

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Italy

### EXPORTER GUIDE ANNUAL

### Road Map to the Italian Market

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**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.

**Post:**

Rome

**Commodities:**

## **Executive Summary:**

## **Author Defined:**

### *Section I. Market Overview*

#### *Macro Economic Situation & Key Demographic Trends*

Italy has a diversified industrial economy with roughly the same total and per capita output as France and the UK. Most raw materials required by Italian industry, including the food processing sector, and more than 75 percent of energy requirements, are imported. Over the past decade, Italy has pursued a tight fiscal policy in order to meet the requirements of the Economic and Monetary Union and is part of the Euro Zone. Italy has moved slowly, however, on implementing needed structural reforms, such as lightening the high tax burden and overhauling Italy's rigid labor market and over-generous pension system, because of the current economic slowdown and opposition from labor unions. But the leadership faces a severe economic constraint: Italy's official debt remains above 100 percent of GDP, and the Berlusconi government has found it difficult to bring the budget deficit down to a level that would allow a rapid decrease in that debt.

The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises. Italy also has a sizable underground economy, which by some estimates accounts for as much as 15 percent of GDP. These activities are most common within the agriculture, construction, and service sectors. Italy's official debt remains above 100 percent of GDP, and the fiscal deficit -1.5 percent of GDP in 2007 - could approach 3 percent in 2009 as political pressure to stimulate the economy and the costs of servicing Italy's debt rise. The economy will continue to contract through 2009 as the global demand for exports drop.

Italy is one of the largest agricultural producers in the European Union (EU). 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 consist of 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 2008, Italy imported \$1.1 billion of U.S. food and agricultural products. Italy's total annual food and agriculture imports were more than \$40 billion. The EU remains Italy's most important trading partner with the top five suppliers being France, Germany, Spain, the Netherlands and Austria, while the main importers of Italy's goods, in addition to Germany and France, were the United States, followed by the UK and Spain. Wine dominates Italy's food exports, followed by pasta, virgin and extra-virgin olive oil, canned tomatoes, cheese, biscuits and baked goods. The United States is Italy's largest non-EU market. The United States imported more than \$3.4 billion worth of Italian food and agricultural products in 2008. Due to its large food processing sector's need for inputs, Italy has become a net agricultural importing country. Processed food products make up 77 percent of exports and 65 percent of imports.

The United States is, for Italy, primarily a supplier of high quality inputs for Italian food processing—wheat for pasta and

confectionary, forest products for furniture and housing components, tree nuts for bakery products, seeds for planting, hides and skins, seafood for the restaurant sector, and tobacco. While consumer-ready products also do succeed in this market, the EU's system of making technical conclusions subordinate to political decisions has constrained trade for many U.S. products, but in particular, meats and products containing genetically modified ingredients.

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 influences 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 United States where Italian wine sales continue to grow in spite of the 'expensive' euro.

### ***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.

### ***Advantages and Challenges for U.S. Exporters in Italy***

<b><i>Advantages</i></b>	<b><i>Challenges</i></b>
U.S. products are viewed as “trendy, new and innovative”, especially those with added benefits of health and lifestyle.	Strong cultural presumptions that Italian food products are superior to those of foreign suppliers.
Growing niche market for ethnic foods. Italians are traveling more, becoming aware of foreign cuisines.	Ingrained political opposition to modern biotechnology, which leads distribution chains to avoid GMO products.
Weak dollar versus a strong EURO favors U.S. exports.	The detention of U.S. products by Italian border inspectors for not conforming to EU sanitary standards.
U.S. fast food chains, theme restaurants, and the food processing industry are demanding U.S. origin ingredients.	Need to develop and invest in the relationship with the Italian trade contacts and the marketing of the product. Supermarket and hypermarket shelf space and product placement is expensive.

## ***Section II. Exporter Business Tips***

### ***Trade Regulations, Customs and Standards***

As a member of the 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 labeling and packaging regulations. 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 IT9021.

### ***Section III. Market Sector Structure and Trends***

#### ***The Italian Food Retail Sector***

Italians spend an enormous amount of their disposable income on food, beverages and tobacco (more than 20%). In 2007 household expenditure in Italy on food and drink (including alcoholic beverages) was approximately \$187 billion. The results were mainly due to increases in the price of food due to an increase in the price of raw materials (mainly cereals) and the cost of energy. In Italy there are 3.42 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.

With Europe's Muslim population growing rapidly, halal butcher shops and restaurants are becoming more commonplace, and there is an increased crossover between Muslim and non-Muslim cuisine. More than 1 million Muslims now live in Italy, and, according to reports, halal foods are making inroads into the local cuisine alongside North African and Middle Eastern spices.

Continuing 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.

The main groups in modern retailing in Italy are the following with a total of 32,279 outlets:

***Centrale Italiana*** - (COOP, Despar, Sigma, Il Gigante)

***Centrale CONAD*** - (Conad, Standa-Rewe, Interdis)

***Esd Italia*** - (Selex, Esselunga, Agora')

***Gruppo Carrefour*** - (Carrefour, Finiper)

***Sisa-Coralis*** - (Sisa, Coralis)

***Auchan/Intermedia*** - (Bennet, Pam, Crai, Lombardini, Auchan)

***C3***

***Lidl***

***Eurospin***

Geographically speaking, the number of food outlets showed the greatest increases in the Center. Italian food retailing is still very fragmented and dominated by a high number of small to medium-sized outlets. Most of the supermarkets, hypermarkets,

and large shopping malls are mainly located in the North of Italy, while the south continues to lag behind with fewer retail outlets and a still underdeveloped distribution network. Large retailers have started to source products from buying groups who can ensure better deals with suppliers, while some large food retailers have decided to join 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. A number of large multinational retailers have either merged or made acquisition agreements with local Italian players, in order to assimilate know-how and avoid fairly strict Italian regulations.

Discount retailers are slowly emerging in the Italian market, but have had to modify their market approach by catering to Italian consumer preferences. Hard discounting in the past has proven not to work in Italy but by modifying their image and offering a mix of branded and private label products they seem to have made inroads with the Italian consumer.

Private label products have also seen a surge in acceptance by Italian consumers. Each retailer has begun to offer a variety of private label food products, targeting different types of consumers, especially in the organic or typical regional categories.

Centrale Italiana's COOP is presently the most important retailer in Italy. Born as a cooperative between farmers, they have succeeded in incorporating small to medium sized Italian businesses, which have flourished by maintaining their in-depth knowledge and appreciation of Italian and local tastes and needs.

The two most important foreign retailers currently present in Italy are Carrefour and Auchan. Auchan has chosen to enter the Italian market with various formats; hypermarkets, supermarkets, department stores, variety stores and hardware stores, while Carrefour's formats include hypermarkets, supermarkets and convenience stores, with supermarkets being their best performer.

### ***The Italian Hotel and Food Service Industry***

Every year more than 87 million tourists visit Italy, making it the world's fourth most attractive tourist destination. The Italian Hotel and Food Service Industry 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. It is dominated by many small establishments, bed and breakfast, youth hostels, camping's, resorts and rural tourism belonging to foreign investors.

#### ***Italian Hotel Breakdown – 2008***

<b><i>Stars</i></b>	<b><i>Number of hotels</i></b>	<b><i>Number of rooms</i></b>	<b><i>Number of beds</i></b>
<b>5</b>	254	22.570	47.202
<b>4</b>	3.950	265.461	546.673
<b>3</b>	17.038	549.108	1.124.629
<b>2</b>	7.718	136.716	256.840
<b>1</b>	4.808	60.855	111.666
<b>Total</b>	33.768	1.034.710	2.087.010

**Source:** Federalbergi – Italian Hotel Association

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 Hotel and Food Service sectors, each establishment operates independently when it comes to sourcing decisions.

Changing Italian lifestyles, with more workers now forced to spend their lunch hours outside of the home due to either longer commuting times or shorter lunch breaks, have given a boost to the food service industry. Italy is slowly moving towards trends and lifestyles seen in other European countries, and it is forecast that an increasing numbers of consumers will eat out during their lunch breaks and possibly also for their evening meals as a result of their jobs, long working hours and business meetings. In the future very few will be able to have a siesta in the afternoon, while most will have to cut down on their lunch break time. Although lunch breaks are likely to become shorter, it is unlikely that most Italians will eat lunch at their desks. Italians still prefer leaving the office for a quick bite.

#### ***Section IV.***

##### ***Best Prospects for U.S. Agricultural, Fish and Forestry 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 25 kilograms of fish and seafood. Last year Italy imported from the United States \$78 million in seafood products.

Opportunities exist in the supply of fish, especially tuna, salmon, crab, surimi, roe, 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. Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

##### ***Leading U.S. Agricultural Exports to Italy***

*(Thousands of U.S. \$)*

***Cumulative To Date Values in Thousands of dollars  
January-December***

<b>Product</b>	<b>2005 Value</b>	<b>2006 Value</b>	<b>2007 Value</b>	<b>2008 Value</b>	<b>Jan - Jul 2008 Value</b>	<b>Jan - Jul 2009 Value</b>	<b>% Change</b>
Consumer Oriented Agricultural							
Total	275,524	251,546	279,753	367,721	194,115	154,157	-21
Bulk Agricultural Total	177,780	126,202	245,395	273,590	164,702	59,154	-64
Forest Products Exc Pulp/paper	177,684	195,662	228,543	191,004	124,014	75,414	-39
Intermediate Agricultural Total	113,976	127,187	165,175	189,670	116,772	147,676	26
Tree Nuts	170,384	150,403	134,723	136,909	56,452	44,013	-22
Wheat	118,489	87,223	155,761	102,748	39,119	44,985	15
Processed Fruit & Vegetables	18,119	18,976	31,769	98,205	55,770	53,715	-4
Hardwood Lumber	91,745	112,463	111,314	81,397	52,876	34,300	-35
Soybeans	12,061	5,136	40,218	81,353	59,422	2,041	-97
Fish and Seafood Products, Edible	61,379	66,474	83,469	79,912	41,587	40,841	-2
Crustaceans	53,040	54,112	64,353	66,151	32,760	32,910	
Logs & Chips	35,088	38,926	68,820	61,693	40,021	23,758	-41
Wine & Beer	42,309	46,774	49,655	57,138	32,151	28,630	-11
Hides & Skins	60,970	59,418	52,206	56,746	39,408	21,956	-44
Coarse Grains	1,726	2,423	11,485	55,123	45,129	832	-98
Vegetable Oils Exc Soybean Oil	9,029	23,370	58,839	36,353	12,178	56,806	366
Planting Seeds	16,498	11,735	18,100	32,882	16,260	11,733	-28

Panel Products (inc. Plywood)	28,860	30,816	32,728	30,168	20,435	9,949	-51
Other Intermediate Products	15,139	11,303	15,297	26,535	21,984	20,155	-8
Pet Foods (Dog & Cat Food)	13,675	7,496	22,588	23,674	16,076	3,871	-76
Other Consumer Oriented Produc	16,147	17,364	17,392	18,610	10,429	9,583	-8
Cotton	16,527	10,941	23,908	16,488	12,192	3,002	-75
Red Meats,Fresh/Chilled/Frozen	4,328	3,846	10,764	14,729	11,687	5,049	-57
Soybean Meal	0	237	0	13,370	10,851	23,529	117
Essentail Oils	4,072	4,473	8,626	11,657	8,324	4,700	-44
Softwood and Treated Lumber	11,734	10,060	9,377	10,318	6,337	3,105	-51
Pulses	5,782	4,913	8,322	10,139	6,787	4,432	-35
Nursery Products & Cut Flowers	4,877	2,657	5,759	7,850	2,971	2,991	1
Other Value-Added Wood Product	10,257	3,397	6,304	7,429	4,346	4,302	-1
Feeds & Fodders (Exc Pet Food)	5,547	10,023	8,911	6,853	4,849	6,268	29
Molluscs	2,610	3,611	7,534	5,223	3,720	3,598	-3
Salmon	2,631	3,296	6,204	4,982	1,700	2,003	18
Peanuts	887	558	977	4,867	685	1,813	165
Live Animals	2,397	4,126	2,714	4,741	2,547	428	-83
Other Fishery Products	1,550	5,077	5,258	3,330	3,190	2,294	-28
Eggs & Products	2,116	1,199	2,103	2,576	1,849	2,533	37
Dairy Products (Excl. Cheese)	1,036	1,142	1,575	2,557	1,861	458	-75
Red Meats, Prepared/Preserved	176	73	176	1,561	1,515	257	-83
Poultry Meat	141	178	412	1,408	1,356	923	-32
Tea (Incl. Herb Tea)	686	677	19	1,164	508	639	26
Snack Foods (Exclud. Nuts)	1,214	530	837	1,036	860	342	-60
Fruit & Vegetable Juices	295	345	693	782	573	270	-53
Other Bulk Commodities	128	83	11	655	207	101	-51
Sugar/Sweetener/Beverage Bases	281	324	429	503	370	199	-46
Rice	598	1,707	192	475	225	381	69
Cheese	5	117	0	398	295	0	
Rubber & Allied Gums	1,147	1,150	908	371	315	74	-77
Groundfist & Flatfish	1,261	147	119	225	217	36	-84
Fresh Vegetables	181	318	241	167	158	324	105
Other Oilseeds	473	1,955	1,449	150	111	161	45
Fresh Fruit	522	129	1,049	71	68	278	309
Breakfast Cereals/Pancake Mix	0	0	17	50	43	921	2,044
Tobacco	18,567	9,181	2,146	48	0	433	
Animal Fats	37	98	48	17	0	11	
Soybean Oil	5	2,080	5	14	0	79	
Raw Beet & Cane Sugars	0	0	0	9	0	0	
Raw Coffee	711	255	0	0	0	261	
Wheat Flour	0	0	0	0	0	1,812	
Surimi	287	231	0	0	0	0	
Total	1,612,685	1,534,142	2,004,672	2,203,795	1,282,381	954,484	-26

**Key Trade & Demographic Information - Italy 2008**

(Thousands of U.S. \$)

<b>Agricultural, Fish and Forestry Imports from the U.S.</b>	<b>Consumer Food Imports from the U.S.:</b>
1,099,916	364,634
<b>Fish and Seafood Imports from the U.S.:</b>	<b>Unemployment Rate:</b>

80,020	6.8 percent
<b>Italian Population</b> 59,619,290 (1 January 2008)  <b>Foreign Population</b> 3,432,651 (1 January 2008)	<b>Total Rural Population:</b> 20 Million  <b>Total Urban Population:</b> 40 Million
<b>Major City Centers: (13)</b>  Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	<b>Per Capita Income:</b> \$30,400
<b>Gross Domestic Product:</b> \$1.821 trillion	<b>Labor Force</b> 25 million
<b>Exchange Rate: EURO per U.S. Dollar</b>  Average 2008: €0.6827 = \$1.00 Average 2007: €0.7345 = \$1.00 Average 2006: €0.7964 = \$1.00	

*Source: BICO, ISTAT, Global Trade Atlas, European Central Bank, and CIA Fact Book*

## **Section V. Key Contacts**

### **USDA FAS Contacts in Rome, Italy**

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### **Key Italian Government Agencies and Associations**



***Ministero delle Politiche Agricole e Forestali***

(Ministry of Agriculture)

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***Ministero della Sanita'***

(Ministry of Health)

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***Ministero delle Economia e delle Finanze***

(Ministry of Treasury)

Agenzia delle Dogane (Customs Agency)

Via M. Carucci 71,

00143 Roma

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***Istituto per il Commercio Estero***

(Italian Trade Commission)

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***ANEIOA***

(National Importers/Exporters Horticultural Association)

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***ANIPO***

(National Importers/Exporters Horticultural Association)

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***FEDERAGROALIMENTARE***

(Italian National Food Organization)

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***FEDERVINI***

(Wine Trade Assoc)

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***IIAS Istituto Italiano Alimenti Surgelati***

(Italian Frozen Foods Association)

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***UNA***

(Poultry Union)

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***UNICEB***

(Livestock Meat Traders)

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***UNIFI***

(Pasta Traders Assoc)

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