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Tree Nuts

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Approved by:
Ann Murphy
U.S. Embassy

Prepared by:
Sandro Perini

Report Highlights: More favorable weather conditions are expected to bring a substantial production increase for almonds this year. Hazelnut output, on the contrary, is anticipated lower than last year, due to tree alternation. Production of pistachios is expected much higher than two years ago. Very high prices of both shelled almonds and hazelnuts are slightly reducing imports from California and Turkey, respectively. California almonds both shelled and now also in-shell, are still the major share of domestic supplies. The new Common Agricultural Policy for the tree nut sector is granting generous subsidies to growers, paid by both the EU and the national government.

Includes PSD Changes: Yes
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SECTION 1. SITUATION AND OUTLOOK

ALMONDS

GENERAL

Commercial almond production in 2005 is preliminarily forecast at about 15,000 tons (shelled basis). This marks improvement over three consecutively low crops. Production was at 9,000 tons in 2002, only 5,000 tons in 2003, and 12,000 tons in 2004. Weather conditions have been relatively favorable in the two leading producing regions (Apulia and Sicily), except for minor damage reported in mid-March due to freezing temperatures in limited areas of Apulia.

CROP AREA

As mentioned in past years, the planted area numbers included in the PS&D table are those officially reported by ISTAT, the National Institute of Statistics. However, most traders believe that actual planted area is less than half of the official figure, due to the continued uprooting of the oldest, least productive trees, not offset by new orchards. In view of that, Italian almond production in the long term is expected to continue to decline.

PRICES

Domestic almond prices during 2004/05 averaged about 9 percent more than in the previous year, following the international market trend. In the most recent months, however, they are reported to be more than 30 percent higher than one year ago, consequent again to the very high prices reported in the leading export markets, especially California.

CONSUMPTION

As a result of high prices, domestic almond consumption has slightly declined in recent months. Prices are high for both imported and domestically produced nuts. The Italian confectionary industry reacted to this market situation (as it did in the hazelnut sector), reducing the amount of nuts in recipes for some of their leading products, such as for “panettone”, the traditional Christmas cake.

TRADE

Total almond imports in 2004/05 are expected to decline, although slightly, from the 25 to 26,000 tons, shelled basis, of annual imports reached in both 2002/03 and 2003/04. Actually, partial trade data (September 2004 through April 2005) indicate a certain increase in imports, especially from the U.S., but, as said above, the very high prices reported in the recent months have reduced, according to our trade contacts, imports the last part of the marketing year. Imports are expected to further decline in 2005/06, due to the larger domestic crop. California almonds, in any case, will continue to represent a large share of domestic almond supplies. Furthermore, a new significant market trend has gained popularity in the most recent years: growing imports from California of in-shell almonds, to be roasted and salted, and sold as snacks in the domestic market. These almonds are of a particular variety, having a very high yield from in-shell into shelled basis (up to 60 to 65 percent) and a very soft shell, which allow consumers to break them easily by hand.

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, while the duty for in-shell almonds is 5.6 percent. The EU export subsidy for shelled almonds is still set at 45 euross per metric ton.

PISTACHIOS

PRODUCTION

This year will be an “on” year for Italian pistachio production. Pistachios are grown mostly on the slopes of Mount Etna in Sicily, where the growers drastically trim the trees every other year in order to obtain a larger crop in the following season. The 2005 crop, in any case, is expected to be much larger than the one obtained in 2003, which was badly affected by adverse weather (sustained drought and very high temperatures). Sicilian production has been recognized in the past to be of superior quality when compared to imported nuts from Iran and the U.S. This is especially true in consideration of their green color, which is desired by the confectionary and ice cream industry. However, in the most recent years Italian traders have started to buy the best quality of in-shell Iranian pistachios, with a green rate higher than local Italian production. These pistachios are then shelled and peeled and mostly re-exported to Eurospean destination markets. Local production currently quotes about 4 Euross/kg (in-shell), 10 to 11 Euross (shelled) and 11 to 12 Euross (shelled and peeled). According to our trade contacts, these prices are not competitive with the best quality of the imported Iranian pistachios.

CONSUMPTION

Sicilian pistachios are mainly utilized, as stated above, by the confectionary industry, rather than sold for snacks. Overall consumption appears now to be stable, after the drop reported in the late 90’s due to aflatoxin problems in Iran. Foreign pistachios are mainly consumed as roasted and salted snacks, with a limited share (the best quality, of greener color) processed by the confectionary industry.

TRADE

EU trade statistics do not separate in-shell, shelled and peeled pistachios. In any case imports are almost exclusively represented by in-shell nuts, while exports consist mainly of shipments of Italian and recently also imported shelled and peeled pistachios. Imports in the current marketing year (2004/05) have declined slightly due also to some aflatoxin problems found in Iranian pistachios. Imports from the U.S., after the decline reported in 2003/04 have completely recovered in 2004/05, with a volume close to the one reported in 2002/03.

HAZELNUTS

PRODUCTION

GENERAL

Domestic hazelnut (filbert) production in 2005 is forecast at 95,000 tons (in-shell basis), or 30 percent lower than the large 2004 crop. This reduction, however, is not due to adverse weather conditions, but it is mainly consequent to the natural crop fluctuation of the hazelnut trees. Weather this year has remained normal 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 premium prices. Round varieties, such as Gentile, Romana and Giffoni, are mainly processed by the confectionary industry. The domestic hazelnut crop in 2006 could recover to 120,000 tons if weather conditions are normal; this is a usual recovery following after a relatively low production year like the one in 2005.

CROP AREA

The leading producing region is Campania (33 percent of total planted area), followed by Latium (28 percent), Sicily (22 percent), and Piedmont (14 percent). The hazelnut industry remains now in practice the only really vital Italian tree nut sector, but continues to suffer from Turkish competition, both domestically and on the main Eurospean export markets. Therefore, while hazelnut area has been fairly stable in the recent past (unlike both walnut and almond area), a downward trend could take place in the medium term, although the recent changes to the Common Agricultural Policy in the tree nut sector could play a role in supporting this sector.

PRICES

A very low 2004 Turkish crop has affected the Italian hazelnut market, as well, with prices in recent weeks more than double compared to one year earlier, despite the large supply from domestic production. The forecast of a larger 2005 Turkish crop, on the other hand, suggests more normal prices during the next marketing year.

CONSUMPTION

The very high prices reported in recent months, similar to that of almonds, have caused a decline in domestic hazelnut consumption. This follows years of continued growth, favored by cheap supplies from Turkey. The situation, however, could reverse in 2005/06, when exports from Turkey are expected to increase. 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 generally is a net importer of hazelnuts, especially shelled hazelnuts from Turkey. Italian exports, on the other hand, mainly directed to the rest of the EU and Switzerland, are dramatically affected by the strong competition from 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 2004/05, however, Italian exports have been larger than imports, due, as reported above, to the reduced Turkish production, as well as the huge domestic crop. Prospects for 2005/06 indicate import growth (due to the expected increase of the Turkish crop) and an export decline, in line with the lower domestic supplies. In 2006/07, on the contrary, if domestic production in fact rises, imports could decrease accordingly, while exports could grow.

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 euross per metric ton for in-shell hazelnuts and 103 euross for shelled hazelnuts.

COMMON AGRICULTURAL POLICY FOR TREE NUTS

The new EU Common Agricultural Policy (CAP) for the tree nut sector, effective as of last year, is fairly generous for EU farmers. For hazelnuts, particularly, direct payments reached in 2004 were 434.75 euros/hectare, while for the other eligible nuts (almonds, pistachios, walnuts and carob) that amount was 347.75 euros/hectare. The new CAP established a new subsidy, composed of two distinct payments: one funded entirely by the EU, under fixed ceilings for area (130,100 hectares for Italy) and expenditures per member country (15.7 million euros for Italy) and a further payment, up to a maximum of 120.75 euros/hectare, funded by each member country. This year, however, the Ministry of Agriculture has decided, through a Ministerial Decree issued last April, to unify the payments for all the eligible nuts at 241.50 euros/hectare.

SECTION 2. PSD TABLES

ALMONDS

PSD Table

Country Italy
Commodity Almonds, Shelled Basis (HA)(1000 TREES)(M

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		09/2004		09/2005		09/2006
Area Planted	86000	84441	86000	84000	0	83500
Area Harvested	85000	84073	85000	83500	0	83000
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	2000	1000	3000	1000	4000	1000
Production	12000	12000	15000	15000	0	12000
Imports	24000	24000	21000	20000	0	24000
TOTAL SUPPLY	38000	37000	39000	36000	4000	37000
Exports	5000	12000	5000	11000	0	10000
Domestic Consumption	30000	24000	30000	24000	0	25000
Ending Stocks	3000	1000	4000	1000	0	2000
TOTAL DISTRIBUTION	38000	37000	39000	36000	0	37000

FILBERTS

PSD Table

Country	**Italy**					
Commodity	**Filberts, Inshell Basis**				(HA)(1000 TREES)(M	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	A Official [	Estimate [I
Market Year Begin		09/2004		09/2005		09/2006
Area Planted	69200	68623	69000	68500	0	68500
Area Harvested	68100	67506	68000	67500	0	67500
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	5000	5000	5000	2000	5000	1000
Production	135000	135000	110000	95000	0	120000
Imports	60000	37500	80000	60000	0	5000
TOTAL SUPPLY	200000	177500	195000	157000	5000	126000
Exports	60000	50000	50000	45000	0	5000
Domestic Consumption	135000	125500	140000	111000	0	119000
Ending Stocks	5000	2000	5000	1000	0	2000
TOTAL DISTRIBUTION	200000	177500	195000	157000	0	126000

PISTACHIOS

PSD Table

Country	**Italy**					
Commodity	**Pistachios, Inshell Basis**				(HA)(1000 TREES)(M	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	A Official [	Estimate [I
Market Year Begin		09/2004		09/2004		09/2004
Area Planted	0	3645	0	3645	0	36500
Area Harvested	0	3605	0	3610	0	36100
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	0	2000	0	500	0	1800
Production	0	200	0	3800	0	200
Imports	0	12000	0	12000	0	13000
TOTAL SUPPLY	0	14200	0	16300	0	15000
Exports	0	3200	0	3500	0	2500
Domestic Consumption	0	10500	0	11000	0	11500
Ending Stocks	0	500	0	1800	0	1000
TOTAL DISTRIBUTION	0	14200	0	16300	0	15000

TRADE TABLES (Metric Tons)

SHELLED ALMONDS

	2002/03	2003/04	Sep03-Apr04	Sep04-Apr05
IMPORTS				
Spain	8,878	5,445	4,012	2,212
Germany	319	432	349	156
France	530	366	287	469
Greece	177	495	371	733
Other EU	747	755	639	273
Total EU	10,651	7,493	5,658	3,850
U.S.	13,964	17,530	12,604	16,822
Other non-EU	626	376	105	654
TOTAL	25,241	25,399	18,367	21,326
EXPORTS				
Belgium	31	33	34	244
France	1,203	1,794	1,378	1,561
UK	248	541	385	445
Germany	1,299	2,570	838	2,885
Other EU	390	979	1,567	2,997
Total EU	3,171	5,917	4,199	8,132
Other non-EU	705	618	462	396
TOTAL	3,876	6,538	4,661	8,528

PISTACHIOS

	2002/03	2003/04	Sep03-Apr04	Sep04-Apr05
IMPORTS				
Greece	42	208	208	51
Germany	1,866	2,849	2,107	1,868
Other EU	818	2,995	1,649	1,575
Total EU	2,726	6,052	3,964	3,494
Iran	7,789	5,629	4,443	2,447
U.S.	2,895	1,623	1,054	2,559
Turkey	198	352	254	97
Other non-EU	45	68	42	81
TOTAL	13,653	13,724	9,757	8,678
EXPORTS				
France	87	63	48	26
Germany	38	85	25	1
U.K.	415	306	198	261
Other EU	134	186	120	129
Total EU	674	640	391	417
Croatia	60	72	41	36
Bosnia	11	16	6	19
Slovenia	14	22	15	19
Switzerland	24	25	8	20
Japan	37	41	32	29
U.S.	0	0	0	115
Other non-EU	171	104	21	24
TOTAL	991	920	514	679

SHELLED HAZELNUTS

IMPORTS	2002/03	2003/04	Sep03-Apr04	Sep04-Apr05
Total EU	789	1,336	1,155	408
Georgia	1,240	916	916	222
Azerbaijan	487	1,697	1,697	365
U.S.	24	43	43	32
Turkey	43,322	26,597	23,016	13,629
Other non-EU	81	101	52	67
TOTAL	45,943	30,690	26,879	14,723
EXPORTS				
France	1,556	1,230	859	1,543
Germany	23,268	14,158	11,044	7,218
Austria	82	531	286	934
Other EU	1,074	1,467	709	1,330
Total EU	25,980	17,386	12,898	11,025
Switzerland	2,123	2,515	1,502	2,637
Other non-EU	1,509	904	341	1,807
TOTAL	29,612	20,805	14,741	15,469

IN-SHELL HAZELNUTS

IN-SHELL HAZELNUTS				
IMPORTS	2002/03	2003/04	Sep03-Apr 04	Sep04-Apr 05
Germany	65	87	67	53
Other EU	301	134	25	717
Total EU	366	221	92	770
Croatia	195	343	343	365
U.S.	283	817	782	806
Other non-EU	223	326	249	34
TOTAL	1,067	1,707	1,466	1,975
EXPORTS				
France	271	198	152	124
Germany	843	191	191	145
U.K.	544	500	434	489
Sweden	154	152	152	118
Other EU	184	522	464	299
Total EU	1,996	1,408	1,238	1,175
Norway	339	310	310	316
Other non-EU	700	107	84	37
TOTAL	3,035	1,825	1,632	1,528