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Italy

Tomatoes and Products

Annual

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Report Highlights: Total Italian tomato output for 2001 was 6.49 million tons, slightly below the previous year's levels. The decline was mainly due to unfavorable weather conditions that negatively affected Southern Italian crops, which are 60% of total Italian tomato production. According to industry data, the breakdown of Italian tomato products for 2001/02 is estimated as follows. Tomato paste: 330,000 tons, Canned tomatoes: 1,780,000 tons, Tomato sauce: 57,000 tons. Italian exports of all tomato products continue to increase thanks to a high quality level and competitive prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I.

SITUATION AND OUTLOOK

Total Italian tomato output for 2001 was 6.49 million tons, slightly below the previous year's levels. The decline was mainly due to unfavorable weather conditions that negatively affected southern Italian crops, which account for 60% of total Italian tomato production.

According to industry data, the breakdown of Italian tomato products for 2001/02 is estimated as follows. Official data provided by the Italian Government are usually overstated because they reflect claims made by many tomato producers in order to get more subsidies.

Tomato paste:	330,000 tons
Canned tomatoes:	1,780,000 tons
Tomato sauce:	57,000 tons

For 2002/03, Italian processed tomato products are forecast to slightly decline because even in 2001/02 the EU's quota for Italy was exceeded and E.U. subsidy will consequently be reduced from 34.5 euros/ton to 34.6 euros/ton. The lack of a national production plan due to poor inter-professional coordination and weak vertical integration in southern Italy explain this situation.

Italian exports of all tomato products continue to increase thanks to their high quality and competitive prices.

PRODUCTION

Fresh Tomatoes

In 2001 tomato production for fresh consumption declined due to dry weather conditions in southern Italy. Drought also shortened the producing season for processing tomatoes. Harvesting operations started much later and ended about 15 days earlier than usual, at the end of September. The drought continues in Sicily but conditions have improved in Apulia, another area critical to tomato production. Planted areas for processing tomatoes slightly declined in Italy due to production in excess of the national quota, despite the increase that the European Union set in 2001/02.

However, should weather conditions return to normal, Italian production of processing tomatoes for 2002 should remain on the same levels as in 2001. Tomato production for fresh consumption should slightly increase.

The Italian tomato industry is still quite fragmented. Out of 204 companies, 177 companies account for 50% of total Italian production and the seven largest companies account for only 20% of total tomato product output.

The fragmentation of the industry is particularly true for the southern Italian tomato industry, which accounts for 60% of total Italian tomato product output . A lack of vertical integration and production planning are the major consequences and cause the sector to be somewhat inefficient.

In northern Italy, the tomato industry is by contrast much more integrated with production concentrated in a few cooperative groups that handle tomatoes from production to processing and sale. In northern Italy the seven largest companies account for 60% of tomato product output in this area. Northern Italy is understood to be anything north of Rome.

Tomato Products

Total processed product for 2001/02 is as follows:

Tomato paste:	330,000 tons
Whole canned tomatoes:	710,000 tons
Other canned tomato products, mainly crushed and chopped:	1,070,000 tons
Tomato Sauce:	57,000 tons

The fresh tomato paste ratio used was 6.5, or 6.5 kilos of fresh tomatoes to 1 kilo of paste. The ratio for canned tomatoes was 1.3 (1.3 kilos of fresh tomatoes for 1 kilo of canned tomatoes). No official data for tomato sauce output exists. Since tomato sauce is produced using crushed tomatoes and paste, figures were calculated using processed tomato data supplied by the Ministry of Agriculture and figures provided by trade and producer contacts.

Whole canned tomatoes were the products that were mainly affected by negative weather conditions because they are almost exclusively produced in southern Italy. Processing plants are in the Naples area close to the growing area for the well known San Marzano type cultivated south of Naples in Apulia region.

Tomato product stocks are historically high due to two reasons. First, there is overproduction caused by industry inefficiency. Secondly, the stock numbers are inflated by fraudulent production claims in order to get greater EU subsidies. These "ghost" stock numbers may be quantification difficult. Numbers in our database are adjusted downwards to compensate for this phenomenon.

CONSUMPTION

Fresh tomato consumption is considered to be stable. However, the use of fresh tomatoes used to prepare sauces at home is likely to decline slightly due to competition from new processed tomato products. Consequently, consumption of fresh tomatoes for salads should increase as vendors seek to promote alternative uses.

While Italian consumption of tomato paste remains stable, consumption of canned tomatoes other than whole tomatoes continues to increase slightly. This reflects the fact that markets for paste and whole canned tomatoes are considered to be mature with little expectation for growth in Italy. Other canned tomato products, however, such as innovative products that contain chopped and crushed tomatoes, and tomato sauces enriched with other ingredients and/or flavors are considered to be growth markets as the average consumer turns to more semi-prepared/convenience products. Consumption of tomato paste includes utilization by the canning industry to prepare other tomato products such as crushed tomatoes and sauce.

TRADE

Italian exports of tomato products continue to increase. Prices of Italian tomato exports remained competitive in the international market due to a large domestic supply. A historical series of export prices of Italian tomato products is provided below:

Table: Export Prices of Italian Tomato Products 1999-2001 euro/Kg.

	1999	2000	2001
Tomato Paste	.85	.76	.91
Whole Canned Tomatoes	.50	.45	.49
Other Canned Tomatoes	.56	.53	.62

Most Italian exports, especially whole tomatoes, are delivered to European and other developed countries. However, a significant share of tomato paste exports is of low quality and is destined for Russia and some of the African countries. Most of this tomato product is prepared using tomato paste for reprocessing imported duty-free from Greece, Turkey, China and other countries where production costs are much lower. Tomato paste produced in China is reported to be of much better quality than from the other countries. In 2000, Italian paste imports from China more than doubled and in 2001 further increased by 66%. In 2001 they represented 84% of total paste imports. Note: Italian companies have secured export sales of technology and processing machinery to China in exchange for commitments to contract for Chinese tomato production.

POLICY

Since 2001/02 the Italian national production quota was set at 4.35 million tons. That means Italian processing tomato output exceeded the quota by approximately 370,000 tons, including tomato juice.

Under the new EU tomato system growers will receive in 2002/03, 34.06 euros/ton, while the price was 34.5 euros/ton in 2001/02. Subsidies are now paid directly to growers through the producer association and are reduced proportionally if production exceeds the national quota. Compensations are possible when other EU countries' processing tomato production falls below their national quotas. This occurred in 2001/02 and therefore the situation permitted a reduction to the cut in Italian subsidies.

The new system seems to mainly favor processors because they will not have to pay a fixed minimum price to growers in order to receive a processing subsidy. In addition, the processors will be free to purchase processing tomatoes from whatever source they chose, including from foreign markets.

Recently, the Italian Government succeeded in rejecting an EU proposal that would reduce solid content in tomato paste form 12 to 7 %.

SECTION II.

TARIFF TABLE

Import duty for tomato paste and canned tomatoes:

From 1/1/to 6/30: 15.6% From 7/1 to 12/31: 15%

Import duty for tomato sauce and ketchup:

From 1/1/to 6/30: 13.1% From 7/1 to 12/31: 12.1%

PSD TABLES

Fresh Tomatoes

PSD Table						
Country	Italy					
Commodity	Fresh Tomatoes				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Plnt For Fresh Consump	0	41000	41000	40000	0	40000
Plnt For Processing	0	86000	89000	85000	0	84000
TOTAL Area Planted	0	127000	130000	125000	0	124000
Harv. For Fresh Cons.	0	39000	39000	37000	0	38000
Harv. For Processing	0	82000	84000	81000	0	80000
TOTAL Area Harvested	0	121000	123000	118000	0	118000
Fresh Sale Production	0	1850000	1800000	1800000	0	1850000
Processing Production	0	4810000	4600000	4690000	0	4700000
TOTAL Production	0	6660000	6400000	6490000	0	6550000
TOTAL SUPPLY	0	6660000	6400000	6490000	0	6550000

Canned Tomatoes

PSD Table						
Country	Italy					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	2610000	2610000	2500000	2556000	0	2500000
Beginning Stocks	417000	417000	517000	517000	407000	467000
Production	1888000	1888000	1700000	1780000	0	1750000
Imports	12000	12000	10000	10000	0	10000
TOTAL SUPPLY	2317000	2317000	2227000	2307000	407000	2227000
Exports	900000	900000	900000	920000	0	940000
Domestic Consumption	900000	900000	920000	920000	0	930000
Ending Stocks	517000	517000	407000	467000	0	357000
TOTAL DISTRIBUTION	2317000	2317000	2227000	2307000	0	2227000

Tomato Paste

PSD Table						
Country	Italy					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	2200000	2200000	2100000	2133000	0	2100000
Beginning Stocks	160000	160000	141000	141000	92000	97000
Production	340000	340000	310000	330000	0	328000
Imports	65000	65000	65000	70000	0	73000
TOTAL SUPPLY	565000	565000	516000	541000	92000	498000
Exports	350000	350000	350000	370000	0	380000
Domestic Consumption	74000	74000	74000	74000	0	74000
Ending Stocks	141000	141000	92000	97000	0	44000
TOTAL DISTRIBUTION	565000	565000	516000	541000	0	498000

Tomato Sauce

PSD Table						
Country	Italy					
Commodity	Tomato Sauce				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	54000	54000	56000	57000	0	60000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	54000	54000	56000	57000	0	60000
Exports	24000	24000	25000	26000	0	28000
Domestic Consumption	30000	30000	31000	31000	0	32000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	54000	54000	56000	57000	0	60000

TRADE MATRIXES

Canned Tomatoes Imports

Import Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Spain	4000	Spain	4200
Portugal	3500	Portugal	4300
Total for Others	7500		8500
Others not Listed	4500		2000
Grand Total	12000		10500

Canned Tomatoes Exports

Export Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	MT
Exports for:	2000		2001
U.S.	56000	U.S.	75900
Others		Others	
U.K.	193000	U.K.	201000
Germany	147000	Germany	171000
France	17000	France	92000
Belgium	45000	Belgium	43000
Japan	52000	Japan	48000
Canada	16000	Canada	14000
Switzerland	17000	Switzerland	17000
Total for Others	487000		586000
Others not Listed	251000		225500
Grand Total	794000		887400

Tomato Paste Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	8
Others		Others	
Greece	9000	Greece	11000
China	42000	China	70000
Turkey	1000		
Total for Others	52000		81000
Others not Listed	3000		1992
Grand Total	55000		83000

Tomato Paste Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	MT
Exports for:	2000		2001
U.S.	400	U.S.	700
Others		Others	
Germany	82000	Germany	94000
France	29000	France	26000
U.K.	17000	U.K.	20000
Netherland	14000	Netherland	15000
Libya	2500	Libya	15000
Russia	20000	Russia	21000
Benin	16000	Benin	19000
Ghana	9000	Ghana	11000
Total for Others	189500		221000
Others not Listed	128100		163300
Grand Total	318000		385000

Tomato Sauce Imports

Export Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	MT
Exports for:	2000		2001
U.S.	270	U.S.	350
Others		Others	
France	3200	France	3600
Germany	8800	Germany	10200
U.K.	3600	U.K.	3300
Total for Others	15600		17100
Others not Listed	7130		8050
Grand Total	23000		25500

Tomato Sauce Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	MT
Exports for:	2000		2001
U.S.	270	U.S.	350
Others		Others	
France	3200	France	3600
Germany	8800	Germany	10200
U.K.	3600	U.K.	3300
Total for Others	15600		17100
Others not Listed	7130		8050
Grand Total	23000		25500