

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 8/27/2010

GAIN Report Number: IT1037

Italy

Post: Rome

Livestock Outlook 2010

Report Categories:

Livestock and Products

Approved By:

James Dever

Prepared By:

Stefano Baldi

Report Highlights:

In MY 2009, the combined effects of decreased domestic demand and high input costs further weakened farmers' economic situation and increased slaughter, thereby reducing cattle stocks. Beef production and consumption held up in MY 2009 but are expected to fall to some extent in MY 2010. Nine consecutive years of increasing piglet production ended with a slight decrease in the MY 2009 pig crop, especially concerning heavy weight swine produced for PDO products (such as ham). Despite the drop in domestic pig crop and stocks, both pork production and consumption slightly increased in MY 2009. Italian pork production increased by 1.4% in MY 2009 both in fresh and processed meat and is forecasted to further grow in MY 2010.

General Information:
General information

Cattle and Beef

Cattle Production, Supply and Demand ('000 Head)

Cattle	Estimate	Estimate	Forecast
	2009	2010	2011
	Marketing year begin: Jan 2009	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011
	Current post data	Current post data	Current post data
Total Cattle beginning stocks	6,486	6,447	6,512
Dairy Cows beginning stocks	2,018	2,099	2,100
Beef cows beginning stocks	372	374	375
Production (calf crop)	2,766	2,850	2,850
Imports	1,131	1,150	1,073
Total Supply	10,382	10,447	10,435
Exports	27	35	35
Cow slaughter	514	510	510
Calf slaughter	924	920	920
Total slaughter	3,838	3,830	3,830
Loss	70	70	70
Ending inventories	6,447	6,512	6,500
Total distribution	10,382	10,447	10,435

In MY 2008 trade restrictions, due to Blue Tongue disease spread across northern European countries, reducing Italian calf imports from France and other countries. Such an event triggered a drop in calf prices (due to an excess in production in France) and Italian farmers had to import and raise a lower number of live animals. After that, calf ready-to-be-slaughtered prices quickly increased. This trend was completely overturned after the release in France of live animal exports which occurred at the end of MY 2008; as a matter of fact live animals prices started to grow while ready-to-be-slaughtered dropped. Therefore, farmers had to spend more money to purchase young calves although they found some relief in the decline of the price of feed.

In MY 2009, the combined effects of decreased domestic demand – linked to the economic downturn – and high input costs (difficulties to access credit, high transportation and energy costs, increasing effluent disposal burdens) further weakened the farmers' economic situation: in MY 2009 there was an overall drop in cattle stocks, which affected both dairy cows – linked to the dairy products market crisis – and beef veal. The drop in cattle stocks is both due to the dairy market crisis and the surge in calf prices which led farmers to increase animal slaughtering. In MY 2010, slaughtering is expected not to differ from MY 2009 levels.

Beef Production, Supply and Demand ('000 MT CWE)

Beef	Estimate	Estimate	Forecast
	2009	2010	2011
	Marketing year begin: Jan 2009	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011
	Current post data	Current post data	Current post data
Beginning Stocks	0	0	0
Production	1,055	1,047	1,047
Slaughter	3,838	3,830	3,830
Imports	460	465	460
Total Supply	1,515	1,512	1,507
Exports	120	130	128
Human Dom. Consumption	1,395	1,382	1,379
Other use, Losses	0	0	0
Total Dom. Consumption	1,395	1,382	1,379
Ending Stocks	0	0	0
Total distribution	1,515	1,512	1,507

*Slaughter statistics are expressed in '000 head.

Beef meat production, at 1,055 MT in MY 2009, is forecasted to drop slightly in MY 2010 driven by a downward trend in beef demand. As a matter of fact, the economic crisis impact on the Italian bovine meat market mainly resulted in a drop in the household purchasing power which triggered a decline in Italian meat consumption and exports. Basically, Italian consumers shifted to cheaper substitutes such as broiler meat or bovine meat imported from third countries (mainly from Eastern Europe). However, while in MY 2009 total human domestic consumption remained on previous year levels, in MY 2010 a fall in consumption is expected to occur. Imports of cheaper bovine meat cuts from third countries (France, Netherlands, Germany and Poland) will likely grow in MY 2010, accordingly.

Swine Production, Supply and Demand ('000 Head)

Swine	Estimate	Estimate	Forecast
	2009	2010	2011
	Marketing year begin: Jan 2009	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011
	Current post data	Current post data	Current post data
Total swine beginning stocks	9,252	9,157	9,007
Sows beginning stocks	756	745	740
Production (pig crop)	13,091	12,950	12,900
Imports	729	900	910
Total supply	23,072	23,007	22,817
Exports	71	85	65
Sow slaughter	200	200	200
Total slaughter	13,594	13,670	13,750
Loss	250	245	245
Ending inventories	9,157	9,007	8,757

Total distribution	23,072	23,007	22,817
---------------------------	---------------	---------------	---------------

Unlike any other EU-27 country, Italy mainly focuses its' piglet production on heavy weight swine (around 85% of total Italian slaughtering are pigs between 130 and 180 kg) in order to produce hams and other processed meat food. However, this kind of production implies higher costs for farmers (i.e. feedings costs, longer economic cycle, etc.), which were faced in MY 2007 and 2008 with decreasing prices and increasing feed costs. Recent estimates claim that raising piglets in Italy costs on average 20% more than in the rest of the EU. High input factor costs (mainly feed) and low prices has significantly cut farmers margin and forced some companies out of the market. In addition to that, the Italian supply chain is still highly fragmented and not organized, triggering several market inefficiencies that jeopardize the sectors growth. For these reasons, although a slight improvement in MY 2009 farm margins has occurred, the favorable trend which lasted nine years of growing piglet production eventually came to an end with a slight decrease in the pig crop recorded in MY 2009, especially with regards to heavy weight swine produced for PDO products (such as ham). Slaughtering however, didn't change that much and the drop in domestic production was partially offset by an import growth which is likely to further increase in MY 2010. Italy mainly imports live swine, ready to be slaughtered. These are often cheaper than those reared by domestic farmers, from Spain, Holland and France. Sow inventories are going down to some extent but this shouldn't be a concern due to a raise in their productivity in terms of higher number of young pigs delivered.

Pork meat Production, Supply and Demand ('000 MT CWE)

Pork	Estimate	Estimate	Forecast
	2009	2010	2011
	Marketing year begin: Jan 2009	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011
	Current post data	Current post data	Current post data
Beginning Stocks	0	0	0
Production	1,628	1,664	1,660
Slaughter	13,594	13,670	13,750
Imports	888	908	900
Total Supply	2,516	2,572	2,560
Exports	140	153	150
Human Dom. Consumption	2,376	2,419	2,410
Other use, Losses	0	0	0
Total Dom. Consumption	2,376	2,419	2,410
Ending Stocks	0	0	0
Total distribution	2,516	2,572	2,560

*Slaughter statistics are expressed in '000 head.

Despite such a drop in domestic pig crop and stocks, both pork production and consumption slightly increased in MY 2009. Italian pork production increased by 1.4% in MY 2009 both in fresh and processed meat and is forecasted to further grow in MY 2010.

In MY 2009, the overall Italian pork meat consumption increased by 1.6% despite the negative effects of the economic crisis. As a matter of fact, consumer preferences shifted from costly meat (generally beef) to cheaper cuts such as pork which still has good quality/nutrient content and whose prices further declined in MY 2009. In MY 2010, domestic consumption is expected to remain stable.

Regarding the pork meat trade balance, after the shortfall which occurred in MY 2009, exports are expected to grow again mainly driven by processed meat products which, during the beginning months figures for MY 2010, have been rising at a good pace. In particular, thanks to the recovering world economy and to the USD strengthening, U.S. processed meat demand grew steadily at the beginning of MY 2010.

However, Italy is still a net importer due to a large amount of swine legs imported (mainly from Germany, Netherland and France) to produce Italian ham (prosciutto) and this trend should continue even in MY 2010.

Policy

The Italian Parliament is currently discussing a new law proposal (draft bill 2260) on Italian meat labeling rules in order to enhance the Italian agricultural and food system competitiveness. The proposal will require detailed food labeling for processed meat products noting country of origin, area of production, plant where the final processing occurred, and the country of origin of the majority of the raw materials utilized.

ITALIAN BEEF AND PORK MEAT ASSOCIATION

ASS.I.CA (Associazione Industriali delle Carni)

They represent pork meat slaughtering and processing companies.

Contact info:

Strada 4, Palazzo Q8
20089 Rozzano (MI), Milanofiori
tel. +39 02.8925901
fax +39 02.57510607
Mail: assica@assica.it
Website: www.assica.it

ASSOCARNI (Associazione Nazionale Industria e Commercio Carni e Bestiame)

They represent the Italian meat industry and trade, with specific emphasis on the beef industry.

Contact info:

Piazza di Spagna, 35
00187 Roma
Tel: +39 06 69190640
Fax: +39 06 69925101

Mail: segreteria@assocarni.it
Website: www.assocarni.it

Abbreviations and definitions used in this report

HS codes for Cattle: 0102

HS codes for Swine: 0103

HS codes for Beef: 0201, 0202, 021020, 160250

HS codes for Pork: 0203, 021011, 021012, 021019, 160241, 160242, 160249

CWE	Carcass Weight Equivalent
MT	Metric ton = 1,000 kg
MS	EU member state(s)
MY	Marketing year: January/December