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Italy

Tomatoes and Products

Semi-Annual

2003

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Report Highlights:
2002 was the worst harvest in recent memory for Italian tomato producers both in terms of quality and volume. In 2003 there was a partial recovery in planted area and yield per hectare, which increased significantly compared to the previous year. The quality of production is considered to be generally good. Nevertheless, heat and drought in the late spring of 2003 led to a decrease in the overall value of tomatoes available for fresh consumption as well as to a decrease in peeled tomato production due to abnormalities in size and color.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Situation and Outlook

Fresh tomato production

Despite the fact that 2002 was the worst harvest in recent memory (both in terms of quality and volume), Italy is still the biggest tomato producer in EU and is the world's second largest producer after the U.S.

According to Italian tomato producers, there has been a partial recovery in 2003. Planted area and yield per hectare have increased significantly compared to the previous year. The quality of production is considered to be generally good. Nevertheless, heat and drought in the late spring of 2003 led to a decrease the overall value of tomatoes available for fresh consumption, as well as to a decrease in peeled tomato production due to abnormalities in size and color.

As far as product for fresh consumption is concerned, the hot temperatures led to the early ripening of tomatoes and subsequently to the oversupply in the early months of the season. This was followed by a shortage (especially of green tomato varieties often used for salads) between August and October. Sicilian cherry tomatoes (Pachino), which recently received a Product of Geographic Indication (PGI) designation, were affected by a virosis (TYLCV) that cut August and September production by almost 50 percent, forcing farmers to replant for later production.

Volumes of tomato for industrial processing are 20 percent higher than 2002, but still below expectations. In compliance with the tomato common market organization, producers subscribe to contracts through their organizations with processing industries at the beginning of the campaign, usually by 15th February of each year. This is done in order to get EU payments for the year. Every EU country is entitled to a production quota, so that any above quota production results in a reduction of the farmer payment per ton. The quota for Italy is set at 4.35 million ton of fresh product.

The scarce production in 2002 caused a reduction of the stocks and pushed farmers to increase acreage by 8 percent to 81 million hectares with the purpose of rebuilding stocks for 2003. Most of the production is concentrated in two northern regions (Emilia Romagna 34 percent, Lombardia 8.4 percent) and one southern region (Puglia 32 percent).

Round varieties for sauce and paste processing covered about 70 percent of the planted area, whereas Roma type and cherry varieties for canned tomato accounted for the rest.

According to the Mediterranean International Association of the Processing Tomato (Amitom), production yields and quality have been generally good in the North, except for sunburn that reduced the yield of whole tomatoes destined for canning. In the South, the harvest started early (mid-July) and yields were below standard. Due to sunburn, southern production was good for paste, but not ideal for canned tomatoes.

The overall volume produced for industrial processing (5.266 million ton) in 2003 was lower than the volume contracted in February of 2003 (6.7 million ton), but significantly higher than the EU allowed quota. The main reason for this is that producers often set contracts at a higher volume than what they really believe they will produce in order to ensure production rights so that they have the flexibility to decide whether or not to use them.

As far as the EU quota is concerned, it is possible that above quota production in one country can be compensated by below quota production of other member countries without incurring any reduction in the payment per ton of delivered product. According to some of the farmer unions, there is a general expectation that there will be no reduction to the €34.5 premium per ton of delivered product to Italian producers.

A recent ISMEA survey on tomato production in Italy identifies scarcity of water resources as the main limiting factor, especially as streams, rivers and wells dry up in summer.

Processing

Official data for 2003 has not yet been released since industrial plants completed operations around middle November. Despite the fact that processed production is far below the 6.7 million ton contracted in February, tomato processors are generally optimistic about volumes and quality of production for the year.

Production varies a lot across regions. In Southern regions, the processing plants are generally small (processing on average around 19 tons of fresh product per year), most are located in Campania, and half of their production capacity is used for peeled tomatoes. These processing plants are generally within the range of a few hundred kilometers from the producing areas, and therefore tomatoes have to be transported by truck from the field to the processing plant.

Due to the elevated temperatures, the unexpected flow of product in July became problematic for many processing plants, as they were not structured to handle to three shift days, and logistically, there were not enough trucks available.

As a result, southern production for 2003 was generally good in volume of processed product compared to previous years, but still lagged behind initial expectations.

In the northern regions, where processing plants are generally bigger, 2003 was a good year for tomatoes, especially as volumes were just slightly below expectations, and the delivered product had generally a good Brix degree.

Trade and Stocks

After 2002, Italian stocks of all processed products were down significantly, and so a significant part of the 2003 production will probably be used to rebuild inventories. However, international trade, particularly exports, is not likely to be adversely affected since overall output for most products was higher.

Farmer unions have expressed concern about tomato paste imports from China, that have been growing rapidly in the last two years, due to the perceived quality and low price. It is likely that cheaper Chinese paste is mixed with Italian paste for different food preparations, without indicating this practice in the labeling.

Consumption

Domestic consumption of fresh and processed tomatoes is generally stable. The Italian market can be considered a mature market, as tomatoes are among the basic ingredients of the traditional Italian diet.

Fresh tomato consumption may face limited fluctuations on the basis of supply and consumer prices, especially for green varieties typically used for salads, as they are increasingly also used in ready to eat mixes.

Future outolook

It is not yet clear whether Italian tomato producers will be affected by the June EU farm policy (CAP) reform. According to the official juridical texts, farmers would be prohibited to shift from other products to horticultural products, unless the Italian Government decides to implement the so called “regionalization plan”. In this case, farmers would get a predefined premium per hectare calculated on a regional basis and would be allowed to produce any crop, including horticultural ones.

This option would lead to increased competition and, most likely, to a tomato acreage increase also outside the traditional growing areas.

Future developments of tomato production in Italy will be highly dependent on the availability of water; this may be contingent on the modernization of irrigation plants and on optimized water resource management.

PSD TABLES

Fresh Tomatoes

PSD Table

Country Italy

Commodity Fresh Tomatoes (HA)(MT)

	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [	Estimate [I	DA Official [	Estimate [I	DA Official [	Estimate [I
Market Year Begin		01/2001		01/2002		01/2003
Plnt For Fresh Consump	0	25000	0	25000	0	27000
Plnt For Processing	0	85000	0	76000	0	82049
TOTAL Area Planted	0	110000	0	101000	0	109049
Harv. For Fresh Cons.	0	23308	0	22913	0	24038
Harv. For Processing	0	81000	0	68800	0	81078
TOTAL Area Harvested	0	104308	0	91713	0	105116
Fresh Sale Production	0	839186	0	763888	0	840808
Processing Production	0	4850000	0	4325263	0	5266000
TOTAL Production	0	5689186	0	5089151	0	6106808
TOTAL SUPPLY	0	5689186	0	5089151	0	6106808

Canned Tomatoes

PSD Table

Country	**Italy**					
Commodity	**Canned Tomatoes**				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	2564000	2089205	2358880	2119050	2571179	2369700
Beginning Stocks	537000	537977	412000	349897	319400	216378
Production	1663000	1466481	1584400	1393130	1744156	1591483
Imports	9000	12439	13000	3378	16350	6400
TOTAL SUPPLY	2209000	2016897	2009400	1746405	2079906	1814261
Exports	877000	877000	840000	780027	879456	741025
Domestic Consumption	920000	790000	850000	750000	880000	750000
Ending Stocks	412000	349897	319400	216378	320450	323236
TOTAL DISTRIBUTION	2209000	2016897	2009400	1746405	2079906	1814261

Tomato Paste

Country	**Italy**					
Commodity	**Tom. Paste,28-30% TSS Basi**	(MT)(MT, Net Weight)				
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	2176000	2169892	1962752	1669293	2139400	2100000
Beginning Stocks	141000	141000	105000	115390	64276	21157
Production	340000	395504	306680	322264	334281	445503
Imports	96000	98179	86592	147058	94385	175000
TOTAL SUPPLY	577000	634683	498272	584712	492942	641660
Exports	398000	447293	358996	488555	361192	480000
Domestic Consumption	74000	72000	75000	75000	81750	72000
Ending Stocks	105000	115390	64276	21157	50000	89660
TOTAL DISTRIBUTION	577000	634683	498272	584712	492942	641660

Tomato Sauce

PSD Table

Country Italy

Commodity Tomato Sauce

						(MT)(MT, Net Weight)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	57000	60000	60000	55200	55200
Imports	10	0	0	0	4000	4000
TOTAL SUPPLY	10	57000	60000	60000	59200	59200
Exports	0	26000	28000	28000	27200	27200
Domestic Consumption	10	31000	32000	32000	32000	32000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	10	57000	60000	60000	59200	59200