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Exporter Guide

Annual

2005

Approved by:
Robin Gray
U.S. Embassy

Prepared by:
Dana Biasetti

Report Highlights: This report offers U.S. companies interested in exporting food and agricultural products to Italy an overview of the country's economic situation, market structure, and export requirements, including best product export opportunities.

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Section I. Market Overview

Macro Economic Situation & Key Demographic Trends

Italy is one of the largest agricultural producer member states in the European Union. Its major trading partners in food and agricultural products are EU member states, with neighboring France and Germany each accounting for roughly a fifth of Italy's trade. Italy's major exports are wine, olive oil, cheeses, and fruits and vegetables. Italian perception of the place and role of Italian food in the global marketplace ties into the issue of protected designations of origin, or geographic indications, which represent only a small fraction of the value of total food production yet loom large in Italy's national marketing of its food exports as 'high quality and Italian".

On balance, Italy is a net importer of agricultural products. In 2004, Italy's annual imports were valued at $43 billion and exports were valued at almost $30 billion. Italy relies on agricultural imports for food or fiber manufacturing, processing, or repackaging, and subsequent export as value added, consumer ready exports. With the major exception of wine grapes, and a few other products including tomatoes and buffalo milk for mozzarella, Italy's food industries turn out finished, consumer-ready products using raw products from non-Italian sources.

Because the export market drives the Italian food processing sector, the economic performance of the world market, and particularly the economic performance of Germany and other northern neighbors, heavily influence Italian business performance. Outside the EU, where Italy competes in global food markets, the weak dollar and strong euro have continued to exert pressure on Italian food export prospects. The notable exception is the U.S. where Italian wine sales continue to grow in spite of the 'expensive' euro.

The EU-25 supplied 68 percent of Italy's global food and forestry imports in 2004. Italy's exports of wine dominate its food export profile, followed by pasta and fruits and vegetables. Italy is Europe's largest producer of organic fruits and vegetables.

According to U.S. Census data in 2004, Italy imported $763 million of U.S. agricultural products. The U.S. share is approximately 2 percent of Italy's agricultural imports, including forestry products. The United States is a supplier of high quality wheat for the pasta and confectionery industry, of fish and seafood, and a wide assortment of other foods. Although Italy is deficit in beef and poultry, the U.S. is hampered by EU imposed restrictions on U.S. exports of these meats. Therefore, the United States exports only limited quantities of meats, including horsemeat, wild boar, and game to Italy.

In 2004, major Italian imports of U.S. products were; wheat valued at $100 million (durum and bread wheat), hard and soft woods at $180 million, tree nuts at $22 million, fishery and sea food products at $56 million; seeds for planting at $32 million; tobacco at $20 million and pet food at $9.7 million. The wood sector and the pasta industry illustrate Italy's role as an importer of raw or semi-finished goods and an exporter of finished products. Italy's wood resources are meager, but it has a robust woodworking and furniture industry that was the main user in 2004 of $180 million in imported U.S. wood, most of which was manufactured and subsequently exported. Another example is pasta manufacturing. Italian farmers produce approximately 4 million metric tons of durum wheat annually and Italy imports another 2 million tons of durum, of which, in a typical year, 400,000 tons are of US origin, mostly for the manufacture of pasta. In terms of all types of wheat imports, the quantity varies annually but reached a record high of 7 million tons in the crop year 2003/2004. Worldwide, Italy exported $1.2 billion of pasta in 2004 (1,472,000 tons).

There are several other products important to U.S. suppliers that appear in Italy's export profile as finished goods, such as leather goods and textiles. U.S. exports to Italy of hides and skins in 2004 (worth $50 million) became Italian shoes and leather goods; and U.S. exports of cotton totaling $25 million were used in the Italian textile industry.

Italian Importers and Retailers

Italian importers are usually small to medium-sized companies, rather than the large, market-dominating types found in northern Europe. Consequently, these companies import smaller volumes and a broader range than their much larger European counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Price is always important, although quality and novelty alone do move some imported products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam, or directly by air.

Processed food is primarily distributed through retail grocers, convenience stores and discount grocers. Italian retail chain outlets have started to make their own purchasing decisions. (For more information on the Italian Retail Sector, please refer to Post's GAIN Report IT5005.)

Advantages and Challenges for U.S. Exporters in Italy

Advantages	***Challenges***
Imports of consumer oriented agricultural products have increased drastically in the past four years, and are expected to further increase in the years to come.	Increasing competition from EU origin imported foods. Some importers and distributors are not aware of the variety and innovative U.S. food products that can be exported to meet Italian needs. U.S. meats are excluded from the market.
U.S. products are viewed as "trendy, new and innovative", especially those with added benefits of health and lifestyle.	Educate the catering sector representatives about the high quality, variety and availability of U.S. food products. U.S. exporters need to focus on innovative products to entice Italian importers and buyers.
The exchange rate between the dollar and euro favors U.S. exports. Also, Italy being a member of the Euro zone eases market entry.	Price factor is determinant when choosing food products, and U.S. exporters must conform to often-difficult Italian/European standards and regulations.
Italians are traveling more, becoming aware of foreign cuisines. Also the growing foreign population in Italy is increasing the demand for ethnic cuisine.	Competition in the Italian food market is fierce and many consumers still have a preference for traditional Italian products.

Section II. Exporter Business Tips

Trade Regulations, Customs and Standards

As a member of the European Union (EU), the Common Agricultural Policy (CAP) governs Italy's agricultural sector. Similarly, Italy employs the same tariffs and border measures as the other EU member states. Product imported into Italy must meet all Italian and EU food safety and quality standards, as well as Italian labeling and packaging regulations. However, where an EU standard may not exist, Italy sets its own national requirements. It is important to work with experienced importers, and/or have an agent to work with Italian regulatory authorities to ensure the acceptability of specific products. Personal relationships and language ability are of value when conducting business transactions. It is also advisable for the agent to contact health authorities at the port of entry as interpretation of health directives may vary from port to port. (For more information on Product Trade Restrictions, Food Standards and Regulations, please refer to Post's FAIRS GAIN Report IT4014 and the EU FAIRS GAIN Report E34054.)

Section III. Market Sector Structure and Trends

The Italian Retail Food Sector

Italians spend 20% of their disposable income on food. In 2004 consumer spending fell drastically, with an average Italian family spending approximately $ 3,100 a month on food, while total retail sales at $ 366,766 million. In Italy there are 1.5 million foreign residents and food retail outlets have started to cater to these consumers with more foreign and ethnic foods, but these offerings remain small in the face of traditional Italian cuisine. Continuing societal tendencies toward smaller families, later marriages, and an increasing number of women in the workforce are resulting in food retail outlets offering more ready-made, ready-to-serve products and a wider range of products. Italian households still prefer fresh rather than frozen and frozen to canned food, as shopping frequency is greater in Italy than in many other European markets.

There are 7,000 food retail outlets in Italy, and over 50% of Italy's supermarkets, hypermarkets, and shopping malls are located in the North of Italy, while the south lags with fewer large retail outlets and an underdeveloped distribution network. Italian food retailing remains highly fragmented, especially in the South, which is still home to more than 70,000 traditional shops, accounting for 12% of food sales. Large retailers are starting to source products from buying groups who can ensure better deals with suppliers. Most large food retailers have joined buying groups to increase their leverage when dealing with suppliers. Although buying groups are largely the precinct of large chain food retailers, independent retailers have started to understand their value.

The Italian Hotel and Restaurant Industry

Every year more than 80 million tourists visit Italy, making it the world's fourth most attractive tourist destination. The Italian Hotel and Restaurant Industry (HRI) sector is a lucrative and growing sector (it is the second largest in the world after the United States); however, it is also diverse and fragmented. The HRI is dominated by many small establishments, with only 6% of the over 33,411 hotels belonging to international hotel chains. According to ISTAT, Italys' National Statistical Institute, in 2004 over 60 billion EUROS were spent outside of the home on food (representing 34% of national food expenditure.)

Most imported food products enter the Italian market through brokers or specialized traders. Imported products from North America often enter Italy indirectly via the Netherlands' Port of Rotterdam or directly by air. Wholesalers are the main customers for fish and seafood products, as they purchase and distribute to numerous small restaurants and hotels. Most of the processed food and raw material sourcing decisions are made directly by the restaurant chef and/or hotel Food Purchasing Director. Restaurants, hotels and catering companies tend to rely on importers, wholesalers and food manufacturers, while trattorias and pizzerias purchase directly from large retail food outlets. While there are Category Associations for the HRI sector, every establishment operates independently when it comes to sourcing decisions. (For further information on the Italian HRI Sector please refer to Post's GAIN Report IT5013)

Section IV.
Best Prospects for U.S. Agricultural Exports

U.S. bulk and intermediate commodities are used as ingredients or inputs for value-added Italian products re-exported. North American high-quality durum wheat, for example, is used to produce pasta. Italy is the world's fifth largest importer of seafood products, with an annual per capita consumption of almost 23 kg of fish and seafood. Last year Italy imported from the United States $55.8 million in seafood products. Opportunities exist in the supply of fish, especially tuna, seafood for the canning industry, frozen fish fillets such as hake, cod and plaice to meet the demand for convenient, ready-to-prepare products, peeled and processed shrimp, squid, cuttlefish, octopus and lobster. (For more information on the Italian Fishery market please see Post's GAIN Report IT4036 and Post's GAIN Report IT4032 for more information on the Italian Lobster Market.) Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

Best Products
Annual Imports from the United States to Italy
(Thousands of US $)

Product	***2001***	***2002***	***2003***	***2004***
Wine	1,021	1,091	1,233	10,425
Fruit Juice	592	547	442	602
Horse meat	1,951	1,375	2,322	2,582
Plants	968	828	728	1,139
Raisins	245	124	212	240
Seafood	42,297	43,506	48,608	55,837
Tree nuts	52,110	57,302	94,154	140,163
Wheat	166,104	157,783	170,910	200,895

Source: *BICO*

Leading Italian Agricultural Exports to the United States in 2004
(Thousands of US $)

Wine & Beer	$ 978,000
Vegetable and Olive oils	$ 510,000
Cheese	$ 223,000
Snack Foods and Chocolate	$ 103,000
Red Meats, prepared/preserved	$ 41,000
Processed Fruit & Vegetables	$ 30,000
Roasted Instant Coffee	$ 26,000

Source: *BICO*

Leading U.S. Agricultural Exports to Italy in 2004
(Thousands of US $)

Tree nuts	$126,400
Wheat	$ 94,200
Fish & Seafood	$ 57,000
Hides and Skin	$ 50,000
Planting Seeds	$ 32,400
Cotton	$ 25,400

Source: *BICO*

Key Trade & Demographic Information - Italy 2004
(Thousands of US $)

Agricultural Imports from the World 32,944,746	*Agricultural Imports from the U.S.* 697,522
Consumer Food Imports from the World 13,817	*U.S. Market Share:* 1 percent
Edible Fishery Imports from the World 3,471	*U.S. Market Share:* 1 percent
Population 58 million	*Population Growth rate:* 0.1%
Major City Centers: (13) Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	*Total Rural Population:* 48 Million
Gross Domestic Product 2004: $1.5 trillion U.S. dollars	*Per Capita Income:* $25,000
Unemployment Rate: 9 percent	*Percentage of Female Population Employed:* 28 percent
Exchange Rate: US Dollar to EURO Average 2001: $1.00 = €1.117 Average 2002: $1.00 = €1.100 Average 2003: $1.00 = €0.925 Average 2004: $1.00 = €0.820 September 2005: $1.00 = €0.814 *Source:* European Central Bank	

Source: *BICO and UN Trade Data*

Consumer Oriented Products

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Reporting Country: Italy	***Import***		
World	2002 Million US $ 11,086	2003 Million US $ 13,817	2004 Milllion US$ N/A

Reporting Country: Italy	***Import***		
United States	2002 Million US $ 108	2003 Million US $ 162	2004 Milllion US $ N/A

Fish and Seafood Products

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Reporting Country: Italy	***Import***		
World	2002 Million US $ 2,849	2003 Million US $ 3,471	2004 Milllion US $ N/A

Reporting Country: Italy	***Import***		
United States	2002 Million US $ 43	2003 Million US $ 49	2004 Milllion US $ N/A

Italy Imports of Edible Fishery Products- thousands of US $

	Rank	2000	2001	2002	2003	2004	2003-04
Leading Regional Suppliers							
World	-	2,476,279	2,767,097	2,849,002	3,470,619	NA	-100%
European Union-15	1	1,548,277	1,705,149	1,706,183	2,103,459	NA	-100%
South America	2	246,805	288,732	312,856	373,562	NA	-100%
North Africa	3	119,121	133,568	142,454	164,620	NA	-100%
ASEAN Region	4	141,254	132,421	141,987	203,431	NA	-100%
Sub-Saharan Africa	5	194,292	236,182	290,721	320,799	NA	-100%
North America	6	71,466	72,690	81,027	77,494	NA	-100%
South Asia	7	32,857	39,183	32,864	43,597	NA	-100%
Middle East	8	21,750	35,869	47,436	52,612	NA	-100%
Eastern Europe (Excl. FSU)	9	15,730	19,393	28,392	37,156	NA	-100%
China & Hong Kong	10	32,019	39,889	10,648	19,413	NA	-100%
Central America	11	12,190	7,065	11,533	15,562	NA	-100%
Non-EU West Europe	12	6,107	4,345	3,797	6,222	NA	-100%
Caribbean Islands	13	2,115	2,979	1,073	1,250	NA	-100%
Japan	14	1,056	1,509	872	439	NA	-100%
Former Soviet Union	15	284	856	596	686	NA	-100%
						NA	
Leading Country Suppliers							
Spain	1	402,732	502,746	525,641	678,295	NA	-100%
Denmark	2	285,034	292,621	272,389	319,553	NA	-100%
Netherlands	3	238,135	255,254	251,735	308,179	NA	-100%
France	4	178,865	195,800	202,583	259,968	NA	-100%
Greece	5	125,561	109,615	115,070	140,607	NA	-100%
Argentina	6	81,799	111,549	108,533	136,252	NA	-100%
Morocco	7	78,166	90,380	99,806	108,095	NA	-100%
United Kingdom	8	94,029	93,049	91,241	105,721	NA	-100%
Germany	9	96,847	98,737	90,418	102,363	NA	-100%
Thailand	10	64,321	65,850	83,326	97,883	NA	-100%
Ecuador	11	54,010	67,265	78,903	90,138	NA	-100%
Sweden	12	48,425	73,711	72,467	87,065	NA	-100%
Senegal	13	49,966	46,931	76,676	82,384	NA	-100%
Colombia	14	46,037	38,547	54,386	67,224	NA	-100%
South Africa	15	53,863	50,964	60,122	66,563	NA	-100%
Tunisia	16	40,492	41,936	42,057	55,652	NA	-100%
United States	17	48,980	46,411	43,738	48,901	NA	-100%
Seychelles	18	17,613	25,525	28,371	46,329	NA	-100%
Portugal	19	31,513	33,865	37,246	44,165	NA	-100%
Cote d'Ivoire	20	12,779	15,753	29,333	40,803	NA	-100%
Rest of World	-	427,108	510,577	484,973	584,486	NA	-100%

Source: *FAS' Global Agricultural Trade System using data from the United Nations Statistical Office*

Italy Imports of Consumer-Oriented Agricultural Total – thousands of US $

	Rank	2000	2001	2002	2003	2004	% Change 2003-04
Leading Regional Suppliers							
World	-	10,424,060	10,784,653	11,085,927	13,816,994	NA	-100%
European Union-15	1	8,861,191	9,027,995	9,226,559	11,568,776	NA	-100%
Middle East	2	189,000	208,054	240,103	293,249	NA	-100%
Non-EU West Europe	3	153,089	162,931	162,985	194,438	NA	-100%
South America	4	405,930	431,530	531,009	616,796	NA	-100%
North America	5	122,109	130,263	132,863	171,766	NA	-100%
China & Hong Kong	6	105,571	121,676	132,834	157,256	NA	-100%
Eastern Europe (Excl. FSU)	7	223,189	301,701	270,000	321,604	NA	-100%
Central America	8	74,299	96,296	78,547	114,175	NA	-100%
North Africa	9	49,872	58,107	77,113	97,302	NA	-100%
ASEAN Region	10	48,992	36,627	47,215	61,654	NA	-100%
Sub-Saharan Africa	11	82,392	78,905	75,453	81,637	NA	-100%
South Asia	12	22,273	20,452	18,787	19,314	NA	-100%
Japan	13	6,479	8,334	5,912	8,771	NA	-100%
Caribbean Islands	14	5,393	8,207	9,497	8,822	NA	-100%
Former Soviet Union	15	17,287	18,558	15,242	23,789	NA	-100%
Leading Country Suppliers							
Germany	1	2,475,430	2,640,280	2,675,878	3,353,413	NA	-100%
France	2	1,885,312	1,801,476	1,881,440	2,310,861	NA	-100%
Netherlands	3	1,528,601	1,504,370	1,483,415	1,788,469	NA	-100%
Spain	4	837,340	831,250	901,451	1,303,057	NA	-100%
Austria	5	526,533	553,962	582,909	750,385	NA	-100%
Belgium	6	570,352	642,872	634,816	745,520	NA	-100%
Denmark	7	426,026	498,956	460,656	524,142	NA	-100%
United Kingdom	8	219,507	199,368	198,096	231,202	NA	-100%
Ireland	9	179,679	114,767	144,262	231,028	NA	-100%
Turkey	10	127,484	149,024	180,044	228,735	NA	-100%
Switzerland	11	145,405	154,262	154,150	181,414	NA	-100%
Ecuador	12	111,114	119,103	176,184	172,428	NA	-100%
Greece	13	119,241	125,161	138,581	169,539	NA	-100%
United States	14	107,864	112,845	108,255	162,038	NA	-100%
China (Peoples Republic of)	15	105,223	121,362	132,286	156,907	NA	-100%
Brazil	16	110,663	132,123	129,216	143,755	NA	-100%
Argentina	17	78,441	79,469	104,249	142,478	NA	-100%
Hungary	18	71,150	105,715	85,297	110,837	NA	-100%
Chile	19	46,365	49,370	77,848	102,000	NA	-100%
Portugal	20	46,923	71,332	66,435	86,403	NA	-100%
Rest of World	-	705,362	777,603	770,505	922,392	NA	-100%

Source: *FAS' Global Agricultural Trade System using data from the United Nations Statistical Office*

Italian Trade Shows

For a complete listing of major Italian trade shows and export promotion opportunities for 2005-2007 please see Post's GAIN Report IT5032.

Section V. Key Contacts

USDA FAS Contacts in Rome, Italy

Office of Agricultural Affairs,
American Embassy, Via Veneto 119a
Rome, 00187, Italy

Tel:	(011) (39) 06 4674 2396
Fax:	(011) (39) 06 4788 7008
Website:	www.usembassy.it/agtrade/
E-mail:	agrome@usda.gov

Geoffrey Wiggin, Minister Counselor for Agricultural Affairs
E-mail: Geoffrey.Wiggin@usda.gov

Robin Gray, Agricultural Attaché
E-mail: Robin.Gray@usda.gov

Dana Biasetti, Agricultural Marketing Specialist
E-mail: Dana.Biasetti@usda.gov

Key Italian Government Agencies and Associations

Ministero delle Politiche Agricole e Forestali
(Ministry of Agriculture)
Via XX Settembre 20
00187 Roma
Tel: +39-06-46651

Ministero della Sanita'
(Ministry of Health)
Piazzale Marconi 25, Palazzo Italia,
00144 Eur-Roma
Tel: +39-06-5996966
Fax: +39-06-59946217

Ministero delle Economia e delle Finanze
(Ministry of Treasury)
Agenzia delle Dogane (Customs Agency)
Via M. Carucci 71,
00143 Roma
Tel. +39-06-50241

Istituto per il Commercio Estero
(Italian Trade Commission)
Via Liszt 21
00144 Roma (EUR)
Tel: +39-06-59921
Fax: +39-06-5422-0066

ANEIOA
(National Importers/Exporters Horticultural Association)
Via Sabotino 46
00195 Roma
Tel: +39-06-3751-5147
Fax: +39-06-372-3569

ANIPO
(National Importers/Exporters Horticultural Association)
Largo Brindisi 5
00182 Roma
Tel: +39-06-7726-401
Fax: +39-06-700-4428

FEDERAGROALIMENTARE
(Italian National Food Organization)
Via Gigli d'Oro 21
00186 Roma
Tel: +39-06-689-341
Fax: +39-06-689-3409

FEDERVINI
(Wine Trade Assoc)
Via Mentana 2B
00185 Roma
Tel: +39-06-4469-421
Fax: +39-06-494-1566

IIAS Istituto Italiano Alimenti Surgelati
(Italian Frozen Foods Association)
Via Castelfidardo 8
00185 Roma
Tel: +39-06-42741472
Fax: +39-06-42011168

UNA
(Poultry Union)
Via V. Mariano 58
00189 Roma
Tel: +39-06-3325-841
Fax: +39-06-3325-2427

UNICEB
(Livestock Meat Traders)
Viale dei Campioni 13
00144 Roma
Tel: +39-06-592-1241
Fax: +39-06-592-1478

UNIPI
(Pasta Traders Assoc)
Via Po 102, 00198 Roma
Tel: +39-06-854-3291
Fax: +39-06-841-5132