

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Italy

Retail Foods

Italian Food Retail and Distribution Sector Report 2017

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Report Highlights:

This report gives an overview of the Italian food retail and distribution sectors and outlines current market trends, including best product prospects. In 2016, grocery retailers reported sales of €128.8 billion. All major operators focused on revamping their retail outlets by exploiting their store space to improve the consumers' shopping experience in order to drive sales. Due to continued political and economic uncertainty, Italian consumers were more cautious with their spending, but at the same time, showed interest in purchasing organic and local produce.

Post:
Rome

Author Defined:

Italy is the third-largest economy in the euro-zone, but exceptionally high public debt burdens and structural impediments to growth have rendered it vulnerable to scrutiny by financial markets. Italy's GDP is estimated at \$2.234 trillion and it has a per capita GDP of \$36,800. Italy has few natural resources, with much land unsuited for farming. It is 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.

In 2016 grocery retailers reported sales of €128.8 billion. In 2016, all major operators focused on revamping their hypermarkets and exploiting their store space to improve consumers' shopping experience in order to drive sales. Major operators like Carrefour and Pam, which have historically been active in hypermarkets and supermarkets, have been aggressively pursuing store expansion through their smaller Carrefour Express and Pam Local banners, usually located in major downtown locations. Traditional grocery retailers in Italy continue to account for the largest share of outlets. While modern grocers had around 30,000 stores in 2016, there were more than 224,000 traditional grocery outlets. In 2016 the number of independent operators continued to decline even though Italian consumers continue to appreciate traditional food stores. The increased purchases of organic products prompted by health and wellness concerns has been instrumental to the growth of Natura Si, whose number of outlets rose from 163 to 222 in 2016.

Table 1. Sales in Grocery Retailers by Channel: Value 2011-2016

EUR million	2011	2012	2013	2014	2015	2016
Modern Grocery Retailers	91,408.0	91,866.7	94,009.6	93,120.7	93,663.7	94,158.9
- Convenience Stores	14,802.3	14,537.3	14,653.6	14,747.4	14,797.6	14,815.3
- Discounters	12,878.3	13,499.0	14,005.2	14,495.4	14,988.2	15,213.0
- Forecourt Retailers	261.8	258.9	254.9	252.8	254.8	262.5
-- Chained Forecourts	261.8	258.9	254.9	252.8	254.8	262.5
-- Independent Forecourts	-	-	-	-	-	-
- Hypermarkets	20,604.5	20,191.7	21,452.9	20,505.8	20,848.8	20,995.3
- Supermarkets	42,861.2	43,379.8	43,643.0	43,119.3	42,774.3	42,872.7
Traditional Grocery Retailers	35,382.4	35,023.5	34,598.4	34,323.9	34,466.5	34,597.6
- Food/Drink/Tobacco Specialists	19,240.6	18,961.6	18,709.4	18,559.7	18,782.5	18,970.3
- Independent Small Grocers	13,831.5	13,731.9	13,579.5	13,470.9	13,402.2	13,351.2
- Other Grocery Retailers	2,310.3	2,330.0	2,309.4	2,293.3	2,281.8	2,276.1
Grocery Retailers	126,790.4	126,890.2	128,608.0	127,444.6	128,130.2	128,756.5

Source: Official statistics, Euromonitor and Italian trade associations

Table 2. Forecast Sales in Grocery Retailers by Channel: Value 2017-2021

EUR million	2017	2018	2019	2020	2021
Modern Grocery Retailers	94,681.8	95,212.8	95,724.7	96,267.5	96,891.7
- Convenience Stores	14,824.2	14,821.2	14,809.4	14,787.2	14,804.9
- Discounters	15,425.7	15,580.0	15,667.2	15,714.2	15,745.7
- Forecourt Retailers	264.2	266.3	268.9	272.0	275.1
-- Chained Forecourts	264.2	266.3	268.9	272.0	275.1
- Hypermarkets	21,166.4	21,354.8	21,568.3	21,809.9	22,084.7
- Supermarkets	43,001.3	43,190.5	43,410.8	43,684.3	43,981.3
Traditional Grocery Retailers	34,841.5	35,147.9	35,532.5	35,961.8	36,434.2
- Food/Drink/Tobacco Specialists	19,243.5	19,566.7	19,958.1	20,381.2	20,831.6
- Independent Small Grocers	13,317.9	13,293.9	13,277.9	13,271.3	13,275.3
- Other Grocery Retailers	2,280.2	2,287.3	2,296.4	2,309.3	2,327.3
Grocery Retailers	129,523.4	130,360.7	131,257.1	132,229.3	133,325.9

Source: Official statistics, Euromonitor and Italian trade associations

Retail Sector Strengths and Weakness

Advantages	Challenges
Italians are traveling more and becoming more aware of foreign cuisines.	Competition in the Italian food market is fierce and many consumers still prefer traditional Italian products.
Italy is a member of the Euro zone, which eases market entry.	The Italian retail sector is extremely fragmented, and the mandatory customs duties, sanitary inspections, and labeling requirements can be onerous.
Interest in new and innovative products, especially with a health benefit.	Competition from similar food products produced in other EU countries that enter tariff free.
American food and food product remain quite popular in Italy.	Complying with European and Italian Regulations.
Interest in new and innovative products, especially with a health benefits.	Competition from similar food products produced in other EU countries that enter tariff free.
Italian consumers demand quality, innovative, healthy products	Adapting products to Italian consumer tastes and expectations

Section II. Road Map for Market Entry

The best way to begin exporting to Italy is to either identify a key importer, broker, distributor, agent or wholesaler as they know how to best navigate the import and distribution process and are able to engage directly with Italian food retailers. They are key to doing business in Italy. Food importing is a specialized business, and an importer plays a pivotal role in navigating the hurdles of Italian and EU food law. Importers normally carry a whole range of products. The terms and length of association between the U.S. Company and the Italian company are normally established by contract.

Market Structure



Italian importers are usually small to medium-sized companies, rather than the large, market-dominating varieties found in northern Europe. Consequently, these companies import on a smaller scale, but often a broader range of products than their much larger counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Price is an increasingly important basis for import purchase decisions, although quality and novelty do move some products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam or directly via air.

- Survey existing and potential opportunities by reviewing FAS GAIN reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges.
- Establish a relationship with an Italian importer/distributor that provides services to the food-processing or retail sectors.
- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers. Italians place a lot of importance on first building the trust to consolidate the business relationship.
- Be willing to meet special EU labeling requirements and consider working through a consolidator or participating in mixed container shipments.

Participation in some of the larger European international food trade shows (ANUGA and SIAL) offers a good opportunity to get a sense of the Italian market and provides the opportunity to meet potential Italian importers or distributors. Market entry to the Italian retail sector requires patience and substantial homework on the part of the U.S. exporting company to ensure that all import regulations and labeling laws are met.

Major Players in the Italian Food Retail Market

AGORA' NETWORK

Via Pergolesi, 25 - 20124 Milano (MI)

Tel. 02.67339801 - Fax 02.67339820

www.agora-net.it

Sales: Estimated €2.2 billion

AUCHAN S.p.A.

Strada 8 palazzo N - 20089 Milanofiori di Rozzano (MI)

Tel. 02.5752801 - Fax 02.57512438

www.auchan.it

Sales: n/a

BENNET S.p.A.

Via Enzo Ratti, 2 - 22070 Montano Lucino (CO)

Tel. 031.4751111 - Fax 031.471110

www.bennet.com

Sales: Estimated €1.7 billion

CARREFOUR ITALIA - GS S.p.A.

Via Caldera, 21 - 20100 Milano (MI)

Tel. 02.48251 - Fax 02.48202325

www.carrefouritalia.it

Sales: Estimated €4.7 billion

CONAD.

Via Michelino, 59 - 40127 Bologna (BO)

tel. 051.5081111 - fax 051.508414

www.conad.it

Sales: Estimated €12 billion

COOP ITALIA

Via del Lavoro, 8 - 40033 Casalecchio di Reno (BO)

Tel. 051.5961111 - Fax 051.596512

www.e-coop.it

Sales: Estimated €12.4 billion

CRAI

Centro Direzionale Milano 2 - Palazzo Canova via F. Cervi - 20090 Segrate (MI)

Tel. 02.210891 - Fax 02.21080401

www.crai-supermercati.it

Sales: Estimated €4.8 billion

DESPAR ITALIA

Via Cristoni, 82 - 40033 - Casalecchio di Reno (BO)

Tel. 051.6118020 - Fax 051.6118040

www.desparitalia.it

Sales: Estimated €3.1 billion

ESSELUNGA S.p.A.

Via Giambologna, 1 - 20096 Limoto di Pioltello (MI)

Tel. 02.923671 - Fax 02.9267202

www.esselunga.it

Sales: Estimated €7 billion

EUROSPIN ITALIA S.p.A.

Via Campalto 3/d - 37036 San Martino Buon Albergo (VR)

Tel. 045.8782222 - Fax 045.8782333

www.eurospin.it

Sales: n/a

FINIPER S.p.A.

Via Mameli, 19 - 27054 Montebello della Battaglia (PV)

Tel. 0383.894511 - Fax 0383.892257

www.iper.it

Sales: Estimated €1.6 billion

IL GIGANTE S.p.A

Via Clerici, 342 – 20091 Bresso (MI)

Tel. 02.2404251 - Fax 02.26224302

www.ilgigante.net

Sales: n/a

LIDL ITALIA S.r.l.

Via Augusto Ruffo, 36 - 37040 Arcole (VR)

Tel. 045.6135111 - Fax 045.6135190

www.lidl.it

Sales: Estimated €3 billion

METRO ITALIA CASH & CARRY S.p.A

Via XXV aprile, 25 - 20097 San Donato Milanese (MI)

Tel. 02.51711 - Fax 02.51714401

www.metro.it

Sales: Estimated €722 million

SELEX GRUPPO COMMERCIALE S.r.l.

Viale Cristoforo Colombo, 51 - 20090 Trezzano sul Naviglio (MI)

Tel. 02.484571 - Fax 02.48457700

www.selexgc.it

Sales: Estimated €1 billion

SIGMA.

Via Paolo Nanni Costa, 30 - 40133 Bologna (BO)

Tel. 051.6428511 - Fax 051.6428500

www.supersigma.com

Sales: Estimated €6 billion

SISA S.p.A.

Blocco 1B Galleria B N.186/196 Centergross - 40050 Funo di Argelato (BO)

Tel. 051.6635511 - Fax 051.6646334

www.sisaspa.com

Sales: Estimated €2.5 billion

Italy's food retail distribution system has noticeable differences in terms of sector growth 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).

While small neighborhood shops and specialty stores are still the norm, Italian consumers are discovering the convenience of large supermarket and hypermarket outlets. Italians still place great value on the quality and freshness of products (rather than frozen), which is reflected in the practice of daily shopping, rather than weekly bulk shopping. Larger supermarket and hypermarket stores are introducing private label brands. Italian consumer purchasing habits place great value on the freshness and quality of products, therefore shopping several times a week versus other European countries where consumer patterns show a greater tendency towards once a weekly bulk purchasing.

Larger food retailers are starting to appeal to those consumers who are attracted by the convenience that one-stop shopping offers, and appreciate the wide range of products and additional services that larger retail formats provide. Social changes, including smaller family sizes, longer working hours, more working women, and an increasing number of single households. An ageing population also is contributing to this change.

Hypermarkets in Italy continued to face difficulties in 2016, as consumers were no longer as keen on doing one large grocery shop a week as they had been pre-recession. On the contrary, consumers preferred to shop for less but more often, buying only what was necessary in order to avoid products spoiling. This generated a positive effect for smaller retail environments, such as chained convenience stores strategically located in city centers and easily reachable without a car. The fastest growth channel in sales terms in 2016 was discounters. Discounters grew steadily during the recession as

consumers looked for more competitively priced items and were also willing to compromise on quality/product origin in order to save money.

Convenience store sales remained stable in 2016, while the number of outlets declined by 2 percent. Selling space also witnessed a decline given that retailers preferred stores with smaller square meter counts than in the past, looking for lower operating costs. As major grocery retailers, such as Carrefour or Pam, began investing in this format, the channel witnessed some growth in sales but also witnessed upgrades in terms of its product offerings and store layouts.

In 2016, private label brands continued to gain momentum, graduating from only selling staple products to also including organic, gluten free and other specialty products. Social changes, including smaller family sizes, an increasing number of single households and an aging population have affected consumption patterns. Demand for single-portion products, ready-made food products and convenience foods has increased. However, there are now signs that the combination of rising food prices and stagnant economic growth may be encouraging more Italian consumers to move away from branded products, providing a boost to producers of private labels. Italian consumers are quite discerning, and are prepared to sacrifice in other areas to ensure they buy quality food ingredients.

The linkage between brand/quality may partly explain Italian consumers' reluctance to embrace private label products. Brand name producers currently even dominate the market for staple products, such as milk and pasta.

Major Food Retailers - Italian Market Share 2012-2016

% retail sales value	2012	2013	2014	2015	2016
Coop Italia	9.3	9.8	9.7	9.6	9.7
CONAD - Consorzio Nazionale Dettaglianti Scrl	7.4	7.7	9.2	9.5	9.5
Selex Gruppo Commerciale Spa	5.5	5.6	5.7	6.7	6.9
Esselunga Spa	4.8	4.8	4.8	5.0	5.1
Aachen Group SA	5.8	6.2	6.3	4.7	4.4
Gruppo Euro spin	2.8	3.0	3.2	3.3	3.4
Carrefour SA	3.8	3.6	3.6	3.5	3.4
Gruppo VEGÉ	-	-	1.7	1.9	2.7
Schwarz Beteiligungs GmbH	2.1	2.1	2.4	2.4	2.5
Sigma Società Cooperativa	4.1	4.2	3.4	3.5	2.5
Consorzio C3	3.1	3.0	2.5	2.4	2.5
Crai Secom Spa	1.8	1.8	1.7	2.1	2.4
Internationale Spar Centrale BV	3.0	2.9	2.5	2.5	2.3
Finiper SpA	1.7	1.7	1.8	1.9	2.0
Pam SpA, Gruppo	2.2	2.1	1.9	1.9	1.9
MD Spa	-	-	-	-	1.8
Sisa Spa	-	-	-	-	1.4
Agorà Network Scarl	1.0	1.0	1.0	0.9	1.0
Bennet SpA	1.0	0.9	0.9	0.9	0.9
Rewe Group	1.3	1.4	1.2	0.7	0.8
SISA - Società Italiana Supermercati Associati scarl	2.2	1.8	1.9	1.5	-
Interdis S Cons SpA	1.3	1.5	-	-	-

E Leclerc	0.8	0.8	-	-	-
Lombardini SpA, Gruppo	0.9	0.5	-	-	-
Others	34.1	33.6	34.5	35.2	33.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Official statistics, Euromonitor and Italian trade associations

Section III. Competition

Product Category	Major supply sources (% value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Total imports 2016 (quantity and value)			
Fresh Fruit Imports: 2 million tons Value: \$1.8 billion	Spain – 31% Costa Rica – 13% Colombia – 7%	Spain is geographically close and has developed a long-standing reputation in the market. Costa Rica and Colombia are price competitive.	Increased domestic consumption. Local suppliers are affected by rising production costs.
Snack Foods Imports: 277,818 tons Value: \$1 billion	Germany – 33% France – 14% Belgium – 10%	Germany, France, and Belgium are geographically close and have developed a long-standing reputation in the market.	Good demand for salty, sweet, and chocolate products. Growing demand for new exotic flavors (olive oil, chili...), combined with a healthier content.
Beer Imports: 717 million liters Value: \$600 million	Germany – 43% Denmark – 10% Belgium – 9%	Germany, Denmark, and Belgium are geographically close, have developed a long-standing reputation in the market, and are price competitive.	Although the Italian drinking culture has always been focused on wine, things have been changing recently. The beer market is growing with increased imports, new breweries and pubs where high quality beer is served at reasonable prices.
Wine Imports: 272 million liters Value: \$351 million	France – 50% Spain – 21%	France and Spain have developed a long-standing reputation in the market and are price competitive.	The United States is the fourth largest wine producing country in the world after Italy, France, and Spain. American wines offer great value, with prize-winning vintages at reasonable prices, and are increasingly available in Italy and Europe.
Chocolate Imports: 73,190 tons Value: \$311 million	Germany – 44% Belgium – 17% France – 14%	Germany and Belgium are geographically close and have developed a long-standing reputation in the market.	Growing demand from manufacturers, confectionary and snack industry.

Section IV. Best Products Prospects

The products that offer the best U.S. export opportunities are as follows:

Commodity	Imports 2016 \$	Imports from U.S. \$	2012-2016 Average annual import % growth	Key constraints over market development	Market attractiveness for the U.S.
Pork meat	2.2 billion	893,912	+44.8	Competition from other EU countries.	Increasing domestic consumption.
Beer	611 million	2.5 million	+64.3	Competition from EU countries. Transport costs and time.	Although the Italian drinking culture has always been focused on wine, things have been changing recently. The beer market is growing with increased imports, new breweries and pubs where high quality beer is served at reasonable prices.
Soybeans	595 million	131 million	+111.2	Competition from Brazil.	Growing demand from the Italian feed industry.
Wine	335 million	42.3 million	+0.1	Competition from Italy and other EU countries.	The United States is the fourth largest wine producing country in the world after Italy, France, and Spain. American wines offer great value, with prize-winning vintages at reasonable prices, and are increasingly available in Italy and Europe.
Chocolate	313 million	196,973	+60.3	Competition from other EU countries.	Growing demand from manufacturers, confectionary and snack industry.

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 thru the High Quality Beef Quota
Poultry (sanitary procedures – chlorine wash)

Processed food products containing biotech ingredients

Section IV. Post Contact and Further Information

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.

Appendix A. Key Trade and Demographic Information - Italy 2016

Agricultural, Fish/Forestry Imports from the United States: \$1.1 billion

Consumer Food Imports from the United States: \$497.7 million

Fish and Seafood Imports from the United States: \$93.2 million

Italian Population: 62 million

Total Urban Population: 40 Million

Total Rural Population: 20 Million

Foreign Population: 5 million (approx.)

Gross Domestic Product: \$2.234 trillion

Per Capita Gross Domestic Product: \$36,800

Unemployment Rate: 11.7percent

Per Capita Food Expenditures (U.S. Dollars) \$2,500

Labor Force: 26 million

Percent of Female Population Employed 49 %

Exchange Rate: EURO per U.S. Dollar Average 2016: € 0.9214 = \$1.00

Source: BICO, ISTAT, Global Trade Atlas, and European Central Bank

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