDAGEP.

Comparisons between these data and the approved number of hives covered by the Regulation (Progress Report, 1995, CEC) have differences, which for the years 1993, 1994 are attributed to the delayed payments while for the year 1996 they are attributed to the fact that the subsidy for 72.754 hives was not feasible due to the low coefficient (plafond) which was imposed.

Indeed, for the year 1996, these data were reassured by the relevant Directorates of the Ministry of Agriculture and it was mentioned that a low coefficient (plafond) was imposed on 72.574 approved hives.

The table below presents the approved and subsidized number of hives.

TABLE B.7

SUPPORT TO BEE-KEEPING (HIVES)				
	1993	**1994**	**1995**	**1996**
GEDIDAGEP Subsidized hives	-	184.753	47.164	47.208
Approved hives[12]	85.304	105.047	47.663	72.574

From the office of the Coordinator of the Regulation. 2019/93 the following explanations were given:

According to the Reg. 3112/93/Commission:

Article 3
The applications are submitted until 30th September each year (for the year 1993: until the 15th December)

Article 4
The payments take place until 31st December (for the year '93 the payment could be taken place until 28 February 1994).

Consequently, the payments take place at a period which is not referring to the economic year of GEDIDAGEP.

[12] Progress Report 1995, (CEC)

ANNEX N_0 2

REPORT OF THE FIELD SURVEY IN AEGEAN ISLANDS FOR THE IMPLEMENTATION OF SPECIFIC SUPPLY ARRANGEMENTS (REG 2019/93)

(Syros)

The local research on the island of Syros, the main town of the prefecture of the Cyclades, was intended to investigate the progress of the measures included in Code 2019/93, and more particularly the supply support measures offered. The research attempted to make as detailed a presentation as possible of the factors influencing the success or failure of the measures, as well as their practical and direct effect on the final price of products (the extent to which the subsidy is passed on to the consumer).In the case of the products covered by the Code the level of prices in the region was examined as well as the effect on prices of the cost of transporting the products. The detailed conclusions by category of product are set out below (NB: there is no special reference to yogurt since there was no movement, interest or information in the area of this product in Syros or in the Cyclades more generally).

1. ANIMAL FEED: In the course of the local investigation on Syros the question was principally examined of to what extent the subsidy provided was passed on to the final user, in this case the livestock breeders of the island. An on site investigation was carried out at the premises of the largest animal feed distributor on the island, the Union of Agricultural Cooperatives (UAC) of Syros, where it was established that the discount is recorded in both the price list displayed in the distributor's central cashier's office and in the invoices issued (copies of the invoices are attached). At the same time a comparison was made between the subsidized prices and those of a private distributor who does not enjoy subsidy. Very slight divergences towards a higher price were ascertained in the prices of the private distributor, alongside a systematic attempt on his part to keep his prices in line with those of the UAC.

INDICATIVE SALE PRICES OF FEEDING STUFFS IN SYROS (23/02/99)

KINDS	*WITHOUT SUBSIDY (COOP)*	*WITH SUBSIDY (COOP)*	*WITHOUR SUBSIDY (PRIVATE WHOLESALER)*
Bran	67	62	64
Cottonseed cake	60	55	57
Corn	73	68	70
Mixtures (t 29)	112	107	-

In the case of Syros the only distributor, today, receiving subsidy for animal feed is the UAC. The private distributor in question ceased to receive the subsidy when he was asked by the local Agricultural Directorate to issue invoices making explicit mention of the corresponding discount (this private individual was issuing and continues to issue retail sale receipts from a cash till).

The above comparisons must be approached with caution since, in the Cyclades more generally, it has been observed, at least among the private traders, that prices vary from customer to customer according to the quantities involved and the terms of payment.
During the same period (February 1999) an on site investigation was conducted in the western Cyclades to identify divergences in price in certain representative animal feed products. Here too we encountered the same features as in the capital of the Cyclades, that is to say the presence of a cooperative and of private traders who tend to adjust their prices (with or without subsidy) to stay in line with the corresponding prices of the Cooperative distributing the greater quantities.

INDICATIVE SALE PRICES OF FEEDING STUFFS IN WEST CYCLADES

KINDS	*WITHOUT SUBSIDY*			*WITH SUBSIDY*			*WITHOUT SUBSIDY*			*WITH SUBSIDY*		
Corn	Coop			Coop			Wholesaler			Wholesaler		
	?	?	?	?	?	?	?	?	?	?	?	?
	75	75	77	70	70	67	78	72	75	-	-	65
Cottonseed cake	65	57	60	60	52	50	64	54	60	-	-	50

? =Andros, ? =Kea, ? =Milos

Examination was also made in two cases (UAC of Western Cyclades and a private merchant in Mylos) of the issue of how much of the subsidy is passed on to the final consumer. In the case of the UAC the invoices issued record the discount offered due to subsidy, and in the case of the private merchant in Mylos we found retail receipts issued also recording the discount offered due to subsidy.

The transport of animal feed is by lorry on ships from various parts of the country, and the cost varies according to the route traveled.

INDICATIVE TRANSPORTATION COST OF FEEDING STUFFS TO SYROS FROM VARIOUS PORTS (Group A)		
PORT	*PRODUCT*	*COST*
Imathia	Mixtures	13,5 / kg
Volos	Bran	10,0 / kg
Viotia	Bran	8,0 / kg
Corinthos	Corn	8,0 / kg
Lamia	Mixtures	10,0 / kg
Serres	Sugar-beet cake	16,0 / kg
Attica	Cottonseed cake	6,5/ kg

The inflation of animal feed prices by transport costs is not by any means directly proportional to the distance involved. The table presents prices for certain routes of a systematic purchaser of animal feeds such as the UAC of Syros (it should be noted that these prices, valid as of 2/99, were reached through invitation to tender). These prices, compared with prices for the transport of animal feeds to neighboring islands show significant differences despite the fact that Syros could be regarded as a significant transport centre and representative case of transport costs. For example, in the neighboring, and more remote, Naxos (island group B) the cost of transport can be as much as 20% lower (for the same period and for transport of animal feeds from Attica a transport cost of 4.5 drachmas per kilo was identified). Also, for the route Rafina-Andros (group A) and for a major distributor (UAC of Western Cyclades) for the same period of time the cost for the transporting of maize is estimated at 10 drachmas per kilo, while for the route Peiraia-Mylos (group B) it is estimated at 8 drachmas per kilo. It is obvious that animal feed transport prices are influenced by factors which are not only connected with distance, factors such as the possibility of combining loads, the presence or absence of local transport firms (the case of Naxos) etc. These factors seem to play a determining role in the cost of transport.

INDICATIVE TRANSPORTATION COST OF FEEDING STUFF IN WEST CYCLADES (FROM PIRAEUS OR RAFINA)		
PORT	*PRODUCT*	*COST (dr.)*
Attica	Corn (in sacks)	Rafina - Andros 10 dr/kg
Attica	Corn (in sacks)	Piraeus – Milos 8 dr/kg
Attica	Corn (in sacks)	Piraeus – Folegandros 10 dr/kg

Significant differences can also be seen in the effect on final price of the cost of unloading at the port of destination. On Syros this cost is as high as 4 drachmas per kilo, while on the islands of the Western Cyclades it amounts to 2 drachmas per kilo. This difference can only be explained by the strength of the dockworkers union at each port. Moreover, the investigation indicated that there is a difference in handling between public use lorries (obligatory 'taxation') and private vehicles (possibility of avoiding payment of loading/unloading charges). All the above are indicative of the absence of a code of practise for transport on the islands and of the practical impossibility of assessing the final effect of the subsidy in covering the final inflation of the price by transport costs.

2. FLOUR AND MEAL: The first issue to be examined during the local investigation on Syros was the critical subject of how much of the supply subsidy for flour is passed on by the distributors, which are for the most part the flour companies, to the final customers (bakers and consumers). From a first reading of the situation it appears that the flour companies distributing the largest quantities do pass on the amount of subsidy to the purchasers (bakers), making the relevant mention of the subsidy on the sales invoices. Likewise, the bakers display on their premises a notice indicating that their products enjoy subsidy under the provisions of the Code. This is confirmed by the statement of the Syros bakers' president (Mr. Koumarianos) that the subsidy is passed on to customers and that its abolition would mean a corresponding increase in the price of their products.

Discussions in Syros with the representative of the flour industry (Mr. Roussos) made clear the industry's opposition to the institution of the subsidy, an opposition based on the fact that the flour producing companies are now obliged by circumstances to make the reduction whether they benefit from the subsidy or not, so great is competition in this sector.

It also emerged that flour prices on Syros vary within the same parameters as those on the mainland if allowance is made for transport and unloading costs. Specifically, over the period of the investigation (February 1999) the price of T70 flour was 127 drachmas per kilo, on which a discount is calculated (regardless of the subsidy) in the order of 20-25 drachmas per kilo (this is the usual mode of pricing flour throughout the country). Nevertheless, to the price thus calculated the mills add the costs of transport and unloading (10-12 drachmas per kilo) for which they charge their customers.

FORMULATION OF BREAD FLOUR PRICE IN SYROS (Feb.'99)				
Catalogue price	*Mill discount*	*Transportation cost*	*Fixed aid*	*Final price*
127 dr./kg	20 dr./kg	12 dr./kg	5 dr./kg	114 dr./kg

Transport and unloading costs of the product on Syros, and on the neighboring islands of the Cyclades, are more or less stable (10-12 drachmas per kilo), given that transport is managed by the companies themselves using regular carriers. It should be noted however that the cost of transport is increased by 1-2 drachmas per kilo on certain islands with historic town centres where the product has to be transferred to small vehicles suitable for making deliveries in the narrow streets of the old towns. Consumer prices for the standard bakery products are on Syros roughly the same as corresponding prices elsewhere in the country. In fact, in the case of certain products (e.g. rusks, biscuits) significantly lower prices were identified (prices from 3 shops).

INDICATIVE CONSUMER PRICES OF BAKERY PRODUCTS IN SYROS (February '99)			
BREAD 70%	*WHOLEFLOUR BREAD*	*CRACKERS*	*BISCUITS*
300 dr./kg	360 dr./kg	900 dr./kg	1300-1600 dr./kg

In conclusion, in the case of flour and meal it is relatively easy to identify the discount arising from the Code subsidy, thanks to the excellent organization of product distribution by the large producers. However, difficulties are caused by the policy of differentiated discounts which the companies follow.

3. SUGAR: Support measures for sugar distribution in the Cyclades did not enjoy the success they had with flour and animal feed. The local investigation identified only meager interest in Syros and Naxos, terminating in 1997. In the case of sugar we observed a failure to provide full information to the final users, more particularly the confectioners. Contact was made with the confectioners' guild (president Mr. Leivadaras) whose chief officers were aware of the subsidy but had not evolved any systematic initiative to inform their members and to set up an organized administration of the subsidy. Sample investigation of companies producing Turkish delight and nougat showed that no information had been made available on the subsidy (interviews with the companies Xagorari and Korre). It should be noted however that, especially in Syros, there is high consumption of sugar, due to the traditional presence of a large number of confectioners. Consumption of sugar by this specific production sector alone on Syros is estimated at 700 tons annually. The lack of interest is attributed by the manufacturers in the sector to the low level of the subsidy measured against the purchase price of the product, especially for the islands in group A, and to the relatively high added value in the sector's products (in the final analysis sugar only accounts for a small portion of the product's retail price).

Lack of information about the subsidy was also observed in the wholesale sector on Syros. The wholesaler Roussos, who was engaged formerly in sugar distribution, was informed, but the island's main supplier (Atlantic cash and carry) had received absolutely no information.

Syros sugar prices vary from 260-270 drachmas per kilo (wholesale prices with VAT) depending on the supplier (GSI or local wholesaler), while the cost of transport (included in the above price) is calculated at about 10 drachmas per kilo.

4. Fruit and garden produce: The main fruit and garden produce distributors on Syros do appear to have been given at least basic information about the supply subsidy, but have not to date shown any serious interest. Talks with the island's main wholesaler (Mr. Karamolengos) revealed that the main reason for the lack of interest lies in the very low coverage offered by the subsidy in relation to the cost of transporting the produce, and in the 'laborious' procedure involved in submitting the required supporting documents. Investigation showed that the cost of transport for fruit and garden produce from Peiraia to Syros and the neighboring islands (Paros, Tinos) amounts to 30 drachmas per kilo for loads carried by refrigerated lorries and 20 drachmas per kilo for non-refrigerated lorries (net loads).To this cost must be added the additional charge of 4 drachmas per kilo for unloading of the produce at the islands. It should be noted that in the Cyclades there is systematic distribution from Syros to the smaller islands with transshipment to the Eastern and Western Cyclades. The cost of such transshipment is particularly high, ranging from 15 drachmas per kilo (potatoes) to 75 drachmas per kilo for perishable produce (tomatoes) including tax. These high levels are due to the small volume of the loads involved and the different method of costing (charging not by the kilo but by each package).

DISTRIBUTION COST TO SYROS & NEIGHBORHOOD				
From Piraeus (Refrigerated Lorries)	*From Piraeus (net freight)*	*Loading/ unloading cost*	*From Syros to other islands (Refrigerated)*	*From Syros to other islands loading/ unloading cost*
30 dr./kg	20 dr./kg	4 dr./kg	8-45 dr./kg	7-30 dr./kg

It is thus apparent that in the case of fruit and garden produce the subsidy provided for by the Code covers only a very small portion of the transport cost and herein probably lies the explanation for the distributors' failure to make application for the subsidy.

A possible interpretation for their inertia in the low level of organization in wholesale trade in the Cyclades does not appear to hold water. There are active in the Cyclades some ten short-range wholesalers (usually they are retailers who possess some infrastructure of vehicles and storage space) who move 1-2 weekly loads of 10-15 tons. Some of them have refrigerated lorries and organized refrigerated storage space. The names of the main distributors are supplied for each island.

MAIN DISTRIBUTORS OF FRUITS / VEGETABLES IN CYCLADES WITH BASIC INFRASTRUCTURE (REFRIGERATED STORAGE AND LORRIES)					
SYROS	*PAROS*	*NAXOS*	*SIFNOS*	*MILOS*	*MYCONOS*
CARAMOLE-GOS	ZOUMIS	MARGARITIS MAROULIS	PODOTAS	TSAKANOS	PARIANOS

It is estimated that given the wide dispersal and fragmentation of loads it would be difficult for the islands of the Cyclades to attract the interest of long-range wholesalers from mainland Greece with an expectation of reducing the transport costs.

Retail prices for fruit and garden produce are significantly higher in the Cyclades than on the mainland. Especially in Syros, and despite the considerable presence of local produce (tomatoes, pumpkins and other greenhouse produce) prices are at least 20% higher, and the difference tends to be even greater for certain produce on the smaller neighboring islands. This would appear to be a permanent state of affairs on which the subsidy provided for by the Code would not be able to exert a decisive influence.

INDICATIVE CONSUMER PRICES OF FRUITS / VEGETABLES IN SYROS PERIOD 15-22/02/99						
TOMATOES	*ZAGORA APPLES*	*CRETE ORANGES*	*LAKONIA ORANGES*	*CAULI-FLOWR*	*PAPERS*	*GREEN SALAD*
330-420	440-460	280-320	200-220	300-340	850-900	140-150