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Report Highlights: Beef consumption has fallen 60-70% recently due to the discovery of the first domestic case of BSE in Italy with cattle slaughter numbers and beef consumption forecast to decline 10% and 15% in 2001. Imports of live cattle and beef for 2001 will also decline 9% and 16%, although imports of beef from Argentina should increase. Pork consumption and production have continued to increase because of the BSE crisis as well as low domestic prices. Consequently Italian swine imports declined by 7 % and meat imports declined 2% in 2000 and should remain stable in 2001. Despite the strength of the U.S. dollar, pork meat imports from the U.S. increased in 2000 to 1,326 mt due to tight EU supplies.

Includes PSD changes: No

Includes Trade Matrix: No

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SITUATION AND OUTLOOK

Cattle, Beef and Veal

The last year has been devastating for the Italian beef industry which had just begun to recover from the drop in consumption caused by the initial discovery of Bovine Spongiform Encephalopathy (BSE) in the United Kingdom. However, consumption again fell dramatically in November 2000, following reports from France of new cases of the disease and revelations of potentially infected meat entering the human food chain. Almost immediately, domestic beef consumption fell 40% compared with October 2000 levels. By December, however, beef consumption, especially veal, had rebounded to 95 % of previous levels. The market fell again in January, when, following EU guidelines, Italy began testing all cattle over 30 months for BSE prior to slaughter and discovered its first domestic case of BSE (see report IT 1004 of January 25th, 2001). As a result, beef consumption immediately dropped 60-70 %.

At present it is difficult to estimate current slaughter numbers and prices as the market is extremely volatile and reacts to new concerns that are being raised daily in the press. However, it is estimated that slaughter for January is down anywhere from 40-60% and prices are down at least 40%. Compounding the situation are problems faced by the slaughter plants in meeting the new EU requirements for preventing the spread of BSE. Italy has gotten off to a slow start in initiating its cattle testing program and consequently, personnel and test kits have not been readily available for use at the slaughter houses. In addition, the plants have had problems finding adequate storage for the specified risk material (SRM) causing some facilities to close down until an alternative site could be identified. As a result, it is estimated that there is a backlog of over 10,000 cattle held by producers waiting to be slaughtered.

On an annual basis, however, total Italian cattle slaughter numbers are estimated to have only declined 3% in CY 2000 as a result of a general increase in demand through October 2000. A total of approximately 4.36 million head were slaughtered in 2000, including about 600,000 that were over 30 months of age. Total beef consumption for 2000 is also estimated to have dropped only by 5 % for the same reasons. For 2001, both cattle slaughter numbers and beef consumption are forecast to decline an additional 10 % and 15 % respectively from 2000 levels due to the ongoing BSE crisis. This decline is due to an expectation that public concern over BSE will remain high. To date, over 8,500 animals have been tested for BSE with only one positive result. However, with an inventory of an estimated 800,000 cattle over 30 months, officials are expecting to find additional cases of BSE which will would severely affect consumer demand.

In 2001, because of the drop in demand for beef, numbers for live cattle for slaughter, live calves for fattening, and beef imports are also forecast to decline further from the already low numbers in 2000 (-9 % cattle imports and - 16 % beef imports in 2001). Traditionally, most of the imports of live cattle, mainly 3 month old calves for fattening, come from France. However, after the BSE issue was elevated to a full-fledged crisis in France in November, imports dropped dramatically. At the same time, (Gain Report IT 00039) Italy banned the import of cattle older than 18 months and meat on the bone from France (this ban was removed in January, 2001).

Currently, imports of live cattle from France have almost stopped completely due to continued consumer concern over the presence of BSE in France. Once this concern has abated, however, imports are expected to resume in 2001, although at much reduced levels. However, since Italy must import 40% of its beef, imports of beef from third countries, especially Argentina, are expected to increase. Imports from the United States could also increase, provided the U.S.-EU Hormone Free Cattle program is allowed to operate smoothly.

Review of the BSE crisis

On January 1, 2001, the Italian Government implemented the EU total ban on the use and trade of meat and bone meal (MBM) (Italy had previously banned the use of MBN to ruminants). Funds were set by the Italian Government to subsidize rendering plants for stocking and destroying MBM as well as Specified Risk Material (SRM). More specifically, 375 Euros/ton will be paid to collect and destroy SRM, and 250 Euros/ton will be paid to store MBM from January to June 2001. A premium of about 125 Euros/ton will be paid for MBM with a protein content of 70 % and a premium of 210 Euros/ton will be paid when the protein content exceeds 85 %.

The Italian government is also debating subsidies for growers in order to reimburse them for animal loss and the cost of BSE tests. Italian growers may sell their cattle that are over 30 months to the government for about $250. It is not yet determined if the government will destroy the animals or allow them to be processed.

The BSE testing program for cattle over 30 months is expected to be fully implemented by mid-February 2001. Currently, not all of the 10 official labs are fully capable of processing the BSE tests.

Authorities have begun widespread inspections of animal feed resulting in almost daily press reports about the discovery of feed sources that still contain meat and bone meal. Cattle producers, particularly in the dairy sector, are mounting daily protests against the government decision to destroy the entire herd when one animal tests positive for BSE. The producers argue that the dairy cattle from suspect herds should be able to continue to produce milk after 30 months of age and not be destroyed before the end of their milking career. Producers of veal are arguing that the young animals are safe for human consumption since they will be slaughtered before they reach 30 months.

Farm organizations have led marches in front of the Parliament and the Ministry of Agriculture to call for the GOI to grant additional aid to those affected by the crisis. A proposal under discussion, costing 220 billion lire ($107 million), includes finding ways to locate and eliminate illegal feed and identifying additional ways to dispose of carcasses (there are only 5 facilities capable of incinerating the remains). To focus attention on these problems, slaughter houses all across Italy staged a 3-day strike the last week of January.

The GOI continues to investigate potential cases of fraud where feed is suspected to be mixed with the banned meat and bone meal or animals are suspected of having been slaughtered illegally. Two cases in particular have captured press attention, one in which 107 calves were recently found buried on a farm and another case where cattle carcasses were disposed of in a suspicious manner. In both cases it is reported that the ear tags or "passports" used to register the animals and to allow products to be tracked and monitored were missing. Based on these reports, there is widespread speculation that the missing tags were illegally used to label lower quality imported beef cuts as domestically produced.

Swine, Pork meat

Many consumers have turned from beef to pork, increasing total consumption in 2000 to 2.09 million tons or 0.5 % over 1999 levels. Total slaughter numbers for the year increased 2%. While the BSE crisis has definitely benefitted the pork sector, pork meat consumption had already reached record levels in Italy due to low prices and large supplies throughout the EU in both 1999 and 2000. As consumption increased, pork meat prices started to recover with the average price of a 90-115 kg pig for slaughter increasing from $1.20/kg in January 2000 to $1.50/kg in December, 2000.

Despite the problems in the beef sector, and the general positive trend in demand for pork meat, consumption is expected to increase only slightly in 2001 from the already high levels. Consequently, slaughter numbers should increase slightly to about 13,300,000 in 2001. Consumption is not expected to increase dramatically, as many people replace their beef consumption with poultry and fish consumption.

Pig production has continued to increase over the last several years and is expected to remain high in 2001. Consequently Italian swine imports declined by 7 % in 2000 (Jan-sept) and are expected to remain stable in 2001. Italian pork meat imports also declined in 2000 by 2% and should remain stable in 2001. Italian pork meat exports, however, continued to increase due to a strong demand for Italian ham and salami and low price levels.

Both import and export of pork meat increased between Italy and the U.S. in 2000. Despite the strength of the U.S. dollar, pork meat imports from the U.S. increased in 2000 to 1,326 mt as the price of domestic meat increased and available supplies in the EU fell.

PSD TABLES

MEAT, BEEF AND VEAL

PSD Table						
Country	Italy					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	4491	4491	4500	4360	4500	3930
Beginning Stocks	142	142	40	40	10	0
Production	1164	1164	1170	1135	1170	1000
Intra EC Imports	368	368	378	360	382	300
Other Imports	40	40	42	40	43	37
TOTAL Imports	408	408	420	400	425	337
TOTAL SUPPLY	1714	1714	1630	1575	1605	1337
Intra EC Exports	74	74	39	65	39	60
Other Exports	41	41	21	35	21	27
TOTAL Exports	115	115	60	100	60	87
Human Dom. Consumption	1519	1519	1520	1440	1505	1220
Other Use, Losses	40	40	40	35	40	30
TOTAL Dom. Consumption	1559	1559	1560	1475	1545	1250
Ending Stocks	40	40	10	0	0	0
TOTAL DISTRIBUTION	1714	1714	1630	1575	1605	1337
Calendar Yr. Imp. from U.S.	105	105	0	0	0	0
Calendar Yr. Exp. to U.S.	51	51	0	0	0	0

ANIMAL NUMBERS CATTLE

PSD Table						
Country	Italy					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	7129	7129	7150	7150	7140	7050
Dairy Cows Beg. Stocks	2116	2116	2100	2100	2090	2090
Beef Cows Beg. Stocks	684	684	690	690	690	690
Production (Calf Crop)	3140	3131	3130	2920	3135	2675
Intra EC Imports	1234	1243	1240	1230	1240	1100
Other Imports	356	356	330	320	330	310
TOTAL Imports	1590	1599	1570	1550	1570	1410
TOTAL SUPPLY	11859	11859	11850	11620	11845	11135
Intra EC Exports	108	108	99	99	95	95
Other Exports	10	10	11	11	10	10
TOTAL Exports	118	118	110	110	105	105
Cow Slaughter	717	717	730	700	735	670
Calf Slaughter	1078	1078	1070	1070	1060	1050
Other Slaughter	2696	2696	2700	2590	2705	2210
Total Slaughter	4491	4491	4500	4360	4500	3930
Loss	100	100	100	100	100	150
Ending Inventories	7150	7150	7140	7050	7140	6950
TOTAL DISTRIBUTION	11859	11859	11850	11620	11845	11135
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

MEAT SWINE

PSD Table						
Country	Italy					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	12992	12992	13050	13200	12660	13300
Beginning Stocks	314	314	300	300	265	270
Production	1471	1471	1475	1490	1420	1500
Intra EC Imports	750	715	735	699	755	699
Other Imports	11	11	15	11	20	11
TOTAL Imports	761	726	750	710	775	710
TOTAL SUPPLY	2546	2511	2525	2500	2460	2480
Intra EC Exports	82	82	75	88	77	92
Other Exports	31	31	40	32	43	33
TOTAL Exports	113	113	115	120	120	125
Human Dom. Consumption	2113	2078	2125	2090	2115	2105
Other Use, Losses	20	20	20	20	20	20
TOTAL Dom. Consumption	2133	2098	2145	2110	2135	2125
Ending Stocks	300	300	265	270	205	230
TOTAL DISTRIBUTION	2546	2511	2525	2500	2460	2480
Calendar Yr. Imp. from U.S.	2	2	2	2	2	2
Calendar Yr. Exp. to U.S.	2	2	2	2	2	2

ANIMAL NUMBERS SWINE

PSD Table						
Country	Italy					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Beginning Stocks	8323	8323	8380	8380	8360	8360
Sow Beginning Stocks	558	558	560	560	560	560
Production (Pig Crop)	13435	13441	13406	13525	13015	13605
Intra EC Imports	1039	1033	1043	966	1019	965
Other Imports	3	3	1	4	1	5
TOTAL Imports	1042	1036	1044	970	1020	970
TOTAL SUPPLY	22800	22800	22830	22875	22395	22935
Intra EC Exports	28	28	20	15	15	15
Other Exports	0	0	0	0	0	0
TOTAL Exports	28	28	20	15	15	15
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	12992	12992	13050	13200	12660	13300
Total Slaughter	12992	12992	13050	13200	12660	13300
Loss	1400	1400	1400	1300	1400	1300
Ending Inventories	8380	8380	8360	8360	8320	8320
TOTAL DISTRIBUTION	22800	22800	22830	22875	22395	22935
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

TRADE MATRIXES

MEAT BEEF AND VEAL

TRADE MATRIX JAN-SEP 2000					
Meat, Beef and Veal					**Units: MT**
Exports		**%***	**Imports**		**%***
U.S. (Jan-Jun)			U.S. (Jan-Jun)		
Netherlands	9257	+21.9	Germany	71171	+13.9
Greece	8302	+17.0	France	70662	+16.6
France	24972	-8.5	Netherlands	57495	-1.6
Total EU	53683	-0.9			
			Austria	24902	+15.1
			Total EU	286009	+4.5
			Hungary	2891	+13.0
			Argentina	1628	-37.7
			Brazil	14556	+13.4
Grand Total	77139	-0.2	Grand Total	313607	+4.9

*Relative to Jan-Sept 1999

ANIMAL NUMBERS, CATTLE

TRADE MATRIX JAN-SEP 2000					
Animal Numbers, Cattle					**Units: 1000 head**
Exports		**%***	**Imports**		**%***
Total EU	50	-42.5	France	652	-1.6
Spain	28	-17.2	Germany	52	+15.7
France	15	-69.6	Spain	39	-13.8
			Austria	56	+24.8
			Total EU	873	-0.4
			Poland	200	-13.2
			Hungary	26	+95.1
			Romania	33	+58.5
Other	13				
Grand Total	56	-38.8	Grand Total	1145	-1.0

*Relative to Jan-Sep 1999

MEAT, SWINE

TRADE MATRIX JAN-SEP 2000					
Meat, Swine					**Units: MT**
Exports		**%***	**Imports**		**%***
U.S. (Jan-Jun)	1570	+42.3	U.S.	1326	+26.8
France	14398	+4.0	Netherlands	159197	-3.8
Germany	21557	+7.0	Belgium	97908	+2.6
Total EU	67200	+11.0	France	97033	+4.3
			Total EU	525743	-2.0
Grand Total	89446	+8.0	Grand Total	535227	-1.6

*Relative to Jan-Sep 1999

ANIMAL NUMBER, SWINE

TRADE MATRIX JAN-SEP 2000					
Animal Numbers, Swine					**Units:1000 head**
Exports	**8302**	**-67.0%***	**Imports**		**%***
			Netherlands	337	-10.2
			France	44	-7.6
			Belgium	114	-22.0
			Germany	57	-12.9
			Spain	80	+36.0
			Total EU	639	-9.1
Grand Total	8302	-67.0	Grand Total	642	-8.7

*Relative to Jan-Sep 1999

ANIMAL BASED MEAL
Principal sector indicators in Italy (data in tons)

	Fish Meal	Meat Meal
Production	8.100	250.000
Import	31.085,2	40.290,5
Export	11.119,8	159.522,7
Availability	28.065,4	130.767,8