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Italy

Exporter Guide

Road Map to the Italian Market

2007

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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.

Includes PSD Changes: No
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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. This economy remains divided into a developed industrial north, dominated by private companies, and a less-developed agricultural south burdened with 20% unemployment. Most raw materials required by Italian industry, including the food processing sector, and more than 75% 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 continues to move very slowly on structural reforms to improve competitiveness, such as lightening the high tax burden, overhauling Italy's rigid labor market and reining in its over-generous pension system.

The center-left coalition of Prime Minister Romano Prodi, which won elections on April 10, 2006 continues to govern Italy with a very small and fragile parliamentary majority. The coalition represents a broad spectrum of political parties ranging from the Center Left Christian Democrats to the Far Left Greens and Reformed Communists. The small parliamentary majority, particularly in the Senate, compounded by the many parties making up the coalition, makes it difficult for the Prodi Government to achieve important economic reforms. The weakness of the Prodi Government makes bold political moves difficult, even when necessary. The economy experienced marginal growth in 2006 after years of stagnation, and unemployment remains at a high level.

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 agricultural 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. While these products represent only a small fraction of Italy's total food production, they loom large in national marketing of food exports as 'high quality and Italian."

On balance, Italy is a net importer of agricultural products. In CY2006, Italy imported $775 million of U.S. food and agricultural products. Italy's total annual food and agriculture imports were over $25 billion, with over 70 percent coming from other EU-25 countries. Wine dominates Italy's food export profile, followed by fruits and vegetables, pasta and cheeses. The U.S. is Italy's largest non-EU market. We bought over $2.9 billion worth of Italian food and agricultural products in CY2006, with wine comprising almost $1.2 billion of that total. Because of the large food processing sector's need for inputs, Italy has become a net agricultural importing country.

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 for leather products, seafood for the restaurant sector, and tobacco. While consumer-ready products do also 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 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.

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

Advantages	***Challenges***
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.
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.
Weak dollar versus a strong EURO favors U.S. exports.	The stoppage of U.S. products by Italian border inspectors for not conforming to EU sanitary standards.
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.

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 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 IT7022.

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 2005 an average Italian family spent approximately 2,400 Euros ($3,240) a month on food, with retail sales valued at 111 billion Euros ($150 million). In Italy there are 2.2 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. Around 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 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 more than 7,500 food retail outlets in Italy, of which 50% are supermarkets, hypermarkets, and shopping malls mainly located in the North of Italy. The south of Italy continues to lag behind with fewer large 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.

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 slowing 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.

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 85 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, with only 6% of the over 130,000 hotels, bed and breakfast, youth hostels, camping's, resorts and rural tourism belonging to foreign investors.

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. ISTAT reports that in 2006 Italians spent more than 117 billion Euros ($157 million) in the food service sector.

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 24 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 IT6040.) Opportunities also exist for fruits and berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

Leading U.S. Agricultural Exports to Italy in 2006
(Thousands of U.S. $)

Forest Products	$ 195,662
Tree nuts	$ 152,811
Wheat	$ 87,210
Fish & Seafood	$ 66,528
Hides and Skin	$ 50,000
Wine & Beer	$ 46,774
Planting Seeds	$ 32,400
Cotton	$ 25,400
Vegetable Oils	$ 23,353

Source: *BICO*

Leading Italian Agricultural Exports to the United States in 2006
(Thousands of U.S.$)

Wine & Beer	$ 1,187,478
Vegetable and Olive oils	$ 651,837
Cheese	$ 241,025
Snack Foods and Chocolate	$ 123,020
Red Meats (preserved/prepared)	$ 44,949
Processed Fruit & Vegetables	$ 41,830
Roasted Instant Coffee	$ 36,811
Panel Products (incl. Plywood)	$ 35,183
Tree Nuts	$ 19,547

Source: *BICO*

Key Trade & Demographic Information - Italy 2006
(Thousands of U.S. $)

Agricultural and Fish Imports from the World 38,508,960	***Agricultural, Fish and Forestry Imports from the U.S.*** 764,962
Consumer Food Imports from the World: 25,079,808	***Consumer Food Imports from the U.S.:*** 222,260
Fish and Seafood Imports from the World 1,057,166	***Fish and Seafood Imports from the U.S.:*** 36,885
Population 58,147,733 million (July 2007 est.)	***Population Growth rate:*** 0.01%
Major City Centers: (13) Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	***Total Rural Population:*** 19 Million ***Total Urban Population:*** 39 Million
Gross Domestic Product 2006: $1.785 trillion	***Per Capita Income:*** $30,200
Unemployment Rate: 7 percent ***Female Labor Force:*** 10 million	***Labor Force by Occupation:*** Agriculture: 5% Industry: 32% Services: 63%
Exchange Rate: EURO per U.S. Dollar Average 2006: €0.7964 = $1.00 Average 2005: €0.8041 = $1.00 Average 2004: €0.8054 = $1.00 Average 2003: €0.8860 = $1.00 Average 2002: €1.0626 = $1.00 *Source:* European Central Bank	

Source: *BICO, ISTAT and CIA Fact Book*

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED		JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - JUNE COMPARISONS		
		2002	2003	2004	2005	2006	2006	2007	%CHNG
ITALY	CONSUMER-ORIENTED	100,129	151,738	187,382	272,894	249,486	104,709	99,597	-4.88
	TREE NUTS	58,268	90,374	126,175	173,784	152,472	58,517	37,883	-35.26
	WINE AND BEER	697	1,099	12,498	42,197	46,774	20,255	21,573	6.51
	PROCESSED FRUIT & VEG	13,620	28,969	17,116	14,481	17,263	8,330	10,480	25.81
	OTHER CONSUMER ORIENTED	8,350	7,704	11,341	11,528	10,987	6,369	5,156	-19.05
	PET FOODS	10,882	11,745	9,786	14,138	7,707	4,135	13,219	219.69
	DAIRY PRODUCTS	570	471	848	1,718	3,459	2,190	1,336	-39.00
	RED MEATS, FR/CH/FR	2,399	2,085	2,435	3,929	3,127	1,259	3,821	203.49
	SNACK FOODS	1,350	1,395	999	2,804	2,668	1,483	1,167	-21.31
	NURSERY PRODUCTS	788	778	3,050	4,877	2,657	949	3,021	218.34
	EGGS & PRODUCTS	582	745	1,641	2,116	1,199	471	1,308	177.71
	FRUIT & VEG JUICES	389	548	631	334	429	216	126	-41.67
	FRESH VEGETABLES	425	803	84	215	356	327	159	-51.38
	POULTRY MEAT	839	592	322	162	161	113	49	-56.64
	FRESH FRUIT	801	4,269	416	522	129	34	229	573.53
	BREAKFAST CEREALS	59	18	0	19	57	24	71	195.83
	RED MEATS, PREP/PRES	110	142	40	72	40	37	0	--
TOTAL		200,258	303,476	374,763	545,789	498,973	209,419	199,194	-4.88

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

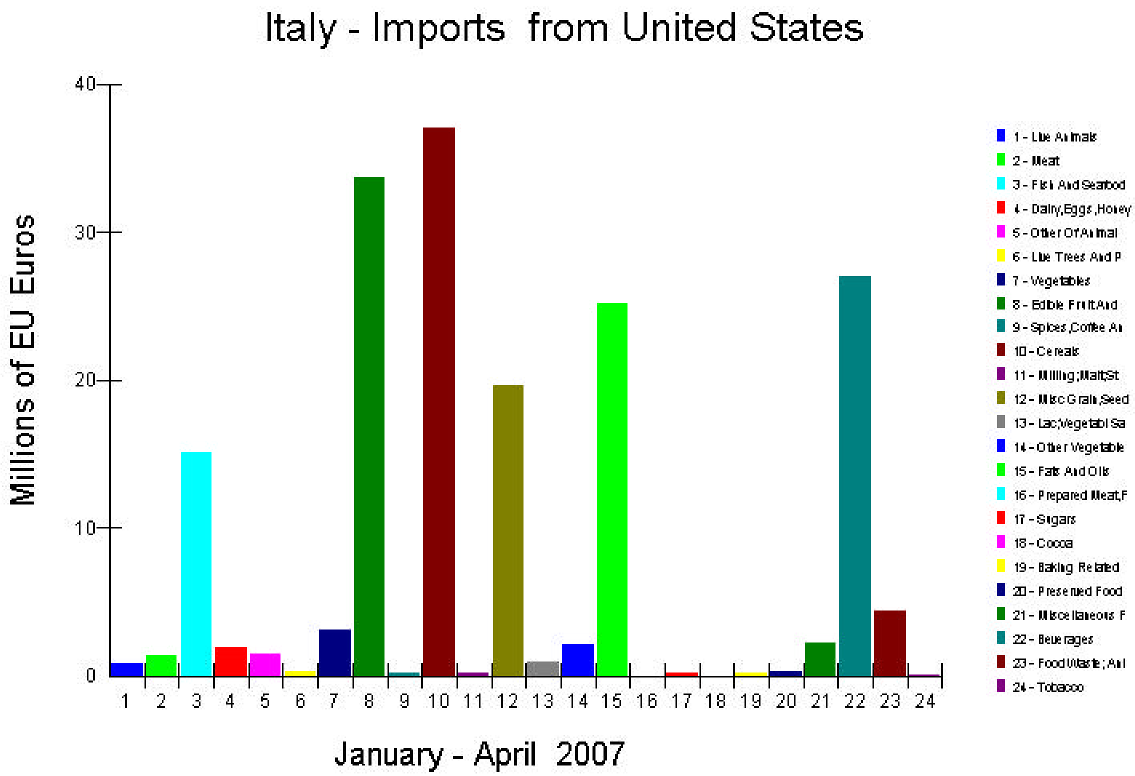
AREA / COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED		JANUARY - DECEMBER VALUES IN 1000 DOLLARS 2002	2003	2004	2005	2006	JANUARY - JUNE COMPARISONS 2006	2007	%CHNG
ITALY	SEAFOOD PRODUCTS	46,750	50,320	56,657	61,226	63,576	26,394	31,344	18.75
	OTHER SEAFOOD	41,809	45,742	51,821	57,315	58,541	24,478	26,890	9.85
	SALMON WHOLE/EVIS	1,264	1,663	2,309	2,543	3,150	232	1,259	442.67
	ROE/URCHIN/FISH EGGS	2,183	1,666	1,709	895	1,436	1,333	2,993	124.53
	SURIMI (FISH PASTE)	1,103	837	667	284	210	210	0	--
	SALMON CANNED	319	300	42	87	142	87	29	-66.67
	CRAB & MEAT	73	111	109	102	98	53	172	224.53
TOTAL		93,501	100,639	113,314	122,453	127,151	52,788	62,688	18.75

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

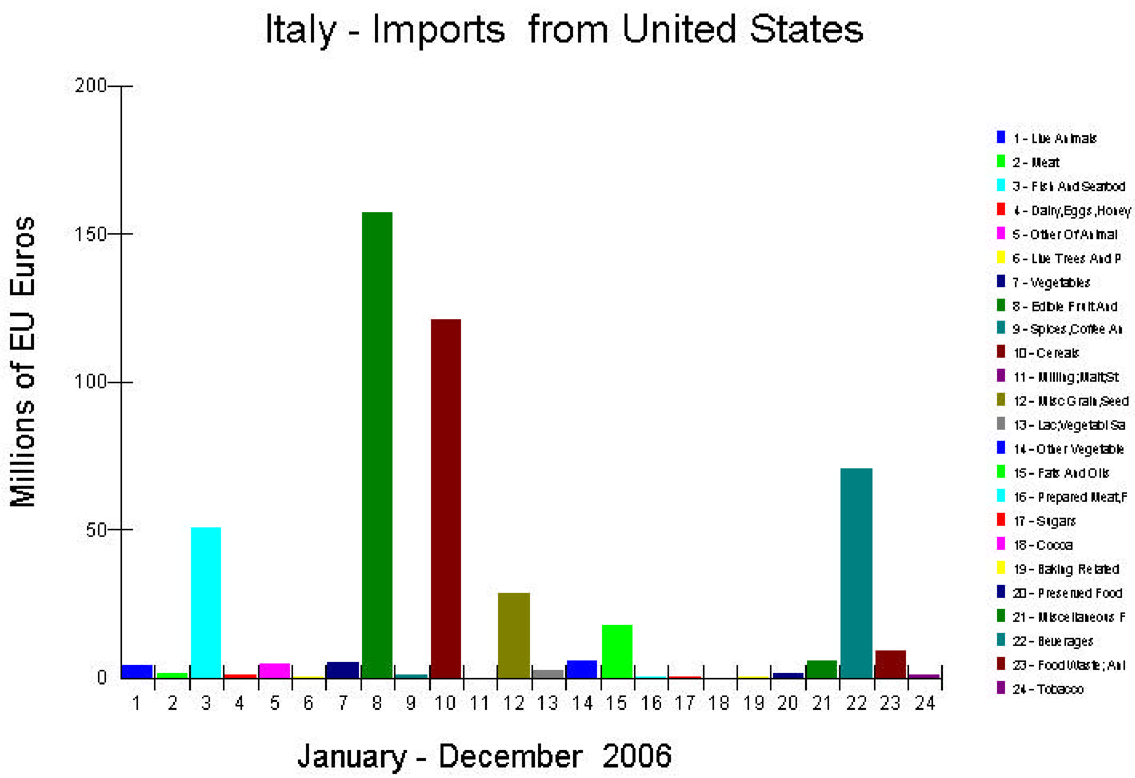
World Trade Atlas
Italy - Balance of Trade of Agricultural, Fish and Forestry with United States
January - April
Millions of EU Euros

HS	Description	2005	2006	2007	% Change 06/05	% Change 07/06
	United States					
22	Beverages	262.50441	281.22997	301.33021	7.13	7.15
47	Woodpulp, Etc.	-112.40097	-129.82673	-117.08263	15.5	-9.82
15	Fats And Oils	149.09383	200.85391	102.94727	34.72	-48.75
19	Baking Related	59.68482	78.00911	69.87628	30.7	-10.43
04	Dairy,Eggs,Honey,Etc	55.99096	58.60292	62.2402	4.66	6.21
52	Cotton+Yarn,Fabric	36.99399	40.19647	38.49811	8.66	-4.23
10	Cereals	-25.28518	-39.77934	-34.26752	57.32	-13.86
44	Wood	-24.1453	-19.30898	-32.58568	-20.03	68.76
20	Preserved Food	19.62109	23.17305	23.18565	18.1	0.05
08	Edible Fruit And Nuts	-36.60361	-47.59322	-21.36431	30.02	-55.11
51	Animal Hair+Yarn,Fabrc	20.25642	20.55554	20.92878	1.48	1.82
12	Misc Grain,Seed,Fruit	-33.4483	-16.26631	-18.9538	-51.37	16.52
03	Fish And Seafood	-13.47759	-13.91632	-14.78829	3.26	6.27
21	Miscellaneous Food	8.99365	14.80234	12.11026	64.59	-18.19
02	Meat	9.08788	8.16384	9.66465	-10.17	18.38
09	Spices,Coffee And Tea	7.18998	10.11965	9.17059	40.75	-9.38
41	Hides And Skins	11.6013	21.36969	4.99186	84.2	-76.64
25	Salt;Sulfur;Earth,Stone	-2.17278	-2.17264	-4.93167	-0.01	126.99
23	Food Waste; Animal Feed	-6.99465	-3.52036	-4.42208	-49.67	25.61
18	Cocoa	2.74069	8.27444	4.28479	201.91	-48.22
53	Other Veg Textile Fiber	4.37911	4.15825	4.19702	-5.04	0.93
17	Sugars	2.73911	4.47924	2.47718	63.53	-44.7
06	Live Trees And Plants	2.5342	3.41693	2.1637	34.83	-36.68
14	Other Vegetable	-1.24657	-1.9743	-2.0848	58.38	5.6
16	Prepared Meat,Fish,Etc	1.79724	2.70936	2.02085	50.75	-25.41
45	Cork	1.23418	1.82548	1.97417	47.91	8.15
35	Albumins;Mod Strch;Glue	-1.38242	-1.2113	-1.16233	-12.38	-4.04
24	Tobacco	-0.94701	0.83376	1.1128	188.04	33.47
01	Live Animals	-0.5592	-0.60522	-0.86963	8.23	43.69
07	Vegetables	-1.44893	0.51211	0.62427	135.34	21.9
31	Fertilizers	0.37797	0.59312	0.43631	56.92	-26.44

Source of data: Eurostat



Source: World Trade Atlas



Source: World Trade Atlas

Section V. Key Contacts

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Dana Biasetti, Agricultural Specialist
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Key Italian Government Agencies and Associations

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(Ministry of Health)
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Ministero delle Economia e delle Finanze
(Ministry of Treasury)
Agenzia delle Dogane (Customs Agency)
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00143 Roma
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Istituto per il Commercio Estero
(Italian Trade Commission)
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