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Tree Nuts

Annual

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Approved by:

Robin Gray
U.S. Embassy

Prepared by:

Sandro Perini

Report Highlights: **U.S. tree nut exports to Italy continued to grow in CY2005, exceeding \$175 million, or 25 percent more than in 2004. The January-April 2006 year-on-year growth was 18 percent. The Italian hazelnut crop is expected to double this year, thanks to better weather conditions, while pistachio production will be small.**

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SECTION 1. SITUATION AND OUTLOOK**ALMONDS****GENERAL**

Commercial almond production in 2006 is forecast at only 6,000 tons (shelled basis), or half of the 2005 level. This dramatic drop is due to adverse weather in March, especially in the region of Apulia. Freezing morning temperatures when the almond trees were flowering badly affected crop development. Output, therefore, will likely be one of the lowest of recent years, second only to 2003, when the crop totaled only 5,000 tons.

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 this is an over-estimate due to the continued unreported uprooting of the oldest, least productive trees, and the increased planting of mixed nut tree orchards. Italian almond production in the medium-long term is expected to continue to decline.

PRICES

Domestic almond prices during 2005/06 averaged about 11 percent more than in the previous year, following international market trends. As a matter of facts, domestic market for almonds strictly follows price fluctuations reported for Californian almonds.

CONSUMPTION

As a result of the relatively high prices, domestic almond consumption has remained unchanged and is not expected to rise in 2006/07 because of large availabilities of other, competitive nuts, especially hazelnuts.

TRADE

Total Italian almond imports in 2005/06 are expected to decline, albeit slightly, from the record high level of almost 29,000 tons, shelled basis, reached in 2004/05. This is mainly due to the above-mentioned high prices, which lead the local confectionary industry to replace some almond use with other, cheaper ingredients. Imports are expected to grow again in 2006/07, due to the very low domestic crop. California almonds, in any case, will continue to represent the lion's share of available Italian almond supplies. As reported last year, imports from California of in-shell almonds, to be roasted and salted, and sold as snacks in the domestic market, are growing. 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 allows consumers to break them easily by hand. These almonds, however, are in direct competition with roasted pistachios, and their actual imports depend mainly on the price ratio between the two nuts.

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 euros per metric ton.

PISTACHIOS

PRODUCTION

This year will be an “off” 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. Therefore, after a relatively significant 2005 crop, this year’s production will be negligible. Sicilian pistachios are considered by the Italian trade to be of superior quality when compared to imported nuts from Iran or the U.S. The Sicilian pistachio’s green color is particularly desired by the confectionary and ice cream industries. Prices for the local production, whose supplies from the 2005 crop have been exhausted, are about 7.50 Euros/kg (in-shell), and 16 Euros (shelled).

CONSUMPTION

Sicilian pistachios are mainly utilized, as stated above, by the confectionary industry, rather than sold for snacks. Overall consumption appears to have stabilized after the drop reported in the late 90’s due to aflatoxin problems in Iran product. 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 in-shell nuts, while exports consist mainly of shipments of Italian and recently some imported shelled and peeled pistachios. Imports in the current marketing year (2005/06) have declined slightly due also to some aflatoxin problems found in Iranian pistachios. Imports from the U.S., after the sharp increase reported in 2004/05 have dropped significantly in 2005/06, due to their reduced price competitiveness with Iranian pistachios.

HAZELNUTS

PRODUCTION

GENERAL

Domestic Italian hazelnut (filbert) production in 2006 is forecast at 120,000 tons (in-shell basis), or twice the very low crop of last year when adverse weather, joined to the natural fluctuation of the trees, to badly affect the crop. Weather this year has remained, so far, fairly good in Campania, Latium, Piedmont and Sicily, the four leading producing regions. As indicated in past reports, domestic hazelnut production consists of long varieties such as Lunga San Giovanni, which are usually 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 2007 could decline to 100,000 tons if weather conditions are normal, in line with the above-mentioned usual trend, after an “on” year.

CROP AREA

The leading producing region continues to be Campania (33 percent of total planted area), followed by Latium (27 percent), Sicily (22 percent), and Piedmont (14 percent). The hazelnut industry remains the only really vital Italian tree nut sector (unlike the almond and walnut industries), but continues to struggle against Turkish competition, both domestically and on the main European export markets. Hazelnut area has been fairly stable, with a slight expansion in the latest years, mainly consequent to the implementation of the Common Agricultural Policy in the tree nut sector.

PRICES

During most of the 2005/06 marketing year, domestic hazelnut prices remained relatively high as a result of small domestic and, more importantly, Turkish crops. In recent months, however, the anticipation of a very large hazelnut production in Turkey, joined by the prospect of a substantial recovery even in Italy, have resulted in a dramatic drop in prices, now half of those of summer 2005.

CONSUMPTION

Domestic hazelnut consumption, after recent increases, is currently relatively stable. It can be expected to vary cyclically, following the price ratios with other competitive nuts. The cheap world prices anticipated for 2006/07 should, therefore, favor an increase in domestic use. Hazelnuts are mainly used by the Italian confectionary industry as a main ingredient for some leading chocolate products (most importantly "Nutella", produced by Ferrero – see IT4040), as well as for many other uses, including ice creams.

TRADE

Despite the relatively large domestic production, Italy is generally a net importer of hazelnuts, especially shelled hazelnuts from Turkey. Italian exports, on the other hand, mainly into the rest of the EU and Switzerland, are dramatically affected by the strong competition from Turkish hazelnuts on those markets.

In 2005/06 Italian exports have been small, due to very low domestic supplies, while imports, despite the reduced Turkish crop, reached a very high level. Prospects for 2006/07 are uncertain: the large domestic crop should, in theory, favor exports and reduce imports, but the world situation (very large Turkish crop and consequent price drop) could disrupt the market, both domestically and in the major European destinations.

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

COMMON AGRICULTURAL POLICY FOR TREE NUTS

The new EU Common Agricultural Policy (CAP) for the tree nut sector, first introduced in 2004, is fairly generous for EU farmers. In 2005/06, Italian growers submitted applications for a total area of 67,638 hectares, or slightly more than the acreage previously reported to Brussels (65,050 hectares). This causing a limited cut in the aid per hectare (from € 241.50 to € 232.26) paid directly by the EU. The new CAP established a further subsidy, up to a maximum of €120.75 per hectare, funded by each member country. As a result, tree nut growers in Italy got a final total aid of €350.01 per hectare.

SECTION 2. PSD TABLES

ALMONDS

PSD Table

Country	Italy					
Commodity	Almonds, Shelled Basis					
	(HA)(1000 TREES)(M					
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]
Market Year Begin	09/2005		09/2006		09/2007	
Area Planted	84000	83318	83500	83000	0	82500
Area Harvested	83500	83124	83000	82500	0	82000
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	2000	1000
Production	15000	12000	12000	6000	0	13000
Imports	20000	26000	24000	28000	0	27000
TOTAL SUPPLY	36000	39000	37000	36000	2000	41000
Exports	11000	7000	10000	4500	0	10000
Domestic Consumption	24000	30000	25000	30500	0	30000
Ending Stocks	1000	2000	2000	1000	0	1000
TOTAL DISTRIBUTION	36000	39000	37000	36000	0	41000

FILBERTS

PSD Table

Country	Italy					
Commodity	Filberts, Inshell Basis					
	(HA)(1000 TREES)(M					
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]
Market Year Begin	09/2005		09/2006		09/2007	
Area Planted	68500	69517	68500	69800	0	69800
Area Harvested	67500	68393	67500	68800	0	68800
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	5000	1000	5000	2000	5000
Production	95000	60000	120000	120000	0	100000
Imports	60000	91000	5000	65000	0	70000
TOTAL SUPPLY	157000	156000	126000	190000	2000	175000
Exports	45000	17000	5000	50000	0	35000
Domestic Consumption	111000	134000	119000	135000	0	135000
Ending Stocks	1000	5000	2000	5000	0	5000
TOTAL DISTRIBUTION	157000	156000	126000	190000	0	175000

PISTACHIOS

PSD Table

Country	Italy					
Commodity	Pistachios, Inshell Basis					
	(HA)(1000 TREES)(M					
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]	USDA Official [	Estimate[1]
Market Year Begin	09/2005		09/2006		09/2007	
Area Planted	0	3665	0	3670	0	3670
Area Harvested	0	3635	0	3640	0	3640
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	500	0	500	0	500
Production	0	3800	0	200	0	3500
Imports	0	11200	0	11500	0	12000
TOTAL SUPPLY	0	15500	0	12200	0	16000
Exports	0	4500	0	500	0	4000
Domestic Consumption	0	10500	0	11200	0	11500
Ending Stocks	0	500	0	500	0	500
TOTAL DISTRIBUTION	0	15500	0	12200	0	16000

TRADE TABLES (Metric Tons)

SHELLED ALMONDS

	2003/04	2004/05	Sep04-Apr05	Sep05-Apr06
IMPORTS				
Spain	5,445	3,559	2,212	5,788
Germany	432	230	156	121
France	366	716	469	560
Greece	495	868	733	303
Other EU	755	586	280	471
Total EU	7,493	5,959	3,850	7,243
U.S.	17,530	20,839	16,822	11,695
Other non-EU	376	2,303	654	636
TOTAL	25,399	29,100	21,326	19,574
EXPORTS				
Spain	1,223	3,400	2,515	1,285
France	1,794	1,877	1,561	903
UK	541	690	445	340
Germany	1,330	3,428	2,885	1,710
Other EU	1,029	1,014	1,726	553
Total EU	5,917	10,409	8,132	4,791
Other non-EU	618	494	396	716
TOTAL	6,538	10,903	8,528	5,507

PISTACHIOS

	2003/04	2004/05	Sep04-Apr05	Sep05-Apr06
IMPORTS				
Greece	208	56	51	70
Germany	2,849	2,546	1,868	2,058
Other EU	2,995	1,711	1,575	324
Total EU	6,052	4,313	3,494	2,452
Iran	5,629	3,664	2,447	4,177
U.S.	1,623	3,859	2,559	1,272
Turkey	352	129	97	130
Other non-EU	68	81	81	3
TOTAL	13,724	12,046	8,678	8,034
EXPORTS				
France	63	44	26	44
Germany	85	3	1	75
U.K.	306	571	261	432
Other EU	186	294	129	870
Total EU	640	912	417	1,421
Croatia	72	36	36	4
Bosnia	16	21	19	0
Slovenia	22	25	19	18
Switzerland	25	31	20	20
Japan	41	39	29	32
U.S.	0	76	115	20
Other non-EU	104	126	24	16
TOTAL	920	1,266	679	1,531

SHELLED HAZELNUTS

IMPORTS	2003/04	2004/05	Sep04-Apr05	Sep06-Apr06
Total EU	1,336	830	408	901
Georgia	916	497	222	2,429
Azerbaijan	1,697	425	365	2,548
U.S.	43	166	32	10
Turkey	26,597	18,358	13,629	28,091
Other non-EU	101	391	67	102
TOTAL	30,690	20,382	14,723	34,081
EXPORTS				
France	1,230	1,823	1,543	997
Germany	14,158	10,342	7,218	1,810
Austria	531	1,046	934	193
Other EU	1,467	1,624	1,330	623
Total EU	17,386	14,835	11,025	3,623
Switzerland	2,515	3,050	2,637	1,562
Other non-EU	904	2,471	1,807	292
TOTAL	20,805	20,356	15,469	5,477

IN-SHELL HAZELNUTS

IN-SHELL HAZELNUTS				
IMPORTS	2003/04	2004/05	Sep04- Apr 05	Sep04- Apr05
Germany	87	98	53	23
Other EU	134	788	717	47
Total EU	221	886	770	70
Croatia	343	365	365	0
U.S.	817	929	806	1,212
Other non-EU	326	267	34	428
TOTAL	1,707	2,447	1,975	1,710
EXPORTS				
France	198	148	124	91
Germany	191	145	145	129
U.K.	500	541	489	423
Sweden	152	48	118	0
Other EU	522	382	299	528
Total EU	1,408	1,264	1,175	1,171
Norway	310	316	316	0
Other non-EU	107	40	37	231
TOTAL	1,825	1,620	1,528	1,402