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Report Name: Food Processing Ingredients

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Report Highlights:

The Italian food-processing industry continues to be highly fragmented, characterized by a growing consolidation of smaller companies. Progress in food technology, marketing innovations, "Made in Italy" products, and exports of finished food products have all contributed to Italy's increasing demand for food ingredients. Italian consumers continue to favor bakery products, dairy products, processed meat and seafood, and snacks. Locally grown, but also ethnic, vegan and vegetarian alternatives, "free from" products (e.g. gluten, lactose, or sugar free), and super foods attract more and more local consumers. Italy depends almost entirely on raw material imports, most of which come from other EU countries.

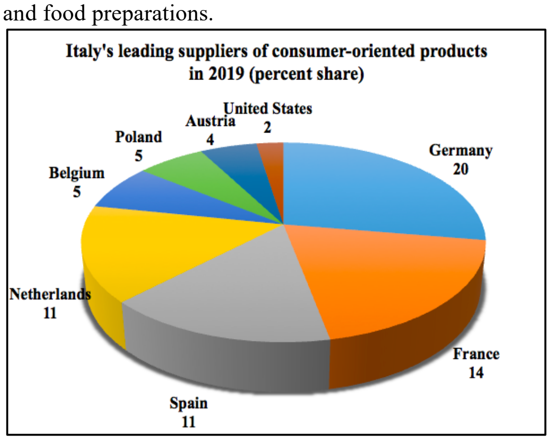
Market Fact Sheet: Italy

Executive Summary

Italy is the third-largest economy in the euro-zone, with a GDP estimated at $2.4 trillion and a per capita GDP of $39,675. Being a net agricultural importer, most raw materials and ingredients are imported, as Italy's economic strength is in the processing and the manufacturing of goods. Italy exports mainly consumer-oriented products to the United States, while the United States exports mostly bulk commodities to Italy. In 2019, U.S. agricultural, forest, and fish exports to Italy were $1.2 billion, while U.S. imports from Italy were $5.2 billion.

Imports of Consumer-Oriented Products

In 2019, Italy's imports of consumer-oriented products were approximately $23.6 billion, of which 84 percent originating from other EU27+UK member states. Imports from the EU27+UK were primarily dairy products, meat, and food preparations.



Food Processing Industry

The Italian food-processing industry is highly fragmented, characterized by a growing consolidation of smaller companies. Progress in food technology, marketing innovations, "Made in Italy" products, and exports of finished food products have all contributed to Italy's increasing demand for food ingredients. Artisanal products are at the forefront of the packaged food market. Italian consumers continue to favor bakery products, dairy products, processed meat and seafood, and snacks.

Food Retail Industry

The Italian food retail industry is higly diversified. Hypermarkets, supermarkets, convenience stores, major discount stores, and specialized stores coexist with traditional corner grocery stores and open-air markets. The majority of the supermarkets is located in northern Italy (47.1 percent), followed by the south (28.6 percent), and then by the central region (24.3 percent). Online grocery shopping is rapidly growing. Italy's food retail sales reached $145 billion in 2019, 1 percent more than 2018.

Quick Facts CY 2019

Imports of Consumer-Oriented Products: $23.6 billion

List of Top 10 Growth Products in Italy

1) Baked goods
2) Dairy products
3) Processed meat and seafood
4) Snacks
5) Cooking ingredients
6) Pasta
7) Ready meals
8) Sauces
9) Organics
10) Gluten-free

Food Industry by Channels ($ billion)

Food Industry Output	$153
Food Exports	$39.3
Food Imports	$23.6
Retail	$145
Food Service	$85

Top 10 Italian Retailers

1) Conad
2) Coop Italia
3) Selex Gruppo Commerciale SpA
4) Esselunga SpA
5) Crai Secom SpA
6) Gruppo VéGé
7) Gruppo Eurospin
8) Schwarz Gruppe
9) Carrefour SA
10) Spar Intl.

GDP/Population

Population: 60 million
GDP: $2.4 trillion
GDP per capita: $39,675

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Italy's food consumption levels are among the highest in the world.	Competition from EU countries that export to Italy tariff-free.
Opportunities	**Challenges**
Italy is dependent on raw imports for its processed food industry. Italian food products have a reputation for being of high quality.	Non-tariff barriers, including traceability requirements, can hinder U.S. exports.

Data and Information Sources:
TDM (Trade Data Monitor), Euromonitor, industry contacts.

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SECTION I. MARKET SUMMARY

The Italian food-processing industry continues to be highly fragmented, characterized by a growing consolidation of smaller companies. Progress in food technology, marketing innovations, "Made in Italy" products, and exports of finished food products have all contributed to Italy's increasing demand for food ingredients. Artisanal products are at the forefront of the packaged food market. Italian consumers continue to favor bakery products, dairy products, processed meat and seafood, and snacks. Local consumers continue to prefer fresh products rather than canned products. However, the most popular canned food products are fish and seafood (tuna in particular), meat and meat products, tomatoes, and beans. As lifestyles have become busier, prepared ready meals have become more popular. Continuous improvements in recipes and packaging, as well as new product launches have helped with the growth in ready meals, in particular among younger consumers. Chilled ready meals have proven to be more successful than dried or frozen products, as they are perceived to be fresher and more natural. Locally grown, but also ethnic, vegan and vegetarian alternatives, "free from" products (e.g. gluten, lactose, or sugar free), and super foods attract more and more Italian consumers. Italy depends almost entirely on raw material imports, most of which come from other EU countries. In 2019, U.S. agricultural, forest, and fish exports to Italy were $1.2 billion, while U.S. imports from Italy were $5.2 billion.

U.S.- Italy Agricultural Trade 2019

U.S. leading exports to Italy	Italian leading exports to the United States
Tree nuts: $362.8 million	Wine: $2.1 billion
Wheat: $181.4 million	Olive oil: $511.6 million
Soybeans: $141.1 million	Cheese: $373.5 million
Forest products: $82.9 million	Pasta: $249.9 million
Fish products: $52.8 million	Snack foods: $249.7 million
Total: $1.2 billion	**Total: $5.2 billion**

Source: BICO

Advantages	Challenges
Food consumption levels are among the highest in the world.	Competition from EU countries that export to Italy tariff-free.
Italy is the third largest market in Europe for food and drink in terms of value, and there is a reliable affluent consumer base for such products.	U.S. exporters have significantly higher transportation costs and time lags than most other European countries, given the distance between Italy and the United States.
Lifestyle changes have increased demand for processed, convenient foods.	Non-tariff barriers, including traceability requirements, can hinder U.S. exports.
Italy is highly dependent on raw imports for its processed food industry.	U.S. exporters new to the Italian market may find the Italian bureaucracy difficult to maneuver.
EU expansion creates new market opportunities for Italian food and drink exports, for which the Italian food processing industry will need additional ingredient inputs.	U.S. products and ingredients, while innovative, may be perceived as overly processed and less wholesome than their Italian/European counterparts which are marketed as traditional and seen as having more "natural" ingredients.

Key market drivers include:

- Italy is a major food processor and a net agricultural importer
- Increasing interest in healthy and functional foods
- Aging population
- Health conscious consumers

SECTION II. ROAD MAP FOR MARKET ENTRY

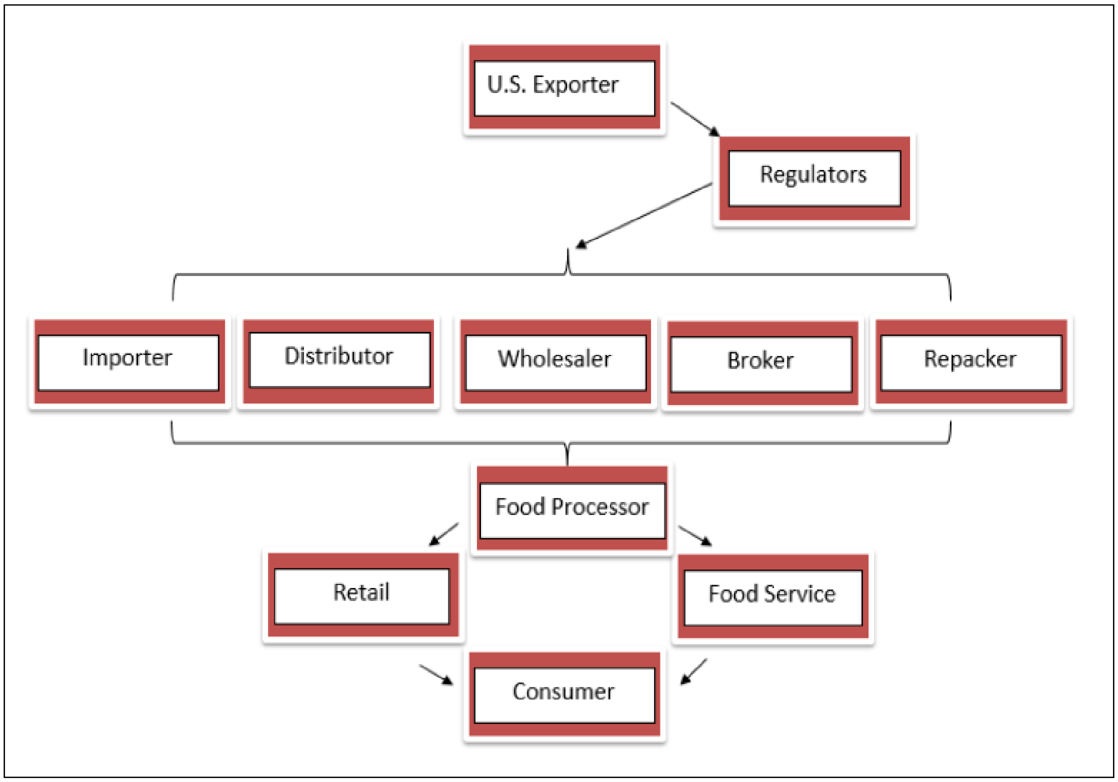
- **Entry Strategy**

- Identify a key importer, broker, distributor, agent, or wholesaler, as they know how to best navigate the import and distribution process. They are key to doing business in Italy. Food importing is a specialized business, and an importer plays a pivotal role in navigating the hurdles of Italian and EU food law. Italian importers are mostly small to medium-sized companies and normally carry a whole range of products. Processed food is primarily distributed through retail grocers, convenience, and discount stores. The terms and length of association between the U.S. company and the Italian company are normally established by contract.
- Survey existing and potential opportunities by reviewing FAS GAIN reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges. Price is always important, although quality and novelty alone do move some imported products.
- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers. Italians place a lot of importance on first building the trust to consolidate the business relationship.
- Be willing to meet special EU labeling requirements and consider working through a consolidator or participating in mixed container shipments.
- Participation in some of the larger European international food trade shows (ANUGA, SIAL, and TUTTOFOOD) offers a good opportunity to get a sense of the Italian market and provides the opportunity to meet potential Italian importers or distributors.

- **Import Procedure**

- All imports are covered under European Union (EU) regulations.
- Work with experienced distributor or independent reliable agent to counsel on import duties, sanitary regulations, and labeling requirements. Personal relationships and language ability are of value when conducting business transactions.
- Imports from a third country must clearly identify country of origin.
- Custom duties are applied to all products and rates depend on product being processed or unprocessed.
- Imported products from North America often enter Italy indirectly from the Port of Rotterdam or directly by air.

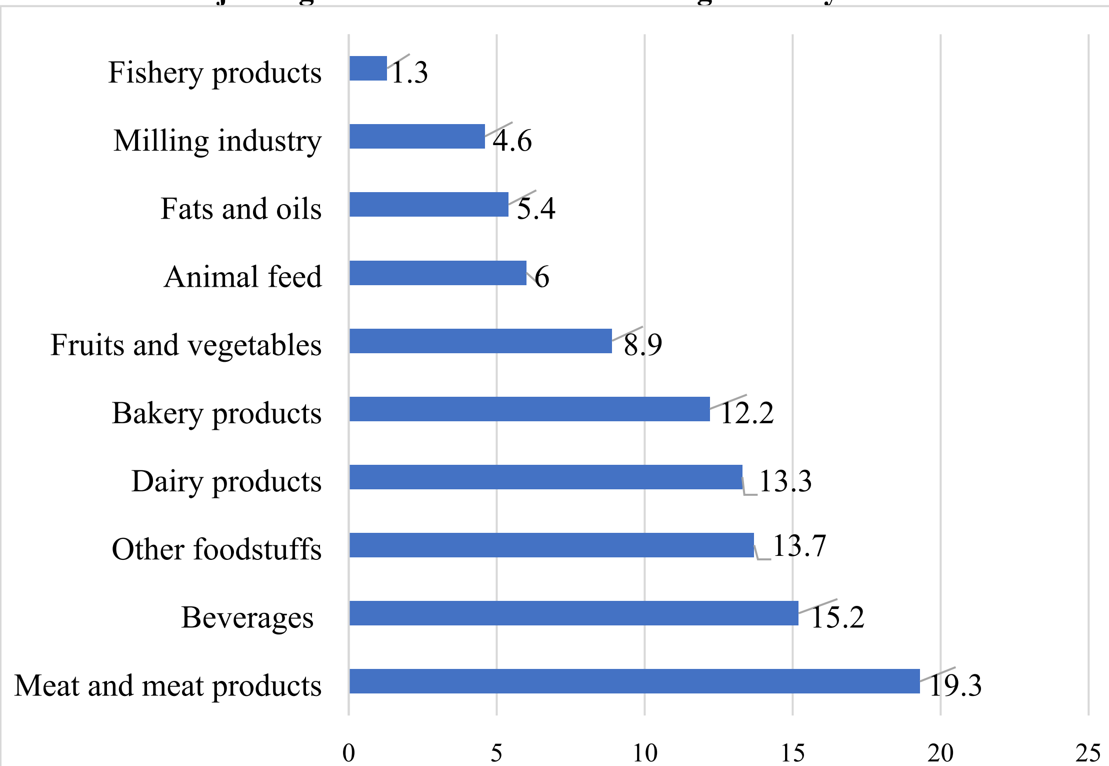
- **Distribution Channels**



- **Market Structure**

- Italy's food processing industry is well developed and has access to a wide range of food ingredients and suppliers.
- Italian producers source their ingredients from brokers, agents, local importers, and wholesalers.
- Only large processors import ingredients directly from foreign suppliers.
- Retailers usually purchase directly from the processor or the buying organization.
- The Hotel Restaurant and Institution (HRI) sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.
- U.S. exporters of food processing ingredients usually enter the Italian market through a specialized ingredients importer.
- A good importer will be your partner in promoting your product to his or her customers.
- The most common entry strategy for small-and medium-sized U.S. companies is dealing either directly with a local wholesaler or broker or indirectly through an export agent or consolidator.

- **Share of Major Segments in the Food Processing Industry 2018**



Source: ISTAT (Italian Institute of Statistics), industry contacts

- **Leading Food Processing Companies**

Meat and meat products
Gruppo Cremonini - https://www.cremonini.com/
Gruppo Veronesi - http://www.gruppoveronesi.it/bpweb/SitoVeronesi.nsf/home
Amadori - https://www.amadori.it/amadori/storia
Consorzio del Prosciutto di Parma - https://www.prosciuttodiparma.com/
Fratelli Beretta - http://www.fratelliberetta.com/
Ferrarini - https://en.ferrarini.com/

Pasta
Barilla - https://www.barilla.com/it-it

Bakery products
Bauli - https://www.bauli.it/
Mulino Bianco - https://www.mulinobianco.com/

Chocolate and sweets
Ferrero SpA - https://www.ferrero.it/
Perfetti Van Melle Group - http://www.perfettivanmelle.com/
Nestle' Italia - https://www.nestle.it/

Dairy products
Galbani - http://www.gruppolactalisitalia.com/hubpage/
Granarolo SpA - https://www.granarologroup.com/
Parmalat SpA - http://www.parmalat.com/en/

Frozen fruits and vegetables
Findus - https://www.findus.it/noi-di-findus/findus-storia
La Valle degli Orti - https://www.lavalledegliorti.it/
Orogel Surgelati - https://www.orogel.it/

- **Sector Trends**

- Domestic food expenditure is recovering, both at home and abroad.
- Changes in demographics and working patterns; demand for convenient and ready-to-eat foods.
- New labeling and traceability requirements, in addition to environmental and animal welfare requirements, are forcing consolidation at all levels of the food chain, from farm to fork.
- Italian consumers increasingly look for organic and natural products, especially those sourced locally, feeling as though they are supporting their communities and their economic recovery.
- Demographic evolution is driving changes in consumer buying habits, due to smaller households. Single and two person households are growing and households of 4 or more persons declining.
- Consumers tend to buy more expensive, value-added products, or meal components when cooking for only one or two persons.
- Increasing elderly population.

SECTION III. COMPETITION

Italy's main trading partner is the EU27+UK, supplying approximately 71 percent of the total agricultural, forest, and fish products, and nearly 84 percent of consumer-oriented products. Proximity and price make the EU27+UK more attractive and competitive.

Italy's leading suppliers of consumer-oriented products

Partner	January - December (Value: USD)			Market Share (%)			%Δ 2019/18
	2017	2018	2019	2017	2018	2019	
World	22,806,048,636	23,756,723,115	23,628,094,102	100	100	100	-0.54
EU27+UK	19,180,213,766	19,961,395,623	19,810,520,427	84.10	84.03	83.84	-0.76
Germany	4,651,307,424	4,770,860,732	4,747,474,699	20.40	20.08	20.09	-0.49
France	3,331,863,403	3,368,224,588	3,336,878,623	14.61	14.18	14.12	-0.93
Spain	2,507,412,348	2,653,460,964	2,699,726,852	11	11.17	11.43	1.74
Netherlands	2,511,246,009	2,682,274,673	2,683,583,176	11.01	11.29	11.36	0.05
Belgium	1,229,028,051	1,302,174,916	1,286,702,230	5.39	5.48	5.45	-1.19
Poland	1,166,333,727	1,183,430,124	1,110,588,177	5.11	4.98	4.70	-6.16
Austria	987,128,399	987,185,311	931,101,627	4.33	4.16	3.94	-5.68
United States	418,371,410	406,698,882	442,587,533	1.83	1.71	1.87	8.82

Source: Trade Data Monitor (TDM)

Competitive situation for selected consumer-oriented products

Commodity	Italy's imports from the world 2019	Italy's imports from the United States 2019	Key constraints over market development	Market attractiveness for the United States
Pork meat and products	$2.5 billion	$1.1 million	Competition from other EU countries, mainly Germany, the Netherlands, Denmark, and Spain.	Increasing domestic consumption.
Food preparations	$2 billion	$6 million	Competition from other EU countries, mainly Germany, the Netherlands, and France.	Growing demand from consumers and manufacturers.
Chocolate & cocoa products	$1 billion	$546,612	Competition from other EU countries, mainly Germany, France, and Belgium.	Growing demand from consumers, manufacturers, and confectionary industry.
Beer	$646 million	$3.2 million	Competition from other EU countries, mainly Belgium and Germany. Transport costs and time.	Italian drinking culture is changing. The beer market is growing with increased imports, new breweries, and pubs where high quality beer is served at reasonable prices.
Almonds	$368 million	$202 million	Competition from Spain.	Growing demand from manufacturers, confectionary, and snack industry.

Source: (TDM)

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

- **Products present in the market which have good sales potential**

  - Tree nuts
  - Food preparations
  - Snack foods
  - Condiments and sauces

- **Products not present in significant quantities, but which have good sales potential**

  - Functional and health food
  - Free-from products (lactose-free, gluten-free, sugar-free)
  - Specialty foods
  - Organic products

- **Products not present in the market because they face significant barriers**

  - Beef, other than that sold through the High Quality Beef Quota
  - Poultry (sanitary procedures – chlorine wash)
  - Processed food products containing genetically engineered (GE) ingredients

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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FAS Italy publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN) at:
www.fas.usda.gov/data/search?f[0]=field_countries%3A39&f[1]=field_countries%3A371

Attachments:

No Attachments