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Market Development Reports

Doing Business in Crete

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Report Highlights:

Crete is the largest Greek island attracting about 4 million tourists a year, out of a total of 15 million tourists visiting Greece. Crete therefore offers good potential for U.S. origin food products, providing distribution difficulties can be by-passed.

Includes PSD Changes: No
Includes Trade Matrix: No
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General Information on Crete

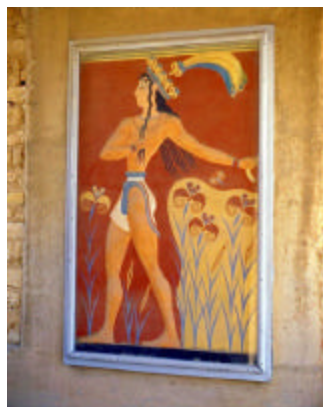


Map of Greece

Crete, is the largest of the Greek islands, the fifth largest island in the Mediterranean sea, separating the Aegean from Libyan Sea. With a population of approximately 601,000 people, Crete is 256 km long, has a total area of 8,335 square kilometers, including a great variety of landscapes. Majestic mountains in its center, fertile valleys and sandy beaches, including Europe's only palm forest, clear water, archaeological sites, along with the famous Cretan hospitality and healthy cuisine (Mediterranean diet) makes Crete one of the top holiday destinations in the world. Crete receives approximately 4 million tourists per year; more than half arriving

on charter flights. The region has a good transportation network, with three international airports and harbors in each prefecture.

Over three-quarters of Crete's gross domestic product comes from services, while the tourism industry contributes 13 percent. The island hosts a total of 11,200 retail businesses with a combined turnover of approx \$2.2 billion. There are 8,700 businesses in tourism, including catering, with a turnover of \$1 billion. The primary industries include biological agriculture (olive oil, tomatoes, potatoes, citrus fruits, wine), followed by food and beverage production, and textile manufacturing. Crete produces 8.4 percent of the total Greek agricultural production, 26 percent of secondary production and 5.8 percent of total Greek services. Thirty-three percent of Greek olive oil is produced in Crete. In addition, Crete is known for honey, raki (local alcoholic beverage) and a variety of spices and herbs.



Prince of the Lilies

Greek islands since culture developed there with the Minoan civilization, over 4000 years ago.

Crete has four prefectures. From the west to the east these include, Chania, Rethymnon, Iraklion and Lassiti. The biggest cities in Crete are Chania, Rethymnon, Iraklion and Agios Nikolaos. Iraklion is the business and social center of Crete and the fifth biggest city in Greece. Iraklion was the ancient port of Knossos, the prominent city of the Minoan era. Chania is the second largest town in Crete. The old character has remained more preserved in Chania than in any other town in Crete. Rethymnon is a charming and traditional city with a clear historical presence in the town. Finally, Agios Nikolaos is the eastern tourist center of Crete and combines modern facilities and the past. On the southern end of the island, Hersonisos, attracts the majority of tourists. From a historical perspective, Hersonisos is the most significant of the

Investment potential lies in biological agriculture, in the industrial food sector and in tourism, which offers great investment potential for the development of alternative tourism.

Crete's Tourist Profile

Tourism is one of the main sources of income and employment in Crete. According to National Tourist Organization (NTO) data, Crete has 1,523 resorts and hotels with 145,139 beds, approximately 5,300 beds belong to five-star hotels, with about a 75 percent annual occupancy rate.



In addition, it has 3,138 pensions with 53,907 beds, making a total of 204,310 beds available on the island. The tourism sector employs approximately 18,000 people, compared to 4,000 people in 1971. Of the 4 million tourists visiting Crete, 23 percent are Germans, 19 percent English, followed by Scandinavians and French. Greeks, comprise about 10 percent of total tourists visiting Crete, and their visits are predominately in August. The tourist season is primarily April until early November, with a few resorts open all year round. Although there is an

available margin to increase the number of tourists, efforts are primarily focusing on improving the tourist product currently offered by renewing facilities, upgrading services, and developing alternative tourism, such as convention, health, agrotourism and cultural tourism. Both will contribute financially in the development of the island's product and extend the season. Convention and health tourism, including "thalasso", result in a guest per capita accommodation which is much higher than regular summer guest accommodation. In Crete there are approximately 78 conventional centers, which is about 35 percent of the country's available convention centers.

Currently, many resorts and hotels in Crete operate as all-inclusive hotels; providing meals, snacks, drinks, and activities for children. The five-star hotels include these basics in addition to golf, water sports and spa.

Crete's natural beauty and its cities throbbing with life, elegant shops, traditional restaurants, local cuisine, accompanied by genuine Cretan wine and the characteristic local drink "raki", a strong alcoholic drink made of choice mulberries, ensure Crete will remain a strong player in the world's tourism. Crete is also open to imported food products and food ingredients.

Food Retail in Crete

In Crete there are 11,158 retail businesses, 3,231 of which are in the food trade. The average turnover of the biggest food retail stores, (approx 1,285), is more than \$387,000. There are 149 supermarket outlets, 102 of which belong to supermarket chains. Carefour, Dia, and Lidl are present in Crete, in addition to Chalkiadakis (Veropoulos Group), and other local chains. Lidl entered into the Cretan market in 2005 and now has 7 outlets all over the island.

DEVELOPMENT OF SUPERMARKET SECTOR IN CRETE (2000-2004)		
	2000	2004
Chalkiadakis (Veropoulos Group)	26	29
INKA (local chain)	15	26
Carrefour	22	19
Mamalakis (local chain)	6	6
Dia	1	3
Others	14	19
TOTAL	84	102

Source: Panorama of Supermarkets, 2005

Forty of the total one hundred and two supermarkets are located in the Iraklion prefecture. In addition, all over the island there are about 342 convenience stores with an annual turnover of \$121,000, while the 146 kiosks record annual sales of more than \$242,000. OLA, convenience store chain, entered the market in February.



Consumers in Crete are traditional in their preferences favoring local products and shopping at dedicated food stores, which have managed to survive the competition from the big supermarkets. Economic recession and socio-economic changes, coupled with discounts offered by supermarkets are threatening the smaller shops. However, for the time being the medium-sized, family-owned enterprises in Crete are keeping a significant market share.

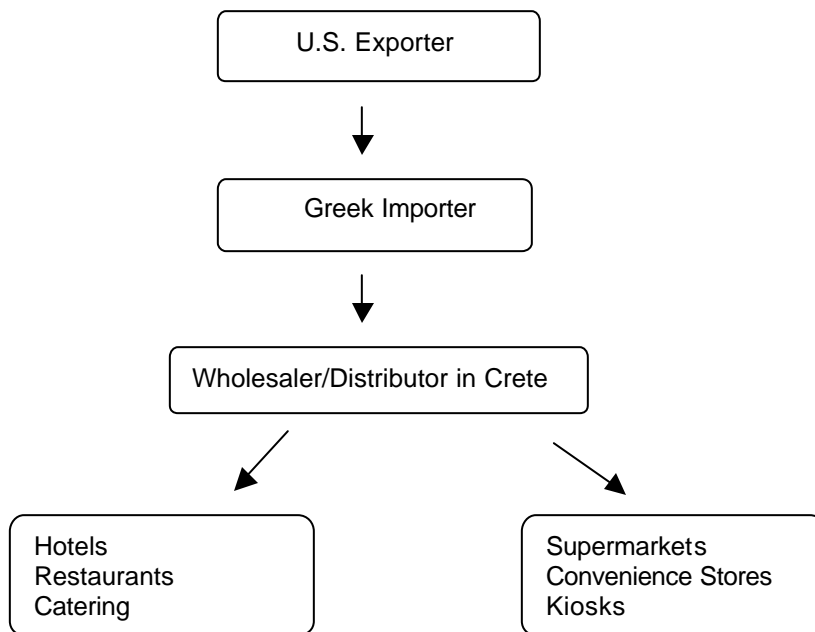
Distribution Channels – Opportunities for Imported Products

Local wholesalers and distributors handle the imported products trade in Crete. There are very few traders who import directly, similar to other parts of Greece. Several Greek importing companies, located in Athens, have branches in Crete. In addition, there are four or five wholesalers and distributors that operate on a prefecture basis in the Iraklion industrial area, and maintain efficient distribution channels all over the island. These businesses supply both the retail and the hri sectors. As a market for imported products, Crete is still small relative to its needs, especially for the hri sector. Competition comes from local products.

Wholesalers/distributors submit offers, including offers for food products, once a year to the Hotel Purchasing Managers, to cover hotel needs for the upcoming tourist season. Purchasing Managers tend to be unaware of the varied and innovative U.S. products available, and instead rely on the wholesaler's product availability. This is a challenge for U.S.-origin food products.

To enter the Cretan market, it is very important to have an agent in Greece. Most wholesalers/distributors in Crete prefer to buy products already available in the Greek market, rather than initiating import procedures themselves. Demand in Crete is mostly small quantity and seasonal.

The following chart provides the market structure for imported products.



The FAS Office in Athens maintains a list of potential importers as well as one of local wholesalers and distributors in Crete.

Best Product Prospects for both hri and retail sectors:

- ◆ Frozen Foods, including vegetables, seafood, meat and dough
- ◆ Tree Nuts
- ◆ Wine
- ◆ Beer
- ◆ Beverage mixes
- ◆ Food ingredients

Contact Information

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