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Italy

Tomatoes and Products

Annual

2004

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Report Highlights:
Italian tomato production is expected to reach a record high in 2004/05. Favorable climatic conditions and low stock are boosting plantings. Production for processing is expected up by 10% from 2003/04 at 5.8 million tons. EU Common Agricultural Policy remains a key driver of the industry and is creating some concern about its future perspectives.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Situation and Outlook

After a very poor 2002/03 and a 2003/04 below expectations, Italian tomato production is expected to reach a record high in 2004/05. Good climatic conditions (rain and cool temperatures in April and May) and low stocks resulting from two previous unfavorable campaigns are expected to boost planted acreage and production in the next campaign.

Planting activity is taking place 2-3 weeks later than scheduled as frequent rains did not allow access to fields before.

The objective of rebuilding stocks of tomato products after a very bad 2002/03 campaign was just partially met last year, as production was affected by the exceptional heat wave and drought in May and June. The adverse climatic conditions resulted in reduced quality and volume of crops.

Increasing imports of fresh, processed and semi-processed products at competitive prices from other EU and non-EU countries are a major concern to Italian farmers and processors. The export performance of Italian tomato products in 2003 was quite good, especially in consideration of the high Dollar/Euro exchange rate and of the poor results of total food products.

The financial scandals involving two of the main Italian tomato processing groups, Cirio and Parmalat, generated uncertainty amongst farmers about the 2004/05 deliveries and the risk of defaults on payments. The problem was solved after long negotiations and involvement of Italian Government. Farmers unions were satisfied with the guarantees offered by the two groups and will continue delivering to their processing plants in the next campaign.

Policy Outlook

Processed tomatoes are subject to production limits imposed by the EU, while there is not production quota for tomatoes for fresh consumption.

In compliance with the tomato EU common market organization, producers subscribe to contracts through their organizations with processing industries at the beginning of the campaign, usually by 15th February of each year. This is done in order to get registered for EU payments for the year. Every EU country is entitled to a production quota, so that any above quota production results in a reduction of the farmer payment per ton in the next campaign. However, a country above-quota production can be offset at EU level if another member state does not fully use its assigned quotas.

The quota for Italy is set at 4.35 million tons of fresh product. Italian processed volume in 2003/04 was 5.26 mln tons, exceeding the quota by about 900,000 tons. However, the Italian overfill was offset by other countries under fill, like Greece. Farmers will therefore get the full payment (Euros 34.5/ton) for deliveries in 2004/05.

According to a leading Italian farmers' organization, EU payments to tomato producers in the last three seasons were as follows:

Year	Payment (Euros/ton)	EU expenditure (Euro mln)
2001	34.06	164
2002	34.06	147
2003	34.50	181

The recent EU Common Agricultural Policy (CAP) reform is creating some concern amongst tomato producers about the future perspectives of the sector. The main argument is that decoupled payments may favor a shift of high-value acreage from other crops (especially corn and tobacco) to tomatoes, therefore generating an excess of supply on the market.

The new CAP regulation does not allow farmers to get decoupled payments on a land cultivated with horticultural products. However they may decide to rent more low-value land to get the payment, and at the same time to use the high-value one to cultivate tomatoes.

Fresh Tomato

Production
Although official statistics are not yet available, the major increase in planted acreage for the next campaign is expected for processing production, while acreage for fresh sale production is forecasted stable.

The main reasons behind the increase in planted area are:

?? Good climatic conditions in April and May 2004;

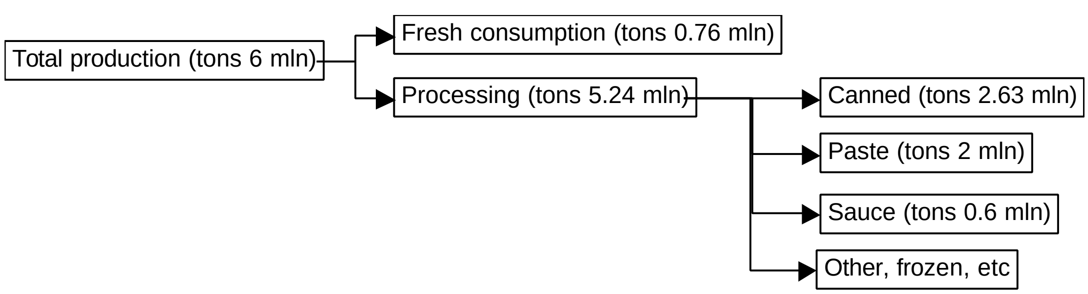
?? Low stocks of processed products;

?? The full payment (Euros 34.5/ton) that will be granted for deliveries to processors.

Tomato planted acreage in 2003 was concentrated in three regions, Puglia (32%), Emilia-Romagna (34%) and Lombardia (8%). No major changes are expected in the acreage distribution in the next campaign.

In 2003, about 68 percent of the acreage was cultivated with round varieties (for fresh consumption, concentrated, canned and sauce production) mainly located in Northern regions (Emilia-Romagna and Lombardia). Long Roma varieties (for peeled and canned) accounted for about 30 percent while cherry tomatoes (for fresh consumption and canning) were planted on about 1-2 percent of the land. The situation in 2004 is not expected to change dramatically.

Uses
Tomato uses in 2003/4 resulted as follows:



The contracted volume for processed production under the CAP regime for 2004/05 is about 7 mln tons but it is realistic to expect deliveries at about 5.8 mln tons, which roughly correspond to 91,000 ha of planted acreage. This is way beyond the 5 mln tons target volume suggested by the tomato inter-professional committee and far exceeds the CAP quota of 4.35 mln tons. Farmers and processors associations fear that this nearly six million tons production may lead to an excess supply and, as a consequence, to a low prices and high stocks situation in the next campaign.

Yield
According to industry estimates the average yield is about 62 tons per hectare for tomatoes for processing and slightly less than 60 tons per hectare for tomatoes for fresh consumption. Yields in 2004/05 are expected in line with previous years.

In 2003/04 the farmer income per ton of tomato delivered to processors averaged Euros 85 of which:

- ?? Euros 50.5 market price, and
- ?? Euros 34.5 of EU payment (about 40%).

Based on the same figures, average farmer income per hectare was about Euros 5,100 with a gross margin (net of variable expenses) of about Euros 1,000 to 1,300.

Trade
The adverse climatic conditions in 2003/04 resulted in increased imports and reduced exports of fresh tomatoes. Prices were generally higher than previous year as reduced domestic production could not meet the increasing demand of fresh product.

PSD TABLE FRESH TOMATOES

PSD Table

Country	**Italy**					
Commodity	**Fresh Tomatoes**				(HA)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2002		07/2003		07/2004
Plnt For Fresh Consump	25000	25000	27000	27000	0	24500
Plnt For Processing	76000	76000	82049	82049	0	90000
TOTAL Area Planted	101000	101000	109049	109049	0	114500
Harv. For Fresh Cons.	22913	22105	24038	24038	0	22758
Harv. For Processing	68800	68800	81078	81078	0	89000
TOTAL Area Harvested	91713	90905	105116	105116	0	111758
Fresh Sale Production	763888	736287	840808	767177	0	770000
Processing Production	4325263	4325263	5266000	5266000	0	5800000
TOTAL Production	5089151	5061550	6106808	6033177	0	6570000
TOTAL SUPPLY	5089151	5061550	6106808	6033177	0	6570000

Canned

Production
About half of the Italian tomato production (ton 2.6 mln of fresh product) in 2003/04 was processed into canned products. Production was up by about 25 percent vis-à-vis the previous year in order to rebuild the stocks. Volumes processed outside the EU regime were minimal.

The product breakdown was as follows:

- ?? Whole peeled – 901,000 tons;
- ?? Crushed, diced peeled – 750,000 tons;
- ?? Whole non-peeled – 59,000 tons;
- ?? Crushed, diced non-peeled – 46,000 tons.

Canned tomato production in 2004/05 is forecasted 6 percent up from the previous campaign, the breakdown by products is expected to remain constant. Whole non-peeled may gain share as canned cherry tomatoes meet increasing market demand.

Trade

Imports in 2003/04 were down to average level and largely concentrated in the first half of 2003, they are expected to further reduce during the next season. US suppliers were able to take advantage of the increased Italian demand exporting about 9,000 tons of non-peeled canned tomatoes (code 20021090), for an invoice value of about US$ 4.5 mln.

Italian exports revamped after a step decrease in 2002/03 and will likely continue to increase up to 1 mln tons thanks to the high production forecasted for 2004/05. Northern European countries, and especially UK and Germany, are the main export market for Italian canned tomatoes. Exports to the United States had a step decrease in the first half of 2003 and have been recovering thereafter.

Consumption

Domestic consumption has been constantly increasing over the last few years in response to a stagnant demand from the main export markets, especially from Germany. Industry uses for frozen pizzas and ready to eat meals are the main drivers of this trend for growth.

PSD TABLE CANNED TOMATOES

PSD Table

Country Italy

Commodity Tomatoes, Canned

(MT)(MT, Net Weight

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2002		07/2003		07/2004
Deliv. To Processors	2358880	2119050	2571179	2628496	0	2800000
Beginning Stocks	412000	349897	319400	236272	320450	370000
Production	1584400	1393130	1744156	1761664	0	1875000
Imports	13000	24311	16350	7531	0	5000
TOTAL SUPPLY	2009400	1767338	2079906	2005467	320450	2250000
Exports	840000	831066	879456	890000	0	1000000
Domestic Consumption	850000	700000	880000	745467	0	750000
Ending Stocks	319400	236272	320450	370000	0	500000
TOTAL DISTRIBUTION	2009400	1767338	2079906	2005467	0	2250000

As historic series for wholesale prices are not available, April 2004 wholesale prices (Piacenza market) are shown in the table that follows for reference.

Packaging	u.o.m	Euros min	Euros max

Packaging	u.o.m	Euros min	Euros max
Diced canned tomatoes, 2003 production, 6/8 Brix			
Kg 800/1,000 drums (Net weight)	Kg	0.37	0.38
Kg 180/200 drums (Net weight, sterile)	Kg	0.40	0.43
Labeled can Kg 5	Each	1.90	2.00
Labeled can Kg 3	Each	1.25	1.35
Tomato cubes, 6/8 Brix			
Kg 180/200 drums (Net weight, sterile)	Kg	0.45	0.38
can Kg 5	Each	1.95	2.05
can Kg 3	Each	1.40	1.50
cans Kg 0.5	Each	0.28	0.30

Paste

Tomato paste production in the next campaign is expected about 10 percent higher than in 2003/04. The growing production is justified by the need to rebuild country stocks, which were badly affected by the very scarce production in 2002/03.

Tomato paste production is concentrated in a few plants, mainly located in the northern regions of Emilia-Romagna and Lombardia. Round varieties are generally used for concentration.

The two main categories of tomato paste available on the Italian wholesale market are:

- ?? Doppio concentrato (double-concentrated): TSS>28%;
- ?? Triplo concentrato (triple-concentrated): TSS>36%

Data shown in the tables are in 28-30% equivalent.

Domestic consumption is generally stable as declining uses for home cooking are counterbalanced by an increasing demand by industry for production of sauces and other consumer oriented products.

Italian producers lament a sharp reduction in the last decade of revenue margins as the domestically produced paste faces increasing competition by cheaper third countries imports. China is the major supplier of concentrated tomato paste to Italy and it is likely to gain further market share on the Italian market. Imports from Turkey account for only a small portion of the Italian market at the moment, but they are expected to grow in the next 5/6 years as further trade negotiations take place.

Most of the imports from third countries, and especially from China, are done under a temporary (inward processing) import regime. This means that they are generally imported in Italy at zero duty. After processing or packing they are then re-exported to other third countries, mainly to North Africa. Temporary imports of tomato paste from China were up by 68% in volume in 2003 creating difficulties for the Italian production on the export market.

The Italian Ministry of Agriculture announced in December 2003 stricter controls over possible frauds related to the re-export of tomato paste and its destination.

The United States gained a large share of the Italian tomato paste market during the first half of 2003 becoming one of the main suppliers, especially benefiting of the reduced national supply and of the low Euro/US$ exchange rate. Most of the US exports were paste with TSS>30% in boxes of more than 1 kg (code 20029091).

PSD TABLE TOMATOE PASTE

PSD Table

Country	**Italy**						
Commodity	**Tomato Paste,28-30% TSS B** (MT)(MT, Net Weight)						
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Deliv. To Processors	1962752	1669293	2139400	1994256	0	2320000	(MT)
Beginning Stocks	105000	115390	64276	67583	50000	89991	(MT, Net W
Production	306680	322264	334281	378308	0	417600	(MT, Net W
Imports	86592	162182	94385	168100	0	160000	(MT, Net W
TOTAL SUPPLY	498272	599836	492942	613991	50000	667591	(MT, Net W
Exports	358996	457253	361192	449000	0	460000	(MT, Net W
Domestic Consumption	75000	75000	81750	75000	0	75000	(MT, Net W
Ending Stocks	64276	67583	50000	89991	0	132591	(MT, Net W
TOTAL DISTRIBUTION	498272	599836	492942	613991	0	667591	(MT, Net W

The following tab shows the average wholesale prices of tomato paste in the Piacenza market in the month of April 2004 for reference.

Packaging	u.o.m	Euros min	Euros max
Double-concentrated (TSS>28%), 2003 production			
In cans, 5Kg	Each	3.40	3.60
In cans, 1Kg	Each	0.85	0.90
In cans, 0.5Kg	Each	0.41	0.43
In sterile drums, prime quality, cold break	Kg net	0.65	0.67
In sterile drums, prime quality, hot break	Kg net	0.68	0.70
Triple-concentrated (pure tomato guaranteed), 2003 production			
In sterile drums, prime quality	Kg net	0.80	0.82

Sauce

Data for tomato sauce include what in Italian is generally referred as “passata di pomodoro”. Passata is skinned, seedless, unflavored, uncooked tomato pulp, either slightly chunky or smooth. Depending on the degree of sieving, the pulp can be perfectly smooth (polpa di pomodoro) or slightly chunky (passata rustica). Passata is used as a basis for cooking tomato sauces, it is sold in bottles, cans, or cartons.

About 10 percent of the Italian fresh tomato production is processed into tomato sauce. Production for the next campaign is forecasted up, in line with the trend of the other tomato products considered in the report.

Since the introduction of passata on the Italian market is quite recent compared to other products, domestic consumption is expected to continue to grow. Tomato sauce is increasingly used in home cooking as an alternative to fresh tomatoes in the preparation of sauces for pasta and pizza.

Packaging and time for preparation are the major drivers in influencing consumers' preference for tomato sauce. Glass bottles and cartons are gaining popularity both on the national and international market, while canned passata is becoming more rare on supermarket shelves

Imports are expected to keep declining from the 2002/03 levels with the rebuilding of the stocks. The main suppliers are Spain and Portugal. In the first half of 2003 US and Argentinean exporters benefited of the low domestic supply and of the low US$/Euro exchange rate.

Northern European countries and the US are the main export markets for Italian tomato sauce. Exports are expected to marginally grow in 2004/05 following increasing domestic offer in the next campaign.

PSD TABLE TOMATOE SAUCE

PSD Table

Country Italy

Commodity Tomato Sauce

						(MT)(MT, Net Weight)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2002		07/2003		07/2004
Deliv. To Processors	0	531146	0	608561	0	638000
Beginning Stocks	0	80000	0	59032	0	82000
Production	60000	276070	55200	349720	0	350000
Imports	0	33455	4000	13024	0	11000
TOTAL SUPPLY	60000	389525	59200	421776	0	443000
Exports	28000	284392	27200	290000	0	295000
Domestic Consumption	32000	46101	32000	49776	0	55000
Ending Stocks	0	59032	0	82000	0	93000
TOTAL DISTRIBUTION	60000	389525	59200	421776	0	443000

Wholesale passata prices for the Month of April 2004 in the Piacenza market are shown below.

Packaging	u.o.m	Euros min	Euros max
Prime quality passata (Brix 7.5/8.5), 2003 production			
In sterile drums, hot break	Kg net	0.35	0.38

In cartons, Kg 0.500	Each	0.24	0.27
In glass bottle Kg 0.700	Each	0.35	0.36

TRADE MATRIXES

Export Trade Matrix

Country Italy

Commodit Fresh Tomatoes

Time Period	Year	Units:	MT
Exports for:	2002		**2003**
U.S.		U.S.	
Others		Others	
Germany	62933	Germany	50139
Austria	16233	Austria	15011
France	6923	France	5820
Switzerland	6520	United Kingdom	5638
United Kingdom	5274	Switzerland	4824
Slovenia	4242	Slovenia	3725
Croatia	3994	Croatia	3539
Poland	3072	Albania	2123
Netherlands	1826	Netherlands	1490
Belgium	1541	Belgium	1102
Total for Others	112558		93411
Others not Liste	14850		10804
Grand Total	127408		104215

Import Trade Matrix

Country Italy

Commodit Fresh Tomatoes

Time Period	Year	Units:	MT
Imports for:	2002		**2003**
U.S.		U.S.	
Others		Others	
Netherlands	21191	Netherlands	39254
Spain	21670	Spain	23464
France	7463	France	9405
Germany	4456	Germany	7058
Belgium	1887	Belgium	4218
		Morocco	646
Total for Others	56667		84045
Others not Liste	460		1467
Grand Total	57127		85512

Export Trade Matrix

Country Italy

Commodit Tomatoes, Canned

Time Period	Year	Units:	MT
Exports for:	2002		**2003**
U.S.	98257	U.S.	69319
Others		Others	
United Kingdom	236317	United Kingdom	194715
Germany	154650	Germany	141954
France	79273	France	64741
Netherlands	24942	Netherlands	19709
Greece	14937	Greece	8580
Spain	3300	Spain	4910
Brasil	2987	Portugal	4075
Portugal	2738	Brasil	3022
China	512	China	1836
Total for Others	519656		443542
Others not Liste	317743		288702
Grand Total	935656		801563

Import Trade Matrix

Country Italy

Commodit Tomatoes, Canned

Time Period	Year	Units:	MT
Imports for:	2002		**2003**
U.S.	0	U.S.	8894
Others		Others	
Spain	2502	Spain	4909
France	912	Argentina	4784
Turkey	466	Turkey	3558
Greece	314	Greece	752
		France	212
Total for Others	4194		14215
Others not Liste	1010		778
Grand Total	5204		23887

Export Trade Matrix

Country Italy

Commodit Tomato Paste,28-30% TSS

Time Period	Year	Units:	MT
Exports for:	2002		**2003**
U.S.	1370	U.S.	666
Others		Others	
Germany	101841	Germany	91450
Libia	50010	Nigeria	45041
France	25920	Ghana	26902
Nigeria	25823	France	25771
United Kingdom	25440	United Kingdom	22560
Benin	24901	Togo	18053
Ghana	21501	Benin	15127
Russia	20677	Ivory Coast	14457
Netherlands	16286	Angola	13257
Togo	15017	Netherlands	11811
Total for Others	327416		284429
Others not Liste	159769		141056
Grand Total	488555		426151

Import Trade Matrix

Country Italy

Commodit Tomato Paste,28-30% TSS Basis

Time Period	Year	Units:	MT
Imports for:	2002		**2003**
U.S.	1	U.S.	10376
Others		Others	
China	109140	China	120062
Chile	10928	Greece	14333
Greece	7686	Spain	8460
Spain	6167	Portugal	2424
Portugal	5557	North Africa	2559
France	2035	France	714
Total for Others	141513		148552
Others not Liste	6123		7912
Grand Total	147637		166840

Export Trade Matrix

Country	Italy		
Commodit	Tomato Sauce		
Time Period	Year	Units:	MT
Exports for:	2002		**2003**
U.S.	9568	U.S.	6782
Others		Others	
Germany	72609	Germany	68386
United Kingdom	55758	France	45166
France	50915	United Kingdom	41061
Netherlands	12955	Belgium	14332
Greece	12769	Greece	11458
Belgium	12607	Netherlands	9233
Sweden	9135	Sweden	8536
Denmark	8073	Australia	8447
Australia	7623	Denmark	8116
Austria	5481	Austria	6697
Total for Others	247925		221432
Others not Liste	43050		35544
Grand Total	300543		263758

Import Trade Matrix

Country	Italy		
Commodit	Tomato Sauce		
Time Period	Year	Units:	MT
Imports for:	2002		**2003**
U.S.		U.S.	8872
Others		Others	
Spain	6466	Spain	10052
Portugal	5582	Portugal	6444
Turkey	466	Argentina	4783
Germany	101	Turkey	2691
		Austria	137
Total for Others	12615		24107
Others not Liste	470		415
Grand Total	13085		33394