

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Italy

Exporter Guide

2012 Italy Exporter Guide

Approved By:

Christine Sloop

Prepared By:

Dana Biasetti

Report Highlights:

This report offers 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.

Post:
Rome

Author Defined:

Section I. Italian Market Overview

Macro Economic Situation & Key Demographic Trends

Italy has a diversified industrial economy, divided into a developed industrial north, dominated by private companies, and a less-developed, welfare-dependent, 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 17% of GDP. These activities are most common within the agriculture, construction, and service sectors. 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.

Public debt has increased steadily since 2007, reaching 120% of GDP in 2011, and borrowing costs on sovereign government debt have risen to record levels. During the second half of 2011, the government passed a series of three austerity packages to balance its budget by 2013 and decrease its public debt burden. These measures included a hike in the value-added tax, pension reforms, and cuts to public administration. The government also faces pressure from investors and European partners to address Italy's long-standing structural impediments to growth, such as an inflexible labor market and widespread tax evasion. The international financial crisis worsened conditions in Italy's labor market, with unemployment rising from 6.2% in 2007 to 8.4% in 2011, however, in the longer-term Italy's low fertility rate and quota-driven immigration policies will increasingly strain its economy. The euro-zone crisis along with Italian austerity measures has reduced exports and domestic demand, slowing Italy's recovery. Italy's GDP is still 5% below its 2007 pre-crisis level.

Italy has few natural resources. With much land unsuited for farming, Italy is a net food importer. There are no substantial deposits of iron, coal, or oil. Proven natural gas reserves, mainly in the Po Valley and offshore in the Adriatic, constitute the country's most important mineral resource. Most raw materials needed for manufacturing and more than 80% of the country's energy sources are imported. Italy's economic strength is in the processing and the manufacturing of goods, primarily in small and medium-sized family-owned firms. Its major industries are precision machinery, motor vehicles, chemicals, pharmaceuticals, electric goods, fashion, and clothing.

Unemployment and GDP in 2011

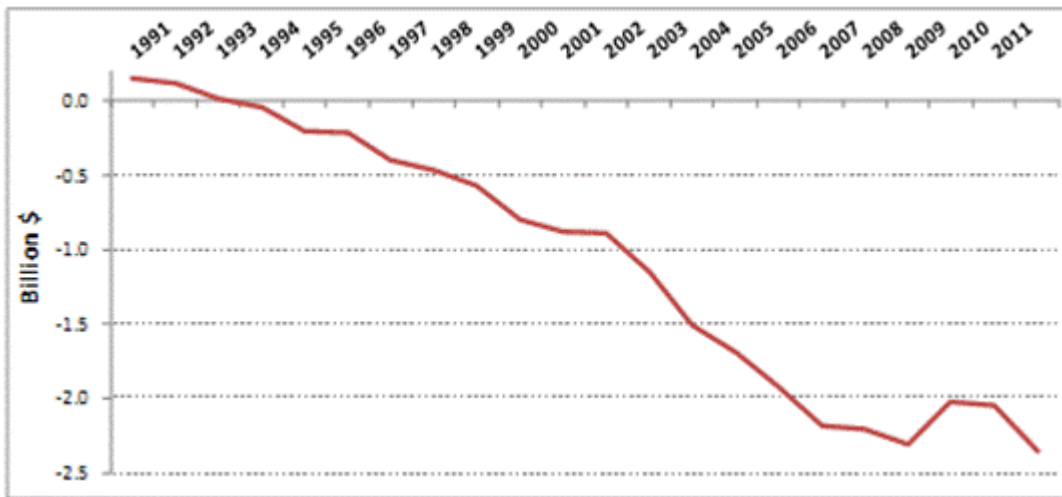
In 2011, Italy's unemployment rate reached 8.4 percent, while GDP was \$2.246 trillion.

Italy's Economic Ties

Italy's closest trade ties are with the other countries of the European Union, with whom it conducts more than 60% of its total trade. Italy's largest EU trade partners, in order of market share, are Germany, France, and the United Kingdom. Italy continues to grapple with the effects of globalization, where certain countries (notably China) have eroded the Italian lower-end industrial product sector.

U.S. Ag Trade Balance with Italy

This deficit represents approximately 40 percent of total U.S. age trade deficit with the EU, due largely to the lack of market access, especially for GMO products, poultry (chlorine wash), beef (growth hormones).



Bilateral Ag Trade 2011

U.S. Ag Exports to Italy \$1.1B

- Tree Nuts: \$177 million
- Wheat: \$159 million
- Hardwood Lumber: \$76 million

U.S Ag Imports from Italy \$3.5B

- Wine: \$1,494 million
- Olive Oil: \$526 million
- Cheese: \$312 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.

Agriculture

Italy's agriculture is typical of the division between the agricultures of the northern and southern countries of the European Union. The northern part of Italy produces primarily grains, soybeans, meat, and dairy products, while the south specializes in fruits, vegetables, olive oil, wine, and durum wheat. Even though much of its mountainous terrain is unsuitable for farming, 3.9 percent of the population is employed in farming. Most farms are small, with the average size being only seven hectares. Main Agricultural Products--wheat, rice, grapes, olives, citrus fruits, potatoes, corn, soybeans, wine, beef, and dairy products. Agriculture accounts for 2% of GDP.

Italy has a diversified industrial economy with roughly the same total and per capita output as France or the United Kingdom. Italian industries, including the food-processing sector, rely heavily on imports of raw materials. Italy is one of the largest agricultural producer and food processors in the European Union (EU). Italy's major food and agricultural trading partners are EU Member States, with neighboring France and Germany each accounting for slightly less than a fifth of Italy's agricultural trade. Major agricultural exports consist of wine, pasta, olive oil, cheeses, and fruits and vegetables.

The export market drives the Italian food-processing sector. Outside of the EU, Italy must compete in global food markets, and the weak dollar versus strong euro has continued to exert a negative pressure on Italian food export prospects. Italian perception of the place and role of Italian food in the global marketplace is closely tied to the concept of protected designations of origin, or geographic indications. Although products with geographic indications represent only a small fraction of the total value of Italian food production, they play a major role in Italy's national food export marketing strategy to portray its products as "high quality and Italian".

Population & Language

Italy has a population of roughly 60 million. Italian is the official language and is spoken in all parts of Italy, although some minority groups in the Alto Adige and Aosta regions speak German and French, respectively. Correspondence with Italian firms, especially for an initial contact, should be in Italian. If a reply comes in English then the subsequent correspondence with the Italian firm can be in English.

The use of Italian is not only regarded as a courtesy, but assures prompt attention, and prevents inaccuracies that might arise in translation. Most large commercial firms are able to correspond in various languages in addition to English and Italian, but a business overture or proposal is given more serious attention if written in Italian.

Labor

Unemployment is a regional issue in Italy -- low in the north, high in the south. Chronic problems of inadequate infrastructure, corruption, and organized crime act as disincentives to investment and job creation in the south. A significant underground economy absorbs substantial numbers of people, but they work for low wages and without standard social benefits and protections. Women and youth have significantly higher rates of unemployment than do men.

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 do. 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. Success in introducing your product to the Italian market depends on acquiring local representation and personal contact. The advantages of local representation include market knowledge, up-to-date information, and guidance

on business practices and trade law, sales contacts, and market development expertise. Finding the right Italian agent, distributor, or business partner is therefore, essential to enter the Italian market. It is usually not effective to rely on agents or distributors in neighboring markets, since despite the existence of the EU common market, the Italian market remains very individual.

Advantages and Challenges for U.S. Exporters in Italy

Advantages	Challenges
High consumer interest in new products.	Competition from similar food products produced in other EU countries that enter tariff free.
The tourism industry increases demand for hotel, restaurant, and institutional products.	Price competition is fierce.
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.	Mandatory customs duties, sanitary inspections, and labeling requirements can be onerous.
U.S. fast food chains, theme restaurants, and the food processing industry often request 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 IT1206.

Section III. Market Sector Structure and Trends

The Italian Food Retail Sector

Italy's food and drink market is very mature, and remains relatively unconsolidated, and dominated by

medium-sized, privately owned companies. Many Italian consumers have a strong bias towards well-known and long-established brands, making market entry difficult and limiting opportunities for revenue growth. A strong food culture means that Italy has one of the highest levels of per capita spending on food in the world, spending more than 20% of their disposable income on food, beverages, and tobacco. However, over the last decade consumption has been adversely impacted by both relatively low economic growth and unfavorable demographics.

Italy Food Consumption Indicators - Historical Data & Forecasts

	2010	2011	2012	2013	2014	2015
Food consumption (EURbn)	123	125	127	129	132	134
Food consumption (US\$bn)	158	152	160	162	165	168
Per capita food consumption (EUR)	2,022	2,056	2,092	2,131	2,171	2,213
Per capita food consumption (US\$)	2,609	2,509	2,636	2,664	2,714	2,766
Total food consumption growth (EUR)	0.82	1.81	1.85	1.91	1.90	1.93
Per capita growth rate (EUR)	-79.5%	67.8%	75.1%	84.7%	87.5%	93.9%
Food consumption as % GDP	7.85%	7.73%	7.60%	7.47%	7.35%	7.23%

Source: National Institute of Statistics – ISTAT and BMI Business Monitor

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 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 Italian grocery retail sector is one of the most fragmented and least saturated in Western Europe and many of the leading brands exist as networks of smaller companies. On the surface this would suggest there were opportunities for the big global retailers to expand rapidly in the Italian market.

However, the current price dynamics make it unlikely that any mainstream international retailers will see the market as a particularly attractive destination for investment now. 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 advantage 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 expertise and avoid strict Italian regulations.

Discount retailers are slowly 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. 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 94 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 because 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 \$43 million from the

									Change (Value)
Italy(*)	FAS Total	1,604,771	1,791,540	1,494,371	1,626,267	1,860,553	841,700	615,982	-27
Italy(*)	Livestock & Meats	668,522	701,700	621,854	759,564	937,743	420,790	332,009	-21
Italy(*)	Horticultural Products	248,553	328,053	305,313	289,980	318,323	113,314	109,414	-3
Italy(*)	Tree Nuts And Preparations	138,820	141,403	125,999	139,520	176,984	54,715	53,854	-2
Italy(*)	Other Hort Products	73,831	87,260	88,468	75,221	68,440	33,890	25,809	-24
Italy(*)	Vegetables and Preparations	16,969	81,373	72,081	54,844	55,600	18,566	24,262	31
Italy(*)	Fruits and Preparations	18,933	18,017	18,764	20,395	17,300	6,144	5,489	-11
Italy(*)	Grains & Feeds	199,646	189,943	128,172	152,193	204,719	107,696	44,855	-58
Italy(*)	Wheat	155,761	102,748	108,160	140,113	159,373	77,078	38,528	-50
Italy(*)	Feed, Ingrd & Fod	31,499	30,528	14,140	7,410	16,651	11,799	3,936	-67
Italy(*)	Grain Sorghum	9,857	53,934	0	0	10,144	10,144	0	--
Italy(*)	Corn	0	0	31	0	7,598	4,193	0	--
Italy(*)	Grn & Feed Misc	2,227	2,042	2,639	3,860	6,601	2,578	1,600	-38
Italy(*)	Crs Grn Products	110	217	32	413	4,186	1,839	15	-99
Italy(*)	Rice	192	475	436	383	164	65	756	1,062
Italy(*)	Wheat Flour	0	0	1,823	0	3	0	17	--
Italy(*)	Wheat Products	0	0	912	13	0	0	3	--
Italy(*)	Forest Products	228,543	191,004	139,762	185,819	161,018	91,570	52,888	-42
Italy(*)	Fishery Products	84,354	81,152	83,740	89,654	88,204	28,858	25,288	-12
Italy(*)	Cotton, Linters & Waste	25,651	18,755	6,889	15,624	43,060	30,825	7,780	-75
Italy(*)	Oilseeds & Products	103,011	214,032	155,637	80,558	41,707	21,200	11,956	-44
Italy(*)	Planting Seeds	22,606	40,128	31,409	33,403	38,231	17,325	17,898	3
Italy(*)	Sugar & Tropical Products	13,704	12,584	14,198	11,995	21,177	8,754	7,779	-11
Italy(*)	Poultry & Products	3,623	8,177	4,670	3,122	3,007	904	5,007	454
Italy(*)	Tobacco & Products	2,317	222	1,469	1,964	2,167	140	620	343
Italy(*)	Dairy & Products	4,240	5,790	1,258	2,390	1,198	326	487	49

Section V. Italian Map, Local Time, and Holidays



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. Italian commercial holidays are listed below and are when most commercial offices and banks are closed. Certain other days are celebrated as holidays within local jurisdictions. Italian holidays are also observed by the U.S. Embassy and should be considered when contacting the Office of Agricultural Affairs. When an Italian holiday falls on a Saturday, offices and stores are closed.

Listed below are Italian (I) and U.S. holidays (A) for 2012

Date	Holiday
January 1, Sunday*	New Year's Day (A&I)

January 6, Friday	Epiphany (I)
January 16, Third Monday	Martin Luther King's Birthday (A)
February 20, Third Monday	President's Day (A)
April 9, Monday	Easter Monday (I)
April 25, Wednesday	Anniversary of Liberation (I)
May 1, Tuesday	Labor Day (I)
May 28, Last Monday	Memorial Day (A)
June 2, Saturday**	Foundation of the Italian Republic (I)
June 24, Sunday**	St. John's Day (I) (Florence only)
June 29, Friday	St. Peter and St. Paul's Day (I) (Rome only)
July 4, Wednesday	Independence Day (A)
August 15, Wednesday	Assumption Day (I)
September 3, First Monday	Labor Day (A)
September 19, Wednesday	St. Gennaro's Day (I) (Naples only)
October 8, Second Monday	Columbus Day (A)
November 1, Thursday	All Saints' Day (I)
November 11, Sunday*	Veterans' Day (A)
November 22, Fourth Thursday	Thanksgiving Day (A)
December 7, Friday	St. Ambrogio's Day (I) (Milan only)
December 8, Saturday**	Feast of the Immaculate Conception (I)
December 25, Tuesday	Christmas Day (A&I)

December 26, Wednesday	St. Stephen's Day (I)
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Section VI. Key Contacts

USDA FAS Contacts in Rome, Italy

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

Webpage: <http://Italy.usembassy.gov/agtrade.html>

E-mail: agrome@fas.usda.gov

Tel: (011) (39) 06 4674 2396

Fax: (011) (39) 06 4788 7008

Christine Sloop, Agricultural Counselor

E-mail: Christine.Sloop@fas.usda.gov

Dana Biasetti, Senior Agricultural Specialist

E-mail: Dana.Biasetti@fas.usda.gov

Key Italian Government Agencies and Associations

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

IAS 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

UNIFI

(Pasta Traders Assoc)
Via Po 102, 00198 Roma
Tel: +39-06-854-3291
Fax: +39-06-841-5132