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Italy

Fresh Deciduous Fruit

Stonefruit - Peaches and Nectarines

2005

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Report Highlights:

Italian production of fresh peaches and nectarines was slightly higher than the three year average (1.65 mln MT), up 26% from 2003. Industry claims that consumption was severely affected by cool summer temperatures that discouraged consumption of fresh fruit. The abundant production coupled with low demand resulted in farm gate prices 50 to 60% lower than in 2003. The Government of Italy is studying measures to reduce farmers' losses, but hasn't decided on the use of State Aids to do so.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Production

Italian production of peaches and nectarines in 2004 was 1.7 million tons, with the two products accounting for equal proportions. The overall 2004 output is slightly higher than the three year average (1.65 million tons), but 26% higher than in 2003, when adverse climatic conditions in the spring and the summer drought drastically reduced domestic production. Most of the increase from previous years is related to the stepped-up production of nectarines over the last 5 years.

According to Europech, the European Association of Peach Producers, Italy produces on average 50% of the peaches and nectarines produced in Europe, followed by Spain, France and Greece. The four countries combined represent about 98% of EU production.

In the past nectarines were mainly produced in the northern regions of Emilia-Romagna, Veneto and Piemonte, while peaches were produced in southern regions. The Italian harvest occurred in the months of July and August, and therefore it was little affected by Spanish competition in the early and late phases of the campaign.

The increasing popularity of nectarines in the '90s led southern produce to grow more of this fruit without cutting back peach production. The new geographic distribution resulted in an earlier harvest of Italian nectarines combined with a prolonged harvest, which have increased competition with Spanish and Greek products.

Utilization

Domestic Fresh Consumption

Domestic consumption of fresh peaches in Italy has been declining at a rate of 2-3% per year, in line with the general trend of all fresh fruits and vegetables. The 2004 campaign was especially unfavorable as cool temperatures discouraged the consumption of fresh fruit. According to CSO, a private company conducting market analysis for horticultural producers, fresh peach consumption in July-August 2004 in Italy was down about 4% from the same period in 2003. In 2003 summer temperatures were above average.

Processing

Production of canned peaches and fruit mixes in Italy has sharply declined in the last decade and it's considered today a residual activity with very little value added. Producers that deliver peaches to processors can benefit from EU payments, but only if they do so through contract agreements signed between their organizations (Producers Organizations or POs) and processing industry representatives. The volumes of peaches to be delivered for processing are subject to annual thresholds set by the EU Commission. Only very little volumes of peaches are processed outside the EU-subsidized scheme for niche production. For further details on peach processing in Italy, please refer to IT4030 and IT4007.

Market Withdrawals

USDA's Economic Research Service described the functioning of EU Common Market Organization in a recent publication "Global Trade Patterns in Fruits and Vegetables" available on-line at <http://www.ers.usda.gov/publications/wrs0406/wrs0406e.pdf>

Withdrawals from the market have been ratcheted down from as high as 50 percent of the marketed volume and were scheduled to reach lower limits by annually reducing thresholds

from 1996 to 2002. The thresholds are based on the average annual quantity marketed over the previous 5 years.

Official statistics for market withdrawals in 2004 are not yet available, data reported on the PS&D table are FAS Rome estimates. They were about 35,000 tons in 2003.

Market withdrawals are operated through POs. They can withdraw from the market up to 10% of the volume of product they market. Considering that POs control roughly 40% of the peaches produced in Italy, withdrawals could be as high as 4% of Italy's annual production.

Trade

Italian peach exports in 2004 benefited from increased production, marking a +24% in volume from 2003. Most of the export is intra-EU and to Switzerland. Germany is the leading destination, followed by the United Kingdom.

Italian fruit traders believe that a very aggressive pricing policy of German hard discount retail chains is depressing EU prices and eroding producers' margins.

Price

Farm gate prices for Italian fresh peaches in 2004 were down by 50-60% from 2003, especially in the months of July and August. Prices for early production in June were down by about 17%.

The main reasons for this drop were the cool summer temperatures in most EU countries, that discouraged fresh fruit consumption, and abundant production. Processing is not considered an interesting alternative because of the EU thresholds on delivered volumes and because of the scarce market demand for canned products.

It is likely that, if the current price trend continues in the next campaigns, a number of peach producers might move to other products, although more profitable alternatives are yet to be found.

Government intervention for market crisis

Last November 29, 2004 the Italian Government issued a draft law to address the problem of "market crisis" in the horticultural sector that determine economic losses for producers. The draft law would imply that, whenever the price of a certain product drops by more than 30% from the previous-three-years average, the "market crisis" would be considered equivalent to a natural disaster. In this case the Government could intervene with ad hoc payments to top up farmers' revenues affected by low prices, while also allowing relief for tax and social security payments.

The budget for such intervention would come from the National Solidarity Fund (the fund for financing crop insurance and natural disaster payments), with an additional allocation of about 40 mln Euros (\$60 million).

The draft law failed to be converted into law within the allowed timeframe, mainly because of criticism from parliamentary opposition parties, but also because of the concerns about compliance with EU rules on internal competition (state aids).

Ripening schedule by region and fruit

	May	June	July	August	September	October
White peaches	S	Cp, R	Cp, B, R	Cp, S, R	S	S
Yellow peaches	S, Cp, B	Cp, B, Pu, Cl, R	Cp, Cl, Pu, R, M	P, R, V, M, Cp	S, Pu	
White nectarines	S, Cp, B	Cp, B, Pu, Cl, R	Cp, Cl, Pu, R, M	P, R, V, M, Cp	S, Pu	
Yellow nectarines	S, Cp, B	Cp, B, Pu, Cl, R	Cp, Cl, Pu, R, M	P, R, V, M, Cp	S, Pu	S
Others		Cp, B	Pu, Cp, B	Pu, Cp, B, R	Pu, Cp, B	

Source. Terra e Vita (Italian magazine), February 2005

S=Sicily (South)

B=Basilicata (South)

Pu=Apulia (South)

Cl=Calabria (South)

Cp=Campania (South)

L=Lazio (Center)

R=Romagna (Center-North)

V=Veneto (North)

M=Marche (Center)

P=Piedmont (North)

PSD Fresh Peaches and Nectarines

PSD Table

Country Commodity	Italy Fresh Peaches & Nectarines (HA)(1000 TREES)(MT)						
	2004 USDA Official	Revised Estimate [DA Official]	2005 Estimate [DA Official]	Estimate Estimate [DA Official]	2006 Estimate [DA Official]	Forecast Estimate [New]	UOM
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Area Planted	0	97625	0	95000	0	94000	(HA)
Area Harvested	0	89881	0	88000	0	87000	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TRE
Non-Bearing Trees	0	0	0	0	0	0	(1000 TRE
Total Trees	0	0	0	0	0	0	(1000 TRE
Commercial Production	0	1710139	0	1672000	0	1653000	(MT)
Non-Comm. Production	0	24821	0	24000	0	0	(MT)
TOTAL Production	0	1734960	0	1696000	0	1653000	(MT)
TOTAL Imports	0	46145	0	46000	0	46000	(MT)
TOTAL SUPPLY	0	1781105	0	1742000	0	1699000	(MT)
Domestic Fresh Consump	0	1327829	0	1291000	0	1261000	(MT)
Exports, Fresh Only	0	406044	0	405000	0	400000	(MT)
For Processing	0	25000	0	24000	0	23000	(MT)
Withdrawal From Market	0	22232	0	22000	0	15000	(MT)
TOTAL UTILIZATION	0	1781105	0	1742000	0	1699000	(MT)

Trade Matrix – Exports

Export Trade Matrix

Country	Italy	
Commodity	Fresh Peaches & Nectarine	
Time Period	Year	Units: MT
Exports for:	2003	2004
U.S.		
Others		Others
Germany	152435	Germany 187259
United Kingdom	37413	United Kingdom 52848
Switzerland	18673	Switzerland 17562
Austria	18775	Austria 21927
Poland	14563	Poland 19393
Czech Rep.	12386	Czech Rep. 13509
Sweden	11837	Sweden 16303
France	8480	France 3875
Denmark	8560	Denmark 12704
Belgium	7618	
Total for Others	290740	345380
Others not Listed	36928	60663
Grand Total	327668	406043

Prices

Price Table

Country Italy

Commodity Fresh Peaches & Nectarines

Prices in per uom

Year	<input type="text" value="2003"/>	2004	% Change
Jan			
Feb			
Mar			
Apr			
May			
Jun	<input type="text" value="0.87"/>	<input type="text" value="0.72"/>	-17%
Jul	<input type="text" value="0.93"/>	<input type="text" value="0.43"/>	-54%
Aug	<input type="text" value="0.79"/>	<input type="text" value="0.33"/>	-58%
Sep	<input type="text" value="0.76"/>	<input type="text" value="0.29"/>	-62%
Oct			
Nov			
Dec			

Exchange Rate Local Currency/US \$
 Date of Quote MM/DD/YYYY