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Report Highlights: Total imports of wheat in 2000/01 are expected to increase to over 1.8 mmt due to reduced bread wheat acreage resulting from adverse weather last fall. Export opportunities for both U.S. bread and durum wheat remain good, in view of decreased supplies of quality wheats from other origins. Corn area is expected to drop slightly due to expanded soybean acreage in northern Italy. Prices for Italian rice look better due to the decreased 2000 domestic crop and better export opportunities. Dry pulse consumption is increasing as consumers look for protein alternatives to beef resulting from the BSE crisis.

Includes PSD changes: Yes
Includes Trade Matrix: No
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SITUATION AND OUTLOOK

PRODUCTION

The long term downward trend of bread wheat area continued for the 2001 crop with an additional decline of 7 percent. Historically this trend was mainly due to decreased interest of the farmers who were attracted by more profitable crops such as corn and soybeans in the north and durum wheat and sunflower seeds in central Italy (bread wheat is not traditionally planted in the south). Last fall, however, adverse weather contributed to this trend, affecting planting operations in the north, especially in Piedmont which suffered a severe flood in mid October. Plantings, therefore, were generally delayed and in some cases could not take place. As a result, total acreage reached a new record low level, and yield averages are expected to be lower due to the large amount of late plantings. The only exception is reported in the Emilia-Romagna region, where small amounts of acreage has changed from durum to bread wheat is reported. (Note: In the northern regions, there is a small federal program to provide additional aid for planting durum wheat in non-traditional regions. In 2000, production under this program exceeded the 4,000 ha of acreage allowed with a consequent reduction of the supplementary aid per hectare which encouraged producers to change back to bread wheat. End note.) Domestic bread wheat production currently covers no more than one third of total domestic needs (including the volume milled for flour exports).

Acreage for barley is expected to be somewhat higher due to the weather related reduction in wheat acreage, since this crop can be planted in the spring. As a result, barley area is anticipated to increase slightly from last year.

After reaching a record high level in 2000, corn planted area should decline slightly this year, although final decisions from the farmers on their planting intentions have not yet been made. According to trade sources, a marginal shift from corn to soybeans should take place in the Po valley (where both crops are concentrated) in expectation of better profits. Currently prices for soybeans are higher than those offered for corn and this difference will more than offset the forecast reduction of the oilseed aids per hectare, resulting from Agenda 2000. Furthermore, last year corn area exceeded the 1.2 million hectare ceiling fixed by the EU for corn plantings (including silage corn), by about 9 percent which will result in a penalty for this year's corn subsidies. The combination of the above factors, therefore, will likely cause the corn crop to level off after from the continued corn area expansion reported in the recent years.

Area planted to durum wheat is preliminarily indicated to remain virtually unchanged, or at most decline marginally. Planting operations, however, have not yet been concluded, due to adverse weather (excessive rains in central Italy, especially in Tuscany, and drought in some areas of the south). In Emilia-Romagna, as covered above, area dropped remarkably, while minor increases are reported in central Italy.

Total acreage planted to rice is expected to remain stable, or possibly decline slightly. However, planted area of Indica varieties should increase from the almost 50,000 hectares planted in 2000 to over 52,000 hectares in 2001. This area will be offset by an expected decline of area planted to Japonica varieties. After a long period of depression, the domestic rice market has shown signs of a partial recovery in the last months mainly due to both the decreased domestic crop reported in 2000 and slightly improved export prospects (chiefly of Indica rice to northern Europe as well as Japonica to third countries). This improved domestic market trend is reflected in intervention stocks, whose levels dropped from the 374,000 tons of paddy rice reported last September (beginning of the 2000/01 MY) to the current level of 345,000 tons.

CONSUMPTION

Domestic consumption of the major food grain products, such as bread, bakery and confectionary products, pasta and milled rice remain fairly stable or, as in the case of pasta, are declining slightly. Human consumption of dried pulses, on the other hand, is showing a significant expansion, which should be connected to the effects of the BSE crisis, with the consumers shifting to alternative protein foods. Feed use of wheat is expected to rise in current 2000/01, as animal producers look for alternative protein sources due to the MBM ban resulting from the BSE crisis.

Most of the domestic durum wheat supply is used to produce pasta. Pasta production, after a record high level in 1997, has decreased slightly in connection with the domestic consumption trend, as exports have remained on record high levels. In 1999, according to industry sources, domestic pasta production was 2,272,000 tons, or 0.3 percent less than in 1998.

The use of NGFI's in Italy, always marginal, has continued to decline in the most recent years. Imports of corn gluten feed, mainly coming from the U.S., dropped in 1999 to 175,000 tons (from 196,000 tons in 1998), and 123,000 tons in January-September 2000. Imports of distilling dregs, which totaled 48,000 tons in 1998 and 40,000 tons in 1999, were only 32,000 tons in January-September 2000.

TRADE

Total imports of soft wheat are expected to rise to 5.1 MMT in 2000/01 and 5.3 MMT in 2001/02, consequent to the continued decline in domestic production. During 1999/2000, about 78 percent of Italy's imports came from other EU countries, with France as a leading supplier, followed by Germany, Austria and UK. Imports from the U.S. in the most recent years have risen continuously, totaling 191,000 tons in 1996/97, 260,000 tons in 1997/98, 308,000 tons in 1998/99 and 533,000 tons in 1999/2000, and are expected to remain high through 2000/01. Italian imports of U.S. soft wheat consist almost exclusively of Dark Northern Spring (DNS), which is used to produce traditional holiday cakes, as well as other typical bakery products. A series of factors have contributed to this trend: 1) improved average quality standards of the U.S. wheat, in comparison to the Canadian wheat, whose exports to Italy have declined in recent years; 2) more competitive U.S. prices compared to the prices offered by the Canadian Wheat Board (CWB); 3) the newly established import trend of DNS wheat into southern Italy, where the local bakery industry traditionally had used French wheat flour whose quality is reported to be lower in the current year than usual; and 4) the progressive reduction of domestic EU wheat prices, with the consequent zeroing of the import duties.

Some Italian traders and millers believe that U.S. exports of bread wheat to Italy, so far limited to high quality wheats used to improve the flour blends locally produced, could in the medium term expand to include lower quality wheats including even HRW wheat. This possibility, however, is tied to a zeroing of the import duties for to the medium quality wheat varieties.

Italian exports of bread wheat flours, after reaching a record high level of 962,000 tons in 1997/98, declined in both 1998/99 (883,00 tons) and 1999/2000 (707,000 tons), and are expected to further drop in MY 2000/01, in line with reduced exports Yemen, where the local milling industry has sharply expanded.

Italian durum wheat imports in 2000/01 are expected to remain fairly stable at the previous year's level of about 1.4 MMT. Imports from the United States, which had substantially recovered in MY 1999/2000, are expected to remain on the high side through MY 2000/01. A large share of the U.S. durum wheat exported to Italy is represented by desert durum from southern California and Arizona which is grown under cultivation contracts with the leading Italian pasta makers, and is used to produce top quality pasta. Desert durum is increasingly popular with the Italian pasta industry thanks to its superior quality standards. Italian imports of durum coming from the U.S. northern plains (mainly North Dakota) have also increased, thanks to the reduced competition from Canada, due again to the price policy adopted by the CWB.

Italian pasta exports have now stabilized between 1.2 and 1.3 MMT. Shipments to the EU continue to grow and reached 735,000 tons in 1999/2000). Exports to the U.S., on the contrary, are expected declined to 152,000 tons in 1999/2000), due to Barilla (the Italian leading pasta manufacturer) having established a pasta plant in Iowa which has displaced almost all of their shipments to the United States.

Italian rice exports, after the slight recovery reported in 1999/2000 (mainly following the increased import demand of Indica rice from France, Germany and the Netherlands), are expected to rise slightly in 2000/01. This increase is due to a possible consumption increase in northern Europe, mainly due to the BSE crisis, according to some trade sources. Furthermore, exports to third countries of Japonica rice are also growing, thanks to an increasing consumer demand for the typical Italian rices needed to prepare traditional Italian dishes such as "risotto". The newly approved international food aid agreement recently signed in London is also expected to improve the potential for additional food aid shipments.

POLICY

When Agenda 2000 is fully implemented, aid per hectare for grains and oilseeds will be equalized, with a consequent negative effect on the oilseed industry. This could favor in the medium term, however, the winter grain sector if the growers in the Po valley switch back to bread wheat and barley from oilseeds. As a result of the increasing domestic needs of vegetable proteins (in connection to the ban of using MBM as feed ingredient), Italian farm organizations have asked the EU to postpone the cuts to the oilseed aids, but so far with no result. A decision on that will likely not be taken before next summer, but could affect only the 2002 crops.

The most important farm policy issue in this sector currently under discussion, however, remains the reform of the CAP in the rice sector. Discussions have been frozen since last October, as major disagreements continue to exist among the different member countries. At this point, no decision is likely to be adopted before 2002, when a general revision of the CAP for arable crops is scheduled. The Italian rice industry is also divided on the Reform. AIRI (the rice miller association), supported by one farmer organization, has submitted a proposal, requesting: 1) the removal of the intervention price; 2) establishment of a single import duty, regardless of the rice variety or country of origin; 3) maintenance of current acreage ceilings (428,000 hectares for the whole EU and 239,000 hectares for Italy); 5) a substantial increase of the aids per hectare, with the target to maintain farmers' income; and 6) the establishment of a fund to promote rice consumption in the EU and to manage possible market crises (through a minimum farmer price). The other two leading farmer organizations, however, do not agree with all points of the proposal, especially the market uncertainties tied to the removal of the intervention price, and arguing that a possible rise in the aid per hectare would not necessarily guarantee the farmers' income at current levels.

MARKETING

Export opportunities of both bread and durum wheat, as outlined above, remain good in view of the continued strong demand of high quality wheats, due to reduced supplies from traditional supplying countries. Quality, in any case, continues to be a determinant factor for the Italian millers and pasta makers, who are willing to pay a higher prices, provided the purchased wheat has the specific characteristics needed.

As mentioned previously, increasing domestic consumption of dry pulses favors imports from the U.S., despite still strong competition from other countries, mainly China and Canada. U.S. marketing efforts should be targeted to emphasize the higher quality of the U.S. pulses to consumers, which can justify a possibly higher retail price.

PSD TABLES

WHEAT

PSD Table						
Country	Italy					
Commodity	Wheat				(1000 HA)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	2342	2391	2250	2318	0	2272
Beginning Stocks	400	850	300	750	300	720
Production	7341	7341	7100	7272	0	7200
TOTAL Mkt. Yr. Imports	6500	6222	6950	6560	0	6700
Jul-Jun Imports	6500	6222	6950	6560	0	850
Jul-Jun Import U.S.	0	861	0	820	0	14620
TOTAL SUPPLY	14241	14413	14350	14582	300	14620
TOTAL Mkt. Yr. Exports	2900	2996	2750	3000	0	3000
Jul-Jun Exports	2900	2996	2750	3000	0	3000
Feed Dom. Consumption	1000	1200	1200	1350	0	1400
TOTAL Dom. Consumption	11041	10667	11300	10862	0	10870
Ending Stocks	300	750	300	720	0	750
TOTAL DISTRIBUTION	14241	14413	14350	14582	0	14620

DURUM

PSD Table						
Country	Italy					
Commodity	Wheat, Durum				(1000 HA)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	0	1691	0	1660	0	1657
Beginning Stocks	0	500	0	400	0	370
Production	0	4100	0	4165	0	4300
TOTAL Mkt. Yr. Imports	0	1371	0	1460	0	1400
Jul-Jun Imports	0	1371	0	1460	0	1400
Jul-Jun Import U.S.	0	328	0	320	0	350
TOTAL SUPPLY	0	5971	0	6025	0	6070
TOTAL Mkt. Yr. Exports	0	1966	0	2050	0	2100
Jul-Jun Exports	0	1966	0	2050	0	2100
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	0	3605	0	3605	0	3570
Ending Stocks	0	400	0	370	0	400
TOTAL DISTRIBUTION	0	5971	0	6025	0	6070

BARLEY

PSD Table						
Country	Italy					
Commodity	Barley				(1000 HA)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	349	354	300	345	0	350
Beginning Stocks	0	100	30	100	29	100
Production	1329	1329	1150	1227	0	1325
TOTAL Mkt. Yr. Imports	650	596	550	600	0	550
Oct-Sep Imports	650	631	550	600	0	550
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1979	2025	1730	1927	29	1975
TOTAL Mkt. Yr. Exports	1	5	1	0	0	0
Oct-Sep Exports	1	2	1	0	0	0
Feed Dom. Consumption	1550	1500	1300	1400	0	1425
TOTAL Dom. Consumption	1948	1920	1700	1827	0	1875
Ending Stocks	30	100	29	100	0	100
TOTAL DISTRIBUTION	1979	2025	1730	1927	0	1975

CORN

PSD Table						
Country	Italy					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1031	1032	1100	0	0	1060
Beginning Stocks	476	600	1086	800	1500	800
Production	10000	10058	10800	10265	0	10200
TOTAL Mkt. Yr. Imports	750	648	300	450	0	500
Oct-Sep Imports	550	547	300	450	0	500
Oct-Sep Import U.S.	0	9	0	10	0	10
TOTAL SUPPLY	11226	11306	12186	11515	1500	11500
TOTAL Mkt. Yr. Exports	40	89	50	300	0	200
Oct-Sep Exports	40	197	50	300	0	200
Feed Dom. Consumption	9020	9400	9500	9400	0	9500
TOTAL Dom. Consumption	10100	10417	10636	10415	0	10500
Ending Stocks	1086	800	1500	800	0	800
TOTAL DISTRIBUTION	11226	11306	12186	11515	0	11500

BEANS

PSD Table						
Country	Italy					
Commodity	Beans				(1000 HA)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/1999		01/1999
Area Harvested	0	7	0	6	0	5
Beginning Stocks	0	5	0	5	0	5
Production	0	8	0	6	0	6
TOTAL Mkt. Yr. Imports	0	80	0	86	0	90
Jul-Jun Imports	0	80	0	86	0	90
Jul-Jun Import U.S.	0	20	0	21	0	22
TOTAL SUPPLY	0	93	0	97	0	101
TOTAL Mkt. Yr. Exports	0	3	0	3	0	3
Jul-Jun Exports	0	3	0	3	0	3
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	0	85	0	89	0	93
Ending Stocks	0	5	0	5	0	5
TOTAL DISTRIBUTION	0	93	0	97	0	101

LENTILS

PSD Table						
Country	Italy					
Commodity	Lentils					
	Revised		Preliminary		Forecast	
	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/1999		01/1999	
Area Harvested	0	1	0	1	0	1
Beginning Stocks	0	2	0	2	0	2
Production	0	1	0	1	0	1
TOTAL Mkt. Yr. Imports	0	28	0	30	0	31
Jul-Jun Imports	0	28	0	30	0	31
Jul-Jun Import U.S.	0	5	0	6	0	6
TOTAL SUPPLY	0	31	0	33	0	34
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	0	29	0	31	0	32
Ending Stocks	0	2	0	2	0	2
TOTAL DISTRIBUTION	0	31	0	33	0	34

RICE

PSD Table						
Country	Italy					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1999		09/2000		09/2001
Area Harvested	221	221	221	220	0	220
Beginning Stocks	217	133	221	191	269	74
Milled Production	850	884	840	728	0	880
Rough Production	@IF(B11=0,0,ROUND(B9/B11 * 10000, 0))	1383	@IF(D11=0,0,ROUND(D9/D11 * 10000, 0))	1186	@IF(F11=0,0,ROUND(F9/F11 * 10000, 0))	1380
MILLING RATE (.9999)	6176	6176	6176	0	0	0
TOTAL Imports	20	62	20	60	0	60
Jan-Dec Imports	20	24	20	60	0	60
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1087	1079	1081	979	269	1014
TOTAL Exports	530	613	475	630	0	640
Jan-Dec Exports	490	625	450	630	0	640
TOTAL Dom. Consumption	336	275	337	275	0	280
Ending Stocks	221	191	269	74	0	94
TOTAL DISTRIBUTION	1087	1079	1081	979	0	1014