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Italy Tree Nuts 2011

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Tree Nuts

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Report Highlights:
The Italian tree nuts sector has experienced significant restructuring over the last decade, which has reduced both planted areas and production and eroded Italy's share of world production. sources estimate MY 2011/12 Italian tree nut production at 3,100 MT for pistachios, 5,000 MT for almonds, 10,500 MT for walnuts, and 110,000 MT for hazelnuts.

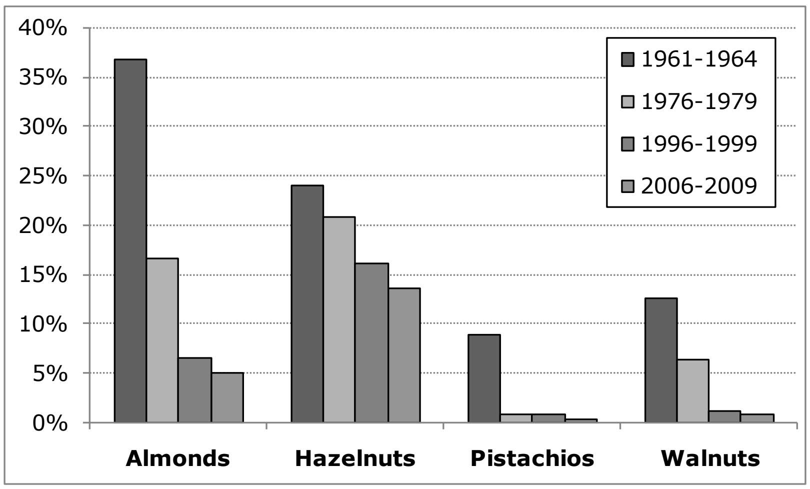
General Information:

The Italian tree nuts sector has experienced significant restructuring over the last decade, which has reduced both planted areas and production and eroded Italy's share of world production.

This restructuring is mainly due to a lack of organization among farmers, decreasing investments, strong competition from other countries, including the United States. As a result, Italy is no longer self-sufficient in nut production but has become a net tree nuts importer.

[Note: This report uses planted area data from the National Bureau of Statistics (ISTAT) even though most traders believe ISTAT data over estimates area due to the ongoing unreported uprooting of the oldest, less productive trees, while the planting of new orchards remains minimal.]

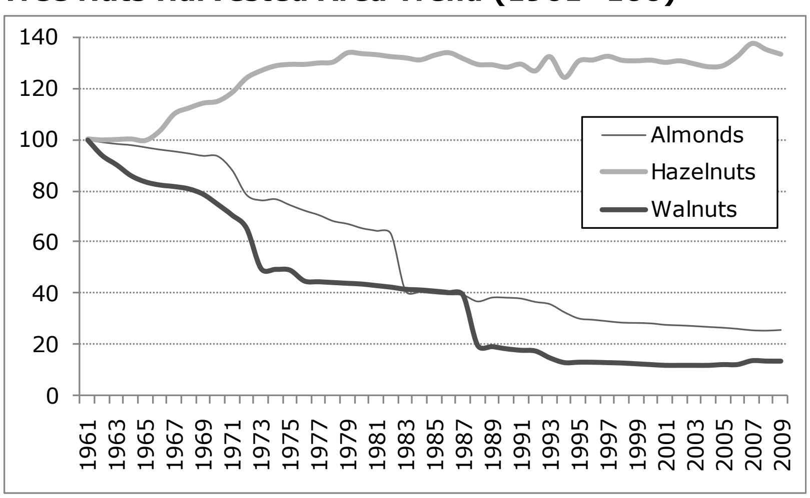
Italian Tree Nuts Production Share on World Production



*Values refer to in-shell production.

Source: FAOSTAT.

Tree Nuts Harvested Area Trend (1961=100)



Source: FAOSTAT.

Italians generally consume during the winter months following the harvest. Nuts are especially popular during Christmas in sweets and bakery products. Unpackaged sales comprise a small part of overall nut sales

I. PISTACHIOS

Production, Supply and Demand (ha, MT)

Pistachios, In shell Basis	2009/2010 MY Begin: Sep 2009	2010/2011 MY Begin: Sep 2010	2011/2012 MY Begin: Sep 2011
	Current post data	Current post data	Current post data
Area Planted	3.537	3.600	3.650
Area Harvested	3.515	3.550	3.590
Beginning stocks	200	800	200
Production	3.109	2.500	3.100
Imports	11.603	11.000	10.800
Total Supply	**14.912**	**14.300**	**14.100**
Exports	721	830	900
Domestic consumption	13.391	13.270	13.000
Ending stocks	800	200	200
Total Distribution	**14.912**	**14.300**	**14.100**

Sicily, especially the Bronte area, produces more than 90 percent of Italy's pistachio nuts. The majority of Italian pistachios are the Bianca variety (also called Napoletana), which is normally harvested in September. Pistachios from the Bronte area are sold under a PDO (Protected Designation of Origin) label issued by the EU Commission in 2010. To qualify as a PDO product, farmers must follow specific production methods, which guarantee a high quality level but also higher harvesting costs. In recent years, pistachio production has slightly expanded to other areas in Sicily, where newer, less labor and input intensive orchards have been planted.

Production

Pistachio trees production is cyclical, bearing heavily in alternate years. MY 2011/12 will be a higher bearing year, with production estimated at 3,100 MT. Despite relatively abundant harvest, domestic demand is expected to be sufficiently strong to maintain prices at high levels (€30-40/kg).

Consumption

Italian in-shell pistachios are consumed as a snack food; shelled pistachios are used by bakeries and food companies, while milled pistachios are mainly used by ice-cream makers. In MY 2011/12, pistachio consumption is expected to level off at about 13,000 MT.

Trade

Italian pistachios production is not sufficient to cover domestic demand resulting in significant imports from Iran (via Germany and Belgium) and the United States MY 2011/12 imports are expected to decline slightly because of the larger domestic harvest.

II. **ALMONDS**

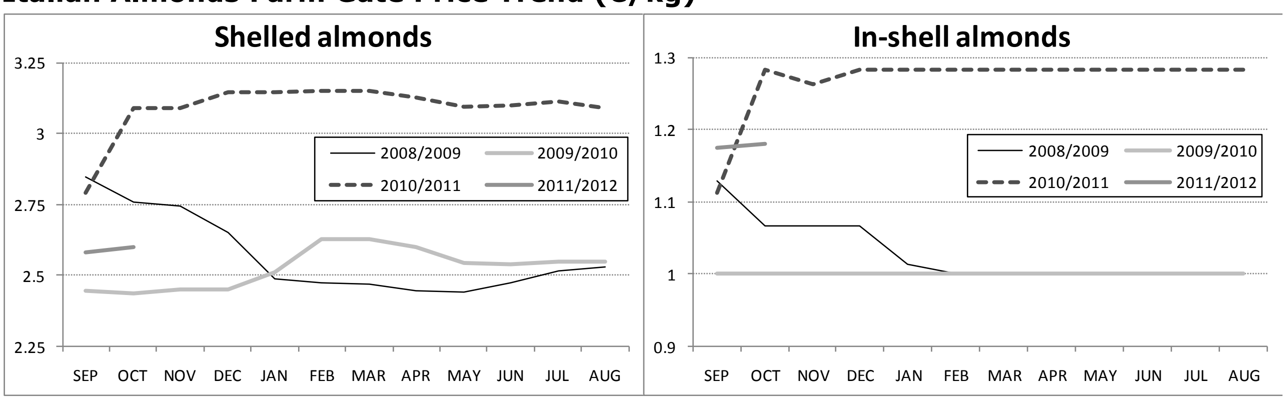
Production, Supply and Demand (Ha, MT)

Almonds, Shelled Basis	2009/2010 MY Begin: Sep 2009	2010/2011 MY Begin: Sep 2010	2011/2012 MY Begin: Sep 2011
	Current post data	Current post data	Current post data
Area Planted	79.562	77.098	75.000
Area Harvested	79.464	75.917	73.500
Beginning stocks	1.000	1.000	1.000
Production	6.000	6.000	5.000
Imports	29.719	33.000	33.500
Total Supply	**36.719**	**40.000**	**39.500**
Exports	6.191	6.500	5.500
Domestic consumption	29.528	32.500	33.000
Ending stocks	1.000	1.000	1.000
Total Distribution	**36.719**	**40.000**	**39.500**

Production

MY 2011/12 almond production is expected to decrease from the previous year to around 5,000 MT. Due to strong competition from competitively priced Californian almonds, almond cultivation in Italy is becoming less and less profitable. Almond orchards are often located in less favored areas, where mechanization is not always feasible, additionally, old orchards, lack of investments and traditional production techniques have not allowed for high and constant yields over the years. Moreover, due to decreasing profitability, many farmers have been abandoning this crop or shifting to other crops (e.g., citrus fruit, wine grapes, horticultural products) that allow them to earn higher margins. For these reasons, planted area is forecast to further decline in the future.

Italian Almonds Farm Gate Price Trend (€/kg)



Source: Ismea.

Consumption

MY 2011/12 almond consumption is forecast to remain stable. In-shell almonds are mainly sold for fresh consumption. Shelled almonds are milled and used by the confectionery industry and bakeries, especially companies producing “confetti” (traditional sugarcoated almonds).

Trade

MY 2011/12 almonds imports are forecast to increase because of competitively priced almonds coming from the United States and Spain. Italy exports its almond production to Northern European markets (mainly Germany, France, and the UK).

Italian Shelled Almonds Imports (MT)

	2008/2009	2009/2010	Sep/Jun 2009/2010	Sep/Jun 2010/2011
EU-27	8,202	11,859	10,628	11,381
Spain	4,779	9,570	8,568	9,217
Germany	1,238	880	729	798
UK	1,167	563	546	401
Netherlands	215	369	324	158
Extra EU-27	17,271	17,500	15,436	17,025
United States	15,864	16,767	14,797	16,157
World	**25,473**	**29,359**	**26,064**	**28,406**

Source: GTA.

III. WALNUTS

Production, Supply and Demand (Ha, MT)

Walnuts, In shell Basis	2009/2010 MY Begin: Oct 2009	2010/2011 MY Begin: Oct 2010	2011/2012 MY Begin: Oct 2011
	Current post data	Current post data	Current post data
Area Planted	4,000	4,100	4,000
Area Harvested	3,500	3,600	3,500
Beginning stocks	2,000	300	2,000
Production	12,000	14,000	10,500
Imports	38,373	40,500	42,000
Total Supply	**52,373**	**54,800**	**54,500**
Exports	4,419	4,600	4,500
Domestic consumption	47,655	48,200	49,000
Ending stocks	300	2,000	1,000
Total Distribution	**52,373**	**54,800**	**54,500**

Italy lost its walnut market leadership a few decades ago and is now a major importer, mainly from the United States. Most walnuts are cultivated in southern Italy (i.e., the Campania region), where the main varieties are Sorrento and Malizia. Because farmers generally grow walnut trees for both timber and nuts, nut yields and quality have suffered. Higher input costs and lower prices have negatively affected crop profitability. As a result, Italian walnut production supplies about 20 percent of domestic requirements and the remainder is imported. Some farmers in northern have established efficient and profitable walnut orchards, where orchards planted with the Chandler and Lara varieties yield about 4.2 MT/ha (in shell, dried).

Production

The MY 2011/12 walnut harvest is forecast at about 10,500 MT. On average, quality is expected to be good despite some quality problems (dried and shrunken kernels) due to hot weather. Experts estimate that normally around 25 percent of northern harvest is only suitable for processing. At the beginning of MY 2011/12, farm gate prices ranged from €1.5 per kg for the Sorrento variety to

€4.8 per kg for the Lara variety. In general, prices are forecast to remain stable due to growing demand from China.

Consumption

MY 2011/12 walnut consumption is expected to remain stable at approximately 49,000 MT. In-shell and shelled walnuts for fresh consumption are mainly purchased during the winter months. However, more consumers are increasingly purchasing walnuts all year round due to their perceived nutritional benefits. According to a recent survey, walnuts account for more than 16 percent of total Italian large retailers' tree nuts sales.

Trade

Italy mainly imports in-shell walnuts (mainly the Hartley variety) from the United States until June. After June, walnuts are imported mainly from South America (Chile and Argentina) and Australia. France is also a major supplier to the Italian market. Additionally, new suppliers, such as Ukraine and Bulgaria, have been gradually increasing their walnuts shipments to Italy for the last three years.

Italian in-shell Walnuts Imports (MT)

	2008/2009	2009/2010	Oct/Jun 2009/2010	Oct/Jun 2010/2011
EU-27	3,376	5,775	5,679	6,233
France	2,592	4,788	4,724	5,187
Germany	315	428	404	310
Extra EU-27	16,051	18,202	16,443	17,989
United States	12,861	14,640	14,555	15,758
Chile	2,284	1,798	523	597
Argentina	827	1,019	799	1,019
World	**19,427**	**23,977**	**22,122**	**24,222**

Source: GTA.

IV. HAZELNUTS

Production, Supply and Demand (ha, MT)

Hazelnuts, In shell Basis	2009/2010 MY Begin: Sep 2009	2010/2011 MY Begin: Sep 2010	2011/2012 MY Begin: Sep 2011
	Current post data	Current post data	Current post data
Area Planted	72,039	70,464	70,000
Area Harvested	70,526	67,270	68,000
Beginning stocks	23,000	12,000	10,000

Production	95,000	90,000	110,000
Imports	61,826	77,000	62,000
Total Supply	**179,826**	**179,000**	**182,000**
Exports	32,687	24,000	30,000
Domestic consumption	135,139	145,000	145,500
Ending stocks	12,000	10,000	6,500
Total Distribution	**179,826**	**179,000**	**182,000**

Italy is the second largest hazelnut producer in the world (13.5 percent of total output) ahead of the United States but behind Turkey, whose huge supply dominates the world market. Italian hazelnut producers have increasingly improved their production techniques (irrigation, fertilization, pesticide use, and mechanization) enhancing yield and maintaining Italy's competitiveness in the world market. The average farm net revenue fluctuates between €2,500 and 3,000/ha. Hazelnut production is spread around Italy with concentrations in the Piedmont region in the north, Viterbo province in the center, and the Sicily region, and Avellino province in the south.

Production

MY 2011/12 hazelnut production is forecast to increase sharply from the previous year to 110,000 MT. Although planted area is expected to remain stable, Italian hazelnuts growers should enjoy an excellent crop thanks to good temperatures (no major frosts occurred) and timely rains during the season. The production increase is also due to the cyclical swings in yields and MY 2011/12 is supposed to be an abundant year. Prices are expected to increase to €23-24 per MT due to a lower harvest in Turkey.

Consumption

MY 2011/12 hazelnut consumption is forecast at 136,000 MT, slightly lower than in MY 2010/11. Hazelnuts in Italy are sold both in-shell and shelled. In-shell hazelnuts are generally sold as a snack for fresh consumption while shelled ones (both whole and milled nuts) are usually used as a raw material for confectionary and bakery food companies. Furthermore, low quality shelled hazelnuts are often used by cosmetic companies. Approximately 90 percent of the Italian harvest goes to processing companies whereas fresh consumption represents the remaining 10 percent.

Trade

The MY 2011/12 hazelnuts trade balance is expected to improve slightly due to the enhanced domestic harvest. Figures show a stable trend over the years, with imports of shelled hazelnuts mainly imported from the world leader Turkey and but also increasingly from Azerbaijan and Georgia. Exports of shelled products are destined to Germany, France, and Switzerland.

Policy

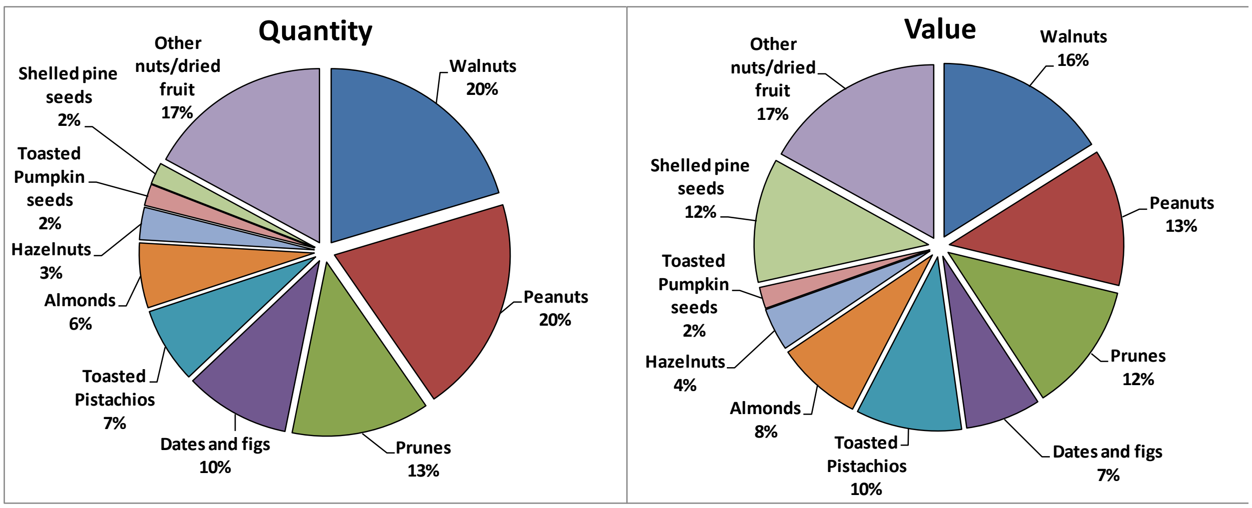
In May 2011, the Italian Ministry of Agriculture allocated €12 million to the tree nuts sector. This amount represents Italy's co-financing of EU area payments, which will be on average 241.5 €/ha. Around 90,000 hectares cultivated with tree nuts could benefit from these payments.

Marketing

Producers and nutritionist have promoted widely the tree nuts consumption in Italy for the last few years highlighting nuts perceived nutritional and health benefits, despite their high fat content. According to a recent Synphony IRI Group (a market research company) survey, tree nuts consumption increased by 12.3 percent between 2007 and 2009. Nevertheless, industry representatives believe tree nuts consumption remains negligible as only 45 percent of the Italian households consume tree nuts at least once a year.

Large retailers, which have increasingly focused on consumer nut sales, are now responsible for about 95 percent of this market. However marketing strategies are not always well targeted and there is still room for improvements.

Italian Large Retailers Tree Nuts Sales by Product (2010)



Source: Nucis Workshop (Italy, 2011).

Abbreviations and Definitions Used in this Report

Conversion factors used to convert shelled to in-shell tree nuts:

Almonds: 3.3	Hazelnuts: 2.03
Walnuts: 3.3	Pistachios: 1.5

HS Codes:
Almonds: Shelled 080212; In-shell 080211
Walnuts: Shelled 080232; In-shell 080231
Filberts/Hazelnuts: Shelled 080222; In-shell 080221
Pistachios: 080250

Ha hectare; 1 ha = 2.471 acres
MT Metric ton = 1,000 kg
MS EU member state(s)

MY Marketing Year	
Almonds, Hazelnuts and Pistachios:	September/August
Walnuts:	October/September