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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.

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Section I. Market Overview

Macro Economic Situation & Key Demographic Trends

Italy is an importer of bulk and intermediate agricultural products, and an important exporter of consumer-ready foods, clothing and furniture, which are valued for their actual and perceived high quality. U.S. agricultural exports to Italy reflect this propensity -- with bulk and intermediate products accounting for the greater part of the total. Total U.S. fish and agricultural exports to Italy in 2003 were almost US\$ 550,000, 30% less than in 1997. The decrease is largely the result of EU barriers placed upon U.S. meat exports.

Italy ranks as the world's sixth largest economy, with a GDP of almost \$1.5 trillion, and per capita annual income of over \$25,000. This economy remains divided into a developed industrial north, dominated by private companies, and a less developed, welfare-dependent agricultural south, with 20% unemployment. Italy's main agricultural outputs are fresh vegetables, cereals, fruit, and wine. The diversity of production is engendered by the great geographical, climatic, cultural, and economic variation the length of the Italian peninsula. Italy has a population of 58 million people characterized by affluence and a strong sense of food sophistication that leads to 20 % of their disposable income spent on food. The population is aging and projected to decline in coming years. While living longer, Italians are having fewer children and getting married at a much later age. Also, contrary to trends across Europe, the majority of Italians continue to live in small cities and towns. This said, the combined population of Italy's three largest cities-- Rome, Milan, and Naples-- accounts for almost 20% of the Italian population. Consumer price inflation has been around 2 % per annum, but this has been accelerated by the conversion from the lira to Euro, and by the strength of the Euro against the dollar. Unemployment has remained stable at 9 %.

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. This trend is expected to increase demand for convenience and novelty foods. While strongly wedded to a traditional Mediterranean diet, Italians also seek "healthy living", which has led to a rise in demand for light or dietetic products. Italians have always consumed fish and seafood products, but now also see these as healthy, low-fat options to meat. Breakfast, traditionally synonymous with coffee, and eaten on the run, is beginning to be acknowledged as an important meal, and snacking is more common, attracting innovative processed and convenience products. The breakfast cereal market in Italy is overwhelmingly ready-to-eat boxed varieties. Steady growth in this cereal demand is expected to increase these products' total sales to approximately \$250 million by 2006—an increase of over 20% from 2002. Italy's extensive food processing industries feed much of the expanding market for processed food products, and import growing volumes of raw materials.

As Italians believe that frozen foods can be as nutritious as fresh food, and household refrigeration is widespread, the above trend towards convenience will see the frozen food industry growing significantly at the expense of canned goods. Sales of frozen foods are forecast to reach \$2.2 billion in 2005--a 43% jump from 2000. The majority of retail sales of frozen products are for frozen pizza, followed by pasta-based, fish-based and vegetable-based portions and meals. The preference for frozen over canned foods is well defined. Annual sales of canned food for the period 2000-2005 are expected to be virtually unchanged at about \$1.5 billion.

Despite recent inflation and unemployment, the fluctuations in the dollar/Euro exchange rate, and the often protectionist regulations of the EU, in Italy there still exist many

opportunities to both maintain and expand the market for a variety of U.S. agricultural and consumer ready products in the context of the broad discussion above.

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. (For more information on the Italian Retail Sector, please see GAIN Report IT 3027.)

Advantages and Challenges for U.S. Exporters in Italy

Advantages	Challenges
Young and affluent Italians are becoming interested in innovative products, and interest is particularly high in specialty, ethnic and health food categories.	Competition in the Italian food market is fierce and many consumers still have a preference for traditional Italian products.
Italy's booming tourist industry further stimulates demand for ready made, single portion products for the HRI sector.	U.S. exporters have to conform to often-difficult Italian/European standards and regulations.
The U.S. is a popular travel destination for Italians, and familiarity with food and wine tasted while in the States helps spread their acceptance in Italy.	Need to develop a relationship with Italian trade contacts and invest in marketing the product in Italy.

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 Italian labeling and packaging regulations. However, where an EU standard may not exist, Italy sets its own national requirements.

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 IT 4014.)

Section III. Market Sector Structure and Trends

The Italian Retail Food Sector

Italians maintain a strong preference for their traditional grocer, with local mom-and-pop establishments still accounting for the lion's share of total retail food sales. Local supermarkets account for 64 % of all food sales, followed by hypermarkets with 26 %, and department stores only accounting for 9 %. The Italian consumer also supports a strong quality-gourmet food sector, often for special meals or for gifts. For grocery shopping, the Italian consumer is becoming more price and quality conscious, preferring retail outlets that are able to offer more services, selection and cheaper private labels. While this is leading to a slow growth in hypermarkets, shopping malls and large supermarkets, Italy's fragmented many-tiered distribution system cannot yet be compared to the French or U.S. retail sectors. The north continues to have the largest number of these new, large outlets, which cater to the more prosperous regions of the country. The south lags behind with fewer large retail outlets and a relatively undisturbed traditional distribution network. Nevertheless, the Italian retail sector is changing, and this change can be expected to accelerate. (For further information on the Italian Retail Sector please refer to GAIN Report #IT 3027)

The Italian Hotel and Restaurant Industry

The Italian Hotel and Restaurant Industry (HRI) sector is as diverse and fragmented as the Retail Sector. The hotel industry is dominated by many small establishments. Only 2 percent of Italy's over 33,000 hotels belong to international hotel chains. Most of the food and raw material sourcing decisions are made by the restaurant chef and/or hotel Food Purchasing Director. Every year more than 80 million tourists visit Italy, making it the world's fourth most attractive tourist destination. The Italian HRI sector is lucrative and growing, and is the second largest in the world after the United States. Italians are changing their eating habits, and in the past ten years have increased their consumption of food eaten outside of the home by 141%. (For further information on the Italian HRI Sector please refer to GAIN Report #IT 3009)

Best Prospects for U.S. Agricultural 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 23 kg of fish and seafood. Last year Italy imported from the United States \$48.5 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 IT 3022.) Opportunities also exist for berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

Section IV. Best High Value Product Prospects

(1000s of USD \$) (Source: Eurostat)

Product	Country	2000	2001	2002	2003
WHEAT	Italy	199,369	209,669	188,719	170,879
DRIED PLUMS	Italy	19,506	18,208	15,763	14,324
CONDIMENTS	Italy	1,823	1,293	1,474	1,401
FRUIT JUICES	Italy	1,575	748	654	442
SEAFOOD	Italy	60,044	53,391	52,036	48,599
TREE NUTS	Italy	58,504	65,778	68,537	94,138

Leading Italian Agricultural Exports to the United States in 2003

(Million USD \$) (Source: U.S. BICO)

Wine & Beer	\$ 937,000
Vegetable and Olive oils	\$ 38,000
Cheese	\$ 210,000
Snack Foods and Chocolate	\$ 91,000

Key Trade & Demographic Information - Italy 2003/2004

(Millions of USD \$) (Source: U.S. BICO and UN Trade Data)

Agricultural Imports from the World 11,318	U.S. Market Share: 5 percent
Consumer Food Imports from the World 13,817	U.S. Market Share: 1 percent
Edible Fishery Imports from the World 3,471	U.S. Market Share: 1 percent
Population 58 million	Population Growth rate: 0.11%
Major City Centers: (13) Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	Total Rural Population: 48 Million
Gross Domestic Product 2003: \$1.455 trillion U.S. dollars	Per Capita Income: \$25,100
Unemployment Rate: 9.1 percent	Percentage of Female Population Employed: 28 percent
Exchange Rate: US Dollar to EURO Average 2001: \$1.00 = €1.117 Average 2002: \$1.00 = €1.100 Average 2003: \$1.00 = €0.925 August 2004: \$1.00 = €0.820 Source: European Central Bank	

Consumer Oriented Products

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Reporting Country: Italy	Import		
World	2001 Million USD \$	2002 Million USD \$	2003 Million USD \$
	10,785	11,086	13,817

Reporting Country: Italy	Import		
United States	2001 Million USD \$	2002 Million USD \$	2003 Million USD \$
	113	108	162

Fish and Seafood Products

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Reporting Country: Italy	Import		
World	2001 Million USD \$	2002 Million USD \$	2003 Million USD \$
	2,767	2,849	3,471

Reporting Country: Italy	Import		
United States	2001 Million USD \$	2002 Million USD \$	2003 Million USD \$
	46	43	49

Top Suppliers of Edible Fishery Products

Reporting: Italy - Top 20 Ranking

Source: FAS Office Global Agricultural Trade System using

Data from the United Nations Statistical

1000 \$ = Unit

	Rank	1999	2000	2001	2002	2003
Spain	1	393036	402732	502746	525641	678295
Denmark	2	328574	285034	292621	272389	319553
Netherlands	3	262725	238135	255254	251735	308179
France	4	188337	178865	195800	202583	259968
Greece	5	147641	125561	109615	115070	140607
Argentina	6	99900	81799	111549	108533	136252
Morocco	7	69466	78166	90380	99806	108095
United Kingdom	8	106367	94029	93049	91241	105721
Germany	9	107296	96847	98737	90418	102363
Thailand	10	69823	64321	65850	83326	97883
Ecuador	11	73648	54010	67265	78903	90138
Sweden	12	59571	48425	73711	72467	87065
Senegal	13	89638	49966	46931	76676	82384
Colombia	14	49552	46037	38547	54386	67224
South Africa	15	0	53863	50964	60122	66563
Tunisia	16	40612	40492	41936	42057	55652
United States	17	46758	48980	46411	43738	48901
Seychelles	18	23628	17613	25525	28371	46329
Portugal	19	42678	31513	33865	37246	44165
Cote d'Ivoire	20	15597	12779	15753	29333	40803

Top Suppliers of Consumer Foods
 Reporting: Italy - Top 20 Ranking
 Source: FAS Office Global Agricultural Trade System
 using Data from the United Nations
 1000 \$ = Unit

	Rank	1999	2000	2001	2002	2003
Germany	1	2628033	2475430	2640280	2675878	3353413
France	2	2044811	1885312	1801476	1881440	2310861
Netherlands	3	1652434	1528601	1504370	1483415	1788469
Spain	4	924169	837340	831250	901451	1303057
Austria	5	476409	526533	553962	582909	750385
Belgium	6	612681	570352	642872	634816	745520
Denmark	7	467765	426026	498956	460656	524142
United Kingdom	8	233390	219507	199368	198096	231202
Ireland	9	198742	179679	114767	144262	231028
Turkey	10	150754	127484	149024	180044	228735
Switzerland	11	166286	145405	154262	154150	181414
Ecuador	12	148811	111114	119103	176184	172428
Greece	13	128907	119241	125161	138581	169539
United States	14	116198	107864	112845	108255	162038
China (Peoples Republic of)	15	88826	105223	121362	132286	156907
Brazil	16	106685	110663	132123	129216	143755
Argentina	17	74162	78441	79469	104249	142478
Hungary	18	67296	71150	105715	85297	110837
Chile	19	41901	46365	49370	77848	102000
Portugal	20	43240	46923	71332	66435	86403
Rest of World	-	696577	705362	777603	770505	922392

Italian Trade Shows

For a complete listing of major Italian trade shows for 2004-2006 please see Post's GAIN Report Promotion Opportunities IT 4023.

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Section V. Key Italian Government Agencies**Ministero delle Politiche Agricole e Forestali** (Ministry of Agriculture)

Via XX Settembre 20
00187 Roma
Tel: +39-06-46651

Ministero della Sanita' (Ministry of Health)

Piazzale Marconi 25, Palazzo Italia,
00144 Eur-Roma
Tel: +39-06-5996966
Fax: +39-06-59946217

Ministero delle Economia e delle Finanze (Ministry of Treasury)

Agenzia delle Dogane (Customs Agency)
Via M. Carucci 71,
00143 Roma
Tel. +39-06-50241

Istituto per il Commercio Estero (Italian Trade Commission)

Via Liszt 21
00144 Roma (EUR)
Tel: +39-06-59921
Fax: +39-06-5422-0066

ANEIOA (National Importers/Exporters Horticultural Association)

Via Sabotino 46
00195 Roma
Tel: +39-06-3751-5147
Fax: +39-06-372-3569

ANIPO (National Importers/Exporters Horticultural Association)

Largo Brindisi 5
00182 Roma
Tel: +39-06-7726-401
Fax: +39-06-700-4428

FEDERAGROALIMENTARE (Italian National Food Organization)

Via Gigli d'Oro 21
00186 Roma
Tel: +39-06-689-341
Fax: +39-06-689-3409

FEDERVINI (Wine Trade Assoc)

Via Mentana 2B
00185 Roma
Tel: +39-06-4469-421
Fax: +39-06-494-1566

IIAS Istituto Italiano Alimenti Surgelati (Italian Frozen Foods Association)

Via Castelfidardo 8
00185 Roma
Tel: +39-06-42741472
Fax: +39-06-42011168

UNA (Poultry Union)

Via V. Mariano 58
00189 Roma
Tel: +39-06-3325-841
Fax: +39-06-3325-2427

UNICEB (Livestock Meat Traders)

Viale dei Campioni 13
00144 Roma
Tel: +39-06-592-1241
Fax: +39-06-592-1478

UNIPI (Pasta Traders Assoc)

Via Po 102
00198 Roma
Tel: +39-06-854-3291
Fax: +39-06-841-5132