USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 08/05/2004

GAIN Report Number: IT4018

Italy

Tree Nuts

Annual

2004

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Report Highlights: More favorable weather conditions are expected to allow a substantial production recovery for both hazelnuts and almonds, after the very poor 2003 crops. Walnut output, on the contrary, is anticipated lower than last year, due to tree alternation. Exports of Californian shelled almonds and in-shell walnuts grew sharply in 2003/04 and are forecast to increase further in 2004/05, favored by increased domestic consumption (for walnuts) and lower competition from Spain (for almonds). The recently approved new Common Agricultural Policy in the tree nut sector will grant generous subsidies to the growers, paid by both the EU and the national government.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Rome [IT1]
[IT]

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SECTION 1. SITUATION AND OUTLOOK

ALMONDS

GENERAL

Commercial almond production in 2004 is preliminarily forecast at about 12,000 tons (shelled basis), thus recovering after two consecutive very low crops (9,000 tons in 2002 and only 5,000 tons in 2003). This year's production, however, is expected to remain below current actual production capacity in Italy, as weather conditions have been relatively unfavorable, particularly last spring, when low temperatures affected tree development. About two thirds of this year crop is concentrated in Apulia (south-east of Italy), while the remainder is obtained in Sicily. Assuming an average weather in 2005, next year's crop could further recover to about 15,000 tons.

CROP AREA

As mentioned in the past, the planted area numbers included in the PS&D table are those officially reported by ISTAT (the National Institute of Statistics). However, most observers believe that actual planted area less than half of the official figure, due to the continued uprooting of the oldest, least productive trees. Considering that new orchards are minimal, Italian almond production in the long term is expected to continue to decline.

PRICES

Despite the very poor 2003 crop, 2003/04 domestic almond prices averaged about 11 percent less than in the previous year, when they had reached record high levels. Increased imports from the U.S. contributed to this price drop, in line with the dollar/euro exchange rate developments.

CONSUMPTION

Domestic almond consumption remains fairly stable, at about 30,0000 tons per year. The share of imported almonds keeps growing, while domestic nuts, after a few years of low crops, represent a minority portion of the total.

TRADE

Total almond imports in 2003/04 are expected to remain close to the very high level reached in 2002/03 (about 26,000 tons, shelled basis). However, while imports from Spain dropped by one third, those from the U.S. rose by 24 percent during September 2003- March 2004. Californian almond share, therefore, rose to 68 percent of total Italian imports, for the first seven months of the marketing year. Prospects for U.S. almond exports in 2004/05 are even brighter, given the anticipated drop of Spanish production this year, due to adverse weather last spring. Increased 2005 domestic crop could lead to a decline of total Italian imports to about 21,000 tons.

The current EU ad valorem customs duty for shelled almonds is 2 percent for imports within the EU-wide quota of 90,000 tons, and 3.5 percent for imports over the quota. The EU export subsidy for shelled almonds is currently set at 45 euros per metric ton.

WALNUTS

PRODUCTION

This year's 2004 production is preliminarily estimated at 12,000 tons (in-shell basis) or one third lower than the 2003 relatively large crop. This decline can be ascribed, rather than to adverse weather, which instead has been fairly good, to the natural crop alternation of the trees. As a matter of fact, walnut trees, mainly concentrated in Campania, are generally very old and low productive, and traditionally have a yield drop after a favorable year, like 2003. Planted area remains marginal and is not expected to expand in the near future, with the only limited exception of some newly planted orchards in northern Italy. As in the case of almonds, domestic crop in 2005 could recover, being an "on" year in the natural production alternation of the trees.

CONSUMPTION

Domestic in-shell walnut consumption, up to a few years ago mainly concentrated during the Christmas season, has expanded in recent years throughout the spring. On the whole, walnut consumption is rising, but there two different market segments. Domestic walnuts are mainly sold in small markets and outlets (mostly in bulk), and the volume of consumption is strictly dependent on the actual production. Imported walnuts (mainly from California) are finding a growing popularity with the Italian consumers and are sold chiefly in the major supermarket chains. Sales of shelled walnuts, on the other hand, have increased remarkably in the most recent years. While in-shell walnuts are mainly consumed at the end of main meals, shelled walnuts are either eaten directly as snacks or used by the confectionary industry.

TRADE

Imports of in-shell walnuts keep growing, favored by the very good consumers' acceptance of Californian nuts, which are well recognized and appreciated for their superior quality. During September 2003-March 2004 total imports grew by 24 percent from the same period of the previous year, despite the relatively large 2003 domestic crop. Californian in-shell walnuts represented over 85 percent of total in-shell imports for the marketing year to-date. Prospects for both 2004/05 and 2005/06 are again very bright, in line with both declined domestic production and growing consumption. Imports of shelled walnuts, as well, continue to increase (+18 percent in the first half of 03/04), but in this case California's share is much lower (23 percent of total imports), although growing.

The EU customs duty for in-shell walnuts is fixed at 4 percent, while the duty for shelled walnuts is set at 5.1 percent. The EU export refund for shipments to third countries is currently 66 euros per metric ton for in-shell walnuts.

HAZELNUTS

PRODUCTION

GENERAL

Domestic hazelnut, also known as filbert, production in 2004 is forecast at 135,000 tons (in-shell basis), thus strongly recovering (+59 percent) over the very poor 2003 crop, which had been badly affected by the spring frosts, followed by a continued drought throughout the harvesting period. Weather this year has been, thus far, very good with minimal damages from last March-April low temperatures, while in the following months sunny and hot periods alternated with beneficial rains. This was true all over Italy, and in particular in Campania, Latium, Piedmont and Sicily, or the four leading producing regions. As indicated in past reports, domestic hazelnut production consists of long varieties such as Lunga San Giovanni, preferably sold in shell at a premium prices. Round varieties, such as Gentile, Romana and Giffoni, are mainly processed by the confectionary industry.
Domestic hazelnut crop in 2005 could decline to 110,000 tons (if weather conditions are normal), as usual after a very large production, like the one reached this year.

CROP AREA

The leading producing region is Campania (34 percent of total both planted area and production in 2003), followed by Latium (28 percent of area and 33 percent of the crop), Sicily (23 and 19 percent, and Piedmont (14 and 12 percent). The hazelnut industry is now the only really vital Italian tree nut sector, but continues to suffer from Turkish competition, both domestically and on the main European export markets. Therefore, while hazelnut area has remained fairly stable in the recent past (unlike both walnut and almond area), a downward trend could be expected in the medium term, although the recent changes to the Common Agricultural Policy in the tree nut sector could play a role.

PRICES

Competition from Turkey remains the major factor affecting the Italian market. Domestic hazelnut prices in 2003/04, however, strongly recovered (+52 percent) from the extremely low levels of the previous year, when, despite the fairly large domestic crop, imports of cheap Turkish nuts reached record high volumes. In 2003/04, on the contrary, both imports and domestic production declined sharply, thus allowing the above mentioned price recovery. Current relatively high prices of the Turkish new crop hazelnuts make prospects for next marketing year fairly bright for the Italian producers.

CONSUMPTION

Domestic hazelnut consumption has now stabilized, after the growth reported in the past years, when the domestic processing industry increased their purchases in partial substitution to other, more expensive nuts. Hazelnuts are mainly utilized by the domestic confectionary industry as a main ingredient for some leading chocolate products (first of all “Nutella”, produced by Ferrero), as well as for many other uses, including ice creams.

TRADE

Despite the relatively large domestic supplies, Italy remains a net importer of hazelnuts, due to the continuously growing imports of shelled hazelnuts from Turkey. Italian exports, on the other hand, mainly directed to the EU, are dramatically affected by the strong competition of the Turkish hazelnuts. The practice of a leading Italian processing company – which imports large volumes of Turkish nuts to be partially re-exported to Germany- further inflates both import and export numbers.

In 2003/04, however, imports of shelled hazelnuts strongly declined from the record high levels reached in the previous year, despite the much lower domestic crop. This due to two main factors: lower transshipments of Turkish nuts and large carry-over stocks from the previous marketing year. Prospects for 2004/05 indicate a further import drop (due to the expected reduction of the Turkish crop) and a substantial export recovery, in line with the large domestic supplies. In 2005/06, on the contrary, if domestic production is confirmed to decline, imports should grow accordingly, while exports could decrease.

The EU ad valorem tariff rate is 3.2 percent for both in-shell and shelled hazelnuts. EU export restitutions for shipments to third countries are presently set at 53 euros per metric ton for in-shell hazelnuts and 103 euros for shelled hazelnuts.

CAP REFORM FOR TREE NUTS

The new EU Common Agricultural Policy (CAP) for the tree nut sector, effective this year, seems to be fairly generous for the EU farmers. For hazelnuts, as a matter of fact, direct payments could reach up to 433.75 euro/hectare, while for the other eligible nuts (almonds, pistachios, walnuts and carobs) that amount could be 347.75 euro/hectare. The new CAP has established a new subsidy, composed of two distinct payments: one funded entirely by the EU, within fixed ceilings of expenditures per member country (15 million euro for Italy) and a further payment, up to a maximum of 120.75 euro/hectare, funded by each member country. This reform could lead to a partial revitalization of the Italian tree nut sector, as farmers, in order to get full payment of the above subsidies, will have to carry out some structural improvements to the orchards, now in most cases (especially for walnuts and almonds) obsolete and low productive.

SECTION 2. PSD TABLES

ALMONDS

PSD Table

Country	**Italy**					
Commodity	**Almonds, Shelled Basis**				(HA)(1000 TREES)(M	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [	Estimate [I	DA Official [	Estimate [I	DA Official [	Estimate [I
Market Year Begin		09/2003		09/2004		09/2005
Area Planted	86000	86000	86000	86000	0	86000
Area Harvested	85700	85700	85500	85000	0	85000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	4000	6000	2000	2000	3000	3000
Production	5000	5000	15000	12000	0	15000
Imports	22000	26000	15000	24000	0	21000
TOTAL SUPPLY	31000	37000	32000	38000	3000	39000
Exports	2000	5000	3000	5000	0	5000
Domestic Consumption	27000	30000	26000	30000	0	30000
Ending Stocks	2000	2000	3000	3000	0	4000
TOTAL DISTRIBUTION	31000	37000	32000	38000	0	39000

FILBERTS

PSD Table

Country	**Italy**					
Commodity	**Filberts, Inshell Basis**				(HA)(1000 TREES)(M	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [	Estimate [I	DA Official [	Estimate [I	DA Official [	Estimate [I
Market Year Begin		09/2003		09/2004		09/2005
Area Planted	69500	69274	69500	69200	0	69000
Area Harvested	68700	68112	68700	68100	0	68000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	30000	30000	5000	5000	5000	5000
Production	85000	75000	110000	135000	0	110000
Imports	100000	70000	100000	60000	0	80000
TOTAL SUPPLY	215000	175000	215000	200000	5000	195000
Exports	60000	35000	60000	60000	0	50000
Domestic Consumption	150000	135000	150000	135000	0	140000
Ending Stocks	5000	5000	5000	5000	0	5000
TOTAL DISTRIBUTION	215000	175000	215000	200000	0	195000

WALNUTS

PSD Table

Country Italy

Commodity Walnuts, Inshell Basis (HA)(1000 TREES)(M

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [	Estimate [	)A Official [	Estimate [	)A Official [	Estimate [I
Market Year Begin		09/2003		09/2004		09/2005
Area Planted	4500	4500	4500	4500	0	4400
Area Harvested	3900	3900	3900	3900	0	3800
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	1000	1000	1000	2000	1000	1000
Production	18000	18000	15000	12000	0	15000
Imports	18000	22000	19000	25000	0	26000
TOTAL SUPPLY	37000	41000	35000	39000	1000	42000
Exports	1000	1000	1000	1000	0	1000
Domestic Consumption	35000	38000	33000	37000	0	40000
Ending Stocks	1000	2000	1000	1000	0	1000
TOTAL DISTRIBUTION	37000	41000	35000	39000	0	42000

TRADE TABLES

SHELLED ALMONDS

SHELLED ALMONDS				
	2001/2002	2002/2003	Sep02-Mar03	Sep03-Mar04
IMPORTS				
Spain	4,151	8,878	6,099	3,638
Germany	60	319	68	329
France	332	530	362	274
Greece	25	177	84	299
Other EU	584	747	567	168
Total EU	5,152	10,651	7,180	4,708
U.S.	9,078	13,964	9,107	11,327
Other non-EU	363	626	257	514
TOTAL	14,593	25,241	16,544	16,549
EXPORTS				
Belgium	66	31	22	32
France	1,017	1,203	675	1,279
Netherlands	15	35	31	9
Germany	1,360	1,299	823	680
Other EU	626	603	232	1,197
Total EU	3,084	3,171	1,783	3,197
Other non-EU	374	705	473	459
TOTAL	3,458	3,876	2,256	3,656

IN-SHELL WALNUTS

IN-SHELL WALNUTS				
	2001/2002	2002/2003	Sep02-Mar03	Sep03-Mar04
IMPORTS				
France	2,057	1,351	1,302	399
Germany	273	349	257	342
Other EU	25	65	27	8
Total EU	2,355	1,765	1,586	749
Chile	487	1,424	393	416
U.S.	9,238	8,663	8,210	11,145
Romania	24	6	6	71
Bulgaria	223	23	23	243
Other non-EU	338	374	274	421
TOTAL	12,665	12,255	10,492	13,045
EXPORTS				
France	60	15	15	28
Belgium	60	36	23	23
Germany	55	120	117	15
U.K.	54	75	75	41
Spain	78	52	29	0
Other EU	19	29	26	9
Total EU	326	327	285	116
Other non-EU	176	105	99	80
TOTAL	502	432	384	196

SHELLED WALNUTS

SHELLED WALNUTS				
IMPORTS	2001/2002	2002/2003	Sep02-Mar03	Sep03-Mar04
Total EU	510	457	345	447
Romania	142	154	132	130
U.S.	262	317	237	370
Chile	170	431	145	274
India	84	30	20	20
Other non-EU	540	675	500	385
TOTAL	1,708	2,064	1,379	1,626
EXPORTS				
Total EU	176	230	141	264
Other	56	61	27	23
TOTAL	232	291	168	287

SHELLED HAZELNUTS

SHELLED HAZELNUTS				
IMPORTS	2001/2002	2001/2002	Sep02-Mar03	Sep03-Mar04
Total EU	308	789	253	1,151
Georgia	670	1,240	1,082	916
Azerbaijan	778	487	446	1,697
U.S.	136	24	24	43
Turkey	30,569	43,322	38,980	21,817
Other non-EU	341	81	26	53
TOTAL	32,802	45,943	40,811	25,677
EXPORTS				
France	2,156	1,556	860	754
Germany	6,088	23,268	19,400	9,776
Other EU	1,822	1,156	581	709
Total EU	10,066	25,980	20,841	11,239
Switzerland	2,361	2,123	1,371	1,254
Other non-EU	1,452	1,509	843	484
TOTAL	13,879	29,612	23,055	12,977

IN-SHELL HAZELNUTS

IN-SHELL HAZELNUTS				
IMPORTS	2001/2002	2002/2003	Sep02-Mar 03	Sep03-Mar 04
Germany	225	65	36	58
Other EU	47	301	283	30
Total EU	272	366	319	88
Croatia	461	195	193	343
U.S.	1,168	283	114	721
Other non-EU	178	223	153	185
TOTAL	2,079	1,067	779	1,337
EXPORTS				
France	915	271	189	152
Germany	560	843	741	191
U.K.	991	544	472	431
Sweden	317	154	154	152
Other EU	515	184	182	309
Total EU	3,298	1,996	1,738	1,235
Norway	599	339	339	310
Other non-EU	743	700	688	84
TOTAL	4,640	3,035	2,765	1,629