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Italy

Fresh Deciduous Fruit

Annual

2006

Approved by:
Robin Gray
U.S. Embassy

Prepared by:
Dana Biasetti

Report Highlights: The 2006-2007 Italian fresh apple crop is expected to be about two million tons. Table grape and pear production remain stable, with medium to good quality, Increasing foreign competition and declining exports are forcing producers to reconsider future production plans.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rome [IT1]
[IT]

Country	Italy						
Commodity	Apples, Fresh				(HA)(1000 TREES)(MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Planted	61469	61739	61700	61696	60874	61650	(HA)
Area Harvested	57169	57554	57393	57136	56728	57100	(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	2035206	2032000	2100000	2071000	200000	1949000	(MT)
Non-Comm. Production	26000	26000	20000	26000	26000	25000	(MT)
TOTAL Production	2061206	2058000	2120000	2097000	226000	1974000	(MT)
TOTAL Imports	67492	67492	62000	35221	50000	70000	(MT)
TOTAL SUPPLY	2128698	2125492	2182000	2132221	276000	2044000	(MT)
Domestic Fresh Consum	1122697	1119491	1122000	1002437	1020000	944000	(MT)
Exports, Fresh Only	606001	606001	660000	729784	720000	700000	(MT)
For Processing	400000	400000	400000	400000	400000	400000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	2128698	2125492	2182000	2132221	2140000	2044000	(MT)

Fresh Apples – Above average quality

ASSOMELA, the Italian Apple Producers' Association, forecasts 2006-2007 national production at about two million tons of above-average quality apples. This production level is more than 5% below the 2005 production level of almost 2.1 million tons. This decline in Italian production mirrors smaller crops expected in other EU countries, including France (1,584,000 tons) and Spain (550,000 tons), mainly due to weather conditions. According to the latest production forecasts, presented in August at Prognosfruit 2006, for the first time in the past ten years the EU in general will have a decrease in production of Golden Delicious (-11%), Granny Smith (-6%), Idared (-8%), and Jonagold (-4%). Only the Fuji apple will have an increase of production of +8%.

Italian apple quality varies with the region of cultivation, but overall the crop is expected to be good for 2006/2007. However, inclement weather conditions in northern Italy (heavy rains and hail), damaged approximately 30,000 tons of apples, and these will be used in the food-processing sector.

Trade

Italian imports of apples have fallen 20% in this year, with declining volumes from New Zealand, Chile, Brazil, South Africa, and Argentina. These countries generally supply the Italian market with apples during the off-season. However, for this year Italy still had a large unsold stock accumulated from the previous campaign, both of domestic and imported apples. Italy's number one apple export market remains Germany, which takes some 50 percent of the total. With a 4% increase in Italian apple production for 2005, and lower production levels in the EU, Italy's exports in 2005 increased exponentially, but export levels are expected to go back to normal in 2006.

Table 1. Leading Italian Apple Producing Regions – 2006

Italian Region	**Alto Adige**	**Trentino**	**Veneto**	**Piemonte**	**Emilia Romagna**	**Valtellina**	**Others**
Production % of total Output	42.8 %	18.6%	11.3%	10.2%	8.6%	1.8%	6.7%
Output	833,852 tons	363,283 tons	220,032 tons	198,886 tons	168,087 tons	35,000 tons	130,000 tons

Source: AGRISOLE

Export Trade Matrix

Country Italy

Commodit Apples, Fresh

Time Period	Year	Units:	MT
Exports for:	2004		**2005**
U.S.		U.S.	
Others		Others	
Germany	268872	Germany	335012
Spain	34009	United Kingdon	43098
United Kingdom	29257	Spain	39684
France	24004	Russia	35677
Greece	19248	Sweden	24330
Austria	18350	France	20141
Sweden	15208	Greece	20020
Russia	11649	Check Rep	19550
Norway	10822	Austria	18492
Denmark	10685	Denmark	17882
Total for Others	442067		573886
Others not Liste	99901		182315
Grand Total	541968		756201

Import Trade Matrix

Country Italy

Commodit Apples, Fresh

Time Period	Year	Units:	MT
Imports for:	2004		2005
U.S.	113	U.S.	
Others		Others	
Chile	25961	Chile	17183
Netherlands	9008	Argentina	3642
Hungary	7578	France	3690
Brasil	7289	Spain	2634
Germany	7152	Germany	1666
Spain	6339	Netherlands	1169
Argentina	6029	China	982
China	5636	Brazil	670
France	4816	Uruguay	330
Austria	1490	New Zealand	123
Total for Others	81298		32089
Others not Liste	8406		3132
Grand Total	89817		35221

Table 2. Italian apple production forecasts by variety – tons (000)

Variety	**2003**	**2004**	**2005**	**2006**	**2006/05 (%)**	**2006/02-05(%)**
Annurca	57	55	68	50	-26	-22
Braeburn	54	85	73	60	-18	-11
Elstar	6	5	4	N/a	N/a0	N/a
Fuji	45	62	87	100	+15	+68
Gala	124	225	261	269	+3	+33
Golden Delicious	997	947	946	870	-8	-13
Gloster	2	2	1	N/a	N/a	N/a
Granny Smith	87	85	92	83	-10	-10
Imperatore	67	126	123	97	-21	-13
Idared	11	10	7	N/a	N/a	N/a
Jonagold	39	40	37	28	-24	-30
Red Delicious	206	276	250	247	-1	N/a
Renette	19	20	26	16	-38	-29
Stayman	17	21	23	20	-13	-12
Other	422	73	73	109	+49	-31
Total	**2,153**	**2,032**	**2,071**	**1,949**	**-6**	**-7**

Source: Eurofel 2006, Prognosfruit 2006

Prices Table

Country Italy

Commodity Apples, Fresh

Prices in Euro per uom kilo

Year	2005	2006	% Change
Jan	0.5	0.42	-16%
Feb	0.54	0.47	-13%
Mar	0.52	0.47	-10%
Apr	0.5	0.46	-8%
May	0.5	0.47	-6%
Jun	0.5	0.47	-6%
Jul	0.6	0.48	-20%
Aug	0.31	0.52	68%
Sep	0.31	0.5	61%
Oct	0.35		-100%
Nov	0.39		-100%
Dec	0.4		-100%

Exchange Rate 1/1.267 Euro/US $
Date of Quote 9/13/2006 MM/DD/YYYY

Apple stocks

There are presently very low apple stocks in Italy due to a successful export market in 2005, internal consumption and lessened production competition from other EU producers like Spain that did not have a successful apple production campaign in 2005.

EU has developed minimum marketing standards

As reported previously in IT5009, Italian apple producers are concerned over the reform of EU marketing standards introduced by EU Regulation CE 85/2004. According to the new European rule, apples are classified in three categories (Extra, Class I, Class II) according to either size or weight (one or the other). The new regulation was to be enforced starting August 1, 2005 and would have reduced the minimum weight/size requirements for different apple categories. EU Regulation 1238 of July 28, 2005 provides for a three year delay in the implementation of Regulation 85/2004 to August 2008, but allows those that signed supply contracts according to the new parameters to comply with their obligations. In short, smaller sizes (those that would be allowed by the new regulations) cannot be marketed until 2008 unless companies demonstrate they signed contracts before July 28, 2005. The three-year delay is motivated by the EU Commission’s decision to include not only size and weight, but also ripening parameters, based on sugar detection, in the minimum marketing standards. During the next three marketing campaigns the EU Commission and the Member States will conduct studies to adequately set these parameters.

Italy launches a "new" apple variety called Modi'

The Italian National Nursery Association (CIV – Consorzio Italiano Vivaisti), created, patented and commercialized a "new" apple called Modi', developed from the Japanese Flowering Crab Apple and named for the famous Italian sculptor Modigliani. The Modi' apple is red in color, crunchy, sweet tasting and has a long shelf life. This new apple variety is said to be insect resistant, require little to no chemical treatment, have low production costs, produce one large crop per year, and is considered environmentally friendly. Italy has already invested over € 200,000 in the development of Modi' and 240 hectares in the Po Valley are scheduled to be planted during the next three years. Modi' will be sold in the medium-high price range.

Country Italy
Commodity Apple Juice, Concentrated (MT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Deliv. To Processors	400000	400000	400000	400000	400000	400000	(MT)
Beginning Stocks	5500	5500	6500	6500	1500	1500	(MT)
Production	62000	62000	62000	62000	63000	62000	(MT)
Imports	20000	20000	15000	15000	16000	18500	(MT)
TOTAL SUPPLY	87500	87500	83500	83500	80500	82000	(MT)
Exports	70000	70000	70000	70000	70000	70000	(MT)
Domestic Consumption	11000	11000	12000	12000	13000	12000	(MT)
Ending Stocks	6500	6500	1500	1500	1500	0	(MT)
TOTAL DISTRIBUTION	87500	87500	83500	83500	84500	82000	(MT)

Country	Italy						
Commodity	Pears, Fresh				(HA)(1000 TREES)(MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	Official [	Estimate[N	Official [	Estimate[New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Planted	44502	44502	43420	43420	42235	42100	(HA)
Area Harvested	40652	40652	39812	39812	38726	37890	(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	854000	854000	841000	841000	879000	858000	(MT)
Non-Comm. Production	41000	41000	40000	40000	40000	40000	(MT)
TOTAL Production	895000	895000	881000	881000	919000	898000	(MT)
TOTAL Imports	133300	133300	130000	120070	130000	124000	(MT)
TOTAL SUPPLY	1028300	1028300	1011000	1001070	1049000	1022000	(MT)
Domestic Fresh Consum	693814	693814	679000	646636	670000	685000	(MT)
Exports, Fresh Only	134486	134486	132000	154434	129000	137000	(MT)
For Processing	200000	200000	200000	200000	200000	200000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	1028300	1028300	1011000	1001070	999000	1022000	(MT)

Fresh Pears - Italy maintains a stable pear production

According to Eurofel, the European Fresh Produce Association, the 2006 Italian pear crop is expected to remain at the same size as 2005. Production decreases affecting Passacrassana (-15), Conference (-10) and Kaiser (-8), are offset by an unexpected increase (15%) for Decana. Pear quality and size are generally good, and exports are recovering after a critical year in 2003.

Table 3. Italian pear production forecasts by variety – tons (000)

Variety	2003	2004	2005	2006	2006/05 (%)	2006/02-05(%)
Abate	251	260	280	297	+6	+11
William B.C.	169	176	184	176	-4	-3
Conference	118	127	133	120	-10	-9
Decana del C.	49	53	48	55	+15	-4
Kaiser	63	50	61	56	-8	-4
Coscia	50	54	62	61	-2	+12
Passacrassana	17	13	13	11	-15	-33
Max Red Bartlett	27	26	24	25	+4	-9
Guyot	4	4	4	4	=	-6
Other	72	75	70	74	+6	+2
Total	**831**	**838**	**879**	**879**	**=**	**+1**

Source: Eurofel 2006, Prognosfruit 2006

Export Trade Matrix

Country Italy

Commodit Pears, Fresh

Time Period	Year	Units:	MT
Exports for:	2004		**2005**
U.S.		U.S.	
Others		Others	
Germany	53717	Germany	67220
France	25069	France	29642
United Kingdom	11033	United Kingdon	12906
Austria	5894	Austria	7121
Greece	3390	Croatia	4769
Sweden	3140	Hungary	4501
Croatia	3243	Slovenia	3630
Hungary	2242	Greec	2720
Spain	1825	Sweden	2417
Switzerland	1595	Spain	1488
Total for Others	111148		136414
Others not Liste	11628		18020
Grand Total	122776		154434

Import Trade Matrix

Country Italy

Commodit Pears, Fresh

Time Period	Year	Units:	MT
Imports for:	2004		2005
U.S.		U.S.	
Others		Others	
Argentina	60339	Argentina	60498
Spain	28911	Spain	34835
Chile	13341	Chile	10673
France	4992	France	4148
Netherlands	4565	Netherlands	3069
Belgium	4883	S.Africa	2650
S.Africa	3213	Uruguay	1640
Germany	1772	Belgium	1426
Uruguay	1938		
Total for Others	123954		118939
Others not Liste	968		1131
Grand Total	124922		120070

Trade

Pear exports have increased imports have decreased. Italy is still the largest European pear producer, and number two world-wide. In 2005/2006, exports grew sharply, increasing more than 26 percent, largely due to expanded sales in the main northern European markets. However, prices in the northern European markets have experienced declines due largely to early season competition from Spain.

Prices Table

Country Italy

Commodity Pears, Fresh

Prices in Euros per uom Kilo

Year	2005	2006	% Change
Jan	0.68	0.66	-3%
Feb	0.69	0.66	-4%
Mar	0.71	0.63	-11%
Apr	0.68	0.55	-19%
May	0.75	0.53	-29%
Jun		0.61	
Jul	0.47	0.56	19%
Aug	0.36	0.48	33%
Sep	0.46	0.53	15%
Oct	0.55		-100%
Nov	0.61		-100%
Dec	0.63		-100%

Exchange Rate	1/1.627	Euro/US $
Date of Quote	9/13/2006	MM/DD/YYYY

Country	Italy						
Commodity	Grapes, Table, Fresh			(HA)(MT)			
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Planted	71676	73914	71000	73900		73800	(HA)
Area Harvested	70414	71480	70000	71400		71300	(HA)
Commercial Production	1418438	1661232	1580478	1578000	0	1600000	(MT)
Non-Comm. Production	47000	47000	24300	24300	0	25000	(MT)
TOTAL Production	1465438	1708232	1604778	1602300	0	1625000	(MT)
TOTAL Imports	20000	19251	19000	20000	0	20000	(MT)
TOTAL SUPPLY	1485438	1727483	1623778	1622300	0	1645000	(MT)
Domestic Fresh Consum	714846	931959	763478	802000	0	845000	(MT)
Exports, Fresh Only	465592	490524	490000	500000	0	500000	(MT)
For Processing	305000	305000	320300	320300	0	300000	(MT)
Withdrawal From Market	0	0	50000	0	0	0	(MT)
TOTAL UTILIZATION	1485438	1727483	1623778	1622300	0	1645000	(MT)

Italy: Table Grape production remains stable but production costs are on the rise

The 2005 table grape production volume was satisfactory and quality was good, but production costs and variety continue to be an issue. Production for 2005 remained in line with that of 2004 for all of the major varieties (Italia, Vittoria, Red Globe and Palieri), at a stable 1.4 million tons. Production of seedless varieties, such as Apirena, is on the rise, but it still represents a very small portion of total Italian output. While the Italian consumer is beginning to develop a taste for seedless varieties, Italian seedless table grape production has remained behind the curve, losing ground to foreign competition able to offer cheaper and more plentiful seedless varieties. While Italian seedless grapes are very competitively priced in the German market (please see table 4), only two percent of the total Italian grape production is seedless, and therefore this niche product has a limited export potential. Industry sources stress that in order to compete Italian table grape producers must improve the genetics of their table grape varieties.

According to industry sources, the table grape crop in 2006 should to be similar in size to that of 2005, however quality is expected to be below average. In particular, preliminary reports on the 2006 Italia table grape variety, indicate that recent, torrential rains in Sicily have caused severe localized damage, hurting farm-gate prices. The Italia grape variety represents half of total table grape production in Puglia and over 70% of total table grape production in Sicily.

Planted acreage is showing a long term declining trend, mainly due to decreasing profitability as a result of increasing production costs and declining international prices from growing Mediterranean competition. During the August to September harvest period, per kilo prices plummeted due to bad weather conditions that affected the crop.

Italian table grape producers have successfully implemented methods to increase their competitive position. In Italy, table grapes are usually produced under a plastic film cover to control sunlight and temperature. This allows farmers to obtain early production or to delay the harvest of some varieties to the month of December. Moreover, better packaging and marketing in the food retail sector have also improved sales. Industry sources estimate that planting and tending a hectare of table grapes today costs around $15,000 per year (excluding land costs), while annual direct costs are about $10,000 per hectare. A large portion of the annual costs is associated with labor, especially since fruit thinning is still done manually. Larger farms are testing new cost-saving technologies, such as chemical thinning, in an effort to remain competitive. Industry sources have also identified picking costs as an area for possible cost-saving methods. Current estimates have farmer costs as high as $ 0.12 per kilo (about $ 0.05 per pound). The use of machinery could reduce picking costs by about 60%, but fruit does not always maintain the desired quality due to damage from the picking machinery.

Trade

The export outlook for Italian table grapes is the worst in decades. Italian exports have been in constant decline in all the major export markets including Germany, which alone represents about one third of the annual total. Exports to non-EU countries remain stable but represent a minimal portion of the total. There are various reasons behind the current export crisis, but the main one is increasing competition from other EU-Mediterranean basin countries, such as Spain, which continue to supply northern European markets with good quality seedless grape at reasonable prices. Italian producers are slowly converting to seedless varieties, but it will take years before they can ensure consistent supplies of seedless product to foreign markets. Foreign suppliers, such as Spain, Israel and Turkey, are supplying seedless table grape varieties at a much better price than Italian producers.

Table 4. Cost of Seedless Table Grapes in Germany

Supplying Country	Cost per Kilo	Currency
Italy	1,40-2,40	Euro
Spain	1,60-3,40	Euro
Israel	1,80-2,20	Euro
Turkey	1,60-2,00	Euro

Source: L'Informatore Agrario, August 2006

Another problem for Italian table grape exports is the number of intermediaries between the farmer and the market. Italian table grape producers are often small farmers who sell their product to larger farmers, who act as traders that sell the product to wholesalers and supermarkets. This structure, which increases the number of intermediaries between the producer and the consumer, pushes farm gate prices down and discourages single producers from investing in marketing initiatives.

While Italian domestic consumption is falling, competition from other major table grape producers in Asia, America, Africa and Oceania is increasing due to the lower production costs in these countries. However, while these competitors are able to offer table grapes at a lower price, the quality of the grapes is not on par with the Italian product. Price remains a major factor in the decline of table grape consumption in Italy, and this has prompted the industry's consideration of methods to lower production costs, and if need be, quality, in order to compete. Italian industry sources note that producers will need to modify their production procedures and cut costs if the consumer is no longer values the quality factors, such as large size and color uniformity, that lead to higher costs.

Table 5. Italian Domestic Consumption of Table Grapes

Year	2000	2001	2002	2003	2004
Tons	198,467	195,503	131,972	144,513	140,875
Expenditure In Euros	272,838	285,145	208,135	225,368	196,625

Source: ISMEA-Nielsen 2005

Export Trade Matrix

Country Italy

Commodit Grapes, Table, Fresh

Time Period	Year	Units:	MT
Exports for:	2004		**2005**
U.S.	1331	U.S.	
Others		Others	
Germany	140749	Germany	154000
France	81369	France	80315
Poland	43088	Switzerland	24272
Belgium	23422	Belgium	22321
Switzerland	18052	Czeck Rep.	17382
Czeck Rep.	19173	Spain	13610
Netherlands	17129	Netherlands	18990
Spain	11208	Denmark	11215
United Kingdom	11703	United Kingdon	8247
Russia	11929		
Total for Others	377822		350352
Others not Liste	86439		140172
Grand Total	465592		490524

Import Trade Matrix

Country Italy

Commodit Grapes, Table, Fresh

Time Period	Year	Units:	MT
Imports for:	2004		**2005**
U.S.		U.S.	
Others		Others	
Chile	4649	Spain	3850
Spain	4155	Chile	3663
Netherlands	2879	Netherlands	3302
Belgium	1692	South Africa	1539
Germany	1488	Belgium	1466
South Africa	1234	France	1203
France	1186	Germany	768
Total for Others	17283		15791
Others not Liste	2717		3460
Grand Total	20000		19251

Prices Table

Country Italy

Commodity Grapes, Table, Fresh

Prices in	Euros	per uom	Kilo	
Year	2005	2006	% Change	
Jan				
Feb				
Mar				
Apr				
May				
Jun				
Jul	0.65	0.72	11%	
Aug	0.54	0.68	26%	
Sep				
Oct				
Nov				
Dec				
Exchange Rate	1/1.267	Local Currency/US $		
Date of Quote	9/13/2006	MM/DD/YYYY		