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## Italy

### Trade Policy Monitoring

## Italy makes COOL Mandatory on Tomato Products

### 2006

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**Report Highlights:**

The Italian government is implementing mandatory country-of-origin labeling on some tomato products in an attempt to protect domestic production from Chinese imports. The basic legislation was passed in 2004 but specific regulations are only now being issued. It is likely to meet resistance from the domestic food processing sector and EU Commission.

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### The Italian COOL Framework Law

On July 24, 2004 the Italian Parliament approved a framework law on mandatory country-of-origin (COOL) labeling of food products. The law, effective August 2004, mandated that food processors indicate the country of origin of all ingredients used in their preparations (except where there are multiple ingredients, only the “prevalent ingredient” origin need be listed), but it set detailed COOL standards only for olive oil. The development of implementing decrees with product-specific labeling standards for other products was left to the Ministry of Agriculture, in collaboration with Ministry of Productive Activities. It is important to note that as of this reporting, COOL is mandatory in Italy for beef, fish and seafood, fruit and vegetables under EU regulations, while national regulations exist for olive oil, honey and poultry meat (see IT6002 and IT6010).

The 2004 COOL law received strong support from farmer organizations and Minister of Agriculture Alemanno. The food processing sector, on the other hand, was strongly opposed as it feared a serious threat to the image of their products (many of which are made of both domestic and imported ingredients) in domestic and foreign markets. The food industry association Federalimentare announced that it would file a petition with the European Court of Justice. Several members of the Italian Parliament, both from the majority coalition and the opposition, called for a flexible implementation of the new COOL law by the government in the interests of the Italian food-processing sector.

The implementation of mandatory COOL was also delayed because Italy, as member of state of the European Union, is subject to EU internal market competition regulations. These assert that Italy, under existing agreements, cannot implement national laws (including labeling rules) that discriminate against products imported from other EU countries. As already noted in IT6002, with very few exceptions, the only way for an EU member state to impose mandatory COOL is to propose that it be made mandatory EU wide.

### High imports of Chinese Tomato Paste

As already reported in IT4013, the regulatory activity in the tomato sector is largely the result of rising concern among Italian farmer and tomato processor associations over rising imports of tomato paste from China. It must be noted, however, that a good share of the product from China is imported under a temporary import regime (at zero duty) for re-processing and re-exporting to third countries. Italian producers suspect that some processing plants use the Chinese paste as an ingredient for products that are then marketed as “Made in Italy” – whether they are re-exported as required for the duty reduction, or not.

Table 1. Italian imports of tomato paste – 5 years trend (Tons)

	Jan-Nov 2000	Jan-Nov 2001	Jan-Nov 2002	Jan-Nov 2003	Jan-Nov 2004	Jan-Nov 2005
<b>China</b>	39,111	69,405	86,009	110,669	134,141	94,634
<b>Greece</b>	11,571	12,736	7,105	13,332	8,812	13,034
<b>Spain</b>	0	640	3,884	8,241	3,193	6,343
<b>United States</b>	0	9	1	9,929	5,893	4,632
<b>Other</b>	4,905	2,086	22,935	10,074	3,387	603
<b>Total import</b>	55,587	84,876	119,934	152,245	155,426	119,246

In an attempt to limit the use of imported Chinese paste in processed products, the Italian government also included in the July 2004 law a stricter definition of a product known as

“passata” (see IT4013). Passata is skinned, seedless, unflavored, uncooked tomato pulp, either slightly chunky or smooth. Up until July 2004 passata could be produced either by direct processing of fresh tomatoes or by mixing dehydrated tomato paste (such as that from China) with tomato sauce. According to the revised Italian definition only product deriving from the processing of fresh tomatoes can be labeled as “passata”. The EU Commission instructed that, because of EU internal market rules, such a requirement could be imposed on domestic products, but not on imported ones. It can be seen by the table above, that the level of Chinese tomato paste imported by Italy has fallen since 2004. While this may gratify domestic tomato producers, the competitive position of Italian tomato processors has not been enhanced.

### **COOL now Mandatory for (at least some) Tomato Products**

The Italian Minister of Agriculture, Mr Gianni Alemanno, announced to the press on March 5, 2006 that he and the Minister of Productive Activities, Scajola, had just signed new provisions for mandatory COOL for passata. The new regulations have not yet been published, so it is not possible to say if they will be restricted to passata or if other tomato products are included. However, according to Minister Alemanno’s press release, producers will have to indicate on the label not only the country, but even the area within the country of origin of the product.

### **Comments**

The announcement of mandatory COOL for passata, and possibly also for other tomato products, falls just two days before an important meeting in Rome of all the tomato farmer and industry representatives gathered to sign processing contracts for the 2006 campaign. The new rule will certainly bring to Minister Alemanno more farmer support in the upcoming April 2006 elections.

Despite its popularity with the domestic farm lobby, the EU Commission could question this measure for compliance with EU internal market competition rules. FAS Rome will report on future developments.