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Italy

Tomatoes and Products

Annual Report

2005

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Report Highlights:
Italian production of tomatoes for processing in 2005 is expected to decline by 17% from 2004 to about 5.2 mln tons. Planted area is expected to decline accordingly. This is the result of record production in the previous 2004/2005 campaign and accumulated stocks. Italy benefited from about US$ 60 million in unforeseen EU payments in 2004/2005 above the annual amount allocated to the country by the EU's Common Market Organization. Tomato paste production is losing importance versus other more value-added products such as sauces, ketchup, etc. The outlook for tomatoes for fresh consumption is flat as low market prices and marketing difficulties are discouraging plantings.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rome [IT1]
[IT]

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Fresh Tomatoes for processing

- **Production**

Italian production of tomatoes for processing in 2005 is expected to decline by 17% from 2004 to about 5.2 mln tons and planted area is expected to decline accordingly. The main reason for this trend is the record tomato production of 2004 that resulted in low wholesale market prices of processed products and in high year-end stocks.

About 60% of Italian fresh tomato production takes place in southern regions (and especially in Puglia) where farmers are specialized in long varieties for canning. Most of the southern production is processed in Campania region. Northern producers are mainly located in Emilia-Romagna and Lombardy, and they are specialized in round varieties for tomato paste and sauce production.

- **Application of EU's Common Market Organization**

As previously reported (IT4011, IT4013 and IT4039), the annual threshold set by the EU Common Market Organization (Regulation (EC) No 2201/96) for Italy for processing tomato is 4.35 mln tons. Even this year's reduced production will still be about 1 mln tons above this limit.

According to EU rules, annual volumes of tomato to be processed have to be negotiated between farmers' associations and industry representatives by February 15 every year. This year the deadline was postponed by two weeks to March 2, 2005 as parties involved were unable to reach an agreement within the standard timeframe. Please note that volumes of deliveries negotiated at the beginning of the campaign hardly ever correspond to actual deliveries, but are usually higher. The negotiated volume of deliveries for 2005 is 6.3 mln tons, about 1 mln tons higher than the expected production and about 2 mln tons above the EU threshold. Processing plants are concentrated in the two regions noted above.

Year	Contracted	Delivered to processors	Difference
	Mln tons	*Mln tons*	*%*
2001	5.2	4.8	-7.9%
2002	5.5	4.3	-28.1%
2003	6.6	5.3	-24.7%
2004	7.3	6.3	-15.8%
2005	6.1	Forecast 5.2	Forecast –17.4%

According to the EU Common Market Organization, member state compliance with the national and Community thresholds for processing tomatoes is examined on the basis of the quantities aided in the three preceding marketing years for which definitive data are available for all the Member States in question. If the 3-years average production of a country exceeds the allocated threshold, payments to farmers are reduced pro-rata (see previous reports for more detailed explanation). Compensations are possible between member states.

Commission Regulation (EC) No 1535/2003 stipulates that the Commission is to publish the amount of the aid for tomatoes for processing before 31 January every year. This year's payment is established by Commission Regulation (EC) No 170/2005 of 31 January 2005 fixing the aid for tomatoes for processing for the 2005/06 marketing year.

Thanks to compensations made possible by below-quota production in other EU countries in 2003 and 2004, Italian farmers will be entitled to the full payment of 34.5 Euros/delivered ton. The same payment will be allowed to tomato producers in Greece, France, Portugal, Czech Republic, Cyprus, Hungary, Malta, Poland and Slovakia. Spanish farmers will be entitled to the full payment (Euros 34.5/ton delivered) for tomatoes for processing into whole peeled tomatoes and to Euros 31.29/ton delivered for tomatoes intended for other processing.

Thanks to the same mechanism of compensation made possible by below-threshold production in other member states, Italian tomato producers benefited from the full Euros 34.5/ton payment even for the record 2004/2005 production. The Government of Italy estimates that this mechanism brought into Italy an extra 50 million Euro of EU funds in 2004 above the standard allocation. According to industry estimates (UIAPOA farmers association) this won't be the case in 2006/2007, when payments to farmers will likely be reduced by about 4.7 Euros/ton. Reductions in the EU tomato payments to Italy for the campaign could be as much as 26 million Euros.

Italian agricultural policy makers expect the EU regime for processed fruit and horticultural products to be reformed in 2006.

- **Price**

Prices are agreed in the inter-professional body (where both farmers and industry are represented) by February 15 (March 2 this year). Pricing is based on a reference price agreed between the parties, which is then adjusted on the basis of quality parameters. According to some industry sources, reference prices for 2005 will be much lower than in 2004 and are different for southern and northern producers. Reference prices for 2005 are lower than prices in 2004. They are as follows:

Area (variety)	**2004**	**2005**
	Euros/delivered ton	*Euros/delivered ton*
North (round)	46	41
South (round)	57	52
South (long)	67	62

Exchange rate (May 23, 2005) 1Euro=1.265US$

Maximum tolerances for defects in delivered fruits are agreed as follows:

- Fruit damaged by over-ripening and/or pests: maximum 5% of delivered product;
- Fruit not properly ripened: maximum 3.5%;
- Accidental presence of soil, leaves, etc: maximum 4%.

Premium prices above the reference prices are paid to farmers that deliver tomatoes with a Brix degree of 5.3 or higher.

- **Biotechnology**

It is clearly stated in the inter-professional contract between farmer organizations and industry representatives that all the tomato delivered for processing has to be non-genetically modified. Ironically Italian research using Ministry of Agriculture funds has developed through biotechnology viral resistance in an old Italian tomato variety. The Ministry has killed commercialization of the variety.

Tomatoes for fresh consumption

- **Production**

Production data for tomatoes for fresh consumption have been amended to take into account production in greenhouses that was not considered in previous reports. Open field production accounts for about 60% of fresh tomatoes for human consumption, greenhouse production accounts for the remaining 40%. Some of the most valuable varieties such as the Sicilian "Pachino" cherry tomato are produced in greenhouses. Production of fresh tomatoes for human consumption is expected stable as marketing problems are dissuading farmers from increasing plantings.

- **Marketing and price**

According to industry sources the key problems with tomato production of for fresh consumption are low prices paid to farmers (between 0.3 and 0.6 Euros/Kilo) and the high spread between farm-gate and consumer prices (as high as 400%).

Another big issue for Italian tomato producers is timing of payments. It is not unusual for the major supermarket chains to pay suppliers of horticultural products with a delay of 120 days or more after delivery. As a consequence farmers prefer to sell their products to intermediaries that are usually willing to pay more quickly, but at a discounted price.

Processing

- **Production breakdown**

Italian tomato processing is a mature business and few changes are expected in 2005/2006. A stable share of about 25-30% of the tomatoes processed in the country goes to whole peeled canned tomatoes. This production uses most of the long variety tomatoes and is entirely concentrated in the southern region of Campania (Naples and Caserta area). Other value-added products such as chopped canned tomatoes, pulp and "passata" sauce (see Gain IT4011 for description) are slowly increasing their share. They grew from about 22% of the processing in 1997 to about 37% of the processing in 2003.

Tomato paste is considered to be a very low value-added product and is losing importance. It used to represent about 50% of Italian processed tomato production back in 1997 and it is now down to about 35%. One of the main reasons is the increased competition on the international market of tomato paste from other countries, such as China, that are much more price competitive. Italy is the main export destination for Chinese tomato paste, much of which is imported under a duty-free temporary import regime to be re-exported to other extra-EU countries, mainly in North Africa and the Middle East.

- **Policy outlook**

National Law 204 of August 3, 2004 converted into law a regulation proposed in June by the Italian Government that sets stricter rules on labeling of tomato products (see IT4013). The law sets a legal definition for what is generally referred to in Italian as "passata di pomodoro".

Passata is skinned, seedless, unflavored, uncooked tomato pulp, either slightly chunky or smooth. Up until August 2004 the passata has been produced either by direct processing of fresh tomato or by mixing tomato paste and tomato sauce. According to the new Italian definition only the product deriving from the processing of fresh tomatoes can be labeled as "passata di pomodoro".

The Government of Italy proposed a rule for the mandatory indication of country of origin of all ingredients in food products. Tomato products were identified as one of the main targets of this rule as some Italian farmer organizations fear that Chinese paste is imported into the country and subsequently included in products that are labeled as "made in Italy". The proposed rule was appealed by the main food industry association at the European Court of Justice and has not been enforced. The rule would create labeling problems for many complex products.

- **Processing industry**

The bankruptcy of the Cirio De Rica Group, one of the leading tomato processors in Italy, in 2003 created some economic and social concerns. In 2004 the company was acquired by the cooperative group Conserve Italia with the assistance of a pool of banks, and was named Conserve Mediterraneo. Conserve Italia is the leading cooperative processor of fruit and vegetables in Italy and it owns some affirmed brands such as Yoga, Valfrutta and Derby.

Conserve Italia now controls 51% of Conserve Mediterraneo's shares, and the rest is in the hands of three private equity investment funds. The new owners plan to re-launch the company and to increase its turnover from the current 123 million Euros (155 mln US$) in 2004 to about 200 mln Euros (250 mln US$) in 2008.

Notes

An important world conference on the tomato will be held in Sicily between May 24 and May 27, 2005. Post will report on market and trade-related aspects that might come out of the conference.

Data – Fresh tomato

- **PS&D**

PSD Table

Country Italy

Commodity Fresh Tomatoes (HA)(MT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Plnt For Fresh Consump	26000	29984	25035	30000	0	30000	(HA)
Plnt For Processing	82049	82049	90000	90000	0	77500	(HA)
TOTAL Area Planted	108049	112033	115035	120000	0	107500	(HA)
Harv. For Fresh Cons.	22758	27500	23000	29000	0	22500	(HA)
Harv. For Processing	81356	81356	88179	88179	0	79000	(HA)
TOTAL Area Harvested	104114	108856	111179	117179	0	101500	(HA)
Fresh Sale Production	767196	1278900	867400	132627	0	132627	(MT)
Processing Production	5316439	5266000	6454765	6300000	0	5200000	(MT)
TOTAL Production	6083635	6544900	7322165	6432627	0	5332627	(MT)
TOTAL SUPPLY	6083635	6544900	7322165	6432627	0	5332627	(MT)

- **Trade matrix**

Export Trade Matrix

Country Italy

Commodit Fresh Tomatoes

Time Period	Year	Units:	MT
Exports for:	2003		**2004**
U.S.		U.S.	11
Others		Others	
Germany	48162	Germany	53642
Austria	13775	Austria	12907
Switzerland	4041	United Kingdon	6404
France	5608	Switzerland	4535
United Kingdom	5620	France	5167
Slovenia	3379	Denmark	3169
Croatia	3411	Netherlands	3118
Bosnia-Herz.	2393	Slovenia	4525
Denmark	2796	Croatia	3259
Netherlands	2416	Bosnia-Herz.	2457
Total for Others	91601		99183
Others not Liste	8232		7920
Grand Total	99833		107114

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Country Italy
Commodit Fresh Tomatoes

Time Period	Year	Units:	MT
Imports for:	2003		2004
U.S.		U.S.	
Others		Others	
Netherlands	38024	Spain	31067
Spain	33251	Netherlands	30830
France	11726	France	10252
Germany	7319	Germany	6722
Belgium	3845	Belgium	2606
Morocco	2327	Morocco	2773
Total for Others	96492		84250
Others not Liste	1680		619
Grand Total	98172		84869

- **Prices**

Prices Table

Country Italy
Commodity Fresh Tomatoes

Prices in	Euros	per uom	Kilo
Year	2003	2004	% Change
Jan			
Feb			
Mar			
Apr			
May			
Jun	0.65	0.57	-12%
Jul	0.47	0.29	-38%
Aug	0.58	0.28	-52%
Sep	0.79	0.31	-61%
Oct	0.86	0.3	-65%
Nov			
Dec			
Exchange Rate	1.2439	Local Currency/US $	
Date of Quote	2004 Avg.	MM/DD/YYYY	

Data - Tomato canned

- **PS&D**

Country	**Italy**						
Commodity	**Tomatoes, Canned**			(MT)(MT, Net Weight)			
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Deliv. To Processors	2628496	2628496	3300000	3300000	0	2723810	(MT)
Beginning Stocks	236272	236272	370000	410000	500000	816709	(MT, Net Weight)
Production	1761664	1761664	1875000	2000000	0	1700000	(MT, Net Weight)
Imports	7531	6689	5000	3062	0	2500	(MT, Net Weight)
TOTAL SUPPLY	2005467	2004625	2250000	2413062	500000	2519209	(MT, Net Weight)
Exports	890000	823740	1000000	796353	0	940000	(MT, Net Weight)
Domestic Consumption	745467	770885	750000	800000	0	800000	(MT, Net Weight)
Ending Stocks	370000	410000	500000	816709	0	779209	(MT, Net Weight)
TOTAL DISTRIBUTION	2005467	2004625	2250000	2413062	0	2519209	(MT, Net Weight)

- **Trade matrix**

Export Trade Matrix

Country	Italy		
Commodit	Tomatoes, Canned		
Time Period	Year	Units:	MT
Exports for:	2003		**2004**
U.S.	69319	U.S.	75669
Others		Others	
United Kingdom	200522	United Kingdom	141272
Germany	147006	Germany	123681
France	66943	Japan	66145
Japan	60715	France	60456
Belgium	42770	Belgium	33667
Netherlands	20413	Switzerland	18411
Switzerland	18422	Australia	22921
Austria	8267	Netherlands	16368
		Canada	15183
		Sweden	12960
Total for Others	565058		511064
Others not Liste	184424		353267
Grand Total	818801		940000

Data – Tomato paste

- **PS&D**

PSD Table

Country Italy

Commodity Tomato Paste,28-30% TSS B (MT)(MT, Net Weight)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Deliv. To Processors	1994256	1994256	1834700	1834700	0	1514356	(MT)
Beginning Stocks	78770	78770	93599	93599	93599	130486	(MT, Net Weight)
Production	378308	378308	350000	350000	0	289000	(MT, Net Weight)
Imports	176521	176521	185000	178705	0	130000	(MT, Net Weight)
TOTAL SUPPLY	633599	633599	628599	622304	93599	549486	(MT, Net Weight)
Exports	465000	465000	460000	416818	0	415000	(MT, Net Weight)
Domestic Consumption	75000	75000	75000	75000	0	75000	(MT, Net Weight)
Ending Stocks	93599	93599	93599	130486	0	59486	(MT, Net Weight)
TOTAL DISTRIBUTION	633599	633599	628599	622304	0	549486	(MT, Net Weight)

- **Trade matrix**

Export Trade Matrix

Country Italy

Commodit Tomato Paste,28-30% TSS

Time Period	Year	Units:	MT
Exports for:	2003		**2004**
U.S.		U.S.	791
Others		Others	
Germany	96361	Germany	95013
Nigeria	40703	Ghana	31393
Ghana	29243	France	29132
France	27305	Nigeria	25551
United Kingdom	20358	United Kingdon	20375
Togo	20613	Togo	21152
Benin	14150	Angola	14710
Angola	12345	Benin	14934
Cote d'Ivoire	12814	Ivory Coast	12171
Congo	8293	Libia	12612
Total for Others	282185		277043
Others not Liste	138484		138984
Grand Total	420669		416818

Import Trade Matrix

Country Italy

Commodit Tomato Paste,28-30% TSS

Time Period	Year	Units:	MT
Imports for:	2003		**2004**
U.S.	8431	U.S.	5893
Others		Others	
China	139783	China	157180
Spain	5299	Greece	9011
Greece	13306	Spain	3219
Iran	5395	Iran	2416
Egypt	2521		
Total for Others	166304		171826
Others not Liste	1786		986
Grand Total	176521		178705

Data – Tomato sauce

- **PS&D**

PSD Table

Country **Italy**

Commodity **Tomato Sauce** (MT)(MT, Net Weight)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [I	DA Official [	Estimate [I	DA Official [	Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Deliv. To Processors	608561	608561	638000	666787	0	520000	(MT)
Beginning Stocks	59032	59033	82000	90000	93000	151000	(MT, Net Weight)
Production	349720	349720	350000	400000	0	304000	(MT, Net Weight)
Imports	13024	17207	11000	13883	0	11000	(MT, Net Weight)
TOTAL SUPPLY	421776	425960	443000	503883	93000	466000	(MT, Net Weight)
Exports	290000	271216	295000	275403	0	290000	(MT, Net Weight)
Domestic Consumption	49776	64744	55000	77480	0	78000	(MT, Net Weight)
Ending Stocks	82000	90000	93000	151000	0	98000	(MT, Net Weight)
TOTAL DISTRIBUTION	421776	425960	443000	503883	0	466000	(MT, Net Weight)

- **Trade matrix**

Export Trade Matrix

Country Italy

Commodit Tomato Sauce

Time Period	Year	Units:	MT
Exports for:	2003		**2004**
U.S.	7326	U.S.	7344
Others		Others	
Germany	69432	Germany	72061
France	46526	United Kingdon	38313
United Kingdom	40892	France	48327
Belgium	14753	Belgium	15292
Greece	11705	Australia	11631
Australia	10432	Netherlands	7961
Denmark	8824	Greece	10765
Netherlands	8371	Switzerland	5756
Sweden	7468	Japan	6444
Austria	6951	Austria	7249
Total for Others	225354		223799
Others not Liste	38536		44260
Grand Total	271216		275403