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Italy

Grain and Feed

Imported Wheat to Italy Subjected to Close Scrutiny

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Report Highlights:

Delayed testing on a shipment of Canadian wheat by Italian authorities has led to the arrest of an Italian importer, and to concerns in the industry about unfair scrutiny of wheat imports. U.S. wheat has not been directly affected to date, although Post continues to monitor events closely.

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The Italian milling industry has been shaken by the recent arrest of one of their number, Francesco Casillo of the firm bearing his family name. He was arrested in the southern Italian town of Bari on the charge of having released into the Italian market a cargo of Canadian wheat contaminated with ochratoxin, a carcinogenic substance. This event has sparked public comment by politicians and farm groups, who, in this election year, are using it to trumpet the usual refrain of the superiority of Italian agricultural products, and the evils of imports.

This case of supposed contamination first arose last September, when the Italian Finance Guards temporarily held a cargo of 58,000 tons of Canadian wheat when it arrived at the port of Bari, located in Apulia (south-eastern Italy) apparently as the result of anonymous claims of problems with the product. It may, or may not, be coincidental that Apulia is Italy's leading durum wheat producing region. Most of the durum milling plants are also located here. A review of the cargo documentation evidently showed that it met all EU and international requirements, in addition to those of the buyers, and it was released. Four different importers shared the cargo in question, with Casillo taking about 48,000 tons of the total. This wheat was resold to several mills of southern Italy.

For reasons unknown to the Canadian Embassy to Italy, samples of the shipment were tested on December 15, after an interval of some three months, by the anti-fraud Inspectorate of the Ministry of Agriculture. The laboratory results indicated that the level of ochratoxin in the samples exceeded the tolerance level established by the EU by some three times. The arrest of Casillo followed closely thereon with the magistrate in charge claiming that the wheat was able to enter the port of Bari "thanks to a bewildering sanitary control system". Casillo is accused of having known from the beginning that the product didn't meet EU specifications, that he provided false documents to the Italian authorities to obtain the release of the shipment, and the judge further accused him of "introducing into the market a commodity purchased at much lower price than the current market price, thus obtaining fraudulently high profits and disrupting the whole sector".

These recent developments have been followed closely by the Italian media, which is particularly alert to any issue potentially affecting food safety and is predisposed to blame imports when possible. The Italian Minister of Agriculture, Mr. Gianni Alemanno, declared his appreciation for "the joint effort of the anti-fraud Inspectorate (part of his Ministry) and the Finance Guards, which confirms the effectiveness of the public controls on food and agricultural products. Once again," Alemanno added, "imported products are the ones that present more risks of forgery and fraud. This event further confirms the need to strengthen the warranties of origin labeling on food and agriculture products, in order to better defend the Italian consumers and producers, who invest in quality". These statements of Alemanno are perfectly consistent with his leitmotif that "Made in Italy" foodstuffs are of better quality and safer than imported products.

Leaping on the bandwagon, Giuseppe Politi, President of CIA, one of Italy's three leading farmers organizations, has also commented on the above situation. He identifies imported agri-food products as one of the major concerns for the Italian farmers, "who operate facing huge difficulties, giveaway prices, continuously reduced returns, huge, wild and uncontrolled imports from abroad". The Italian milling industry, according to Politi, keeps buying growing volumes of foreign durum, "while our wheat, which guarantees quality and safety, remains unsold or gets very low prices, even 30 to 40 percent lower than last year". "We are seeing, continues Politi, record imports...of durum wheat from the U.S., Canada and Australia, while the milling industry buys only minor quantities of our domestic crop." Politi states that in Italy "there is adequate supply of medium-high quality durum, able to meet the needs of the domestic milling industry". Comment: In addition to being dead wrong about Italy producing

adequate quantities of quality durum for its milling industry, he conveniently ignores the fact that Italian wheat producers are now receiving 100 percent decoupled payments for wheat.

The Canadian Ambassador to Italy has weighed in as well with a strong statement decrying the public attacks on the reputation of Canadian wheat. His statement questions the validity of testing three-month-old samples that have been maintained in unknown conditions, and points out that ochratoxin is naturally occurring and is found in small quantities on not only grain, including Italian grain, but on other products like grapes, as well. Without making direct reference to Biblical parables, he makes his points.

The arrest of Casillo, and the public statements mentioned above by Politi and Alemanno have brought reaction from Italmopa, the Italian Miller Association, through a recent press release that points out that the domestic durum crop is never adequate in quantity or quality to meet the requirements of the Italian milling and pasta industry, which also satisfies a large export demand. Furthermore, "imports from third countries find their rationale in certain quality lacks of domestic durum production, and this makes imports of certain types of wheat, coming in particular from the U.S., Canada and Australia, indispensable for the durum milling industry. The prices of imports from these countries are, on average, at much higher levels than domestic durum, in contrast with what has been reported by certain sources" (meaning Politi).

Italy is a large importer of durum wheat, and is a major producer as well. Imports range between one and two million tons per year, varying with domestic crop fluctuations. These imports are composed of both high quality wheat imported from North America (U.S. and Canada) and Australia, and cheaper wheat coming from other EU countries and sometimes Eastern Europe. There are also sizable volumes of medium-low quality durum imported from Canada. Shipments of Canadian Amber Durum No.3 and 4 have come to Italy in recent years, starting in the summer of 2003, with almost half a million tons of low grade old crop Canadian durum.

Italy is a large processor of durum wheat, which is used in its pasta industry. Pasta is not only a major dish in the Italian diet, but is an important export item for the Italian food and agriculture trade balance, with a total export volume in 2004/05 that exceeded 1.5 million tons. To meet the domestic Italian and export demand, the Italian pasta industry needs an adequate volume of durum, from both the domestic crop and imports, and appropriate quality. Most of the necessary quality factors can be found only in imported durum wheat, and as the millers point out, they pay a premium for this product. This is why Italy imports durum wheat from the U.S., with a large share represented by the so called "desert" durum, grown in southern California and Arizona and planted under cultivation contracts between the local growers and leading Italian pasta makers, such as Barilla and De Cecco.

It is too early to judge the disruption that the Casillo case will cause in the Italian milling and pasta industries. Although now limited to a shipment of Canadian No. 3-4 durum wheat, an overall adverse climate and undue concern over wheat imports has been created, in particular with shipments to the Apulia ports. Our office has confirmed that a cargo of U.S. "desert" durum bought by Barilla is undergoing thorough inspection in Bari, with analyses already taking over 20 days - much longer than is usual. The cargo has been unloaded and remains stored under seal till inspections are completed. While there is no reason to believe there is any problem with the cargo, and Ag Office expects it will clear, we will continue to monitor the shipment's status and wheat trade circumstances overall.