Italy

Food Processing Ingredients

2018 Italian Food Processing Ingredients Sector

Report Highlights:
The Italian food-processing industry continues to be highly fragmented, however, in recent years the sector has been characterized by the growing consolidation of smaller companies and by an increasing number of joint ventures. Progress in food technology, marketing innovations, “Made in Italy” products and exports of finished food products have all contributed to Italy’s increasing demand for food ingredients. Key market drivers include an increasing interest in healthy and functional foods, an aging population, and health conscious consumers. Italy depends almost entirely on raw material imports, most of which come from other EU countries.
The Italian food-processing industry is highly fragmented. Progress in food technology, marketing innovations, “Made in Italy” products and exports of finished food products have all contributed to Italy’s increasing demand for food ingredients. Artisanal products are at the forefront of the packaged food market. Italian consumers continue to favor bakery products, ice cream and confectionery. Traditionally, Italian consumers are a bit suspicious of non-Italian food, which is why the major food processors continue to play it safe by manufacturing more Mediterranean style ready meals. As lifestyles have become busier, prepared ready meals have become more popular. Continuous improvements in recipes and packaging, as well as new product launches, have helped with the 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.

Key market drivers include:

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

Euromonitor

Italy depends almost entirely on raw material imports, most of which come from other EU countries and the United States. Growth in recent years has been strongest in the production of frozen foods, pasta, and roasted coffee. Italian consumers continue to prefer fresh products rather than canned products. However, the most popular canned food products are fish and seafood (tuna in particular), meat and meat products, tomatoes and beans.
In 2017, U.S. agricultural and fish exports to Italy were $1.0 billion
In 2017, U.S. imports from Italy reached $4.6 billion

Section II. Road Map for Market Entry

Entry Strategy

- Italian importers are mostly small to medium-sized companies
- 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
- Processed food is primarily distributed through retail grocers, convenience and discount stores
- Be cognizant of regional differences between North and South Italy
- Develop a good understanding of regulations and procedures that comply with trade
- Follow import guidelines to avoid imports being detained
- Develop clear market strategy prior to entry
- Market research in order to assess product opportunities
- Price is very important, along with quality and novelty
- Advanced calculations of the cost of introducing the product in the Italian market, in order to prove its competitiveness in the local market
- Imported products from North America often enter Italy indirectly from the Port of Rotterdam or directly by air
- U.S. companies seeking to export their goods to Italy are advised to research the market for a better understanding

Importation factors of consideration
- All imports are covered under European Union (EU) regulations
- Custom duties are applied to all products and rates depend on product being processed or unprocessed
- Imports from a third country must clearly identify country of origin
- Important to work with experienced distributor or independent reliable agent to counsel on import duties, sanitary regulations and labeling requirements
- Personal relationships and language ability are of value when conducting business transactions

![Market Structure Diagram]

**Market Structure**

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

**Company Profiles**

Major Italian food companies active in the country’s processed meat and poultry sectors include:


Diverging trends affected the processed fruits and vegetables sectors in 2017. On one hand, shelf stable fruits and vegetables have declined in popularity as these products are perceived to be less fresh and many consumers have shifted to fresh or frozen vegetables. Manufacturers are trying to change this trend by introducing products with a focus on provenance and naturalness. The leading player in processed, frozen fruits and vegetables include:
• **Findus** - [https://www.findus.it/](https://www.findus.it/)
• **Nestlé** - [https://www.nestle.it/](https://www.nestle.it/)
• **Buitoni** - [https://www.buitoni.it](https://www.buitoni.it)
• **La Valle degli Orti** - [http://www.lavalledegliorti.it/](http://www.lavalledegliorti.it/)
• **Orogel Surgelati** - [https://www.orogel.it/](https://www.orogel.it/)

**Sector Trends**

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

### Section III. Competition

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Total Imports 2016 (quantity/value)</th>
<th>Major suppliers (% value)</th>
<th>Strengths of Key Supply Countries</th>
<th>Advantages/Disadvantages of Local Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fresh Fruit</strong></td>
<td>Imports: 2 million tons Value: $1.8 billion</td>
<td>Spain 31% Costa Rica 13% Colombia 7%</td>
<td>Spain is geographically close. Costa Rica and Colombia are price competitive.</td>
<td>Increased domestic consumption. Local suppliers are affected by rising production costs.</td>
</tr>
<tr>
<td><strong>Snack Foods</strong></td>
<td>Imports: 277,818 tons Value: $1 billion</td>
<td>Germany 33% France 14% Belgium 10%</td>
<td>Germany, France, and Belgium are geographically close and have developed a long-standing reputation in the market.</td>
<td>Good demand for salty, sweet, and chocolate products. Growing demand for new exotic flavors, combined with a healthier content.</td>
</tr>
<tr>
<td><strong>Beer</strong></td>
<td>Imports: 717 million liters Value: $600 million</td>
<td>Germany 43% Denmark 10% Belgium 9%</td>
<td>Germany, Denmark, and Belgium are geographically close, have developed a long-standing reputation in the market, and are price competitive.</td>
<td>While Italian drinking culture has always been focused on wine, things are changing. Beer imports have increased, along with new breweries and pubs serving high quality beer.</td>
</tr>
<tr>
<td><strong>Wine</strong></td>
<td>Imports: 272 million liters Value: $351 million</td>
<td>France 50% Spain 21%</td>
<td>France and Spain have developed a long-standing reputation in the market and are price competitive.</td>
<td>The U.S. is the fourth largest wine producing country in the world. U.S. wines are increasingly available in Italy and Europe.</td>
</tr>
<tr>
<td><strong>Chocolate</strong></td>
<td>Imports: 73,190 tons Value: $311 million</td>
<td>Germany 44% Belgium 17% France 14%</td>
<td>Germany and Belgium are geographically close with a good reputation in the market.</td>
<td>Growing demand from manufacturers, confectionary and snack industry.</td>
</tr>
</tbody>
</table>

### Section IV. Best Product Prospects
Products not present in significant quantities but which have good sales potential:

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

Products not present in significant quantities but which have good sales potential:

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

Products not present because they face significant trade barriers:

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

Section V. Post Contact and Further Information
Office of Agricultural Affairs, Foreign Agricultural Service, U.S. Embassy, Via Veneto 119a Rome, 00187, Italy
E-mail: agrome@fas.usda.gov Tel: (011) (39) 06 4674 2396
Fax: (011) (39) 06 4788 7008
Webpage: https://it.usembassy.gov/embassy-consulates/rome/sections-objects/fas/

FAS Italy publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN) at:
Market Fact Sheet: Italy

Executive Summary
Italy is the third-largest economy in the euro-zone, with a GDP estimated at $2.2 trillion and a per capita GDP of $36,800. Being a net agricultural importer, most raw materials and ingredients are imported, as Italy's economic strength is in the processing and the manufacturing of goods. Italy exports mainly consumer products to the United States, while the United States exports mostly bulk commodities to Italy. U.S. agricultural and fish exports to Italy were $1.0 billion and U.S. imports from Italy were $4.6 billion.

Imports of Consumer-Oriented Products

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>21.45</td>
</tr>
<tr>
<td>France</td>
<td>14.87</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.64</td>
</tr>
<tr>
<td>Spain</td>
<td>8.24</td>
</tr>
<tr>
<td>Belgium</td>
<td>6.77</td>
</tr>
<tr>
<td>Poland</td>
<td>5.19</td>
</tr>
<tr>
<td>Austria</td>
<td>3.88</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.94</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.95</td>
</tr>
<tr>
<td>United States</td>
<td>1.33</td>
</tr>
</tbody>
</table>

Food Processing Industry
The Italian food-processing industry is highly fragmented, characterized by a growing consolidation of smaller companies. Progress in food technology, marketing innovations, “Made in Italy” products and exports of finished food products have all contributed to Italy’s increasing demand for food ingredients. Artisanal products are at the forefront of the packaged food market. Italian consumers continue to favor bakery products, ice cream and confectionery. Traditionally, Italian consumers are a bit suspicious of non-Italian food, which is why the major food processors continue to play it safe by manufacturing more Mediterranean style ready meals.

Food Retail Industry
Italy’s food retail distribution system has noticeable differences between the north and south. Italy’s diversified industrial economy is divided by a developed industrial north dominated by private companies, and a less-developed agricultural south afflicted with high unemployment. This division is reflected in the distribution of retail outlets, with the majority of the supermarkets located in the north (53 percent), followed by the south (27 percent) and then by the central region of Italy (20 percent).

Quick Facts CY 2017

<table>
<thead>
<tr>
<th>Imports of Consumer-Oriented Products from the world</th>
<th>$22.7 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports of Consumer-Oriented Products from the world</td>
<td>$418.5 million maybe from the U.S.?</td>
</tr>
</tbody>
</table>

List of Top Growth Products
- Pork meat
- Snacks
- Wine
- Beer
- Gluten free
- Organics
- Soybeans
- Chocolate
- Spirits
- Gluten free
- Organics
- Soybeans
- Chocolate
- Spirits

Top Retailers
- AGORA'
- CONAD
- EUROSPIN
- COOP ITALIA
- CRAI
- DESPAR
- ESSELUNGA
- AUCHAN
- BENNET
- CARREFOUR
- FINIPER
- IL
- GIGANTE
- LIDL ITALIA
- METRO
- SELEX

GDP/Population
- Population: 62 million
- GDP: $2.234 trillion
- GDP per capita: $36,800

Strengths/Weaknesses/Opportunities/Challenges

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food consumption levels are among the highest in the world.</td>
<td>Competition from EU countries that export to Italy tariff free.</td>
</tr>
<tr>
<td>Lifestyle changes have increased demand for processed, convenient foods.</td>
<td>Non-tariff barriers, including traceability requirements, can hinder U.S. exports.</td>
</tr>
<tr>
<td>Italy is dependent on raw imports for its processed food industry. Italian food products have a reputation for being of high quality.</td>
<td>U.S. exporters new to the Italian market may find the Italian bureaucracy difficult to maneuver.</td>
</tr>
</tbody>
</table>
EU expansion creates new market opportunities for Italian food and drink exports, for which the Italian food processing industry will need additional ingredient inputs. U.S. products/ingredients, while innovative, may be perceived as overly processed and less wholesome than their Italian/EU counterparts which are marketed as traditional and seen as having more “natural” ingredients.

Contact: OAA Rome, Italy
AgRome@fas.usda.gov/ +39 06 4674-2396