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Italy

Food Service - Hotel Restaurant Institutional

2011

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Report Highlights:
This report gives an overview of the Italian foodservice industry and its various sectors. It also outlines current market trends, and identifies best product prospects.

Post:
Rome

Author Defined:
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. 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.

On balance, Italy is a net importer of agricultural products. U.S. agricultural exports to Italy in 2009 totaled $1 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.

Snapshot

Italy has one of the highest levels of per capita spending on food and drink in the world. However, over the last ten years consumption has been adversely affected by relatively low economic growth and dropping demographics, with an ageing population and low birth rate. The country is now emerging from a deep recession but these issues are expected to continue hampering consumption growth over the next five years and Italy's consumption forecasts are therefore among the lowest in the Western Europe region.

The Italian Hotel and Food Service Industry

Every year more than 90 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. Only 1 percent of the hotels belong to an International chain, while the majority of the establishments are small family owned businesses. According to the Italian Hotel Association, Federalberghi, more than 240 million people stayed in an Italian hotel in 2009.

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.

Most hotels in Italy operate on the continental plan which includes breakfast in the room rate. Lunch and dinner are seldom served due to the lack of demand from the small number of guestrooms. The breakfast room is closed for the rest of the day. There is, however, usually a stand-up bar off the lobby which serves espresso, cappuccino and alcoholic beverage throughout the day.

Breakdown of Italian Hotels

Star Rating	***Hotels***	***Rooms***	***Beds***
5	344	28.833	60.991
4	4.892	324.056	671.807
3	17.807	565.130	1.174.803
2	6.907	119.015	225.443
1	4.017	51.054	94.788
Total	33.967	1.088.088	2.227.832

Source: *Istat*

Restaurants, Bars and Take-Away

The majority of Italian eating establishments are located in the North (47%), followed by the South (31%) and then the Center (22%). Cafés/bars continue to be the largest segment of the consumer foodservice sector, and coffee is the leading product consumed outside of the home, followed by soft drinks and alcoholic beverages. Fast food is becoming one of the most dynamic sectors in consumer foodservice along with street stalls/kiosks. Home delivery/takeaway is still a relatively underdeveloped segment in Italy compared with other European countries and is mostly composed of pizza outlets. Self-service cafeterias remain stable, most of them belonging to chain outlets strategically located in shopping malls, airports, highway convenience stores and city centers.

Ethnic eateries are booming in Italy and foreigners have also carved out a big chunk of new Italian restaurants. Restaurants serving foreign food have risen from 2,500 in 2000 to more than 4,000 in 2009, says Fipe-Confcommercio, Italy's association of restaurant and bar owners. Also, of the new Italian restaurants opened each year, more than 40% are owned by foreigners. Vietnamese, Korean and Kebab eateries are also showing healthy gains.

Institutional Food Service

The Italian Institutional sector in Italy is valued at about €7 billion and serves more than 5 million meals a day. The Italian Military catering sector is still a relatively untapped market segment for U.S. exporters. Industry figures show that the sector is worth more than €500 million yearly. There are 300 military barracks, mess halls and Officer Clubs located throughout Italy that serve meals daily. Presently, the main Institutional Catering companies operating in Italy are; Ristochef, Gama, Gemeaz, Onama, La Cascina and Sodexho.

Helpful Advice

The best initial step that a U.S. company interested in exporting to Italy and the EU can take is to find a reputable food importer, agent or wholesaler who already operates in the Italian market, knows how to facilitate product entry and has an established distribution to the HRI sector. Italian importers are usually small to medium-sized companies, rather than the large, market-dominating entities found in northern Europe. Consequently, these companies import on a smaller scale and usually in a broader range than their much larger counterparts.

Italians tend to be conservative and traditional in their eating. Food service companies usually select their products directly from the importers and distributors. Therefore, U.S. exporters need to work closely with the industry, focusing on the importers and distributors who can best promote U.S. products to the Italian HRI sector. These groups often have up-to-date knowledge of the most recent laws and regulations, and know how to communicate and work closely with the Italian Customs Officials. American exporters who can assist in consolidating shipments from other U.S. sources or who have a wide range of products for export have the greatest possibility of success in the Italian market. Single item exporters have a more limited chance for success in the Italian market at this time.

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.

For example, in Italy there are over 1000 fish wholesalers--100 of which are considered to be importers. Most of the processed food and raw material sourcing decisions are made directly by the restaurant chef and/or hotel Food Purchasing Director. While there are Category Associations for the HRI sector, every establishment operates independently when it comes to sourcing decisions. (See listing of Italian HRI sector Associations).

Studies have shown that sourcing behavior and purchasing decisions made by food service establishments are mainly based on the perceived "quality of the food," followed by "price." Italians tend to purchase "the same products to be on the safe side" and most decisions are made by the establishment owner or the chef. 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.

Consumption and Expenditures

According to ISTAT in 2009 Italian consumer expenditure on food was $177,580 million.

The Italian HRI Food Service Sector Figures Type of activity	Daily customers	Daily sales revenue
Bars	25,000,000	32,020,000 Euros
Restaurants	3,500,000	62,000,000 Euros
Source: FIPE, Federazione Italiana Pubblici Esercizi, 2010		

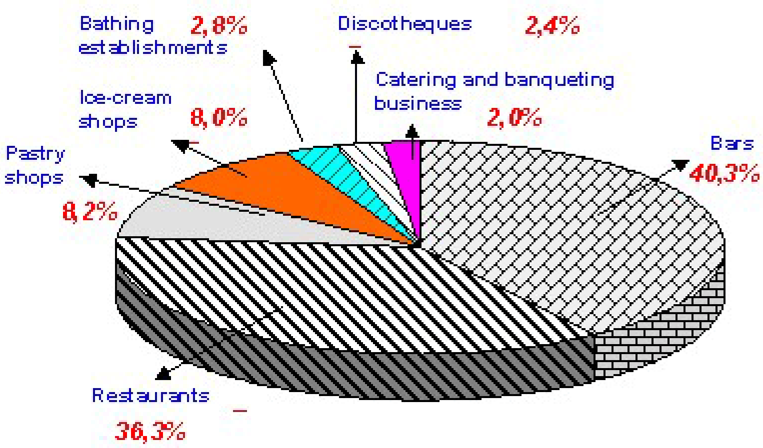
Italy's Food Service Sector

Type of ActivityNumber of Outlets

Coffee Bars 157,000
Restaurants 100,800
Discothèques 3,500
Seaside Establishments 7,864
Vending machines 2,300,000
Country Clubs 30,000
Pizza Parlors 14,000
Hotel Restaurants 22,000
Street Vendors 20,000
Local small specialty shops 33,000
Bakeries 13,000
Cafeterias 3,500

Source: FIPE, Federazione Italiana Pubblici Esercizi, 2010

Pie Chart of Italy's Food Service Sector by type of establishment



Source: FIPE, Federazione Italiana Pubblici Esercizi, 2010

Advantages and Challenges Facing U.S. Products in Italy

Advantages	**Challenges**
Food consumption levels in Italy are among the highest in the world.	Competition in the Italian food market is fierce and many consumers still have a preference for traditional Italian products.
Italy is a member of the Euro zone, which eases market entry.	U.S. exporters must conform to often-difficult Italian/European standards and regulations.
Consumers are receptive to modern and innovative product launches, although arguably less so than elsewhere in	Food scares have made some Italian consumers wary of the unfamiliar.

Europe.	

Road Map for Market Entry

With more women in the workforce, and changing working conditions, Italians seem to be eating out more, taking shorter lunch breaks, snacking more and spending much less time in the kitchen preparing a meal. Consumer eating out preference are shifting from traditional restaurants in favor of less expensive foodservice options like pizzerias, bars, street stalls/kiosks, self-service cafeterias and fast food. This shift towards convenient dining has led Italian importers to seek food products adapted to self service eateries. Many bars, restaurants and food service companies also are seeking foods that microwave easily. While home use of microwaves is still low, microwave sales are increasing. Families with two working parents rely more and more on microwaves to reheat food and prepare frozen foods. Microwaves are present in most small food shops to reheat baked goods such as pizza or roasted chicken.

The Italian youth market is especially interested in lifestyle foods such as American beer, Tex Mex, sushi, ethnic and salted snacks. American type packaging is perceived as being trendy and consumer friendly. U.S. exports of bulk and packaged dried fruits and nuts have consistently sold well in Italy and do very well in the HRI sector.

Italian HRI Sector Legislation

Smoking ban

As of January 1, 2005, the government has banned smoking in all public outlets. In order to safeguard customer health, smoking areas are allowed only where a proper ventilation system is installed. In any case non-smoking areas must be provided and be larger than the smoking area. Outlet management will play a core disciplinary role and will be responsible for any infringements.

Bollino Blu

Bollino Blu (Blue Decal) is the latest quality certification system created by FIPE (Italian federation of bars and catering) and the Italian Ministry of Health. The project aims to control hygiene and quality of Italian restaurants by granting a Bollino Blu to those establishments that can provide trace-ability of food origin and suppliers.

Best Product Prospects

American-style fast food chains, buffets, and salad bars are gaining popularity in the Italian market. This move towards more convenient dining has led Italian importers to seek out U.S. food products adapted to self service eateries. Many bars, restaurants and food service companies also are seeking foods that microwave easily. Italians are consuming increasing quantities of breakfast cereals, organic and snack foods. The Italian youth market is especially interested in lifestyle foods such as American microbrew beer and salted snacks. American type packaging is perceived as being trendy and consumer friendly.

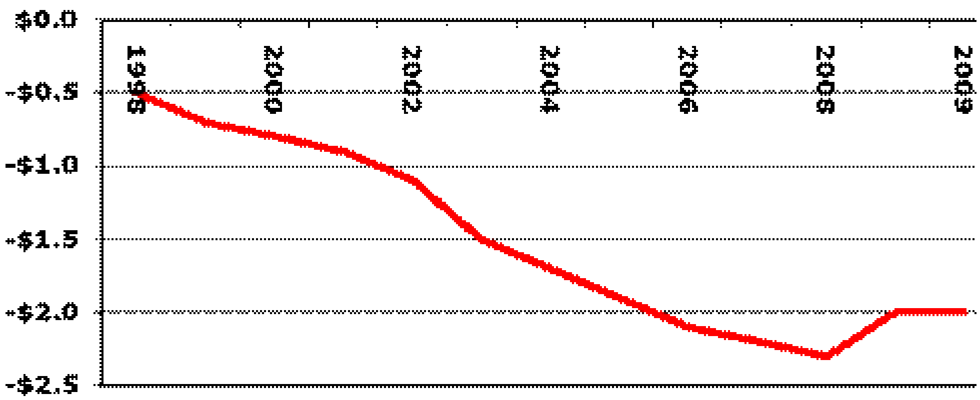
American food does well in the Italian market, including in the increasingly popular sushi bars. Italy is the world's fifth largest importer of seafood products, with an estimated annual consumption of almost 26 kilograms of fish and seafood. Last year Italy imported $82 million from the United States in seafood products. Opportunities exist in the supply of fish, especially tuna, salmon, crab, surimi, roe, 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.

***Bilateral Ag Trade*:**

U.S. Agricultural Exports to Italy $1.0B	**Italian** Agricultural Exports to U.S. $3.0B
- Grains $100 million	Wine $1.2 billion
- Forest Products $140 million	Olive Oil $546 million
- Tree Nuts $126 million	Cheese $263 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 U.S.

***U.S. Agricultural Trade Balance with Italy*:**



- This deficit represents half of total U.S. agricultural trade deficit with the EU.
- Due largely to the lack of market access, especially for GMO products, poultry (chlorine wash), beef (growth hormones).

Exchange Rate: EURO per U.S. Dollar
Average 2009: €0.7153 = $1.00
Average 2008: €0.6827 = $1.00
Average 2007: €0.7345= $1.00
Source: European Central Bank

Leading U.S. Agricultural Exports — ***Cumulative To Date Values in Thousands of dollars January-December***

to Italy (Thousands of U.S. $)	2008	2009	Jan-Aug 2009	Jan-Aug 2010	2010/2009
	000 $	000 $	000 $	000 $	% change
Ag, Fish & Forest Prods	**1,099,916**	**937,808**	**557,759**	**567,112**	**1.7**
Consumer Oriented Total	**364,634**	**314,489**	**179,134**	**173,476**	**-3.2**
Tree Nuts	140,945	125,986	52,963	53,713	1.4
Processed Fruit & Vegetables	91,715	83,453	60,806	37,668	-38.1
Wine and Beer	57,163	59,684	34,997	41,430	18.4
Other Consumer Oriented	11,133	13,113	8,388	7,732	-7.8
Red Meats, FR/CH/FR	15,458	10,771	6,494	20,507	215.8
Pet Foods	24,478	7,040	4,649	3,811	-18.0
Nursery Products	7,850	3,902	3,305	618	-81.3
Eggs & Products	2,576	3,105	2,533	596	-76.5
Snack Foods	2,651	2,723	1,629	2,665	63.6
Poultry Meat	1,493	1,377	1,067	1,115	4.5
Dairy Products	5,805	1,258	691	2,141	209.8
Fruit & Vegetable Juices	1,590	975	641	604	-5.8
Fresh Fruit	71	449	398	357	-10.3
Fresh Vegetables	443	396	381	292	-23.4
Red Meats, Prep/Pres	1,042	164	114	105	-7.9
Breakfast Cereals	220	92	75	122	62.7

Best Products Prospects

***A. U.S. products in the Italian market that have good sales potential**:*

Wild salmon from Alaska
Lobster
Dried plums
Tree nuts
Wheat
Tex Mex and other ethnic foods
Dried beans and lentils
Processed fruit juice

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

Cake mixes
Dressings and sauces/condiments
Beer
Snacks
Scallops
Chocolate
Specialty/Microbrew Beer

C. Products not present because they face significant trade barriers:

Beef
Cheese

Poultry
Processed food products containing biotech ingredients

USDA FAS Italy Contacts in Rome

U.S. travelers to Italy seeking appointments with U.S. Foreign Agricultural Service officials at Embassy Rome should contact the office at:

Office of Agricultural Affairs,
American Embassy
Via Veneto 119, Rome, 00187, Italy

Tel: (011) (39) 06 4674 2396
Fax: (011) (39) 06 4788 7008
Webpage: http://italy.usembassy.gov/agtrade.html
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Listing of Italian HRI sector Associations:

Federalberghi
Italian Hotel Association
Via Toscana 1,
00187, Rome, Italy
Tel: + (39) 06 42741151
Fax: + (39) 06 42871197
Website: www.federalberghi.it

Confcommercio
General Confederation of Trade, Tourism, and Services
Piazza G. G. Belli, 2
00153, Rome, Italy
Tel: + (39) 06 58 661
Fax: + (39) 06 58 09 425
Website: www.confcommercio.it

AICA – Associazione Italiana Catene Alberghiere
Italian Hotel Chain Association
Viale Pasteur 10,
00144, Rome, Italy
Tel: + (39) 06 591 3523
Fax: + (39) 06 592 90433
Website: www.aica-italia.it

FIPE – Federazione Italiana Pubblici Esercizi

Italian Federation of Bars and Catering
Piazza G. Belli 2,
00153, Rome, Italy
Tel: + (39) 06 583 921
Fax: + (39) 06 581 8682
Website: www.fipe.it

ANGEM - Associazione Nazionale delle Aziende di Ristorazione Collettiva e Servizi
Italian National Association of the Institutional Food Service
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Fax: + (39) 02 76111042
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