

FRESCO: The domestic market for raw ham remains unchanged

The salvation of exports

Sales figures suggest a slight recovery, but the overabundance of Parma DOP products continues to have a negative effect in other areas.

Marta Bommezzadri

Despite being the most prestigious ham on Italians' tables and generating a yearly turnover of around 7 billion Euros, the raw ham market continues to navigate in troubled waters. The number of hams produced continues to fall year on year: yet all indications from industry professionals suggest that the end is not yet in sight. This is because the industry crisis that started in 2003, principally due to over-production, extended into 2006 and has continued despite predictions of a turnaround. Unequivocal initiatives on the part of various protection consortia, that have adopted an approach based on strict control of production and a more proactive collaboration with trade, have been to no avail – at least not in the short term. These include the stock monitoring plan advanced by the Parma Ham Consortium, with changes to various rules and regulations with respect to qualitative parameters (that have, for example, increased the minimum ageing of all hams to 12 months, even for hams less than 9 kg in weight). This new policy anticipates, in the short term, an increase in the minimum weight of legs to 11 kg, controls over the thickness of fat and a decrease in the maximum salt limits for cured ham. All in all, until the situation improves, Parma Ham Consortium headquarters remain in a high state of alert.

Taking a step back one sees that over the last four years there has been an overall increase of 11% in the number of legs assigned for protected production, contributing to a consistent increase in the number of products on the market. This has occurred within the context of a generally unfavourable economic climate, characterised by a progressive decline in food consumption, with decreasing demand absorption for Parma ham, particularly within the domestic market.

Reduction in sales has clearly brought about a significant decrease in the price of the cured product that has not allowed for the remuneration of the cost of raw materials. This phenomenon has been particularly marked over the last two years and even today – notwithstanding that the cost of ham legs is lower compared to the recent past – the sales price of the finished product continues to fall, creating widespread concern across the industry. This decrease in prices has not, however, been accompanied by price reductions to the end consumer. The pre-packaged sector is the only one to show persistent increases in sales, along with increases in exports to certain foreign markets. “In 2006 as in previous years”, explains Stefano Tedeschi, president of the Parma Ham Consortium, “overproduction of raw Parma ham has created a drop in sales prices to distributors equal to 4% that has not been translated into price cuts to the public, leading to a decrease in revenue for producers and an increase in tension between industry and trade. We are hopeful that there will be some balancing out of prices between producers and distributors in 2007. Our relaxed optimism, nevertheless, is a reflection of a reduction in the quantity produced under the Parma name: 9,326,002 compared to 9,909,657 in 2005

and stock in trade". According to many, before the industry can call victory and see the light at the end of the tunnel, production should fall by one million units. This, however, has not been the case to date.

"Inability to control the influx onto the market", explains Gianni Mozzoni, President of Italcarni and outgoing President of Istituto Parma Qualità, "risks prolonging the impasse in which the market is stuck, and compromising the potential of the entire ham industry that otherwise has all its cards on the table in terms of quality to compete at an international level". The debacle clearly does not only affect the top end of the market, as the drop in wholesale prices also has repercussions for the domestic, non-protected market and, to a lesser extent, emerging DOP products. The deflation of prices goes hand in hand with overly aggressive promotional policies, which the trade tends to exploit in order to dispose of the over-abundance of products, and that in 2006 showed no signs of weakening.

It is not surprising that certain producers, when asked about the phenomenon, refer to sectors on the brink of a breakdown, even given total sell-out in Italy that has grown slightly compared to 2005.

"The complete lack of differentiation of the product under the Parma name that exhibits extreme variations in quality standards", states Stefania Rosi, Marketing Manager of Parmacotto, "is the main problem to be resolved. From our point of view, we address the issue by constantly improving the selection of raw materials, offering a range of top-end, almost niche products such as the Riserva raw ham range and positioning the product as a speciality food, regardless of the sales format".

There are even those who think that if things do not change very soon there is a real risk that Parma will become another mortadella, downgrading a speciality product with the noblest lineage. "For the first time since WWII", declares Maurizio Manfrè, Marketing Manager of Brendolan Prosciutti, "overall consumption has decreased, both like-for-like and as a whole, by 3% and 0.5% respectively. Despite new point of sale openings, the trolley is less and less full. It is primarily the producers who must bear the brunt of costs and who are not even able to recoup capital outlay. For Parma, therefore, the future still appears to be troubled". King's, which belongs to Kipre Holding, has always said no to large retail distribution. "This is a decision", comments Giuseppe Artuso, King's Marketing Manager, "that allows us to face up to the crisis in the sector more calmly. Parma first of all".

True to tradition, in 2006 many companies concentrated investments in raw ham from the delicatessen. King's, a specialist in the sector producing for normal trade and organised distribution channels, aims to safeguard profits by strengthening its market position based on certain speciality DOP's that today account for 55% of the company's business and 500,000 units.

2007 will be the year of the *Rebello del Torretto*, the most exclusive ham in the portfolio, with 25,000 units produced and with the declared intention of doubling this quantity.

King's

Turnover 2006

47 million Euros

Contribution of raw ham 95%

Distribution channels

52% normal trade, 48% modern

No. of units produced

500,000 (speciality)

200,000(San Daniele)

Flagship product

Rebello