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Italy

Tree Nuts

Annual

2003

Approved by:
Ann Murphy
U.S. Embassy

Prepared by:
Sandro Perini

Report Highlights: Almond and halzelnut crops were cut by April frost and drought. For almonds, production is the lowest of the last 3 to 4 decades. However, although walnut production is lower than the 2002 crop, the 2003 crop has larger sized nuts and improved quality, with imports expected to be about 1,800 tons. Imports of Turkish hazelnuts are expected to increase as a result of the smaller domestic crop. California almond and walnut imports are also expected to raise in part due a weak dollar to euro exchange rate.

Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION 1. SITUATION AND OUTLOOK

ALMONDS

GENERAL

Commercial almond production in 2003 is forecast at only 5,000 tons (shelled basis), the lowest level in the last 3 to 4 decades and only slightly higher than the poor crop harvested last year. Weather conditions have been very unfavorable, especially in Apulia, the most important producing region. Freezing temperatures in mid-April badly affected the trees during their flowering period, particularly in the hilly parts of the region. In Sicily (the second largest producing region) crop development has also been adversely affected by the continued drought.

CROP AREA

As mentioned in the past, the planted area numbers included in the PS&D table are those officially reported by ISTAT (the National Institute of Statistics). However, most observers believe that actual planted area is no more than half of the official figure, due to the continued uprooting of the oldest, least productive trees. Considering that new orchards are minimal, Italian almond production in the long term is expected to continue to decline.

PRODUCTION POLICY

As a result of the reduced domestic crop, 2002/03 domestic almond prices averaged about 16 percent more than in the previous year. Prices have been increasing remarkably since last April, when crop prospects for this current year were indicating a further, dramatic drop. The domestic market trend is also affected by the high prices reported recently in Spain, the second largest supplier of the Italian market after the United States.

CONSUMPTION

Domestic almond consumption remains fairly stable, between 25,000 and 28,000 tons per year. In normal years imported almonds are mainly consumed in northern Italy, while local almonds are more popular in the south.

TRADE

Total almond imports in 2002/03 rose by 35 percent from the previous year, as a result of the dramatic drop in domestic production. It is expected to rise further in 2003/04, due to another very poor local crop. The negative production prospects in Spain, as well, should favor imports from the U.S. (whose share of the Italian market in 2002/03 was about 43 percent), thanks to the relatively weaker dollar, vis-à-vis the Euro. 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. The EU export subsidy for shelled almonds is currently set at 45 euros per metric ton.

WALNUTS

PRODUCTION

This year's production (preliminarily estimated at 18,000 tons (in-shell basis) or 10 percent less than last year's crop) is relatively large in volume but poor in quality. Weather developments have been fairly good in Campania, the leading producing region of the local "Sorrento" variety. Quality of the 2003 crop is anticipated to be good, with the average nut size much larger than last year, although the weather in the next few weeks will be crucial. Planted area remains marginal and is not expected to expand in the near future, with the only limited exception of some newly planted orchards in northern Italy.

CONSUMPTION

Although still mainly concentrated during the Christmas season, in-shell walnut consumption has recently expanded through the spring. Sales of shelled walnuts, on the other hand, have increased remarkably in the most recent years. While in-shell walnuts are mainly consumed at the end of main meals, shelled walnuts are either eaten directly or as snacks or used by the confectionary industry.

TRADE

The relatively large domestic crop in 2002 caused an import decline throughout the 2002/03 marketing year, with an expected final volume of about 16,000 tons (in-shell basis), or 9 percent less than in the previous year. The major supplier, as usual, was California (about 78 percent of total in-shell imports in 2002/03), followed by France (12 percent), and other minor suppliers. Imports from California are expected to recover in 2003/04, in view of the very large U.S. supplies anticipated this year, weaker dollar value, and Italian consumers' demand for California nuts. Imports of shelled walnuts, after years of continued growth, leveled-off in 2002/03.

The EU customs duty for in-shell walnuts is fixed at 4 percent, while the duty for shelled walnuts is set at 5.1 percent. The EU export refund for shipments to third countries is currently 66 euros per metric ton for in-shell walnuts.

HAZELNUTS

PRODUCTION

GENERAL

Domestic hazelnut production in 2003 is forecast at only 85,000 tons (in-shell basis), or 29 percent lower than last year's crop, due mainly to adverse weather. Freezing temperatures during last March through mid-April, followed by an unusually hot and dry second part of the spring and first half of the summer, badly affected tree development. This was true all over Italy, and in particular in Campania, Latium and Piedmont, three of the four leading producing regions. As indicated in past reports, domestic hazelnut production consists of long varieties such as Lunga San Giovanni, preferably sold in shell at a premium prices. Round varieties, such as Gentile, Romana and Giffoni, are mainly processed by the confectionary industry.

CROP AREA

The leading producing region is Campania (36 percent of total planted area in 2002 and 44 percent of the Italian crop), followed by Latium (27 percent of area and 29 percent of the crop), Sicily (22 and 13 percent, and Piedmont (12 and 13 percent). The hazelnut industry is now the only really vital Italian tree nut sector. It continues to suffer from Turkish competition, which is getting stronger every year, both domestically and on export markets. Therefore, while hazelnut area has remained fairly stable in the recent past (unlike both walnut and almond area), a downward trend could be expected in the medium term, if current market conditions don't change.

PRODUCTION POLICY

Competition from Turkey remains the major factor affecting the domestic market. Domestic hazelnut prices in 2002/03,which averaged some 26 percent less than the previous year, were also affected by poor quality of last year's crop. Current prices are the lowest since 1996, and no recovery is anticipated for the near future given continued pressure from Turkish competition.

The EU program in favor of domestic hazelnut producers (through the payment of an aid per quantity of in shell hazelnuts) has been further extended to next marketing year. It calls for a specific aid of 150 euros per metric ton which must be obtained by submitting a quality improvement plan through a recognized producers' association.

This program, however, will be replaced in 2005, in compliance with the recently approved reform of the Common Agricultural Policy, by an aid per hectare of 120.75 euros, to be possibly supplemented by an equal amount of aid paid by the member countries. This new program affects the whole tree nut sector (hazelnuts, almonds, pistachios and walnuts) and will be limited within a maximum guaranteed area. 800,000 hectares for the whole EU, and 130,100 hectares for Italy. Considering the actual yields obtained in Italy, the future subsidy is anticipated only slightly lower than the current support granted to Italian hazelnut producers.

CONSUMPTION

The maximum area for the EU is 800,00 hectares of which 130,000 hectares correspond to Italy. Domestic hazelnut consumption is now rather stable, after the growth reported a few years ago when the domestic processing industry increased their purchases in partial substitution to other, more expensive nuts. Hazelnuts are mainly utilized by the domestic confectionary industry as a main ingredient for some leading chocolate products.

TRADE

Despite the large domestic supplies (with the exception of this year), Italy has become a net importer of hazelnuts, due to the continuously growing imports of shelled hazelnuts from Turkey. Italian exports, on the other hand, mainly directed to the EU, are dramatically affected by the strong competition of the Turkish hazelnuts. The practice of a leading Italian processing company – which imports large volumes of Turkish nuts to be partially re-exported to Germany- further inflates both import and export numbers.

The situation above is not expected to be reversed in the near future, given the very large supplies of hazelnuts reported in Turkey

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

SECTION 2. PSD TABLES

ALMONDS

PSD Table

Country	Italy						
Commodity	Almonds, Shelled Basis			(HA)(1000 TREES)(MT)			
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Area Planted	87000	86406	86500	86000	0	86000	(HA)
Area Harvested	86000	86040	85500	85700	0	85500	(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
Beginning Stocks	6000	6000	2000	4000	2000	2000	(MT)
Production	9000	9000	15000	5000	0	15000	(MT)
Imports	17000	20000	15000	22000	0	15000	(MT)
TOTAL SUPPLY	32000	35000	32000	31000	2000	32000	(MT)
Exports	2000	3000	2000	2000	0	3000	(MT)
Domestic Consumption	28000	28000	28000	27000	0	26000	(MT)
Ending Stocks	2000	4000	2000	2000	0	3000	(MT)
TOTAL DISTRIBUTION	32000	35000	32000	31000	0	32000	(MT)

FILBERTS

PSD Table

Country Italy

Commodity Filberts, Inshell Basis (HA)(1000 TREES)(MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [DA	Official [	Estimate [DA	Official [	Estimate [New]	
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Area Planted	7000	69565	70000	69500	0	69500	(HA)
Area Harvested	69000	68746	69000	68700	0	68700	(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
Beginning Stocks	15000	15000	5000	30000	15000	5000	(MT)
Production	110000	120000	130000	85000	0	110000	(MT)
Imports	50000	120000	50000	100000	0	100000	(MT)
TOTAL SUPPLY	175000	255000	185000	215000	15000	215000	(MT)
Exports	35000	75000	35000	60000	0	60000	(MT)
Domestic Consumption	135000	150000	135000	150000	0	150000	(MT)
Ending Stocks	5000	30000	15000	5000	0	5000	(MT)
TOTAL DISTRIBUTION	175000	255000	185000	215000	0	215000	(MT)

WALNUTS

PSD Table

Country Italy

Commodity Walnuts, Inshell Basis (HA)(1000 TREES)(MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Area Planted	4600	4600	4500	4500	0	4500	(HA)
Area Harvested	3900	3900	3900	3900	0	3900	(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
Beginning Stocks	1000	1000	1000	1000	1000	1000	(MT)
Production	15000	20000	13000	18000	0	15000	(MT)
Imports	17000	16000	19000	18000	0	19000	(MT)
TOTAL SUPPLY	33000	37000	33000	37000	1000	35000	(MT)
Exports	1000	1100	1000	1000	0	1000	(MT)
Domestic Consumption	31000	34900	31000	35000	0	33000	(MT)
Ending Stocks	1000	1000	1000	1000	0	1000	(MT)
TOTAL DISTRIBUTION	33000	37000	33000	37000	0	35000	(MT)

TRADE TABLES

SHELLED ALMONDS

SHELLED ALMONDS				
	2000/2001	2001/2002	Sep01-Mar02	Sep02-Mar03
IMPORTS				
Spain	5,686	4,151	3,559	6,099
Germany	285	60	10	68
France	378	332	250	362
Greece	250	25	25	84
Other EU	281	584	24	567
Total EU	6,950	5,152	3,820	7,180
U.S.	7,748	9,078	6,839	9,107
Other non-EU	290	363	44	257
TOTAL	14,988	14,593	10,703	16,544
EXPORTS				
Belgium	48	66	55	22
France	858	1,017	567	675
Netherlands	32	15	2	31
Germany	1,138	1,360	796	823
Other EU	369	626	219	232
Total EU	2,445	3,084	1,639	1,783
Other non-EU	404	374	222	473
TOTAL	2,849	3,458	1,861	2,256

IN-SHELL WALNUTS

IN-SHELL WALNUTS				
	2000/2001	2001/2002	Sep01-Mar 02	Sep02-Mar03
IMPORTS				
France	1,640	2,057	2,004	1,302
Germany	131	273	273	257
Other EU	47	25	15	27
Total EU	1,818	2,355	2,292	1,586
Chile	400	487	163	393
U.S.	7,380	9,238	9,115	8,210
Romania	14	24	24	6
Bulgaria	94	223	220	23
Other non-EU	25	338	305	274
TOTAL	9,731	12,665	12,119	10,492
EXPORTS				
France	105	60	39	15
Belgium	85	60	50	23
Germany	51	55	49	117
U.K.	24	54	52	75
Spain	473	78	78	29
Other EU	18	19	19	26
Total EU	756	326	287	285
Other non-EU	187	176	150	99
TOTAL	943	502	437	384

SHELLED WALNUTS

SHELLED WALNUTS				
IMPORTS	2000/2001	2001/2002	Sep01-Mar 02	Sep02-Mar03
Total EU	449	510	452	345
Romania	220	142	134	132
U.S.	260	262	189	237
Chile	116	170	59	145
India	117	84	53	20
Other non-EU	500	540	463	500
TOTAL	1,662	1,708	1,350	1,379
EXPORTS				
Total EU	169	176	107	141
Other	31	56	30	27
TOTAL	200	232	137	168

SHELLED HAZELNUTS

SHELLED HAZELNUTS				
IMPORTS	2000/2001	2001/2002	Sep01-Mar02	Sep02-Mar03
Total EU	681	308	144	253
Georgia	1,083	670	486	1,082
Azerbaijan	523	778	0	446
U.S.	0	136	136	446
Turkey	20,774	30,569	25,347	38,980
Other non-EU	767	341	224	60
TOTAL	23,147	32,802	26,427	40,701
EXPORTS				
France	1,925	2,156	1,287	860
Germany	4,401	6,088	2,336	19,400
Other EU	1,809	1,822	991	581
Total EU	8,135	10,066	4,614	20,841
Switzerland	2,424	2,361	1,415	1,371
Other non-EU	1,502	1,452	925	843
TOTAL	12,061	13,879	6,954	23,055

IN-SHELL HAZELNUTS

IN-SHELL HAZELNUTS				
IMPORTS	2000/2001	2001/2002	Sep01-Mar02	Sep02-Mar 03
Germany	393	225	224	36
Other EU	110	47	27	283
Total EU	503	272	251	319
Croatia	223	461	461	193
U.S.	343	1,168	1,296	114
Other non-EU	16	178	152	153
TOTAL	1,085	2,079	1,856	779
EXPORTS				
France	485	915	859	189
Germany	185	560	449	741
U.K.	618	991	939	472
Sweden	245	317	317	154
Other EU	468	515	515	182
Total EU	2,001	3,298	3,079	11,733
Norway	364	599	599	339
Other non-EU	387	743	721	693
TOTAL	2,752	4,640	4,399	2,765