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Italy

Exporter Guide

Updated 2011 Exporter Guide for the Italian Market

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

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Rome

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Section I. Italian Market Overview

Macro Economic Situation & Key Demographic Trends

Italy has a diversified industrial economy, which is divided into a developed industrial north, dominated by private companies, and a less-developed, agricultural south, with high unemployment. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family owned. Italy also has a sizable underground economy, which by some estimates accounts for as much as 15% of GDP. These activities are most common within the agriculture, construction, and service sectors. Italy has moved slowly on implementing needed structural reforms, such as reducing graft, overhauling costly entitlement programs, and increasing employment opportunities for young workers, particularly women. These conditions will be exacerbated in the near-term by the global economic downturn, but in the longer-term Italy's low fertility rate and quota-driven immigration policies will increasingly strain its economy.

Most raw materials required by Italian industry, including the food processing sector, and more than 75 percent of energy requirements, are imported. 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.
U.S. agricultural exports to Italy in 2010 totaled $1,848 billion and agricultural imports from Italy totaled $3 billion. The U.S. mainly imports from Italy processed food products and exports commodities. 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. Due to its 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, 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.

As 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.

Population

Italy has a population of roughly 60 million on a land mass about three-quarters the size of California. Population density is about twice that of California. Historically, many Italians have emigrated (significant numbers of Italian communities are in the U.S., Canada, Belgium, Argentina, Brazil, Venezuela, and Australia), and approximately 4 million Italians still work in other countries. Recently, however, Italy has been experiencing a growing influx of immigrants (around 100,000 new legal immigrants per year).

Outside of Rome and the main tourist centers, few Italians speak a second language. Even in the big cities, truly bilingual persons are hard to find. The most commonly spoken foreign languages are English and French. With the exception of the German-speaking autonomous province of Bolzano and the significant Slovene population around Trieste, overall, ethnic minorities are small.

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. 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 IT1049.

Section III. Market Sector Structure and Trends

The Italian Food Retail Sector

Italians spend an enormous amount (more than 20%) of their disposable income on food, beverages and tobacco In 2010, Italian household expenditure on food and drink (including alcoholic beverages) was approximately $152 billion. The higher exports 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 about 4 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:

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

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.

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 92 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.

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 estimated annual consumption of almost 20 kilograms of fish and seafood. Last year Italy imported $77 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. Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

Key Trade & Demographic Information - Italy 2010

Agricultural, Fish and Forestry Imports from the U.S. $1.8 billion	***Consumer Food Imports from the U.S.:*** $314,489 million
Fish and Seafood Imports from the U.S.: $77 million	***Unemployment Rate:*** 7.7 percent
Italian Population 61,016,804 (July 2011 est.) ***Foreign Population*** 4 million	***Total Rural Population:*** 20 Million ***Total Urban Population:*** 40 Million
Major City Centers: (13) Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	***Per Capita Income:*** $30,000
Gross Domestic Product: $2.037 trillion	***Labor Force*** 25.05 million
Exchange Rate: EURO per U.S. Dollar Average 2010: €0.757 = $1.00 Average 2009: €0.7153 = $1.00	

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

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

Product	**2009 Value**	**2010 Value**	**Jan - Feb 2010 Value**	**Jan - Feb 2011 Value**
FAS Total	1,494,371	1,627,116	256,329	339,842
Livestock & Meats	621,854	760,059	110,413	157,387
Other Livestck Prods	495,028	506,847	79,038	100,547

Leather	67,366	123,153	18,121	26,794
Cattle Hides, Whole	23,125	64,264	6,873	17,632
Beef & Veal,Fr/Ch/Fz	7,566	31,335	1,404	6,982
Other Hides & Skins	15,929	18,047	1,108	3,136
Pork, Fr/Ch/Fz	2,483	4,260	1,370	714
Bull Semen	3,624	3,562	817	988
Commercial Prod	1,064	1,950	39	328
Mink Furskins,Undrss	315	1,375	336	6
Oth Horses/Ass/Mu/Hi	645	1,001	435	5
Horses For Breeding	519	717	525	0
Other Livestock	1,009	693	100	70
Other Furskins,Whole	948	567	114	65
Other Wool & Hair	167	413	43	49
Pork, Bacon, Cured	175	303	0	3
Non Dlp Comm	154	265	30	6
Lamb&Mutton,Fr/Ch/Fz	269	233	8	6
Wool, Not Card/Comb	51	190	0	41
Hog Sausage Casings	585	187	19	0
Variety Meats, Beef	153	172	32	0
Cattle Embryos	279	163	0	0
Sausages & Bologna	53	98	0	0
Variety Meats, Other	132	95	0	0
Other Furskins,Piece	46	65	0	0
Oth Ined an Fats&Oil	11	37	0	0
Mink Furskins,Dressd	0	28	0	0
Sheep & Lambskins	7	17	0	0
Beef&Veal, Prep/Pres	30	7	0	0
Variety Meats, Pork	0	5	0	0
Mohair	0	4	0	0
Ot Hair,not Crd/Comb	0	4	0	11
Wool&hair,Card/Comb	43	4	0	0
Pork,Hams/Shldrs,Crd	35	0	0	0
Pork,Prep/Pres,Nt/Cn	4	0	0	0
Oth Meat Prods,F/C/F	0	0	0	0
Ot Meat Prod,Prp/Prs	35	0	0	0
Othe Sausage Casings	5	0	0	0
Cattle Hides, Parts	0	0	0	4
Pig & Hog Skins	0	0	0	0
Swine	0	0	0	0
Horticultural Products	305,313	290,244	43,298	43,058
Tree Nuts And Preparations	125,999	139,478	17,501	23,160
Other Hort Products	88,468	75,548	14,418	11,661
Vegetables and Preparations	72,081	54,822	8,594	6,327
Fruits and Preparations	18,764	20,395	2,785	1,910

Forest Products	139,762	185,838	28,404	41,746
Hardwood Lumber	68,985	105,621	15,362	16,499
Hardwood Logs	33,643	43,751	6,909	17,569
Hardwood Veneers	13,718	12,459	1,908	2,171
Softwood Lumber	6,074	7,311	1,602	2,177
Other Wood Products	5,855	6,634	959	2,121
Softwood Logs	6,277	3,726	766	410
Softwood Veneers	1,754	1,531	322	59
Hardwood Molding	564	861	133	92
Assembled Flooring Panels	60	632	12	0
Builders Carpentry	434	594	0	60
Hardwood Chips	533	527	43	32
Cooperage Products	420	488	151	77
Wood Packing Material	158	412	15	183
Prefabricated Buildings	27	246	0	3
Hardwood Plywood	202	228	39	60
Osb/Waferboard	192	197	53	0
Particleboard	177	132	0	16
Softwood Chips	107	131	76	76
Other Panel Products	283	120	48	41
Medium Density Fiberboard	17	98	5	32
Hardboard	126	55	0	0
Softwood Flooring	134	51	0	7
Softwood Siding	0	19	0	26
Railroad Ties	0	11	0	0
Softwood Plywood	0	3	0	0
Treated Lumber	0	0	0	0
Poles	0	0	0	0
Hardwood Flooring	6	0	0	35
Softwood Molding	13	0	0	0
Pulpwood	0	0	0	0
Grains & Feeds	128,172	152,221	11,149	43,257
Wheat	108,160	140,113	9,342	32,514
Feed, Ingrd & Fod	14,140	7,438	1,101	4,129
Grn & Feed Misc	2,639	3,860	568	1,030
Crs Grn Products	32	413	51	1,327
Rice	436	383	74	18
Wheat Products	912	13	13	0
Wheat Flour	1,823	0	0	0
Grain Sorghum	0	0	0	46
Corn	31	0	0	4,193
Fishery Products	83,740	89,678	12,008	10,397
Lobster	66,865	65,841	8,257	7,187
Salmon (Not Canned)	4,928	9,093	676	323

Whiting/Hake	524	3,733	1,047	1,016
Other Fishery Prod	2,789	3,504	1,097	641
Squid	3,492	2,348	306	507
Oysters	1,261	1,234	133	156
Shrimp	329	646	19	0
Monkfish	161	589	158	61
Mullet	744	462	0	0
Mackerel	601	428	154	0
Scallops	949	359	24	13
Crab	85	293	7	15
Shark	238	293	130	124
Caviar	115	200	0	0
Salmon Canned	458	194	0	71
Cod	0	194	0	85
Eels	0	110	0	0
Sablefish	49	105	0	0
Sole	0	13	0	0
Tuna	118	12	0	0
Halibut	0	10	0	0
Herring	0	7	0	0
Plaice	0	7	0	0
Bass	3	3	0	0
Anchovies	0	0	0	0
Catfish	0	0	0	0
Clam	0	0	0	0
Fish Meal	0	0	0	0
Mussels	0	0	0	0
Pollock	0	0	0	0
Sardine	0	0	0	0
Surimi	0	0	0	196
Tilapia	0	0	0	0
Trout (Not Live)	31	0	0	0
Oilseeds & Products	155,637	80,558	36,506	15,118
Soybeans	56,985	35,459	34,042	204
Ot Olsd Prod Non-Agr	2,054	12,702	155	2,463
Soybean Cake & Meal	23,732	9,964	25	26
Peanuts	4,826	6,935	609	749
Other Oilseed Prod.	5,132	5,851	862	981
Rape/Colza/Must.Oil	56,845	4,925	0	9,956
Flours,Isolates,Conc	1,715	1,713	183	335
Other Oils	3,261	1,387	360	164
Olive Oil	76	281	56	0
Sunflowerseed	0	257	0	50
Cottonseed Cake&Meal	84	250	0	0

Peanut Butter	166	232	52	51
Linseed Oil	245	194	91	0
Jojoba Oil	155	154	23	126
Soybean Oil	139	117	6	13
Sunflowerseed Oil	90	45	0	0
Fish Oils Non-Agr	46	34	30	0
Sesameseed Oil	20	30	10	0
Castor Oil	0	28	0	0
Cottonseed	0	0	0	0
Flaxseed	9	0	0	0
Other Oilseeds	19	0	0	0
Coconut Oil	12	0	0	0
Palm Oil	0	0	0	0
Corn Oil	0	0	0	0
Cottonseed Oil	0	0	0	0
Peanut Oil	27	0	0	0
Safflowerseed Oil	0	0	0	0
Fishmeal Non-Agr	0	0	0	0
Planting Seeds	31,409	33,584	9,843	11,344
Cotton, Linters & Waste	6,889	15,625	1,924	13,148
Sugar & Tropical Products	14,198	11,835	2,524	4,193
Poultry & Products	4,670	3,122	160	178
Egg and Egg Products	3,105	928	9	168
Broiler Meat	829	879	58	10
Live Poultry	162	865	0	0
Turkey Meat	463	400	93	0
Poultry, Misc	26	38	0	0
Other Poultry Meat	85	11	0	0
Dairy & Products	1,258	2,390	94	18
Other Dairy Products	865	1,988	47	10
Yogrt&Othr Ferm Milk	182	164	41	0
Butter And Milkfat	3	151	0	0
Ice Cream	44	48	0	7
Whey	99	32	6	0
Casein	3	5	0	0
Non-Fat Dry Milk	49	3	0	0
Dry Whole Milk&Cream	0	0	0	0
Fluid Milk And Cream	13	0	0	0
Cheese And Curd	0	0	0	0
Tobacco & Products	1,469	1,964	6	0
	1,494,371	**1,627,116**	**256,329**	**339,842**

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

Section V. Key Contacts

USDA FAS Contacts in Rome, Italy

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Key Italian Government Agencies and Associations

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(Ministry of Treasury)
Agenzia delle Dogane (Customs Agency)
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Istituto per il Commercio Estero
(Italian Trade Commission)
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