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Tree Nuts Annual

2011

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Report Highlights:
The EU continues to be a key export market for U.S. tree nuts. Within the EU, the most important trade partners for U.S. tree nuts in order of importance are Spain, Germany, the Netherlands, Belgium and Italy. Almond production in the EU is expected to reach almost 91,500 MT in MY 2011/12, slightly higher than the previous year. Hazelnuts production is expected to increase by 38 percent to 145,000 MT due to favorable weather conditions in Italy. No major changes are expected for walnut and pistachio production.

Disclaimer: This report presents the situation and outlook for tree nuts (almonds, hazelnuts, walnuts and pistachios) in the EU-27. This report presents the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Agricultural Service analysts:

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Abbreviations and definitions used in this report

Conversion factors: conversion factor is used to convert shelled to in-shell tree nuts.
Almonds: 3.3
Hazelnuts: 2.03
Walnuts: 3.3
Pistachios: 1.5

GTA Global Trade Atlas
Ha hectare; 1 ha = 2.471 acres

HS Codes: Harmonized System codes for commodity classification used to calculate trade data.
Almonds: Shelled 080212; In-shell 080211
Walnuts: Shelled 080232; In-shell 080231
Filberts/Hazelnuts: Shelled 080222; In-shell 080221
Pistachios: 080250

MT Metric ton = 1,000 kg
EU MS European Union Member State(s)

MY Marketing year
Almonds: September/August
Walnuts: October/September
Hazelnuts: September/August
Pistachios: September/August

USD U.S. Dollar (Exchange rate as of Aug 30, 2011 is €1=US$ 1.44)

Executive Summary:

US and EU: Important Trading Partners

The EU continues to be the most important export market (33 percent) for U.S. tree nuts. Other important markets are East Asia (28 percent), China & Hong Kong (18 percent) and the Middle East (14 percent). Within the EU, the most important trade partners for US tree nuts in order of importance are Spain, Germany, the Netherlands, Belgium and Italy.

In MY 2010/11, the U.S. continues to be the largest supplier by far, with a 43 percent market share. Turkey ranks second with a market share of 13 percent, followed by Vietnam, the Philippines and India.

Around 30 percent of EU tree nuts imports comprise of hazelnuts and another 30 percent shelled almonds. The remaining are imports of mainly walnuts and pistachios. The U.S. is especially an important trade partner to the EU for supplying almonds and pistachios where the U.S. has a market share of respectively 95 percent and 70 percent respectively. The U.S. market share of the EU import market for walnuts and hazelnuts is much smaller.

Changing EU Consumer

The EU population totals about 500 million with an average GDP per capita of around $30,000. Consumers in the EU-27 are now more than ever interested in food. They want to make more informed purchasing and consumption decisions. In addition to price, variety, convenience, nutrition and health are important factors for making purchase decisions. These factors have an impact on the consumption of tree nuts. In addition, the shopping pattern is changing as a result of the snack and grazing culture. Finally, consumers are shopping in more and more different types of stores than before.

Food Processing and Snack Industry are Key Buyers of Tree Nuts

The European food processing and snack industry are the largest users of tree nuts. Almonds are mainly used as an ingredient for producing marzipan, nougat, *turron* and many other pastries and sweets. They are also used to manufacture almond butter and paste. Hazelnuts are mainly used in confectionary to make praline and also, in combination with chocolate, for chocolate spreads and chocolate truffles. Due to the fact that hazelnut oil is strongly flavored and the kernels of walnuts are rich in oil, both are often used for manufacturing cooking oil. Pistachio nuts are used as an ingredient for manufacturing ice cream and confectionary products (such as *baklava* and *mortadella*).

When roasted, salted or mixed, tree nuts are a popular snack. Due to changing lifestyles, people are more and more realizing that nuts can be enjoyed at various occasions and different places. Dinner for instance offers potential for tree nuts, where they can be used as an ingredient and as garnish due to their taste, quality, versatility and convenience.

Expanding Business in EU Market

Since the EU is an important market for U.S. tree nuts, exporters are exploring ways to expand their overseas business. One way can be visiting or exhibiting at trade shows. Europe's leading trade show for tree nuts is Fruit Logistica, which takes place in February in Berlin, Germany. Not only is it a USDA endorsed show, it is also one of the best platforms to meet future importers of tree nuts. Another

important USDA endorsed show is Anuga; this multi sector trade show takes place every other year in Cologne, Germany, http://www.usda-mideurope.com.
Finally, it would be advisable for new-to-the-market exporters to have a look at the EU-27 Food and Agricultural Import Regulations and Standards report and the Exporter Guides produced at the various EU FAS Offices, http://gain.fas.usda.gov/Pages/Default.aspx

US Cooperators Active in the EU

Trade associations like the Almond Board of California, the California Pistachio Export Council, Western Pistachio Association/CalPure Pistachios and California Walnut Commission are active in the EU market. These trade associations, or so-called cooperators, continuously work to further develop the market for tree nuts.

Commodities:

Almonds, Shelled Basis

Production:
The EU is one of the world's leading producers and consumers of almonds. In terms of origin, the United States is by far the largest producer, contributing to approximately 85 percent of the total world almond supply. Spain holds the position as the second largest almond producer, followed by Australia. Other major EU almond producers are Italy and Greece.

It is forecast that Australia will surpass Spain by 2015 to become the second largest almond producer. Spanish production has historically fluctuated greatly and it is not expected to increase its production significantly in the long term. This is due mainly to the declines in EU agricultural support programs and the continuing urbanization of traditional production areas. Furthermore, farmers complain that the almond crops are less profitable each year.

For MY 2011/12, the latest official forecast published by the Spanish Ministry of the Environment and Rural and Marine Affairs (MARM) show an estimated production figure of 73,606 MT (shelled basis), a slight increase of almost 5 percent compared to previous year's crop. In some producing areas, the early varieties were affected by frosts and the rains also affected some species during flowering. Despite these weather drawbacks, the harvest was good and according to the MARM statistics, the regions that registered the most relevant increases were Murcia (+27 percent) and Comunidad Valenciana (+13 percent). Spanish almond orchards are concentrated in Mediterranean regions, namely Andalucia and Valencia. Other significant production areas include Murcia, Catalonia, Aragon, the Balearic Islands and Castilla-La Mancha. The dominant varieties are Marcona, Largueta, Planeta, Valencia (Comuna) and Mallorca.

Italian MY 2011/12 almond production is expected to decrease from the previous year, and will reach around 5,000 MT. Due to strong international competition, almond cultivation is turning out to be more and more unprofitable. Almond fields are often located in less favored areas where mechanization is not always feasible. Additionally, old orchards, lack of investments and traditional production techniques have not allowed for high and constant yields over the years. Moreover, due to decreasing profitability, many farmers have been abandoning this crop or shifting to other crops that allow them to earn higher margins (citrus fruit, wine grapes, horticultural products). For these reasons, planted area is forecasted to further decline in the coming years.

Greece is the third largest producer of almonds in the EU-27, after Spain and Italy. Almond cultivation in Greece has a long standing tradition and history. According to industry estimates, there are approximately 40,000 hectares currently cultivated for almonds, including all types of systematically cultivated orchards and a large number of scattered trees (1,000-1,500 MT rarely harvested and mostly consumed on farm).

The main Greek almond producing areas include five prefectures (Katerini, Serres, Kavala, Magnisia, and Larissa) of Central Macedonia and Thessaly, located in northern Greece. The quality of Greek almonds is considered excellent and the most popular varieties are Ferragnes, Texas, Troito, and Retsou. Ferragnes variety is the favorite and is replacing many traditional ones.

In MY 2011/12 Greek is forecast to slightly decrease due to heavy frost in December and adverse conditions in March that damaged the crop in the main producing areas.

Table 1. Major EU Almond Producers by Volume in MT (Shelled Basis)

COUNTRY	MY 2009/10	MY 2010/11	MY 2011/12
Spain	82,121	70,181	73,606
Italy	6,000	6,000	5,000
Greece	14,000	12,000	10,000

Source: FAS Europe Offices

Consumption:

Per capita consumption of tree nuts in Greece (17 Kg/year) is the highest in the EU - followed by Spain and Italy - and one of the highest in the world. Traditionally almonds are characterized by their good taste and high quality and are regarded as a healthy snack. Consumption patterns depend on factors such as dietary habits, income level and tradition. EU almond consumption absorbs not only domestic production, but also imported quantities. Almonds represent an important component in the Mediterranean diet. The majority of almond domestic consumption occurs in the form of a snack and, to a lesser extent, as an ingredient for confectionary products, such as ice cream and chocolate. Tree nuts imports are indispensable for EU consumers.

U.S. almonds imports are utilized in a variety of ways – for direct consumption, for processing into added value nuts, as food ingredients (almond flour, diced or sliced) and for processing in the confectionary industry.

Trade:

In MY 2009/10, 95 percent of total EU-27 imports originated in the United States, making the U.S. the number one almond supplier by far, mainly exporting shelled or peeled almonds. U.S. almonds face competition in the EU from locally grown almonds, particularly from Spain.

U.S. almonds will likely continue to enter the EU market with highly competitive prices, positively influenced by the value of the U.S. dollar against the Euro and the excellent crop in the United States.

The major EU-27 importers by volume are Spain, Germany and the Netherlands. Almond imports are mainly destined for the confectionary, ice cream and chocolate industries.

Nut crops are less perishable than other fruit. Therefore, in many countries, almond imported quantities are destined not only for domestic consumption, but - after being stored, processed, and packaged - they are re-exported to third countries throughout the year.

Table 2. EU-27 Imports of Almonds by Origin in MT (Shelled Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
United States	185,730	187,109	185,477
Australia	5,963	6,361	4,291
Morocco	1,031	1,505	1,874
Chile	1,770	2,058	1,162
Syria	1,182	148	391

Norway	3	0	277
Others	1,839	1,388	878
TOTAL IMPORTS	**197,518**	**198,569**	**194,350**

Source: GTA

Exports

The top destinations for EU-27 almonds are Ceuta (an Autonomous city of Spain in the North of Africa), Switzerland and the Russia. The largest almond exporter is Spain and most of Spanish exports are destined for other EU MS.

Table 3. EU-27 Exports of Almonds by Destination in MT (Shelled Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
Ceuta	1,752	3,607	1,682
Switzerland	1,888	1,662	1,655
Russia	223	555	739
Melilla	143	514	594
United States	1,358	607	544
Algeria	418	477	536
Others	2,956	2,711	3,806
TOTAL EXPORTS	**8,738**	**10,133**	**9,556**

Source: GTA

Production, Supply and Demand Data Statistics:

Almonds, Shelled Basis EU-27	2009		2010		2011		
	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	741,797	713,473	0	711,597	0	709,499	(HA)
Area Harvested	710,022	684,975	0	682,016	0	678,599	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	575	45,000	2,000	35,000	0	35,000	(MT)
Production	104,425	105,075	85,500	90,971	0	91,477	(MT)
Imports	206,200	194,350	220,000	198,000	0	200,000	(MT)
Total Supply	311,200	344,425	307,500	323,971	0	326,477	(MT)
Exports	9,200	9,556	10,000	12,000	0	10,000	(MT)
Domestic Consumption	300,000	299,869	297,000	276,971	0	281,477	(MT)
Ending Stocks	2,000	35,000	500	35,000	0	35,000	(MT)
Total Distribution	311,200	344,425	307,500	323,971	0	326,477	(MT)

Source: FAS Europe Offices

Commodities:

Walnuts, Inshell Basis

Production:
France is a net exporter of walnuts, and its largest export market is the EU (mainly Spain), though walnuts production in France is minor compared to other major commodities. Moldova is France's leading market outside of the EU, where walnuts are exported in shell, and re-imported into France as shelled walnuts.

For MY 2011/12, the walnut harvest production figure for France is expected to be relatively higher than in previous MY, around 35,000 MT.

Italy lost its walnut market leadership a few decades ago, reducing its self-sufficiency and importing from third countries (mainly the United States). Farmers haven't been able to innovate, and have chosen to grow walnuts trees both for their wood and for their fruits. However, this approach hasn't allowed for obtaining the best yields and increased production costs have negatively affected crop profitability. As a result, Italian walnut production is negligible and large tree nuts and food processing companies have to purchase the product on foreign markets.

MY 2011/12 walnut harvest is forecast at 12,000 MT. Prices, mainly driven by the U.S. market, have risen for the last months and are forecast to further increase due to the growing demand from China.

In Spain, MARM has not yet published the official walnut production data for MY 2011/12. Therefore, if weather conditions are favorable, we can expect an average production of 12,000 MT for current MY.

Table 4. Major EU Walnut Producers in MT (In-shell Basis)

COUNTRY	MY 2009/10	MY 2010/11	MY 2011/12
France	41,620	31,060	35,000
Italy	12,000	15,000	12,000
Spain	13,299	11,800	12,000

Source: FAS Europe Offices

Consumption:
Walnuts are mainly purchased in winter time both in in-shell and shelled shape for fresh consumption. Among the most favored walnut varieties in the European market are Hartley, Eureka, Franquette, Vina and Chandler. Walnut consumption in the EU falls into several categories: as a snack; an ingredient in home cooking; by-products for further processing and as ingredient in the pastry and bakery industry.

Trade:
Imports
The wide gap between EU walnut production and imports provides an excellent opportunity for walnut exporters. The United States is the number one supplier of walnuts, both in-shell and shelled.

The EU imports various types of nuts for direct consumption as well as for further processing and re-export within the region in different forms, such as salted, baked, fried and mixed nuts.

Table 5. EU-27 Imports of Walnuts by Origin in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
United States	83,319	90,458	101,545
Moldova	21,877	18,141	21,506
India	18,862	19,664	18,411
Chile	17,377	17,899	16,052
Ukraine	26,213	9,347	11,686
China	20,562	5,472	4,328
Others	3,698	2,604	2,665
TOTAL IMPORTS	**191,908**	**163,585**	**176,193**

Source: GTA

Exports

The top destinations for EU-27 walnuts in MY 2009/10 were Turkey, Moldova and Iraq.

Table 6. EU-27 Exports of Walnuts by Destination in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
Turkey	3,955	4,756	4,894
Moldova	2,912	2,318	3,735
Iraq	310	1,882	3,043
Croatia	1,321	2,759	2,990
Switzerland	2,941	2,261	2,606
Iran	0	130	2,066
Others	6,498	11,978	9,149
TOTAL EXPORTS	**17,937**	**26,084**	**28,483**

Source: GTA

Production, Supply and Demand Data Statistics:

Walnuts, Inshell Basis EU-27	2009		2010		2011		
	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	31,491	0	34,986	0	34,966	(HA)
Area Harvested	0	29,812	0	33,407	0	33,287	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	5,000	40,000	5,000	30,000	0	30,000	(MT)
Production	66,000	67,200	70,000	59,100	0	60,100	(MT)
Imports	114,600	176,193	120,000	200,000	0	198,000	(MT)
Total Supply	185,600	283,393	195,000	289,100	0	288,100	(MT)
Exports	22,900	28,483	25,000	25,000	0	28,000	(MT)
Domestic Consumption	157,700	224,910	165,000	234,100	0	230,100	(MT)
Ending Stocks	5,000	30,000	5,000	30,000	0	30,000	(MT)
Total Distribution	185,600	283,393	195,000	289,100	0	288,100	(MT)

Source: FAS Europe Offices

Commodities:

Filberts, Inshell Basis

Production:
In the text below, we will refer to filberts as hazelnuts, the term most commonly used in international marketing.

Italy is the second largest hazelnut producer in the world (13.5 percent of total output) ahead of the U.S. and behind Turkey whose huge supply largely affects world market prices. Italian hazelnut tree farms have been increasingly improving their production techniques (irrigation, fertilization, pesticide use, mechanization, etc.) hence enhancing the average yield per hectare and maintaining the Italian competitiveness in the world market.

Hazelnut crops are spread all around the Italian territory located in specific areas (Piedmont region in the North, Viterbo province in the center, Sicilian region and Avellino province in the South).

MY 2011/12 hazelnut production is forecast at 130,000 MT sharply increasing from the previous MY. Italian hazelnuts growers should enjoy an excellent crop thanks to good temperatures (no major frosts occurred) and rains over the whole season. Moreover, the production increase is also linked to the cyclical swings in yields which make MY 2011/12 an abundant year. A positive increase in price is expected due to a lower harvest in Turkey. In general, planted area should be close to 70,000 hectares as in MY 2010/11.

Spain also produces a significant quantity of hazelnuts. The production of hazelnuts in Spain is concentrated in Catalonia and more specifically in the Reus area, in the Tarragona province. More than 90 percent of total national production occurs in this area. The two main hazelnut varieties are *Negreta* and *Comuna*. The *Negreta* variety comes under the PDO 'Avellana de Reus'.

The MARM has not yet published the official hazelnut production data for MY 2011/2012. Therefore, if weather conditions are favorable, we expect an average production of 15,000 MT for current MY, similar to previous MY.

Table 7. Main EU Hazelnut Producers in MT (In-shell Basis)

COUNTRY	MY 2009/10	MY 2010/11	MY 2011/12
Italy	95,000	90,000	130,000
Spain	10,300	15,100	15,000

Source: FAS Europe Offices

Consumption:
Domestic EU hazelnut production supplies less than 40 percent of local demand for snack and industrial purposes. Domestic demand is met by imports -- mainly from Turkey.

In general, hazelnuts are sold both in-shell and shelled shape. In-shell hazelnuts are generally sold as a snack for fresh consumption while shelled ones, both whole and milled nuts, are usually employed as a raw material for confectionary and bakery food companies. Furthermore, low quality shelled hazelnuts

are often used by cosmetic companies. In countries such as Italy, approximately 90 percent of the harvest goes to processing companies whereas fresh consumption represents the remaining 10 percent.

Trade:

Imports

The United States continue to be the main supplier of in-shell hazelnuts to the EU. However, when total imports are converted to in-shell basis, the United States falls to the fourth position in MY 2009/10, after Turkey, Georgia and Azerbaijan.

Shelled or peeled hazelnuts are imported mainly from Turkey, the world's dominant producer. Italy is the second world producer and exports mainly to other EU MS.

Table 8. EU-27 Imports of Hazelnuts by Origin in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
Turkey	166,543	201,523	181,344
Georgia	14,543	14,529	15,964
Azerbaijan	9,228	2,785	11,743
United States	3,571	1,712	3,436
Chile	1,772	2,621	2,161
Croatia	348	407	286
Others	3,522	323	252
TOTAL IMPORTS	**199,527**	**223,900**	**215,186**

Source: GTA

Exports

The top destinations for EU-27 hazelnuts in MY 2009/10 were Switzerland, Norway, Canada and Serbia. Most of the hazelnut trade occurs within the EU. The major exporters are Italy, Germany and Spain.

Table 9. EU-27 Exports of Hazelnuts by Destination in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
Switzerland	6,480	4,107	4,580
Norway	1,263	1,033	884
Canada	938	3,065	830
Serbia	891	1,186	741
Croatia	589	499	631
Brazil	776	817	510
Others	3,736	3,729	2,494
TOTAL EXPORTS	**14,673**	**14,436**	**10,670**

Source: GTA

Production, Supply and Demand Data Statistics:

Filberts, Inshell Basis EU-27	2009		2010		2011		
	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	86,953	0	85,378	0	84,914	(HA)
Area Harvested	0	85,084	0	81,828	0	82,558	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	2,800	50,000	3,700	40,000	0	40,000	(MT)
Production	105,000	105,628	100,000	105,442	0	145,350	(MT)
Imports	236,700	215,186	240,000	260,000	0	250,000	(MT)
Total Supply	344,500	370,814	343,700	405,442	0	435,350	(MT)
Exports	10,800	10,670	10,000	10,000	0	10,000	(MT)
Domestic Consumption	330,000	320,144	330,000	355,442	0	385,350	(MT)
Ending Stocks	3,700	40,000	3,700	40,000	0	40,000	(MT)
Total Distribution	344,500	370,814	343,700	405,442	0	435,350	(MT)

Source: FAS Europe Offices

Commodities:

Pistachios, Inshell Basis

Production:
Greece is the major producer of pistachios in the EU. According to industry estimates, MY 2011/12 Greek pistachio production is forecast to remain steady. Greek pistachios are produced mainly in the Island of Egina and in the area of Lamia, located in central Greece. Due to its exceptional flavor, shapely form and full kernel, the Aegina pistachio has been awarded by the European Commission as a PDO (Protected Designation of Origin), distinguishing it from all other pistachio varieties world-wide.

Most of the Italian pistachio production comes from Sicily (Bronte area) with over 90 percent of the cultivation. The majority of the Italian pistachios production belongs to the Bianca (also called Napoletana) variety which is normally harvested in September. Pistachios coming from the Bronte area are sold under a PDO (Protected Designation of Origin) label, issued by the EU Commission in 2010. Being a PDO product means that farmers have to follow specific production requirements which guarantee a high quality level but implies higher harvesting costs. In recent years, pistachio production has slightly expanded to other areas in Sicily where newer, less labor and input intensive orchards have been planted.

The largest part of the Italian crop is harvested in alternate years. This is due to the rotation bearing, with a tendency for wide cyclical swings in yields, which means that MY 2011/12 will be a higher quantity year, estimated at 3,100 MT. Despite industry experts expect a relatively abundant harvest, the domestic demand is strong enough to keep prices at high levels (30-40 €/kg).

Consumption:
Domestic EU pistachio production supplies less than ten percent of local demand for both snack and industrial use. Domestic demand is met through imports sourced mainly from the United States and Iran.

The overall pistachios use can be split among many different ones starting from the in-shell basically traded as a snack food or as an ingredient employed by restaurant. Shelled pistachios are used by bakeries and food companies (bakeries, cosmetic companies, sweet food companies and so on) while milled pistachios are mainly used by ice-cream makers.

Trade:
Imports
The EU is a net importer of pistachios due to very limited EU production. The main suppliers for the European market are the United States and Iran, who together account for nearly 100 percent of total imports. U.S. pistachios continue to be the main source of pistachios in the EU, entering the European market with highly competitive prices, positively influenced by the favorable exchange rate of the U.S. dollar against the euro. Also, U.S. pistachios have a higher quality image than their major competitor.

Table 10. EU-27 Imports of Pistachios by Origin in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
United States	51,779	51,141	56,264
Iran	29,599	18,589	20,794

Afghanistan	420	0	2,007
Syria	268	51	897
Turkey	774	1,437	324
South Africa	0	40	217
Others	272	636	292
TOTAL IMPORTS	**83,112**	**71,894**	**80,795**

Source: GTA

Exports

The top destinations for EU-27 pistachios in MY 2009/10 were Ceuta and Melilla, two autonomous Spanish cities located in the North of Africa. Other usual destinations for European pistachios (mainly re-exported from other countries are Switzerland, Serbia and Norway. The major pistachio exporters are Greece, Italy and Spain.

Table 11. EU-27 Exports of Pistachios by Destination in MT (Inshell Basis)

Country of origin	MY 2007/08	MY 2008/09	MY 2009/10
Ceuta	122	54	1,214
Melilla	332	411	435
Switzerland	257	258	399
Serbia	201	213	191
Norway	80	99	89
China	2	0	87
Others	910	1,020	539
TOTAL EXPORTS	**1,904**	**2,055**	**2,954**

Source: GTA

Production, Supply and Demand Data Statistics:

Pistachios, Inshell Basis EU-27	2009		2010		2011		
	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	8,352	8,769	0	8,615	0	8,665	(HA)
Area Harvested	8,352	8,747	0	8,565	0	8,605	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	2,000	15,000	1,800	14,000	0	14,000	(MT)
Production	11,200	5,525	10,700	5,540	0	6,295	(MT)
Imports	81,100	80,795	80,000	80,000	0	80,000	(MT)
Total Supply	94,300	101,320	92,500	99,540	0	100,295	(MT)
Exports	1,850	2,954	1,675	2,500	0	2,000	(MT)
Domestic Consumption	90,650	84,366	89,325	83,040	0	84,295	(MT)
Ending Stocks	1,800	14,000	1,500	14,000	0	14,000	(MT)
Total Distribution	94,300	101,320	92,500	99,540	0	100,295	(MT)

Source: FAS Europe Offices

Commodities:

Almonds, Shelled Basis
Walnuts, Inshell Basis
Filberts, Inshell Basis
Pistachios, Inshell Basis

Policy:
European Council Regulation (EC) No 73/2009 (which repealed Council Regulattion (EC) No 1782/2003) establishes the common rules for direct support schemes under the EU's Common Agricultural Policy (CAP). Section 4, Articles 82 to 86, "Area payment for nuts", defines the general payment structure for CAP assistance to the tree nut sector.

Under this Regulation, EC aid will be granted for season 2009-2011 to farmers who produce almonds, hazelnuts, walnuts, pistachios or locust beans and meet the conditions for eligibility outlined in article 85. Tree nut producers are eligible for EC based aid on the guaranteed maximum area allocated to each MS, which is defined as their national guaranteed area (NGA) – for NGA and Financial Ceiling, please see European Council Regulation (EC) No 73/2009 or E46098.

The Community area payment is granted within the limit calculated by multiplying the number of NGA hectares by the average amount of €120.75 (approximately US$ 174). If the actual area exceeds the NGA, the amount of aid is reduced proportionately. Community aid is only granted if farmers comply with a minimum plot size and tree density.

In theory, the maximum level of aid for all tree nut producers is €241.50 (US$ 347) per hectare: the €120.75 (US$ 174) per hectare Community payment and the matching maximum payment provided by the individual MS's national government. However, in practice, MS can reapportion the area payments by 'sub-base areas' amongst the different types of nuts.

In the 2011 General State Budgets, Spain allocated €12 million, 26.4 percent less than in 2010 and the second reduction in two years. Almost 431,000 hectares of tree nuts could benefit from these payments. In May 2011, the Italian Ministry of Agriculture also allocated €12 million to the tree nuts sector. Around 90,000 hectares cultivated with tree nuts could benefit from these payments.

Furthermore, in Spain MARM is studying how to implement the decoupling of this area payment for tree nuts, in order to implement the Single Payment Scheme (SPS) in this sector in 2012. Therefore, in the season 2012-2013 eligible farmers for payment entitlements under the decoupled aid scheme will be assigned. It is expected that the provisional assignation will be ready by November 30, 2011. The budget available for tree nuts will be €68.6 million for the reference period (2007-2008 and 2008-2009).

Special EU Import Conditions for U.S. Almonds
As of September 1, 2007, the EU implemented Special Import Conditions, which called for mandatory testing of California almonds imported to EU member countries. The California almond industry and USDA developed a Voluntary Aflatoxin Sampling Plan (VASP) comparable to the EU sampling procedures so that almonds can be uniformly tested before they are shipped to the EU.

Per Commission Regulation (EC) No 1152/2009, these procedures are considered to provide sufficient assurances, such that almonds shipped under the VASP program are subject to random testing on import in Europe, whereas almonds that are not controlled under the VASP program continue to be subject to 100% border controls. These levels are applicable as of January 1, 2010. The Decision applies to almonds in shell or shelled, roasted almonds and mixtures of nuts or dried fruits containing almonds, and foodstuffs containing a significant amount of almonds (at least 20 percent).

Regulation (EC) No 1152/2009 also introduces the use of a Common Entry Document (CED), similar to the Common Veterinary Entry Document (CVED) used for veterinary products. Starting January 1, 2010, the **importer** has to provide prior notification to the competent authorities at the designated port of entry for the goods covered by the regulation at least one working day prior to the arrival of the goods, using the CED. The CED was published in Annex II of the Commission Regulation (EC) No 669/2009.

Provisions for methods of sampling and analysis for the official control of mycotoxins including aflatoxins are laid down in Commission Regulation (EC) No 401/2006 as amended by Commission Regulation (EU) No 178/2010. As of March 13, 2010, sampling under the VASP is performed on the basis of a 2x10 kg sample, in accordance with the new EU sampling legislation. For additional information see Annex VIII B of the EU guidance document.

Additional information on the VASP program is also available from the Almond Board of California: http://www.almondboard.com/Handlers/FoodQualitySafety/VASP/MarketRamifications/Pages/Default.aspx

Commission Regulation (EU) No 165/2010 increased the maximum aflatoxin levels for almonds and pistachios, as well as apricot kernels, hazelnuts and Brazil nuts, bringing them in line with the Codex Alimentarius levels for tree nuts adopted in July 2008. As a result of both new EU regulations, EU aflatoxin levels are in line with existing Codex maximum aflatoxin levels and sampling plans. However, EU legislation has a more extensive product coverage and also includes separate maximum limits for aflatoxin B1.

The new levels, effective on March 9, 2010, changes to maximum tolerance for aflatoxin to the following:

	Ready-to-Eat (RTE)	**For Further Processing (FFP)**
Almonds	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1
Hazelnuts, Brazil Nuts	10 ppb total 5 ppb B1	15 ppb total 8 ppb B1

Pistachios	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1

For more information, see the E50018 GAIN report.

Author Defined:
Related Reports

Report Number	Title	Date Released
IT1040	Italian Tree Nuts 2010	09/20/2010
GR1004	Greece - Cyprus Tree Nuts 2010	09/24/2010
E50018	New EU Aflatoxin Levels and Sampling Plan	03/09/2010
SP1016	EU-27 Tree Nuts Annual	09/24/2010
These reports can be accessed through the FAS website http://gain.fas.usda.gov/Pages/Default.aspx		