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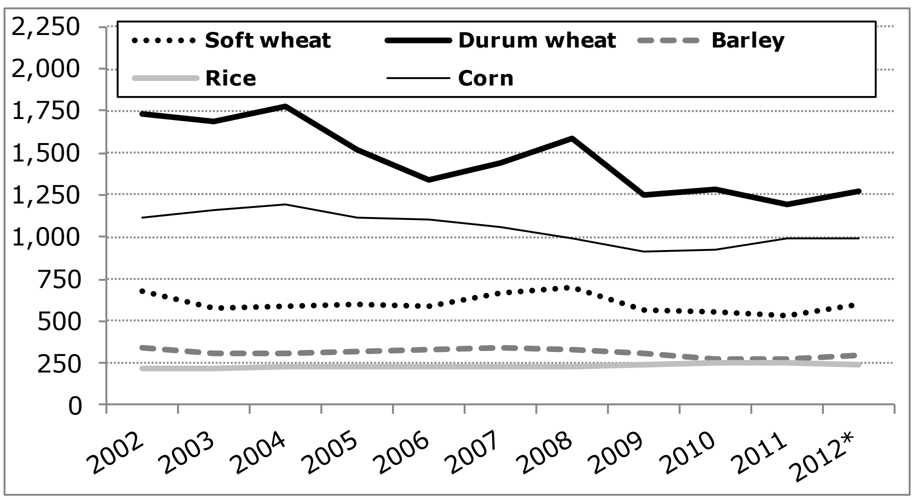
Report Highlights:

MY 2012/13 Italian wheat area is expected to increase by about 15 percent, recovering from the previous year. Both soft and durum wheat acreage significantly increased due to excellent weather in the fall of 2011 and to relatively profitable prices. Italian corn area is forecast to increase also by about 2 percent from the previous year to approximately 1 million hectares, while rice sowed area is estimated to drop by almost 4 percent with a production expected to fall accordingly.

General Information:

Total cereals area in Italy is estimated at 3.5 million hectares (MHa), which is equivalent to about 25-30 percent of total Italian agricultural area. Despite the sharp decline in durum wheat area over the past decade, durum is still the leading cereal crop, responsible for almost 40 percent of total Italian cereal area. Corn and soft wheat follow with 27 and 17 percent respectively. Durum is planted mainly in the south while soft wheat, corn, and rice are largely cultivated in northern Italy.

Planted area trend for main cereals ('000 ha)



*Estimates
Source: Istat, Enterisi.

Wheat

About 70 percent of durum wheat area is located in the south of Italy while 70 percent of the total soft wheat area is in the north. In general, yields are considerably higher in the northern regions mainly due to a much intensive use of inputs, innovation, and modern agricultural practices. However, soft and durum wheat yields have slightly increased for the last decade mainly in the south.

Production, Supply and Demand of wheat ('000 ha, '000 MT)

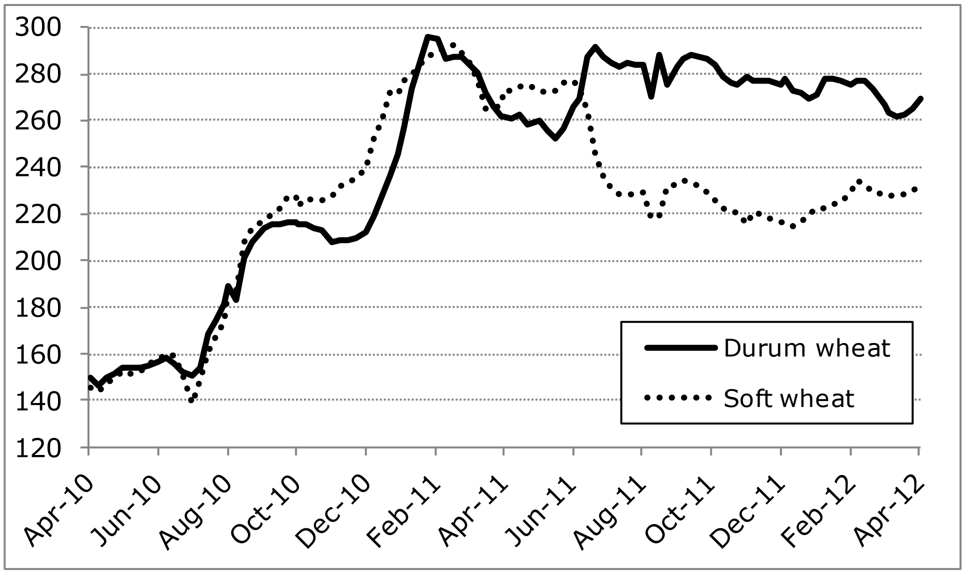
Wheat total	Estimate	Estimate	Forecast
	2010/11	2011/12	2012/13
Marketing Year Begins	**07/2010**	**07/2011**	**07/2012**
Area	1,810	1,630	1,870
Beginning Stocks	1,910	1,710	1,110
Production	6,490	6,120	6,750
Intra EU27 imports	4,850	4,100	4,300
Extra EU27 imports	2,681	3,100	2,920
Total imports	7,531	7,200	7,220
TOTAL SUPPLY	**15,931**	**15,030**	**15,080**
Intra EU27 exports	1,736	1,835	1,860
Extra EU27 exports	1,322	1,290	1,325
Total exports	3,059	3,125	3,185
Food	8,277	8,153	8,162
Seed	361	317	316
Industrial	414	355	356
Feed	2,110	1,970	1,981
TOTAL consumption	11,162	10,795	10,815
Ending Stocks	1,710	1,110	1,080
TOTAL DISTRIBUTION	**15,931**	**15,030**	**15,080**

Production

MY 2012/13 Italian wheat area is expected to increase by about 15 percent, recovering from previous MY. Both soft and durum wheat acreage significantly increased due to excellent weather conditions in the fall 2011 and to relatively profitable prices. A three-week period of very cold weather in late January and the first half of February, the Italian wheat crop did not damage the crop partly due to the abundant snow coverage. MY 2012/13 wheat production is forecast to increase accordingly. Industry experts speculate that the severe drought occurred in early spring is not expected to affect negatively this year's harvest.

While soft wheat supply and demand did not change much in MY 2011/12, Italian total wheat supply and distribution decreased significantly due to a sharp fall in durum wheat production and imports. In fact, MY 2011/12 durum wheat production decreased due to decreased sowings in fall 2010 and to not-exceptional yields.

Soft and durum wheat weekly farm gate price trend (€/MT)



Source: ISMEA.

Consumption

Italian soft wheat consumption fluctuates around 7.5 million metric tons (MMT), mainly destined for the milling industry (approximately 70 percent is milled to produce flour for food purposes) and to the feed industry (25 percent).

Italian durum wheat supply fluctuates around 7 MMT--almost all of which is utilized by the pasta industry. According to the International Pasta Organization (IPO), Italy is the largest pasta producer and consumer in the world. Italian per-capita consumption of pasta was estimated in 2011 at 26 kg, twice as Venezuela, which ranks second with 13 kg per person. Pasta is a traditional staple in the Italian diet. It is consumed on a daily basis, and its consequent status as a commodity means purchasing tends to be very much related to price, with little loyalty to brands. Pasta value and volume sales are set to decrease slightly over the forecast period. Expectations for domestic pasta consumption are not promising, due in part to expected cereal price volatility in the coming years, together with a possible reduction in consumer purchasing power and the offer in the market.

Trade

Italy imports good quality soft wheat for milling mainly from France and central-eastern European countries (Austria, Hungary, and Germany) and the United States, with smaller amounts from Canada. Italy imports medium-quality, low-price feed soft wheat from Ukraine and Russia. However, in MY 2010/11 feed wheat imports from Ukraine were replaced by increased imports from France, Hungary, Romania, Bulgaria, and other eastern-EU countries. Following Russia and Ukraine re-opening their exports in 2011, recent trade figures show these two countries regaining their position among Italy's major suppliers. Italy is the third largest durum wheat market in the world importing around 2.2 MMT, mainly from Canada, the United States, Greece, Mexico, France and recently also from Turkey. Pasta is mainly consumed in the domestic market but significant quantities are increasingly exported to EU (Germany, France, and UK) and non-EU countries (United States, Japan, and Russia).

MY 2011/12 durum wheat imports declined due to Italian millers and pasta producers increasingly demanding for domestic production and stocks rather than importing from third countries. Italian millers started to purchase wheat on a monthly basis (short coverage) and mainly from domestic producers/stockers in order to avoid a strong price drop (possibly driven by the current Canadian durum wheat "dumping" strategy) and waiting for a positive domestic harvest in MY 2012/13.

Soft wheat imports by trade partner ('000 MT)

	2009/10	2010/11	Jul-Dec 2010/11	Jul-Dec 2011/12
EU-27	3,705	3,928	2,109	1,940
France	1,525	1,905	808	768
Austria	475	453	276	222
Hungary	455	433	360	285
Germany	626	367	175	170
Bulgaria	141	189	80	290
Romania	178	157	146	110
Netherlands	103	112	103	23
Extra-EU-27	935	956	455	844
United States	97	419	167	58
Canada	225	244	116	128
Ukraine	109	65	20	196
Russia	133	18	15	410
World	**4,640**	**4,883**	**2,564**	**2,784**

Source: GTA.

Durum wheat* imports by trade partner ('000 MT)

	2009/10	2010/11	Jul-Dec 2010/11	Jul-Dec 2011/12
EU-27	490	847	510	363
Greece	168	387	230	159
France	204	316	211	126
Extra-EU-27	1,720	1,717	1,053	854
Canada	621	749	519	496
United States	330	399	189	154
Mexico	332	316	208	55
Australia	125	181	81	100
World	**2,210**	**2,564**	**1,563**	**1,217**

*grain only, HS code 100110

Source: GTA.

Pasta exports by trade partner ('000 MT)

	2009/10	2010/11	Jul-Dec 2010/11	Jul-Dec 2011/12
EU-27	1,058	1,071	531	561
Germany	329	321	160	163
France	253	256	126	146
United Kingdom	204	210	105	106
Sweden	40	41	20	22
Netherlands	42	39	21	20
Austria	29	29	15	15
Belgium	28	29	12	16
Extra-EU-27	524	594	291	279
United States	115	125	62	69
Japan	84	88	40	39
Russia	24	36	19	19
Switzerland	28	27	14	13
Canada	21	23	12	13
World	**1,582**	**1,665**	**822**	**839**

Pasta includes durum wheat uncooked pasta and couscous (HS codes 190219, 190230, 190240), not converted to wheat grain equivalent.

Source: GTA.

Corn

Corn is mainly cultivated in the North of Italy particularly in the Po Valley where abundant water allows farmers to irrigate over the summer when rainfall is scarce. Corn is planted in Italy between the end of March and mid-May while the harvest season begins in late August-early September and runs through the end of October.

Production, Supply and Demand of corn (‘000 ha, ‘000 MT)

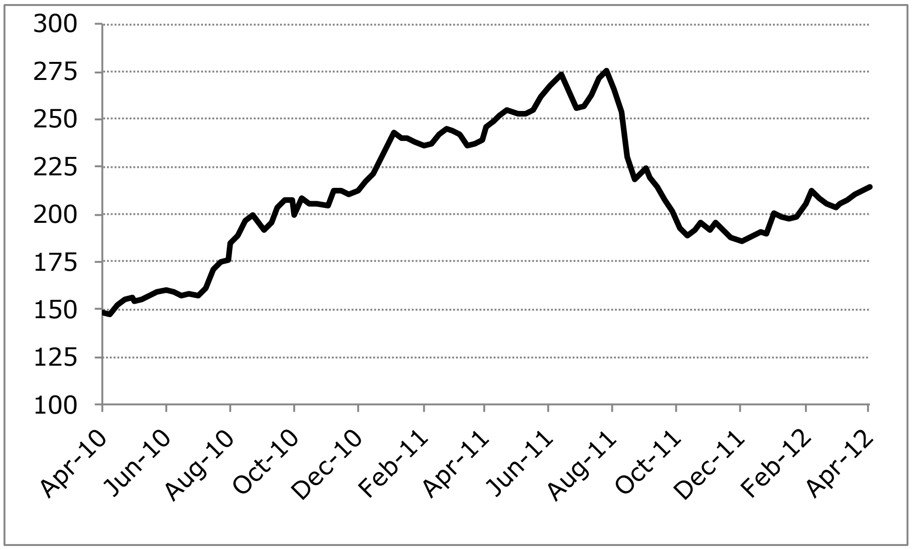
Corn	Estimate	Estimate	Forecast
	2010/11	**2011/12**	**2012/13**
Marketing Year Begins	**10/2010**	**10/2011**	**10/2012**
Area	915	970	990
Beginning Stocks	1,000	900	1,150
Production	8,650	9,220	9,300
Intra EU27 imports	2,012	1,900	1,800
Extra EU27 imports	714	700	450
Total imports	2,726	2,600	2,250
TOTAL SUPPLY	**12,376**	**12,720**	**12,700**
Intra EU27 exports	107	135	130
Extra EU27 exports	25	35	30
Total exports	132	170	160
Food	277	293	291
Seed	33	54	54
Industrial	943	921	915
Feed	10,091	10,132	10,070
TOTAL consumption	11,344	11,400	11,330
Ending Stocks	900	1,150	1,210
TOTAL DISTRIBUTION	**12,376**	**12,720**	**12,700**

Production

MY 2012/13 Italian corn area is forecast to increase by about 2 percent from the previous year to approximately 1 million ha. The acreage increase is mainly driven by growing corn prices despite soybean area is increasing as well due to its higher profitability linked to high prices and lower costs.

According to the Italian corn growers association (AIM), the European Corn Borer (Ostrinia Nubilialis), ECB, reduces the maize production by 7-20 percent, and increases by many folds the presence of fumonisins, a group of mycotoxins produced by some molds (Fusarium Verticilloides) especially on ears damaged by ECB. Some BT maize varieties have demonstrated to be much more efficient than chemical pesticides on ECB control. Piglets fed on BT corn with lower fuminisins are healthier and have a higher weight increase. Despite these advantages for farmers, feeders and the environment, Italian farmers cannot use BT seed for their crop and researchers are not allowed to do field trials, because of the bad image that GMOs have in the public opinion. Currently most of the feed sold in Italy is labeled for the presence of GM (soybean) nevertheless maize growers cannot use BT maize hybrids registered on the EU common seed catalog to preserve the so-called good image of the made-in-Italy food. AIM also estimates that the 15 years ban on BT maize has cost Italian maize producers at least € 2 billion and a similar amount to animal farms.

Corn weekly farm gate price trend (€/MT)



Source: ISMEA.

Consumption

Almost 90 percent of Italy's corn available supply is consumed by the livestock sector, either as simple or compound feeds. The remainder is utilized to make starch (around 8 percent), food products (around 2.5 percent) and for seeds (0.3 percent). The Italian starch industry produces starch for ingredients for the beverage and sweet industry, for industry (paper, pharmaceutical, chemical industry) and feed (corn gluten meal and feed). Biogas plants also employ a small but increasing share of total corn consumption.

Trade

Italy imports about 2 MMT of corn annually. The majority of the imported corn comes from EU-27 Member States, from the Balkans and some Eastern countries such as Ukraine and Russia.

Corn imports by trade partner ('000 MT)

	2009/10	2010/11	Oct-Dec 2010/11	Oct-Dec 2011/12
EU-27	2,021	2,012	664	532
Hungary	946	1,016	292	196
Austria	331	309	139	170
France	393	257	64	43
Slovenia	152	154	54	52
Romania	63	140	67	42
Germany	89	99	26	24
Extra-EU-27	203	714	68	177
Ukraine	7	218	7	23
South Africa	0	181	0	35
Serbia	62	75	23	9
Croatia	119	70	31	27
United States	2	48	1	0
World	**2,225**	**2,726**	**732**	**708**

Source: GTA.

Rice

Production, Supply and Demand of rice (‘000 ha, ‘000 MT)

Rice	Estimate	Estimate	Forecast
	2010/11	2011/12	2012/13
Marketing Year Begins	**09/2010**	**09/2011**	**09/2012**
Area	248	247	238
Beginning Stocks	156	159	143
Milled Production	1110	1006	1010
Rough Production	1516	1441	1450
Milling Rate	0.73	0.70	0.70
Intra EU27 imports	31	35	30
Extra EU27 imports	68	66	65
Total imports	99	101	95
TOTAL SUPPLY	**1365**	**1267**	**1248**
Intra EU27 exports	653	620	622
Extra EU27 exports	116	110	115
Total exports	769	730	737
Domestic consumption	437	394	401
TOTAL consumption	437	394	401
Ending Stocks	159	143	110
TOTAL DISTRIBUTION	**1365**	**1267**	**1248**

Statistics reported on a milled equivalent basis (except for rough production)

Italy is the leading rice producer in the European Union with approximately 50 percent of the total EU-27 harvest. Although Italy accounts for less than 1 percent of global production, it is currently the fourth-largest rice-exporting country after Thailand, United States, and India (counting intra-EU trade).

Rice cultivation in Italy is mostly located in the northern regions (Piemonte, Lombardia and Veneto) where water is relatively abundant (and cheap) and the rice crop can be raised in flooded fields. Numerous varieties are cultivated in Italy, of which around 70 percent are ‘indica’ varieties (Ariete-Drago, Arborio, Baldo, S.Andrea, Carnaroli) and the remainder are ‘japonica’ varieties.

Rice area (around 240,000 ha) has been increasing for the last decade due to improved agronomic techniques, good export performance, and higher profitability compared to other arable crops (such as irrigated corn). The combination of high-quality varieties, farms sufficiently large to realize economies of scale, and the EU’s coupled rice payments have allowed Italian rice producers to compete well with other EU rice producers so far. However, from MY 2012/13 on, Italian rice farmers will not receive anymore the specific aid (EC Reg. 73/2009) which has been decoupled.

Production

MY 2012/13 sowed area is estimated to drop by almost 4 percent with a production expected to fall accordingly, after few years of record area and output. Uncertainty over future CAP payments to the rice sector and decreasing prices (more than 30 percent lower than in spring 2011) made some rice farmers shift to other more profitable crops such as corn.

MY 2011/12 Italian rice production decreased by almost 10 percent due to hot temperatures over late July, August, and September, that negative affected yields. Moreover, quality is also reported to be relatively low due to the high temperatures to several attacks of Pyricularia Grisea (a major rice pathogen).

Consumption

Except for rough (unmilled) rice exports and domestic seed sales, virtually all the Italian rice is marketed as a whole-kernel milled product. Italian domestic rice consumption is stable at 400,000 MT, equal to approximately 40 percent of total production.

Trade

Italy exported 769,000 MT of rice (milled equivalent basis) in MY 2010/2011, almost 70 percent of total production. A large part of Italy's rice is exported to the EU-27, especially to France, Germany, and UK. However, a significant share is exported to extra-EU countries, including Switzerland and some Mediterranean countries such as Turkey, Syria, and Lebanon.

Milled rice* exports by trade partner ('000 MT)

	2009/10	2010/11	Sep-Dec 2010/11	Sep-Dec 2011/12
EU-27	588	584	222	183
France	123	129	42	43
Germany	119	114	42	40
United Kingdom	80	61	19	11
Netherlands	40	49	19	14
Czech Republic	40	46	16	13
Poland	36	35	20	8
Hungary	23	23	12	7
Belgium	21	20	7	8
Slovakia	16	19	6	8
Extra-EU-27	118	107	39	29
Turkey	38	26	13	4
World	**705**	**691**	**261**	**212**

*HS codes 100630 - 100640

Source: GTA.

Other grains

Production, Supply and Demand of barley, ('000 ha, '000 MT)

Barley	Estimate	Estimate	Forecast
	2010/11	2011/12	2012/13
Marketing Year Begins	**07/2010**	**07/2011**	**07/2012**
Area	272	247	300
Beginning Stocks	100	100	100
Production	944	900	1,060
Intra EU27 imports	876	840	725
Extra EU27 imports	20	60	40
Total imports	895	900	765
TOTAL SUPPLY	**1,940**	**1,900**	**1,925**
Intra EU27 exports	7	9	8
Extra EU27 exports	1	1	1
Total exports	8	10	9
Food	100	100	100
Seed	75	78	79
Industrial	415	420	422
Feed	1,241	1,192	1,215
TOTAL consumption	1,831	1,790	1,816
Ending Stocks	100	100	100
TOTAL DISTRIBUTION	**1,939**	**1,900**	**1,925**

Production, Supply and Demand of sorghum, ('000 ha, '000 MT)

Sorghum	Estimate	Estimate	Forecast
	2010/11	2011/12	2012/13
Marketing Year Begins	**07/2010**	**07/2011**	**07/2012**
Area	40	42	34
Beginning Stocks	0	0	0
Production	276	299	225
Intra EU27 imports	11	10	17
Extra EU27 imports	33	25	85
Total imports	44	35	102
TOTAL SUPPLY	**320**	**334**	**327**
Intra EU27 exports	4	4	5
Extra EU27 exports	0	0	1
Total exports	5	4	6
Food			
Seed	1	1	1
Industrial			
Feed	314	329	320
TOTAL consumption	315	330	321
Ending Stocks	0	0	0
TOTAL DISTRIBUTION	**320**	**334**	**327**

Production, Supply and Demand of oat ('000 ha, '000 MT)

Oat	Estimate	Estimate	Forecast
	2010/11	2011/12	2012/13
Marketing Year Begins	**07/2010**	**07/2011**	**07/2012**
Area	130	110	124
Beginning Stocks	40	35	35
Production	289	267	295
Intra EU27 imports	40	50	35
Extra EU27 imports	0	1	2
Total imports	40	51	37
TOTAL SUPPLY	**369**	**353**	**367**
Intra EU27 exports	5	3	3
Extra EU27 exports	2	2	1
Total exports	6	5	4
Food	50	45	40
Seed	31	28	32
Industrial	0	0	0
Feed	247	240	251
TOTAL consumption	328	313	323
Ending Stocks	35	35	40
TOTAL DISTRIBUTION	**369**	**353**	**367**

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Abbreviations and definitions used in this report:

Ha	Hectare; 1 ha = 2.471 acres
MT	Metric ton = 1,000 kg
MS	EU Member State(s)

MY Marketing Year. Post and USDA official data both follow the EU local marketing year of July to June except for corn, which follows an October to September calendar and for rice which follows a September to August calendar.

Trade data cited in this report was derived by using the following tariff codes:
All wheat (including flour, durum wheat, semolina, uncooked pasta and couscous): 1001, 1101, 190219, 190230, 190240
Corn: 1005
Rice: 1006
Barley: 1003
Oat: 1004
Rye: 1002
Sorghum: 1007

Conversion factors and methods used in this report

Flour, semolina and wheat products (uncooked pasta and couscous) are converted to Wheat Grain Equivalent by multiplying the product weight by 1.368.
Rough or Paddy rice (100610) trade data X 0.70 =milled equivalent basis
Brown rice trade data X 0.88 = milled equivalent basis

Sources used in this report:

GTA	Global Trade Atlas
Istat	Istituto Statistico Italiano/Italian statistical center

ISMEA Istituto di Servizi per il Mercato Agricolo Alimentare/Center providing services for the agricultural and food market