

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Italian Livestock and Products Outlook 2012

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Report Highlights:

Italian beef and veal production are expected to increase slightly in 2012, while pork production will likely stagnate, despite recent price increases, as reported in September. MY 2012 Italian pork meat production is expected to stagnate at 1.6 MMT following the trend in slaughtering.

Cattle and Beef

Italy is a minor beef cattle producer. Italian beef cattle operations are highly specialized in fattening, rather than in producing calves. This means that Italian cattle farms depend heavily on imports of young calves (broutard) from countries, such as France, where the industry invested in beef cows and calf production. Most of the farms fattening calves are located in the north of Italy (Lombardia, Veneto, Piemonte regions).

Italian cattle farms have been facing hard times for the last few years due to increasing input costs, difficulties accessing credit, high transportation and energy costs, increasing effluent disposal burdens, heavy bureaucratic regulatory burden, and falling demand. Moreover, biogas demand for corn, along with the need for more land required to fulfill the EU nitrates directive, enhanced the competition for land in the north of Italy. Therefore, land prices, hence land rental rates, have increased quickly further eroding farmers' balance sheet.

Cattle Production, Supply and Demand ('000 Head)

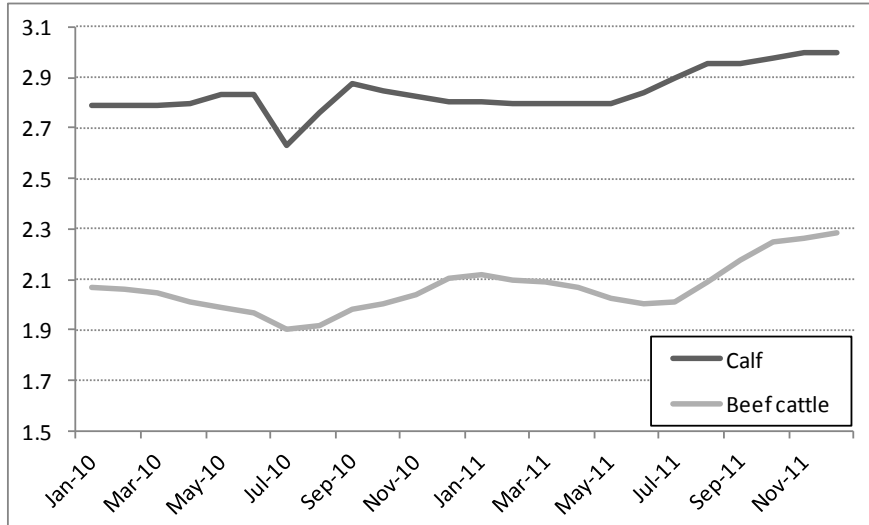
Cattle	2010	2011	2012
	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011	Marketing year begin: Jan 2012
	Current post data	Current post data	Current post data
Total Cattle beginning stocks	6,447	6,198	6,000
Dairy Cows beginning stocks	2,099	1,991	1,995
Beef cows beginning stocks	374	372	370
Production (calf crop)	2,350	2,269	2,582
Intra EU-27 imports	1,372	1,345	1,320
Extra EU-27 imports	0	0	0
Imports	1,372	1,345	1,320
Total Supply	10,169	9,812	9,902
Intra EU-27 exports	39	39	38
Extra EU-27 exports	1	4	4
Exports	40	42	42
Cow slaughter	524	520	525
Calf slaughter	932	885	895
Total slaughter	3,862	3,700	3,750
Loss	70	70	70
Ending inventories	6,198	6,000	6,040
Total distribution	10,169	9,812	9,902

Cattle stock

During MY 2011, Italy's cattle herd decreased slightly due to high input costs and to low farm-gate prices. In fact, feed prices have soared during MY 2010/11 while weak demand caused prices to drop during the first 6 months, negatively affecting profitability. As a result, farmers were forced to reduce their supply to offset the declining demand. However, feed prices slightly cooled down over the summer and cattle prices started to increase again. In September, farmers began to increase their cattle herds due to the improved market situation. As a result, MY 2012 calf

production is expected to increase slightly, while prices are expected to remain steady. This scenario is dependent on the price of calves imported from France.

Italian calf and cattle farm gate price trend (€/kg)



Source: Ismea.

Cattle Trade

Italy is a net importer of live bovines (young calves to be fattened) with approximately 1.3 million head imported in 2011. The majority of the imported calves, mainly over 300 kg/head, come from France (70 percent), Poland (9 percent), Austria (5 percent) and Ireland (5 percent). Following the decline in imports in 2008 due to the outbreak of Blue Tongue disease, Italian bovine imports recovered quickly in 2010, but slightly decreased in 2011, and are expected to further decline in 2012 due to the increased domestic production and stagnating consumption.

Italian live cattle imports ('000 head)

	2009	2010	Jan-Oct 2010	Jan-Oct 2011
EU-27	1,172	1,372	1,133	1,108
France	820	964	789	808
Poland	106	121	106	83
Austria	60	68	51	54
Ireland	45	64	56	42
Germany	39	36	31	32
Romania	17	23	20	21
Spain	22	22	17	20
World	1,177	1,372	1,133	1,108

Source: GTA.

Beef production

Beef Production, Supply and Demand ('000 MT CWE)

Beef	2010	2011	2012
	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011	Marketing year begin: Jan 2012
	Current post data	Current post data	Current post data
Beginning Stocks	0	0	0
Production	1,075	1,027	1,037
Slaughter	3,862	3,700	3,750
Intra EU-27 imports	593	555	560
Extra EU-27 imports	73	67	70
Imports	665	622	630
Total Supply	1,741	1,649	1,667
Intra EU-27 exports	168	173	180
Extra EU-27 exports	44	54	60
Exports	213	227	240
Human Dom. Consumption	1,528	1,422	1,427
Other use, Losses	0	0	0
Total Dom. Consumption	1,528	1,422	1,427
Ending Stocks	0	0	0
Total distribution	1,741	1,649	1,667

Italian 2012 beef production is forecast to increase slightly due to increasing domestic slaughtering and to decreasing imports of meat. France, Italy's major supplier, has shifted part of its trade to Turkey, reducing exports to Italy. MY 2011 Italian beef production decreased by 4.5 percent due to weak consumer demand.

Beef consumption

According to industry experts, MY 2012 domestic beef consumption is expected to stagnate at 1.42 MMT. The downward revision in the MY 2012 Italian beef consumption is due to the unexpectedly sluggish economic recovery. Italian beef consumption significantly declined in 2011, mainly due to the negative effects of the economic recession. Given the difficult economic climate, consumers are more price-conscious, and this is shifting their preferences towards cheaper fresh meat such as poultry and pork. Moreover, the ongoing health trend, along with changing consumption habits, is causing a further shift away from red meat in favor of poultry. Per capita beef consumption decreased from 25.2 to 22.8 kg during the last decade. Although Italians still prefer to buy meat at their local traditional butcher, large retailers' share in total beef sales has been increasing gradually to about 70 percent. However, both traditional and large retailers have been experiencing a drop in beef sales. Tender beef, steak, and hamburger/minced beef are the most consumed beef cuts.

Beef trade

Italy has increasingly imported beef during the last few years, with a record 665,000 MT (CWE) imported in 2010. However, MY 2011 Italian imports slightly decreased due to declining demand and are not expected to recover in MY 2012. The majority of the imported beef comes from France, the Netherlands, Germany, Poland, and Ireland, which together account for around 70 percent of total Italian imports. Moreover, Italian beef imports from the United States have increased for the last three years thanks to the zero duty quota for High Quality Beef (EC Regulation 620/2009).

Italian beef* imports ('000 MT)

	2009	2010	Jan-Oct 2010	Jan-Oct 2011
EU-27	407	416	343	321
France	83	91	75	79
Netherlands	78	75	61	60
Germany	70	71	58	51
Poland	60	58	49	36
Ireland	30	35	29	28
Austria	26	25	21	18
Spain	16	17	14	16
Denmark	15	16	13	11
Belgium	14	15	12	11
Extra EU-27	42	42	34	35
Brazil	13	18	14	15
Argentina	16	9	8	7
World	449	458	377	356

*HS codes 0201, 0202

Source: GTA.

Policy

The EC Regulation 1760/2000, implemented by the Italian Decree 08/30/2000, requires a mandatory traceability and origin labeling for beef from the slaughterhouse to the consumer. This labeling system for beef consists of two elements, a compulsory beef labeling system and a voluntary beef labeling system, with the objective of providing maximum transparency during the marketing of beef. The voluntary labeling system, which must be approved by the Italian Ministry of Agriculture, allows operators to put additional information on labels. According to this voluntary scheme, the meat can be labeled as produced from a cattle reared in Italy, only if the cattle was actually reared in Italy for at least 5 months. Moreover, farmers can get incentives (max 50 € per head) from article 68 (EC Regulation 73/2009) if they apply to the voluntary labeling system and demonstrate that the cattle were fattened in Italy for at least 7 months. Article 68 funds' include also other aids for farmers rearing specific beef cow species, ranging from € 60 to 200 per head. The EU granted the Italian regions of Emilia-Romagna, Lombardia, Piemonte and Veneto a derogation from the Nitrates directive 91/676/EC (170 kg N/ha per year) for the areas vulnerable to disposal of pig and cattle slurries through a decision taken on 3 November 2011.

Swine and Pork meat

Italian farms rearing swine have been going through difficulties for the last few years due to:

- Market fragmentation: many small farmers in the market are not able to cooperate and to concentrate the supply in order to gain bargaining power,

- Lack of valorization of fresh meat cuts,
- Growing input costs (feed, fuel, etc.),

Unlike other EU-27 countries, Italy mainly focuses its' piglet production on heavy weight swine (around 85% of total Italian slaughtering are pigs between 130 and 180 kg) in order to produce prosciutto (dry cured ham obtained from the pig's hind legs) and other processed meat food. However, this kind of production implies higher costs for farmers, especially feedings costs and other costs associated with a longer cycle. According to a recent survey, fattening pigs in Italy costs 9 percent more than in Germany and 22 percent more than in Denmark, where the average slaughtering weight is 120 and 107 kg respectively. Most of the farms are located in the North of Italy, mainly in the river Po Valley.

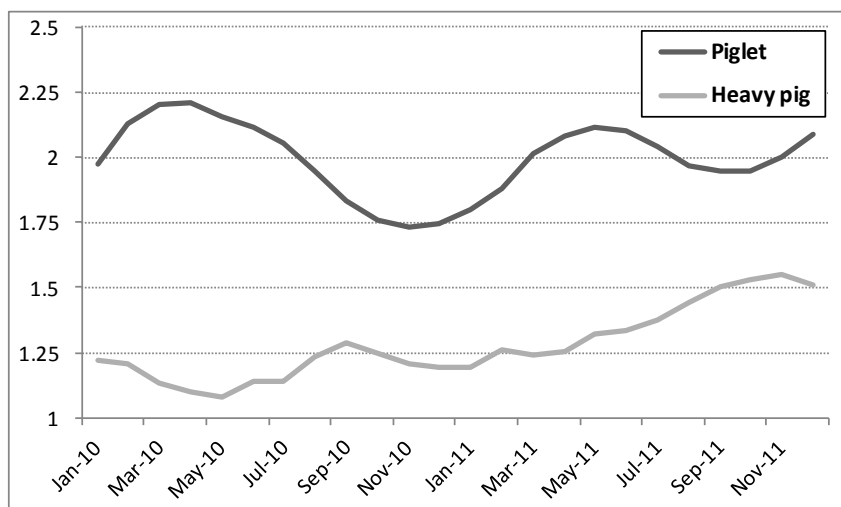
Swine Production, Supply and Demand ('000 Head)

Swine	2010	2011	2012
	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011	Marketing year begin: Jan 2012
	Current post data	Current post data	Current post data
Total swine beginning stocks	9,157	9,321	9,280
Sows beginning stocks	746	717	715
Production (pig crop)	13,223	12,513	12,675
Intra EU-27 imports	966	1,110	1,120
Extra EU-27 imports	0	0	0
Imports	966	1,110	1,120
Total supply	23,346	22,945	23,075
Intra EU-27 exports	16	14	15
Extra EU-27 exports	0	1	0
Exports	16	15	15
Sow slaughter	210	200	210
Total slaughter	13,764	13,400	13,500
Loss	245	250	250
Ending inventories	9,321	9,280	9,310
Total distribution	23,346	22,945	23,075

Swine stock

Raising pigs in Italy has become more and more unprofitable for the last 4 years. Low prices and soaring input costs (mainly feed) reduced margins and forced many farms to shut down or to reduce production. According to preliminary figures, in 2011 Italian pig production dropped by 5 percent to less than 13 million head, mainly due to a reduction in the number of the light pigs reared. The number of slaughtered swine is estimated to fall by 3 percent, accordingly. Given the weakening supply, swine prices have gradually increased for the last few months slightly enhancing farms' profitability. However, despite the current price increase, 2012 swine production will likely stagnate as reported in September.

Italian piglet and heavy pig farm gate price trend (€/kg)



Source: Ismea.

Swine trade

Swine imports figures have been revised upward since the last update. Reportedly, Italy will import more than 1.1 million head in 2012 after the significant increase occurred in 2011 due to the domestic production decline. Italy is a net live swine importer with more than 1 million head imported in 2011. The Netherlands, Denmark, Spain, and Germany are Italy's major suppliers. On average, 60 percent of the Italian live swine imports are made of young piglets (less than 50 kg) to be fattened while the remainders are live swine destined to slaughtering.

Italian live swine imports ('000 head)

	2009	2010	Jan-Oct 2010	Jan-Oct 2011
EU-27	762	966	801	957
Netherlands	293	389	330	343
Denmark	217	261	228	333
Spain	122	125	89	105
Germany	48	89	74	82
France	70	74	61	69
World	762	966	801	957

Source: GTA.

Pork meat production

Pork meat Production, Supply and Demand ('000 MT CWE)

Pork	2010	2011	2012
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	Marketing year begin: Jan 2010	Marketing year begin: Jan 2011	Marketing year begin: Jan 2012
	Current post data	Current post data	Current post data
Beginning Stocks	0	0	0
Production	1,673	1,630	1,635
Slaughter	13,764	13,400	13,500
Intra EU-27 imports	1,298	1,340	1,335
Extra EU-27 imports	4	3	4
Imports	1,302	1,343	1,339
Total Supply	2,975	2,973	2,974
Intra EU-27 exports	158	163	165
Extra EU-27 exports	43	57	60
Exports	201	220	225
Human Dom. Consumption	2,774	2,753	2,749
Other use, Losses	0	0	0
Total Dom. Consumption	2,774	2,753	2,749
Ending Stocks	0	0	0
Total distribution	2,975	2,973	2,974

The Italian pork meat industry expects MY 2012 production to stagnate at 1.6 MMT following the trend in slaughtering. MY 2011 production could be even lower but average slaughter weights were higher due to the drop in light swine slaughtering. The Italian pork meat industry mainly focuses on dry cured meat products, such as prosciutto and salami. Furthermore, a relevant portion of this processed meat is labeled as a Geographical Indication (PDO or PGI) hence gains a price premium.

Pork meat consumption

MY 2012 Italian pork meat consumption is expected to stagnate at around 2.75 MMT. Total Italian meat consumption is forecast to stagnate or slightly decrease, however according to retailers, consumers are expected to replace expensive meats such as beef with cheaper ones (pork and poultry). Recent surveys state that Italians consume every year around 18.8 kg each of processed pork meat (prosciutto, salami, etc.) and 12.9 kg of fresh pork meat.

Pork meat trade

Italy is a net importer of fresh pork meat, and a net processed pork meat exporter. Italy has been increasingly importing fresh meat in order to meet the growing domestic demand. Fresh pork meat imports increased also in 2011 to offset the decrease in the Italian output, and are expected to remain stable in 2012 driven by the domestic supply and demand setback. Germany, the Netherlands, France, Spain, and Denmark are Italy's main fresh pork meat suppliers, though Poland and Hungary are also performing well in the Italian market. Reportedly, concerns have been raised about the importing of pork, claiming that three out of every four hams now sold in Italy have been produced in another country. There is even a claim that many hams marketed as being of Italian origin in fact originate from imported meat.

Italy mainly exports processed pork meat to other EU-27 member states (Germany, France, Austria, and UK) however, extra-EU markets, such as Hong Kong, the United States, and Russia are increasingly importing high value meat from Italy. Despite the negative economic climate, Italian companies have been able to increase exports over the last 3 years. Declining domestic

consumption forced companies to find new markets and to promote their products in foreign countries. Italian pork meat exports are forecast to slightly increase in 2012 due to increasing demand in extra EU countries and to the weakening euro.

Italian pork meat* imports ('000 MT)

	2009	2010	Jan-Oct 2010	Jan-Oct 2011
EU-27	856	967	799	809
Germany	254	304	251	275
Netherlands	155	160	137	125
France	133	144	118	107
Spain	118	114	92	92
Denmark	91	109	91	92
World	861	970	801	810

*HS code 0203

Source: GTA.

Abbreviations and definitions used in this report

MT Metric ton = 1,000 kg

MS EU Member State(s)

MY Marketing year: January/December

In this report, the following HS codes and conversion factors are used:

	HS codes	Conversion factors
Cattle	0102	
Beef	0201, 0202 021020, 160250	PWE X 1.40 = CWE PWE X 1.79 = CWE
Swine	0103	
Pork	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE

PWE = Product Weight Equivalent - CWE = Carcass Weight Equivalent

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