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Italy

Tomatoes and Products

Annual

2000

Approved by:
Elizabeth Berry
U.S. Embassy
Prepared by:
Franco Regini

Report Highlights: Total Italian tomato production for 1999 increased 8.5% to 6.7 million tons due both to a 4% increase in planted area and favorable weather conditions. The resulting large stocks are expected to result in a decline in Italian tomato output for processing for the 2000 season as acreage returns to 1998 levels. Italian exports of all tomato products continued to increase through 1999. Prices of Italian tomato exports remain competitive in the international market due to the large domestic supply.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Total Italian tomato production for 1999 was 6.7 million tons, or 8.5% over 1998 levels. The increase was due both to a 4% increase in planted area and favorable weather conditions. The increased planting was almost exclusively for tomatoes for processing in response to an anticipated increase in the tomato production quota by the European Union. In February 2000, however, the EU Commission increased the Italian tomato quota by only 2.1 % (3,609,544 tons) resulting in excess stocks, especially for canned tomatoes for this year. The increased quota will in effect beginning with the 2000/01 marketing year. Total Italian processing tomato output reached 4.9 million tons, or 12% more than in 1998. In 1999, Italian production of tomatoes for fresh consumption remained unchanged at 1.8 million tons.

For the 2000 season, a decline in Italian tomato output for processing is predicted as acreage is expected to return to 1998 levels. The reduction is mainly due to unusually large stocks of canned tomatoes and tomato paste that have been accumulated by Italian processors which should discourage farmers and processors from repeating the production levels of 1999.

The breakdown of Italian tomato products for 1999/2000 is as follows:

Tomato paste:	370,000 tons
Canned tomatoes:	1,984,000 tons
Tomato sauce:	50,000 tons

Italian exports of all tomato products are forecast to increase during 1999/2000 marketing year due to a large supply. Most Italian paste exports are poor quality products and face stiff competition from low cost producing countries such as Tunisia, Algeria, Turkey and China. Most of the Italian canned tomato products, however, are high quality whole tomatoes. This is a typical Italian tomato product and has few competitors on the international market. Regarding other tomato products, the Italian tomato industry continues to invest a lot of energy in creating new, high quality products, such as flavored sauces. Several Italian pasta producers have launched new tomato sauces using their brand names which are already well known on the domestic market.

PRODUCTION

Fresh Tomatoes

As previously mentioned, a significant increase in 1999 processing tomato output was due to increased planted area and favorable weather conditions. Italian planted acreage for processing tomatoes increased from 85,000 hectares in 1998 to 89,000 hectares in 1999 (plus 4.7 %). Average yields increased from 51.4 tons per hectare in 1998 to 55 tons per hectare in 1999 mainly due to good weather conditions.

Italian production of tomatoes for fresh consumption in 1999 remained stable at 1.8 million tons.

Most of the Italian processing tomato production is located in Southern Italy with the bulk in the Apulia region. However, the major increase in planted area in 1999 was reported in Emilia-Romagna region in the North. This region is the only one in northern Italy where processing tomato production is significant due to a strong concentration of processing plants.

"San Marzano" and similar varieties are the main tomatoes cultivated in southern Italy and are mainly channeled to whole canned tomato production. Other round shaped tomato varieties, such as "Roma", are cultivated both in northern and southern Italy and are used for all other tomato products. Most of the round shaped tomatoes are harvested mechanically whereas "San Marzano" tomatoes are harvested by hand. Approximately 20,000 immigrants work in the Apulia region (the major producing area) during tomato harvesting season (August-September). Tomatoes for fresh consumption are cultivated all over Italy but especially in the south, particularly in Sicily, where tomato production in green houses is growing. Small family garden production represents an important share of the national tomato production for fresh consumption output.

Tomato Products

Out of 4.9 million tons delivered to processors in 1999, 2.347 million tons were used to produce tomato paste and 2.561 million tons were used for canned tomatoes.

Total processed product for 1999/2000 is as follows:

Tomato paste (concentrate with 26 % average tomato solids): 370,000 tons
Whole canned tomatoes: 1,114,000 tons
Other canned tomato products, mainly crushed and chopped: 870,000 tons
Tomato Sauce: 50,000 tons.

The fresh tomato paste ratio used was 6.5 (6.5 kilos of fresh tomatoes for 1 kilo of paste). The ratio for canned tomatoes was 1.3 (1.3 kilos of fresh tomatoes for 1 kilo of canned tomatoes). No official data for tomato sauce output exists. Since tomato sauce is produced using crushed tomatoes and paste, figures were calculated using processed tomato data supplied by Ministry of Agriculture and figures provided by trade and producer contacts.

As a result of the over production, stock levels are unusually high this year, especially for canned tomatoes. Although processors will attempt to market these supplies throughout the next year at competitive prices, the carryover can be expected to lead to reduced production in 2000. According to trade sources, a certain portion of the reported stock levels are believed to be "ghost" stocks resulting from fraudulent production reports by the processors in order to get greater processing aid payments.

CONSUMPTION

Fresh tomato consumption is considered to be stable. However, the use of fresh tomatoes to prepare sauces at home should decline slightly due to competition from new processed tomato products.

While Italian consumption of tomato paste remains stable, consumption of canned tomatoes other than whole tomatoes continues to increase slightly. This reflects the fact that markets for paste and whole canned tomatoes are considered to be mature with little expectation for growth in Italy. Other canned tomato products, however, such as innovative products that contain chopped and crushed tomatoes, and tomato sauces enriched with other ingredients and/or flavors are considered to be growth markets as the average consumer turns to more semi-prepared/convenience products. Consumption of tomato paste includes utilization by the canning industry to prepare other tomato products such as crushed tomatoes and sauce.

TRADE

Italian exports of all tomato products continued to increase through 1999. Prices of Italian tomato exports remain competitive in the international market due to the large domestic supply. A historical series of export prices of Italian tomato products form 1990 to 1999 is provided below.

Most Italian exports, especially whole tomatoes, are delivered to European and other developed countries. However, a significant share of tomato paste exports are of low quality and is destined for Russia and some of the African countries. Most of this tomato product is prepared using tomato paste imported duty-free for reprocessing from Greece, Turkey, China and other countries where production costs are much lower. Tomato paste produced in China is reported to be of much better quality than from the other countries. (Note: Italian companies have secured export sales of technology and processing machinery to China in exchange for agreeing to purchase contracts for Chinese tomato production). During calendar year 1999, 70.5 % of Italian tomato product exports were whole peeled tomatoes. This represents the traditional Italian tomato product and has only few competitors on the world market.

As a result of the larger crop and stronger dollar, imports of U.S. tomato product have returned to normal low levels following a surge of imports of paste in 1998.

PRICES

Table: Export Prices of Italian Tomato Products 1990-1999

	1990	1993	1995	1996	1997	1998	1999	(L./Kg) Var. %99/90
Tomato Paste	1428	1402	1842	1751	1624	1710	1649	15,5
Whole Canned Tomato	697	768	840	840	790	962	964	38,3
Other Canned Tomato	887	881	1001	1006	986	1085	1089	22,8

The EU minimum prices for the 1999/2000 marketing year are as follows:

Tomato paste: 8.805 ECU (17,049 Lire)/100 kg
Roma variety: 11.202 ECU (21,690 Lire)/100 kg

The EU processing subsidies for 1999/00 are as follows:

Tomato paste: 21.619 ECU (41,860 Lire)/100 kg
Roma variety: 4.925 ECU(9,536 Lire)/100 kg

1999 Exchange rate ECU/Lira: 1 ECU= 1936.27 Lire
1999 Average Exchange rate US Dollar/Italian Lire: 1,818

Processing subsidies for 1999/00 have been significantly reduced (-11%) from 1998/99. Minimum prices was reduced by only 3%.

POLICY

According to our trade contacts, the reform of the EU Common Market Organization for tomato products, which is expected to change the production quota system into a production limit system, will not be approved before the 2001/2002 marketing year.

Under a production limit system, a fixed level of subsidy is provided each year with the result that individual farmer subsidies will be reduced for all production when production exceeds the limit. In addition, subsidies will be paid directly to farmers, allowing the processors to buy tomatoes on the market or to contract with producer associations. Presently, subsidies are provided to farmers through the processors which must pay a minimum price in order to receive a processing subsidy.

Discussion on the reform package continue because of the many conflicting interests among the EU tomato producing countries. The major area of discussion is over national versus EU wide production limits. Italy, as the major tomato product producer in Europe, is resigned to the fact that subsidy levels will be fixed for any given year, leaving no flexibility in the case of over production. However, the GOI is trying to get the best deal possible, and would prefer having EU wide quotas which might allow Italian producers in years of overproduction to be compensated if other countries fall below their target levels. Since the reform has not been approved, processors will continue to be required to make trade agreements and to pay a minimum price to producers for the next marketing year.

One reason for the reform is that the present system is very restrictive and the trade agreements often lead to fraud. According to trade contacts, the agreements are often broken by the processors, especially in southern Italy where large amounts of raw material are available at low prices. In addition, because the current system provides little transparency in the production process, it is reported that processors often over-report production and sales in order to receive higher government payments. It is believed that this over-reporting of production is one of the reasons for the unusually high stock levels this year. Traditionally, Post has been required to revise stock levels periodically in order to account for such "ghost" stocks. Post will review this years levels as more information becomes available.

In February, 2000, the EU increased the Italian quota of tomatoes for processing by 2.1%. In the 2000/01 Marketing Year, Italian processors will receive subsidies for 3,609,544 tons of tomatoes for processing. The total EU tomato quota was set at 6,865,823 tons (+0.4 %) with the Italian quota accounting for 52.6% of the total EU.

TARIFF TABLE

Import duty for tomato paste and canned tomatoes:

From 1/1/to 6/30: 15.6%   From 7/1 to 12/31: 15%

Import duty for tomato sauce and ketchup:

From 1/1/to 6/30: 13.1% From 7/1 to 12/31: 12.1%

SECTION II. PSD TABLES

Fresh Tomatoes

PSD Table						
Country	Italy					
Commodity	Fresh Tomatoes				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Plnt For Fresh Consump	0	40000	0	41000	0	40000
Plnt For Processing	0	85000	0	89000	0	85000
TOTAL Area Planted	0	125000	0	130000	0	125000
Harv. For Fresh Cons.	0	38000	0	39000	0	38000
Harv. For Processing	0	80000	0	84000	0	80000
TOTAL Area Harvested	0	118000	0	123000	0	118000
Fresh Sale Production	0	1800000	0	1800000	0	1800000
Processing Production	0	4372000	0	4900000	0	4400000
TOTAL Production	0	6172000	0	6700000	0	6200000
TOTAL SUPPLY	0	6172000	0	6700000	0	6200000

Canned Tomatoes

PSD Table						
Country	Italy					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	0	2204000	0	2561000	0	2300000
Beginning Stocks	68000	86000	13000	113000	0	437000
Production	1475000	1620000	0	1984000	0	1750000
Imports	10000	7000	0	10000	0	10000
TOTAL SUPPLY	1553000	1713000	13000	2107000	0	2197000
Exports	700000	730000	0	780000	0	790000
Domestic Consumption	840000	870000	0	890000	0	900000
Ending Stocks	13000	113000	0	437000	0	507000
TOTAL DISTRIBUTION	1553000	1713000	0	2107000	0	2197000

Tomato Paste

PSD Table						
Country	Italy					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	1730000	2168000	0	2347000	0	2100000
Beginning Stocks	95000	99000	103000	118000	0	139000
Production	270000	330000	0	370000	0	330000
Imports	70000	64000	0	45000	0	45000
TOTAL SUPPLY	435000	493000	103000	533000	0	514000
Exports	260000	301000	0	320000	0	330000
Domestic Consumption	72000	74000	0	74000	0	74000
Ending Stocks	103000	118000	0	139000	0	110000
TOTAL DISTRIBUTION	435000	493000	0	533000	0	514000

Tomato Sauce

PSD Table						
Country	Italy					
Commodity	Tomato Sauce				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	48000	0	50000	0	53000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	48000	0	50000	0	53000
Exports	0	20000	0	21000	0	22000
Domestic Consumption	0	28000	0	29000	0	31000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	48000	0	50000	0	53000

TRADE MATRIXES

Canned Tomatoes Exports

Export Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	Metric Tons
Exports for:	1998		1999
U.S.	33600	U.S.	57000
Others		Others	
U.K.	191000	U.K.	199000
Germany	138000	Germany	142000
France	69600	France	77000
Belgium-Lux	35100	Belgium-Lux	41000
Japan	49600	Japan	56000
Canada	16500	Canada	17000
Switzerland	17000	Switzerland	18000
Total for Others	516800		550000
Others not Listed	155600		171000
Grand Total	706000		778000

Canned Tomatoes Imports

Import Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	Metric Tons
Imports for:	1998		1999
U.S.	69	U.S.	184
Others		Others	
Spain	3700	Spain	6000
Portugal	2200	Portugal	3000
Total for Others	5900		9000
Others not Listed	2031		2216
Grand Total	8000		11400

Tomato Paste Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	Metric Tons
Exports for:	1998		1999
U.S.	400	U.S.	600
Others		Others	
Germany	61000	Germany	68000
France	21800	France	27000
U.K.	23900	U.K.	18000
Netherlands	14900	Netherlands	17000
Libya	8000	Libya	25000
Russia	12900	Russia	15000
Benin	15000	Benin	14000
Ghana	12900	Ghana	11000
Total for Others	170400		195000
Others not Listed	122200		109400
Grand Total	293000		305000

Tomato Paste Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	Metric Tons
Imports for:	1998		1999
U.S.	20700	U.S.	
Others		Others	
Greece	15100	Greece	13000
China	15400	China	19000
		Turkey	14000
Total for Others	30500		46000
Others not Listed	26300		12000
Grand Total	77500		58000

Tomato Sauce Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	Metric Tons
Exports for:	1998		1999
U.S.	130	U.S.	170
Others		Others	
France	2700	France	3300
Germany	7200	Germany	8400
U.K.	3000	U.K.	3400
Total for Others	12900		15100
Others not Listed	5670		5730
Grand Total	18700		21000

Tomato Sauce Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	Metric Tons
Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0