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Italy

Food Processing Ingredients

2015 Italian Food Processing Ingredients Sector

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Report Highlights:
The Italian food-processing industry continues to be highly fragmented, and depends almost entirely on raw material imports, most of which come from other EU countries. In recent years the sector has been characterized by the growing consolidation of smaller companies and by an increasing number of joint ventures. The ten leading food-processing companies account for approximately 40% of the sector's sales, excluding exports.

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Italian Food-Processing

Like the Italian retail sector, the food-processing industry is highly fragmented, and, in recent years, has been characterized by a growing consolidation of the smaller companies and an increase in the number of joint ventures. The ten leading food-processing companies account for approximately 40% of the sector's sales, excluding exports. Growth in recent years has been strongest in the production of frozen foods, pasta, and roasted coffee. Italy depends heavily on imports, most of which come from other EU countries and the United States. Italian consumers continue to prefer fresh products rather than canned ones. However, the most popular canned food products are fish and seafood (tuna in particular), meat and meat products, tomatoes and beans.

Bilateral Ag Trade 2014 (Food, Fish and Forestry)

Total U.S. Exports to Italy: $1.4 billion	Total U.S Imports from Italy: $4.1 billion
Tree nuts: $276.0 million	Wine and Beer: $1.77 billion
Forest products: $176.5 million	Consumer oriented: $632.0 million
Wheat: $147.3 million	Vegetable oils: $578.0 million
Soybean Meal: $103.1 million	Cheese: $323.8 million
Fish products: $94.1 million	Snack foods: $156.3 million
Processed vegetables: $93.4 million	Red meats: $111.4 million
Beef and beef products: $74.7 million	Forest products: $99.3 million
Soybeans: $53.6 million	Processed fruits & vegetables: $81.7 million

- Italy is a major food processor and a net agricultural importer
- U.S. exports mostly bulk commodities to Italy.
- Italy exports mainly consumer products to the United States.

The agricultural balance of trade is nearly 4:1 in Italy's favor, although there used to be parity before Italy joined the European Union. The United States exports bulk and intermediary products to Italy, which in turn are transformed into high value items like cured meats and cheeses, pasta, shoes, and furniture which are then re-exported to the United States. Opportunities exist for tree nuts, wheat, hides and skins, and wood/lumber - all sectors that have seen growth in recent years. Italy also is the world's fifth largest importer of seafood products, with an estimated annual consumption of almost 21 kilograms of fish and seafood. Last year Italy imported $94 million from the United States 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.

Artisanal products are at the forefront of the packaged food market. Although artisanal is associated with higher prices, Italian consumers continue to favor this category, such as bakery, ice cream and confectionery. Italy is the birthplace of the Slowfood movement where artisanal food continues to reign supreme. These products are perceived as traditional - made with fresh ingredients preferably by local operators.

As Italian lifestyles have become busier, prepared ready meals are on the rise. Continuous improvements in recipes and packaging as well as new product launches have helped with the positive growth in ready meals. In spite of the strong culinary tradition in Italy, ready meals continue to increase in popularity 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.

The main cuisine represented in frozen ready meals remains Mediterranean (Italian and to a lesser extent Spanish) followed distantly by Chinese food. Being still a relatively new type of product in Italy ready meals is enjoying the largest increase in sales amongst consumers with little time or skills to cook elaborate dishes. Traditionally, Italian consumers are a bit suspicious of non-Italian food, which is why the major retailers continue to play it safe by giving more shelf space to Mediterranean ready meals. Ready meal options are increasingly becoming available through a wide range of channels. Their distribution differs slightly from packaged food in general. For example, apart from the ubiquitous supermarkets, hypermarkets and discounter channels, ready meals are also frequently found at convenience stores and independent small grocers, with the latter often serving as a convenience store. Dried and shelf stable ready meal options and sometimes frozen pizza are often bought on impulse in channels with longer opening hours, such as convenience stores or independent small grocers. For more information on the Italian Food Retail and Distribution Sector, please see Post's latest report at http://italy.usembassy.gov/agtrade.html.

Manufacturers of ready meals in Italy face strong competition from the foodservice channel in Italy. There are numerous bars and cafés within the country, usually offering quick lunches within their premises. Many cafés and bars in Italy offer pasta and other freshly made food for their clients at extremely affordable prices. This makes the lives of ready meal manufacturers more difficult, as many consumers prefer to have a quick and affordable meal out rather than a ready meal product. Furthermore, this puts pressure on the unit prices for ready meals. For more information on the Italian Hotel and Restaurant Industry, please see Post's latest report at http://italy.usembassy.gov/agtrade.html

In recent year's fish processing, conserved and fish-based product production have declined partly because the Italian processing industry only utilizes a few species (anchovies, sardine, and mackerel). The seafood-processing sector in Italy is now mainly in preserves, specifically tuna based preserves. In 2014, frozen fish sales were approximately €850 million. Due to the recession, Italian consumers have become more focused on avoiding product waste and sustainability has increased as an ethical consideration for more Italian consumers. Manufacturers of processed fruit and vegetables have responded to this trend by downsizing their pack size to offer consumers other options, including smaller, separate portions within bigger bag sizes of frozen processed vegetables, for example. At the same time, retailing smaller packs has helped manufacturers to maintain higher unit prices.

Diverging trends have affected the processed fruit and vegetable sectors in 2015. On one side, shelf stable fruits and vegetables have declined in popularity with Italians, as these products are perceived to be less fresh and many consumers have shifted to fresh or frozen varieties or cut down on consumption altogether. Manufacturers are trying to halt this trend by introducing products with a focus on provenance, naturalness, or healthy processing like steamed products. The competitive landscape for processed fruits and vegetables in Italy is characterized by a high degree of fragmentation. The leading player is CSI (Cia Surgelati Italiana) with a 15% market share. The company is the leading player in processed, frozen fruits and vegetables with the brand Findus. Nestlé Italiana SpA ranks second with a 6% market share through its brands Buitoni and La Valle degli Orti, followed by Orogel Surgelati SpA and Bonduelle Italia Srl with value shares of 5% and 3% respectively.

Frozen processed vegetables on the other hand have enjoyed increasing popularity among Italian consumers, as these products offer both convenience and freshness and also make it easier to cut down on food waste compared to fresh unprocessed vegetables, a factor which has become more and more important during the protracted economic downturn. That being said, growth in frozen processed vegetables began slowing in 2014 due to rising competition from fresh cut and washed vegetables in Italy, both from major retailers as well as from small independent green grocers that now are increasingly offering these products. Within the processed frozen fruits and vegetables category, aside from Orogel, the top players are international. As Italian consumers tend to appreciate food products that carry an Italian footprint, the international companies have incorporated that focus in their marketing efforts. For example, in the case of Nestlé Italiana, the company has focused its brand strategy on its Buitoni and La Valle degli Orti brands, the first being one of the oldest Italian brands and the second promoting a bucolic image of the Italian countryside and traditional values.

In their continuous quest for the least expensive food products, consumers in Italy are shopping at discounters, where they can find a wide range of both fresh and packaged goods. Over the years, discounters' outlets have invested in steadily improving the shopping experience, offering a wider product range, as well as improved quality and neater environments, making them more similar to supermarkets in terms of customers' perception. In order to make customers return to their previous spending capabilities, major grocery retailers are now investing in revamping convenience stores in neighborhoods, where basic food items can be purchased. In terms of distribution, supermarkets are the leading channel for sales of processed fruit and vegetables, followed by hypermarkets. Representing a healthy and convenient type of food, consumption of processed fruit and vegetables is predicted to increase slightly.

Sales of Processed Fruit and Vegetables by Category: Value 2010-2015

EUR million	2010	2011	2012	2013	2014	2015
Shelf Stable Fruits and Vegetables	791.13	797.11	803.16	804.68	805.03	805.98
- Shelf Stable Beans	145.84	146.35	148.37	148.77	161.85	171.76
- Shelf Stable Fruits	45.68	48.03	50.26	52.10	50.59	49.80
- Shelf Stable Tomatoes	178.91	169.19	163.24	158.99	156.13	154.38
- Shelf Stable Vegetables	420.70	433.53	441.29	444.82	436.46	430.04
Processed Frozen Fruits and Vegetables	934.38	955.01	984.13	1,005.50	1,005.04	1,002.47
- Frozen Fruits	-	-	-	-	-	-
- Frozen Processed Potatoes	143.08	143.54	144.09	145.22	147.60	150.68
- Frozen Processed Vegetables	791.30	811.47	840.04	860.28	857.44	851.78
Processed Fruit and Vegetables	1,725.51	1,752.12	1,787.29	1,810.18	1,810.07	1,808.44

Source: Euromonitor

Processed meat and seafood

Processed meat and seafood enjoyed a favorable performance in 2015, thanks to the growing focus on convenience and health. Many consumers continue to switch to processed products which are much easier to prepare than fresh unprocessed meat and seafood. Also the fact that they are processed helps with the perception of them being safer. Poultry and seafood continued to see strong growth rates, as many Italians consider them to be part of a balanced diet. Processed and unprocessed fresh seafood are an integral part of the Italian diet, along with frozen processed seafood which is perceived as being both convenient and price competitive.

Due to the latest negative messaging on the consumption of red meat, frozen processed poultry has gained market share among Italian consumers along with offering convenience (due to the longer shelf life of these products). Modern grocery retailers clearly dominate the distribution of processed meat and seafood in Italy, accounting for a 91% value share. Chilled processed meat and seafood products benefit especially from their position inside supermarkets and hypermarkets, as they are often positioned right at the entrance of these stores. Apart from private label, domestic manufacturers led processed meat and seafood with Consorzio del Prosciutto di Parma on top, with a value share just over 5%, followed by AIA - Agricola Italiana Alimentari and Salumificio Fratelli Beretta, with value shares of 5% and 3% respectively. All three companies owe their leading positions to their strong presence in chilled processed meat. Meanwhile, private label accounted for a 26% value share of processed meat and seafood.

Processed meat and seafood in Italy is in the hands of domestic players and the presence of international manufacturers and brands is minimal. The reason for this lies mainly in the fact that logistics and shorter shelf lives often represent a limit for long distance distribution, but more specifically in the fact that there is strong national meat and seafood processors and Italian consumers are predisposed toward "local" products. In light of the increasing promotional pressures that retailers implement in order to drive traffic and sales into their stores, together with the increasing costs of raw materials, manufacturers of processed meat and seafood are increasingly upgrading their product ranges and focusing their marketing on natural product ingredients and the sustainability of their supply chains. In terms of packaging there is a trend towards smaller packs or portion sizes. This meets consumer demand to avoid product wastage and overstocking, as well as monitor calories and food intake. Moreover, this keeps the consumer's immediate outlay modest while maintaining margins for the manufacturer.

Italian consumers are expected to further increase their consumption of processed meat and seafood as the economic conditions turnaround. The ongoing shift from fresh meat and seafood to processed products due to their convenience factor likely will help sustain the growth in retail volumes, albeit potentially at a more modest rate.

Sales of Processed Meat and Seafood by Category: Value 2010-2015

EUR million	2010	2011	2012	2013	2014	2015
Processed Meat	8,566.34	8,974.21	9,304.51	9,490.09	9,563.53	9,759.00
- Shelf Stable Meat	210.20	210.46	213.94	212.11	200.24	188.02
- Chilled Processed Meat	8,254.52	8,655.72	8,979.73	9,164.53	9,244.24	9,446.96
- Frozen Processed Meat	101.61	108.03	110.85	113.45	119.05	124.01
Processed Seafood	2,398.86	2,551.73	2,667.31	2,741.87	2,816.74	2,869.74
- Shelf Stable Seafood	1,254.64	1,356.39	1,441.97	1,495.33	1,534.95	1,558.90

- Chilled Processed Seafood	354.07	373.98	386.15	391.75	408.79	427.80
- Frozen Processed Seafood	790.15	821.36	839.18	854.79	873.00	883.04
Meat Substitutes	5.09	5.38	5.78	6.27	6.63	7.08
- Chilled Meat Substitutes	0.56	0.63	0.70	0.85	0.96	1.12
- Frozen Meat Substitutes	4.34	4.55	4.86	5.19	5.42	5.69
- Shelf Stable Meat Substitutes	0.19	0.20	0.22	0.23	0.25	0.27
Processed Meat and Seafood	10,970.28	11,531.32	11,977.60	12,238.23	12,386.90	12,635.81

Source: Euromonitor

Ready Meals in Italy

With Italian lifestyles becoming busier, convenience-food solutions continue to grow. Chilled ready meals have been more successful than dried or frozen products, as they are perceived to be fresher and more natural. Major Italian food companies in this sector include Gruppo Cremonini, Amadori and Unipeg, which are active in the country's processed meat and poultry sectors, and La Doria SpA, which processes canned, frozen and fresh fruits and vegetables. Other major firms include Galbani, which is a leading producer and distributor of dairy products and one of the most important manufacturers of cured meats; Barilla, which manufactures pasta and pasta sauces; and Carapelli Firenze, Italy's leading olive oil producer.

Sales of Ready Meals by Category: Value 2010-2015

EUR million	2010	2011	2012	2013	2014	2015
Shelf Stable Ready Meals	44.89	50.35	54.12	56.82	55.93	55.44
Chilled Lunch Kits	2.24	2.24	2.11	2.18	2.19	2.21
Chilled Pizza	44.51	43.47	43.25	43.14	43.40	43.87
Chilled Ready Meals	213.97	227.26	240.33	253.69	261.68	271.86
Dinner Mixes	0.24	0.25	0.27	0.27	0.28	0.28
Dried Ready Meals	73.04	73.61	74.75	76.38	77.31	79.22
Frozen Pizza	318.09	330.43	345.03	360.01	370.37	383.12
Frozen Ready Meals	344.13	326.51	322.17	318.95	318.12	319.90
Prepared Salads	780.19	822.40	859.90	864.20	843.89	858.91
Ready Meals	1,821.30	1,876.51	1,941.93	1,975.62	1,973.17	2,014.81

Source: Euromonitor

Distribution Channels for Processed Food

% retail value	2010	2011	2012	2013	2014	2015
Store-Based Retailing	94.91	94.78	94.67	94.51	94.43	94.30
- Grocery Retailers	94.57	94.42	94.39	94.07	94.02	94.01
-- Modern Grocery Retailers	88.87	88.82	88.89	88.87	88.92	89.01
--- Convenience Stores	10.05	9.97	9.84	9.74	9.67	9.60
--- Discounters	9.32	9.41	9.56	9.71	9.83	9.96
--- Forecourt Retailers	-	-	-	-	-	-
--- Hypermarkets	22.69	22.77	23.14	23.21	23.47	23.57
--- Supermarkets	46.81	46.67	46.35	46.21	45.95	45.88
-- Traditional Grocery Retailers	5.70	5.60	5.50	5.20	5.10	5.00
--- Food/drink/tobacco specialists	-	-	-	-	-	-
--- Independent Small Grocers	5.70	5.60	5.50	5.20	5.10	5.00
--- Other Grocery Retailers	-	-	-	-	-	-
- Non-Grocery Specialists	0.34	0.36	0.28	0.44	0.41	0.29
-- Health and Beauty Specialist Retailers	-	-	-	-	-	-
-- Other Foods Non-Grocery Specialists	0.34	0.36	0.28	0.44	0.41	0.29
- Mixed Retailers	-	-	-	-	-	-
Non-Store Retailing	5.09	5.22	5.33	5.49	5.57	5.70
- Vending	-	-	-	-	-	-
- Homeshopping	4.93	5.05	5.14	5.28	5.35	5.47
- Internet Retailing	0.16	0.17	0.19	0.21	0.22	0.23
- Direct Selling	-	-	-	-	-	-
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Euromonitor

Best Prospects for U.S. Agricultural and Fish Exports

While Italian consumers continue to demand premium and functional products regardless of the lackluster economic environment, they are also becoming increasingly health conscious. Products emphasizing health or functional properties, such as those that lower cholesterol or are low in fat and sugar, are particularly successful due in part to governmental campaigns to increase awareness about the rising rate of obesity. Changing demographics have created a need for ready-made, ready-to-serve products and a wider range of products. Italian households still prefer fresh rather than frozen, and frozen rather than canned food. Shopping frequency remains greater in Italy than in many other European markets. Italians consume a significant amount of seafood, and they are increasingly demanding frozen, easy-to-prepare products. Demand for ethnic packaged foods has also increased due to the growing immigrant population. U.S. bulk and intermediate commodities are used as ingredients or inputs for value-added Italian products that are then re-exported. North American high-quality durum wheat, for example, is used to produce pasta.

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 are also popular. Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all products that have seen growth in recent years. Beef, cheese, poultry, and processed food products containing biotech ingredients are not present in the Italian market due to significant trade barriers.

Advantages and Challenges for U.S. Exporters to Italy	
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, particularly wheat and other cereals. Italy is the world's fifth largest exporter of agri-food products, and Italian food products have a reputation for being of high quality.	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	U.S. products and ingredients, while innovative, may be perceived as overly processed and less wholesome

food processing industry will need additional ingredient inputs.	than their Italian/European counterparts which are marketed as traditional and seen as having more "natural" ingredients

Best High Value Product Prospects

The consumer food/edible fishery products and forestry products that offer the best U.S. export opportunities are as follows:

Product Category	2014 Imports	5-Yr. Avg. Annual Import % Growth in value (2009-2014)	Import Tariff Rate 2014	Market Attractiveness for USA
Tree Nuts	$276 million	18.6	See at: http://ec.europa.eu/taxation_customs/customs/customs_duties/index_en.htm	The United States is the biggest supplier of tree nuts to Italy. Most tree nuts are used as ingredients by the food processing sector. Almonds are the most important commodity within this category. Further products with good sales potential include pistachios, pecans and walnuts.
Forest Products	$176.5 million	4.7		The United States is a longstanding supplier of forest products to Italy that are imported mainly for the furniture and building sectors.
Wheat	$147.3 million	9.5		Local production does not satisfy Italian pasta production demand.
Soybean Meal	$103.1 million	281.2		Local production does not satisfy Italian feed demand.
Fish products	$94.1 million	5.8		The Italian market offers lucrative opportunities

				for fish and seafood products. Fish consumption is growing as consumers associate fishery products with a healthy diet. Best prospects for U.S. and seafood exports are salmon, shrimps, crabs, caviar substitutes, cuttle fish and squid, sea urchins catfish and scallops.
Processed vegetables	$93.4 million	8.3		U.S. exports to Italy are slowly increasing, especially for off season products which are mostly used as ingredients by the food processing and canned sectors.
Beef and beef products	$74.7 million	122.8		Very good opportunities for U.S. high quality beef produced without growth hormones. The EU quota determines the amount allowed.
Soybeans:	$53.6 million	161.6		Local production does not satisfy Italian feed demand.

Road Map for Market Entry

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 broad range of products. 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.

Depending on the type of food ingredients, there are different supply chains in the Italian food market. Generally, Italian producers source their ingredients from local producers or local importers. 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. Italy's food processing industry is well developed and has access to a wide range of food ingredients and suppliers.

U.S. companies seeking to export their goods to Italy are advised to research the market for a better understanding. The USDA Foreign Agricultural Service offers USA suppliers a number of valuable services to support them with market entry. Once U.S. companies have acquired this background information, they have several choices on how to enter the market. They may consider attending or visiting one of Europe's many USDA endorsed trade shows and/or trade shows in Europe like the health ingredients show and the food ingredients show. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests.

FAS Attaché Reports

FAS Attaché reports that may help new-to-market U.S. exporters to Italy are:

- The Exporter Guide which contains a general overview of the macro-economic situation, demographics, food trends, business tips and an overview of the food retail and HRI sectors.
- The Food and Agricultural Import Regulations and Standards (FAIRS) report which provides an overview of the relevant laws and import requirements
- The Retail Foods Report which offers an overview of the supply chain for this sector in Italy
- The Hotel, Restaurant and Institutional Sector report
- FAS Rome's commodity reports, trade policy updates and market briefs available at http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx. Additional information can also be found on FAS Rome's webpage at http://italy.usembassy.gov/agtrade.html

Local Time

The time zone for Italy is 6 hours ahead of U.S. Eastern Standard Time.

Holidays

Italian holidays must be taken into account when planning to do business in Italy. July and August are not good months for conducting business in Italy, since most business firms are closed for vacation during this period. The same is true during the Christmas and New Year period.

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