



Required Report - public distribution

Date: June 12, 2001

GAIN Report #IT1013

Italy

Tomatoes and Products

Annual

2001

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Report Highlights: Total Italian tomato output for 2000 was 6.66 million tons, slightly below 1999 levels. The breakdown of Italian tomato products for 2000/2001 is as follows: 340,000 tons of tomato paste; 1,888 tons of canned tomatoes; 53,000 tons of tomato sauce. Italian exports of all tomato products are forecast to increase during 2000/2001 marketing year due to the large supply and low prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rome [IT2], IT1013

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SECTION I. SITUATION AND OUTLOOK

Total Italian tomato output for 2000 was 6.66 million tons, slightly below 1999 levels, with a 3% increase of tomato production for fresh consumption and a 2% decline in processing tomato production. Planted area for 2000 declined somewhat in response to large stocks of tomato products and low price levels. However, with EU guaranteed minimum prices encouraging Italian production to fill the quota set by Brussels (3.61 tons for 2000/2001 marketing year) acreage is expected to rebound in 2001.

The breakdown of Italian tomato products for 2000/2001 is as follows:

Tomato paste:	340,000 tons
Canned tomatoes:	1,888 tons
Tomato sauce:	53,000 tons

For 2001/2002, Italian processed tomato products are forecast to return to 4.9 million tons following a drop in 2000, despite a planned EU subsidy cut for the next marketing year. The absence of a national production plan due to poor inter-professional coordination and weak vertical integration in the South help account for this situation.

Italian exports of all tomato products are forecast to increase slightly during the 2000/2001 marketing year due to the large supply and low prices.

As a result of the reforms of the European Union Horticultural Market Organization, which are to be implemented beginning in the 2001/2002 marketing year, Italy's production quota increased to 4.35 million tons of tomatoes for processing.

The major components of the reforms are the following two measures:

- a single subsidy (34.5 Euros per ton) which growers will receive directly instead of through processors, as had been done in the past.
- a reduction in the subsidy for the following year whenever production exceeds the national quota.

PRODUCTION

Fresh Tomatoes

In 2000, tomatoes produced for fresh consumption increased to 1.85 million tons mainly due to favorable weather conditions. The increase was concentrated in Sicily, where planted area also increased slightly.

However, processing tomato output declined in 2000 due to a reduction in planted area from 89,000 to 86,000 hectares. For the 2001/2002 processing season, a return to 89,000 hectares is forecast based on agreements set between growers and processors. In total, agreements were signed in Italy between processors and growers for a total of 5.3 million tons of tomatoes to be processed in 2001. Despite the above mentioned agreements, our trade contacts believe that actual production will remain closer to average levels. Production is expected to be limited by a lack of vertical integration in the southern Italian tomato industry (which accounts for approximately 60% of production). Consequently, the plants will not be able to maximize their production through economies of scale. In addition, fragmentation of the processing plant sector also causes the sector to be somewhat inefficient.

However, in northern Italy, the tomato industry is strongly integrated with production concentrated in a few cooperative groups that handle everything from production to processing and sale. Consequently, the agreements in northern Italy are considered to be more reliable. The agreements also set a price to be paid to growers (0.045 Euros per kg), quality standards, penalties and premiums as opposed to agreements in the South, which only sets qualities to be processed.

Tomato Products

Total processed product for 2000/2001 is as follows:

Tomato paste (concentrate with 26 % average tomato solids):	340,000 tons
Whole canned tomatoes:	965,000 tons
Other canned tomato products, mainly crushed and chopped:	923,000 tons
Tomato Sauce:	53,000 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 the Ministry of Agriculture and figures provided by trade and producer contacts.

As a result of the high stocks and over production, stock levels are unusually high this year, especially for canned tomatoes. However, despite a decline in 2000 production, canned tomato output is expected to return to previous levels in 2001. 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 is likely to decline slightly due to competition from new processed tomato products. Consequently consumption of fresh tomatoes for salads should increase as vendors seek to promote alternative uses.

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 remained competitive in the international market due to the large domestic supply. A historical series of export prices of Italian tomato products from 1990 to 2000 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 is 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. In 2000, Italian paste imports from China more than doubled. They represented 76% of total paste imports. (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.)

PRICES

Table: Export Prices of Italian Tomato Products 1990-2000

	1990	1993	1995	1996	1997	1998	1999	2000
Tomato Paste	1428	1402	1842	1751	1624	1710	1649	1473
Whole Canned Tomato	697	768	840	840	790	962	964	876
Other Canned Tomato	887	881	1001	1006	986	1085	1089	1018

POLICY

Under the EU quota system, which allows 4.35 million tons of production in the next tomato processing season (Aug-Sept 2001), Italian growers will receive 34.5 Euros per kg of tomatoes delivered to processors. If production exceeds this limit subsidies will be reduced proportionally in the following year. Offsetting compensation is possible when other member states processing tomato production falls below their national limit, allowing those countries which produce over their quotas to receive additional compensation.

In order for the new system to work, the tomato industry must be able to plan national production in order not to exceed the national limit. As already discussed, in southern Italy producer associations and processors were not able to set a single agreement in order to plan tomato production.

The risk of a subsidy reduction for 2002 is high. Both processors and farmer associations have expressed concern that a decline in quality level for Italian tomato products may result from reduced incomes for growers as they reduce expenses by cutting back on input use.

The new system seems to mainly favor processors because they will not have to pay a fixed minimum price to growers in order to be paid back by a processing subsidy. In addition, the processors will be free to purchase processing tomatoes from whatever source they chose, including from foreign markets.

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	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Plnt For Fresh Consump	0	41000	0	41000	0	41000
Plnt For Processing	0	89000	0	86000	0	89000
TOTAL Area Planted	0	130000	0	127000	0	130000
Harv. For Fresh Cons.	0	39000	0	39000	0	39000
Harv. For Processing	0	84000	0	82000	0	85000
TOTAL Area Harvested	0	123000	0	121000	0	124000
Fresh Sale Production	0	1800000	0	1850000	0	1850000
Processing Production	0	4900000	0	4810000	0	4900000
TOTAL Production	0	6700000	0	6660000	0	6750000
TOTAL SUPPLY	0	6700000	0	6660000	0	6750000

Canned Tomatoes

PSD Table						
Country	Italy					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Deliv. To Processors	2561000	2561000	2300000	2610000	0	2800000
Beginning Stocks	113000	113000	437000	417000	507000	535000
Production	1984000	1984000	1750000	1888000	0	2030000
Imports	10000	15000	10000	10000	0	10000
TOTAL SUPPLY	2107000	2112000	2197000	2315000	507000	2575000
Exports	780000	805000	790000	880000	0	900000
Domestic Consumption	890000	890000	900000	900000	0	920000
Ending Stocks	437000	417000	507000	535000	0	755000
TOTAL DISTRIBUTION	2107000	2112000	2197000	2315000	0	2575000

Tomato Paste

PSD Table						
Country	Italy					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Deliv. To Processors	2347000	2347000	2100000	2200000	0	2200000
Beginning Stocks	118000	118000	139000	160000	110000	136000
Production	370000	370000	330000	340000	0	340000
Imports	45000	56000	45000	40000	0	40000
TOTAL SUPPLY	533000	544000	514000	540000	110000	516000
Exports	320000	310000	330000	330000	0	340000
Domestic Consumption	74000	74000	74000	74000	0	74000
Ending Stocks	139000	160000	110000	136000	0	102000
TOTAL DISTRIBUTION	533000	544000	514000	540000	0	516000

Tomato Sauce

PSD Table						
Country	Italy					
Commodity	Tomato Sauce				(MT)(MT, Net Weight)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	50000	0	53000	0	56000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	50000	0	53000	0	56000
Exports	0	21000	0	23000	0	24000
Domestic Consumption	0	29000	0	30000	0	32000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	50000	0	53000	0	56000

TRADE MATRIXES

Canned Tomatoes Imports

Import Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	M T
Imports for:	1999		2000
U.S.	184	U.S.	0
Others		Others	
Spain	6000	Spain	4000
Portugal	3000	Portugal	3500
Total for Others	9000		7500
Others not Listed	2216		4500
Grand Total	11400		12000

Canned Tomatoes Exports

Export Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period	M T	Units:	M T
Exports for:	1999		2000
U.S.	57000	U.S.	56000
Others		Others	
U.K.	199000	U.K.	193000
Germany	142000	Germany	147000
France	77000	France	17000
Belgium	41000	Belgium	45000
Japan	56000	Japan	52000
Canada	17000	Canada	16000
Switzerland	18000	Switzerland	17000
Total for Others	550000		487000
Others not Listed	171000		251000
Grand Total	778000		794000

Tomato Paste Imports

Import Trade Matrix			
Country	Italy		

Commodity	Tom. Paste,28-30% TSS Basis		
Time period		Units:	M T
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Greece	13000	Greece	9000
China	19000	China	42000
Turkey	14000	Turkey	1000
Total for Others	46000		52000
Others not Listed	12000		3000
Grand Total	58000		55000

Tomato Paste Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30% TSS Basis		

Time period		Units:	M T
Exports for:	1999		2000
U.S.	600	U.S.	400
Others		Others	
Germany	68000	Germany	82000
France	27000	France	29000
U.K.	18000	U.K.	17000
Netherland	17000	Netherland	14000
Libya	25000	Libya	2500
Russia	15000	Russia	20000
Benin	14000	Benin	16000
Ghana	11000	Ghana	9000
Total for Others	195000		189500
Others not Listed	109400		128100
Grand Total	305000		318000

Tomato Sauce Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	M T
Imports for:	1999		2000
U.S.		U.S.	

Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0

Tomato Sauce Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	M T
Exports for:	1999		2000
U.S.	170	U.S.	270
Others		Others	
France	3300	France	3200

Germany	8400	Germany	8800
U.K.	3400	U.K.	3600
Total for Others	15100		15600
Others not Listed	5730		7130
Grand Total	21000		23000