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Italian Fresh Deciduous Fruit 2010

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Fresh Deciduous Fruit

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Report Highlights:

MY 2010/2011 (July/June) apple production is forecast to decrease to less than 2.2 MMT due to hail and heavy rains that occurred in late spring. MY 2010/2011 pear production is forecast at 655,000 MT, down sharply from the MY 2009/2010 harvest due to heavy rains and hail during the fruit setting period. Both apple and pear prices have increased significantly, due to reduced supply and to a growing demand. MY 2010/2011 Italian table grape production is forecast down 3.8% to less than 1.3 MMT due to heavy rains that occurred during flowering and harvesting. Prices are a bit higher due to higher demand, especially in northern European countries.

General Information:

I. **APPLES**

Italian Apple Production, Supply and Demand (ha, MT)

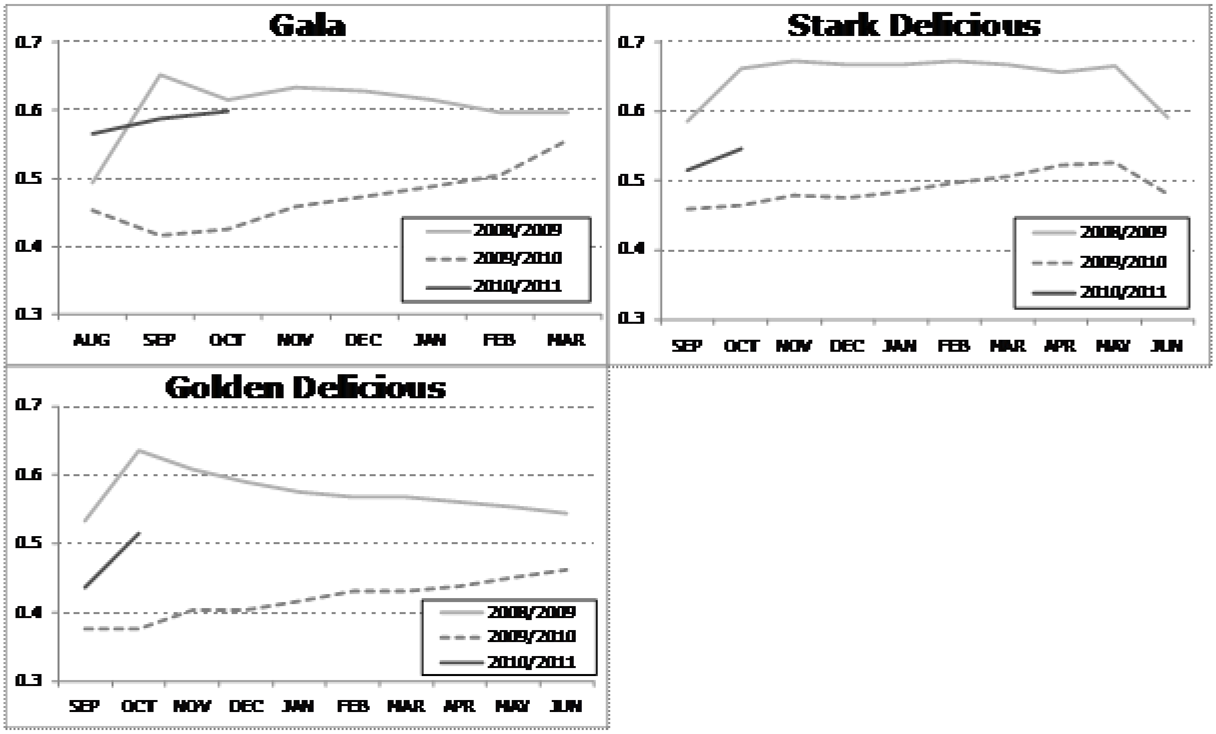
Apples, Fresh	2008/09 MY begin July 2008 Current post data	2009/10 MY begin July 2009 Current post data	2010/11 MY begin July 2010 Current post data
Area Planted	59,132	58,469	57,800
Area Harvested	54,745	54,933	55,200
Production	2,210,130	2,326,090	2,165,000
Intra EU27 Imports	38,908	24,269	26,000
Extra EU27 imports	19,836	11,855	12,000
Total imports	58,743	36,124	38,000
TOTAL SUPPLY	**2,268,874**	**2,362,214**	**2,203,000**
Fresh domestic consumption	1,372,603	1,354,437	1,313,000
Intra EU27 exports	556,583	613,375	630,000
Extra EU27 exports	119,688	162,401	170,000
Total exports	676,271	775,777	800,000
For processing	220,000	232,000	90,000
TOTAL DISTRIBUTION	**2,268,874**	**2,362,214**	**2,203,000**

Italy produces around 3.2% of the world apple crop, and 13.4% of the EU-27 production, ranking second. Apple production is concentrated in the northeast: Trentino Alto-Adige (accounts for 50% of area and almost 70% of production), and Emilia-Romagna regions. In recent years, increasing export competition from other countries (especially Poland and Chile), growing input costs, and decreasing consumption have started to erode profits, especially for the least specialized orchards. Investment in new orchards has been declining by 5% for the last 5 years, accordingly.

PRODUCTION

MY 2010/2011 production is forecast to decrease due to hail and heavy rains in May and June. According to projections, Italy's overall production should decline by 7% to less than 2.2 MMT. Golden Delicious, Gala, and Red Delicious varieties are forecast to decline 3%, 7%, and 8% respectively. On average, apple quality should be good, although reduced size and rustiness have been recorded for Golden Delicious. In MY 2009/2010, a good apple harvest, combined with falling consumption, triggered a stock increase which decreased prices. At the beginning of MY 2010/2011 however, stock were almost zero. As a result in decreased supply, prices have started to increase. Farm gate prices have already surged +25-30% compared to previous year when prices in some cases did not cover production costs.

Figure 1 - Average farm gate prices for apples in Italy (Euro/kg)



Source: ISMEA.

CONSUMPTION

About 60% of the Italian apple crop is consumed fresh, while the remainder is exported. Only a small percentage (3-5%) on average is destined for processing (apple juice). In MY 2009/2010, almost 10% of the Italian apple harvest was processed for apple juice due to hailstorms, which damaged the crop. Consumption is forecast to remain stable in MY 2010/2011 at slightly above 1.3 MMT.

TRADE

Italy is one of the world's largest apple exporter, and is responsible for about 10% of total world trade. In particular, Italian producers are increasing trade with Russia, despite the global financial crisis. Italian exports are expected to grow slightly in MY 2010/2011 especially to northern European countries and to North Africa.

Italian main apple export markets

	2007/2008	2008/2009	2009/2010

	000 MT	000 MT	000 MT
EU-27	**673.5**	**556.6**	**613.4**
Germany	285.8	251.1	257.3
Spain	67.6	64.6	91.6
Sweden	29.6	26.8	31.6
United Kingdom	33.2	28.3	27.4
Romania	28.7	31.4	26.8
France	19.5	22.9	25.8
Czech Republic	27.9	16.6	22.8
Denmark	19.0	16.0	21.1
Other EU-27 MS	162.1	98.9	109.1
Non EU-27	**124.5**	**119.7**	**162.4**
Russia	37.8	34.5	42.5
Libya	15.3	20.4	31.2
Norway	22.9	20.0	21.0
Saudi Arabia	13.8	9.9	18.3
Total	**798.0**	**676.3**	**775.8**

Source: GTA.

II. PEARS

Italian pear Production, Supply and Demand (ha, MT)

Pears, Fresh	2008/09	2009/10	2010/11
	MY begin July 2008	MY begin July 2009	MY begin July 2010
	Current post data	Current post data	Current post data
Area Planted	40,696	40,207	40,000
Area Harvested	37,096	37,086	36,800
Production	770,123	871,225	655,000
Intra EU27 Imports, fresh	48,459	39,721	60,000
Extra EU27 imports, fresh	87,515	58,488	90,000
Total imports, fresh	135,974	98,209	150,000
TOTAL SUPPLY	**906,097**	**969,434**	**805,000**
Fresh domestic consumption	688,541	699,680	623,000
Intra EU27 exports, fresh	121,303	128,369	105,000
Extra EU27 exports, fresh	11,252	11,385	7,000
Total exports, fresh	132,556	139,754	112,000
For processing	85,000	130,000	70,000
TOTAL DISTRIBUTION	**906,097**	**969,434**	**805,000**

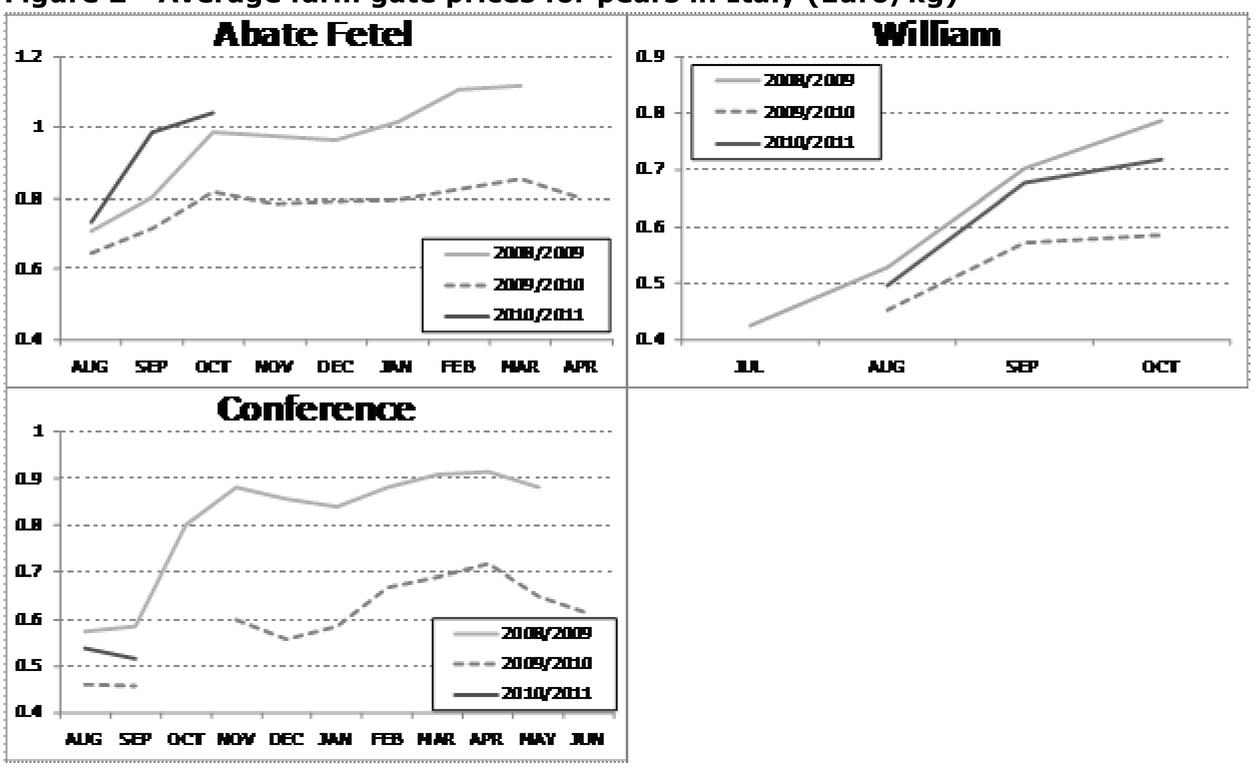
Italy is the largest pear producer in the EU-27 (with 26% of the total EU-27 harvest) and ranks third in the world after China and the United States. However, Italy consumes most of its domestic production, exporting less than 20%. Approximately 40,000 hectares of pear orchards are cultivated in Italy, mainly located in the northeast. Planted area has been declining for the last decade due to reduced profitability, which limits investments in new orchards.

PRODUCTION

MY 2010/2011 pear production is forecast at 655,000 MT down sharply from MY 2009/2010 harvest. Variable production is not unusual in the hail-prone region of Emilia-Romagna in northern Italy, which is responsible for about 65% of production. In particular, the Abate Fetel crop, the most widespread variety, was hit hard by heavy rains and hail during the fruit setting period.

However fruit quality (size in particular) should be good following normal summer weather. Reduced supply completed with the high fruit quality and recovering consumption is expected to strengthen prices in the next few months. Prices already show a significant increase especially for Abate Fetel. Farmers hope higher prices will at least partially offset the harvest losses linked to lower yields. Nevertheless, Italian farmers face increasing competition both from EU and extra-EU countries mainly due high production costs. A recent comparative study assessed that Italian farmers are less competitive than Belgium and Netherlands in terms of yields per hectare, input costs, and farm organization.

Figure 2 - Average farm gate prices for pears in Italy (Euro/kg)



Source: ISMEA.

CONSUMPTION

Pear consumption in Italy has been declining for the last ten years and the global financial crisis has further reduced consumption to less than 700,000 MT. Market observers attribute the decline to a shift in consumer preferences, little promotion activities, and decreasing quality. In MY 2010/2011 domestic demand is forecast to diminish further.

TRADE

The Italian pear trade balance is expected to worsen in MY 2010/2011 due to the decline in domestic production, which is likely to trigger an increase in imports and an export decrease. Pear consumption has been declining causing Italian exports to decline. In addition, concerns about long-term export expectations have been raised by many Italian pear producers regarding some extra-EU countries' (Russia, Japan and Korea) SPS measures that may limit imports.

Italian main pear export markets

	2007/2008	2008/2009	2009/2010
	000 MT	000 MT	000 MT
EU-27	**152.4**	**121.3**	**128.4**
Germany	68.2	54.5	56.6
France	27.7	25.6	27.7
Austria	8.2	7.2	8.3
United Kingdom	11.8	7.4	7.0
Romania	6.7	5.0	4.9
Other EU-27 MS	29.7	21.7	24.0
Non EU-27	**12.4**	**11.3**	**11.4**
Libya	2.5	2.3	4.4
Switzerland	1.2	3.2	1.5
Croatia	2.4	1.7	1.5
Russia	2.9	1.7	1.3
Total	**164.8**	**132.6**	**139.8**

Source: GTA.

III. TABLE GRAPES

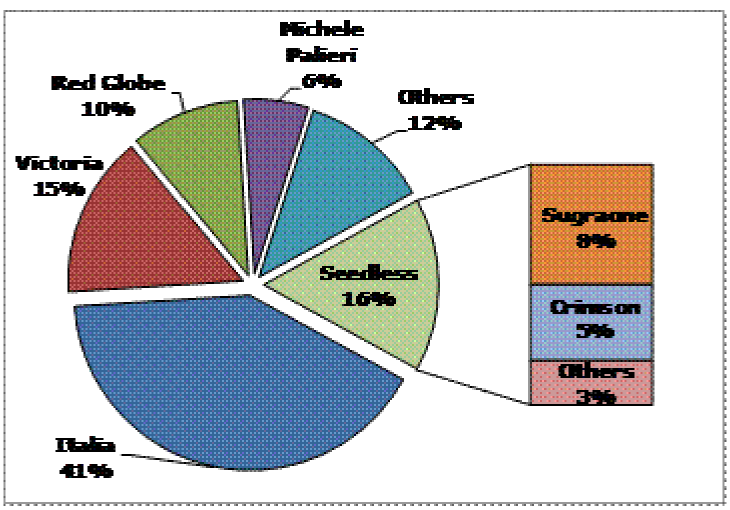
Italian table grapes Production, Supply and Demand (ha, MT)

Table Grapes	2008/09	2009/10	2010/11
	MY begin June 2008	MY begin June 2009	MY begin June 2010
	Current post data	Current post data	Current post data

Area Planted	73,083	69,426	68,700
Area Harvested	70,871	67,727	67,000
Production	1,368,255	1,341,349	1,260,000
Intra EU27 Imports, fresh	11,594	10,613	11,000
Extra EU27 imports, fresh	13,488	11,493	12,500
Total imports, fresh	25,081	22,106	23,500
TOTAL SUPPLY	**1,393,336**	**1,363,455**	**1,283,500**
Fresh domestic consumption	856,589	969,703	853,500
Intra EU27 exports, fresh	468,979	345,014	380,000
Extra EU27 exports, fresh	67,768	48,738	50,000
Total exports, fresh	536,747	393,752	430,000
TOTAL DISTRIBUTION	**1,393,336**	**1,363,455**	**1,283,500**

Italy is the largest table grape producer in the EU-27 and one of the world's leading exporters. According to OIV (International Organization of Vine and Wine) estimates, Italy ranks 6th in the world table grape production and 3rd as an exporter behind Chile and the United States. Most table grapes are grown in the south, especially in Apulia and Sicily, which account for nearly 65% and 25% of the total area respectively.

According to estimates, Italia, Victoria and Red Globe are the most widespread varieties in Italy, covering approximately 66% of the table grape area. Sugraone is the most common seedless variety in Italy, with 8% of total area. Despite many claim that seedless varieties will dominate the table grape market in the near future (following the last decades increasing demand), Italian farmers are not willing to change. In fact, although seedless varieties prices are substantially higher than those of seeded grapes, yields are lower, and seedless varieties require more labor and more capital.

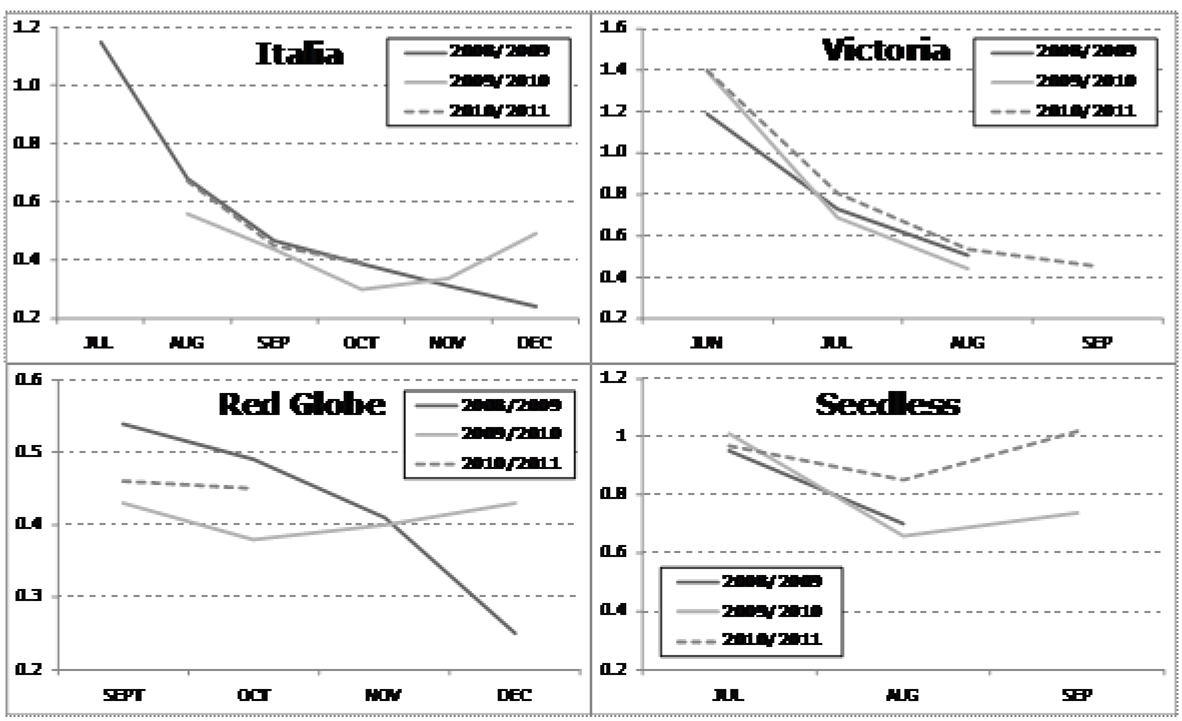


Source: CRA – Table grape research center.

PRODUCTION

MY 2010/2011 table grape production is forecast down 3.8% compared to MY 2009/2010 to less than 1.3 MMT. In general, the harvest – still ongoing for some varieties – has been good. Both white and red seedless varieties (Sugraone and Summer Royal) which were harvested in July, recorded high yields and higher farm gate prices due to the reported decline in the Egyptian production a few weeks earlier. However the Victoria variety experienced a 20/25% drop in production due to heavy rains that occurred during the flowering period. The size and number of grapes per bunch were reduced, affecting both quantity and quality. On the other hand, Italia and Red Globe varieties harvested so far show good color, sugar content, and grape size, although the heavy rains that occurred during the harvest decreased yield. Prices are a bit higher than the previous MY due to stronger demand. In particular, farmers producing early table grape varieties could earn good profits thanks to higher prices recorded at the end of June-beginning of July.

Average farm gate prices table grapes in Italy (Euro/kg)



Source: ISMEA.

TRADE

Italy exports nearly 30% of its table grape production and is responsible for more than 10% of the EU-27's total table grape exports. In MY 2010/2011, exports are likely to increase due to recovering import demand. Spain and Egypt are major suppliers of seedless grapes to the EU.

Italian main table grapes export markets

	2007/08	2008/09	2009/10
	000 MT	000 MT	000 MT
EU-27	**400.8**	**469.0**	**345.0**
Germany	122.9	137.2	96.9
France	60.2	70.1	55.2
Poland	46.9	57.7	38.3
Spain	18.8	27.8	23.6
Czech Republic	22.3	23.4	22.3
Netherlands	16.6	17.5	19.4
Belgium	18.1	18.6	15.6
Romania	9.9	22.4	11.9
Other EU-27 MS	85.0	94.3	61.8
Non EU-27	**65.7**	**67.8**	**48.7**
Switzerland	25.3	24.7	22.0
Russia	17.1	19.4	8.3
Norway	8.5	8.8	8.2
Total	**466.4**	**536.7**	**393.8**

Source: GTA.

ASSOCIATIONS

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Abbreviations and definitions used in this report

CMO Common Market Organization
EU European Union

Ha hectare; 1 ha = 2.471 acres
MT Metric ton = 1000 kg
MS EU-27 Member State
MMT Million metric tons

MY Marketing year
Apples: July/June
Pears: July/June
Table Grapes: June/May

Trade data cited in this report was derived by using the following tariff codes:
Apples: 080810
Pears: 080820
Table grapes: 08061010