Food and beverages - Italy

Summary of findings related to international market opportunities for Norwegian food and beverage products to Italy

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1. Brief facts about the market

In 2015 the growth trend of the average monthly household consumption expenditure, at current values, was confirmed: 2,499.37 € (+0.4% compared to 2014 and +1.1% with respect to 2013). Taking into account the macroeconomic context that is generally recovering (slight increase of household disposable income, stability of consumer households saving rate, first year of positive growth of GDP after three years of recession), the expenditure showed slight signs of recovery.

The average expenditure on food and non-alcoholic beverages was 441.50 € per month (436,06 € in 2014; +1.2%), confirming to be one of the highest in Europe - more than UK, DE, ES, same as FR at a lower average income per person (source: EEA 2014 on Eurostat data). The non-food expenditure was basically stable and equal to 2,057.87 € per month. The expenditure for food categories in 2015 remained practically equal to previous year except a small increase on bread and cereals and fish & seafood categories, and a small decrease in milk cheese and fresh eggs.

TABLE 1 - MEDIAN AND AVERAGE MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE BY GEOGRAPHICAL AREA.
Years 2014-2015, Euros and percentage composition by expenditure category on the total average expenditure (a)

Expenditure category	North-west		North-east		Centre		South		Islands		Italy	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
MEDIAN MONTHLY EXPENDITURE	**2,321.56**	**2,375.72**	**2,415.10**	**2,421.67**	**2,217.97**	**2,245.62**	**1,805.38**	**1,834.58**	**1,588.46**	**1,604.19**	**2,110.47**	**2,143.71**
AVERAGE MONTHLY EXPENDITURE	**2,798.68**	**2,836.32**	**2,776.51**	**2,757.32**	**2,608.45**	**2,599.68**	**2,002.78**	**2,019.47**	**1,871.25**	**1,891.78**	**2,488.50**	**2,499.37**
Food and non-alcoholic beverages	**15.7**	**15.8**	**15.5**	**15.7**	**17.2**	**17.5**	**21.9**	**22.1**	**21.9**	**21.6**	**17.5**	**17.7**
Bread and cereals	2.8	2.7	2.7	2.8	2.8	2.8	3.5	3.5	3.7	3.8	2.9	3.0
Meat	3.5	3.6	3.2	3.2	4.0	4.0	5.1	5.1	4.8	4.9	3.9	3.9
Fish and seafood	1.1	1.1	1.1	1.2	1.4	1.5	2.1	2.2	2.1	2.0	1.4	1.5
Milk, cheese and eggs	2.2	2.2	2.2	2.2	2.2	2.2	2.9	2.9	2.7	2.5	2.4	2.3
Oils and fats	0.5	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.6	0.6
Fruit	1.4	1.4	1.4	1.5	1.6	1.7	1.9	1.9	1.8	1.8	1.6	1.6
Vegetables	2.1	2.0	2.1	2.1	2.4	2.4	3.0	3.0	2.9	2.7	2.4	2.4
Sugar, jam, honey, chocolate and confectionery	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.9	0.8	0.7	0.7
Food products n.e.c.*	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Coffee, tea and cocoa	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.5	0.5
Mineral waters, soft drinks, fruit and vegetable juices	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9	1.3	1.3	0.8	0.8
Non food	**84.3**	**84.2**	**84.5**	**84.3**	**82.8**	**82.5**	**78.1**	**77.9**	**78.1**	**78.4**	**82.5**	**82.3**
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average monthly expenditure on food and non-alcoholic beverages	**438.95**	**447.00**	**429.49**	**433.06**	**449.03**	**454.57**	**438.75**	**446.14**	**410.16**	**407.99**	**436.06**	**441.50**

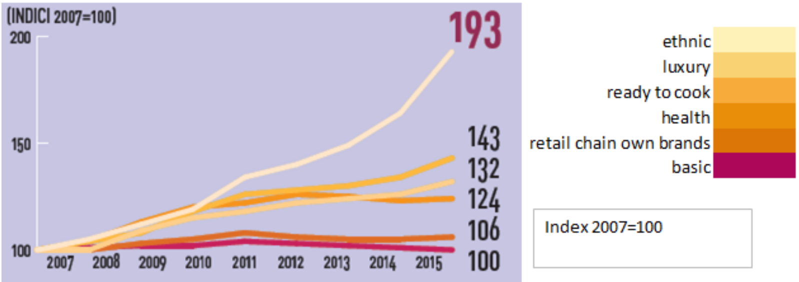
Source: ISTAT (Italian Institute of Statistics)

Confirming once again the geo-social difference in the Italian society, in 2015 households in the North area spent for consumption more than households in the South and in the Islands. In particular, the highest expenditure was observed in the North-west (2,836.32 € per month), about 1,000 € more than the average expenditure in the Islands (1,891.78 per month). In metropolitan areas the average monthly expenditure in 2015 was 2,630.73 €, about 200 € more than the average expenditure in small municipalities outside of metropolitan areas (2,436.38 per month).

CONSUMERS TRENDS

It is confirmed the market trend of the recent years with a slow but continuous growth in the food consumption which is partly recovering the decrease that was registered after the economic crisis.
The main new drivers are confirmed to be:

- Ethnic food - both due to foreign resident people as well to foreign food market trends like Sushi, Mexican, Asian food;
- Organic products – specialized all-natural/organic-food chains are increasing their market share, and big retail chains are as well developing organic private labels
- Quality food – certified origin products (PGI, DOP and TSG).



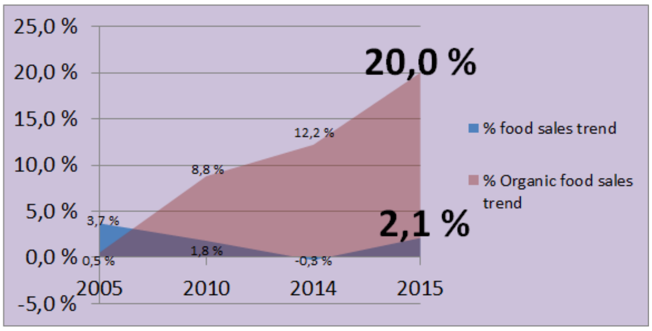
Source: COOP Report 2015 - Ufficio Studi Ancc-Coop

Regarding natural/bio/organic products, according to a Nielsen Survey, Italians declared to be available to spend a higher price for several healthier categories of food.

AVAILABLE TO SPEND MORE FOR:

100% NATURAL	70 %
OGM FREE	65 %
ORGANIC	62 %
NO ARTIFICIAL FLAVOURS	61 %
NO COLORANTS	60 %
LOW/NO CHOLESTEROL	60 %
HIGH FIBERS CONTENT	59 %
LOW/NO SUGAR	56 %
LOW/NO SALT	55 %
LOW/NO CALORIES	55 %

GENERAL FOOD SALES VS ORGANIC FOOD SALES



Source: Nielsen Global Survey 2014

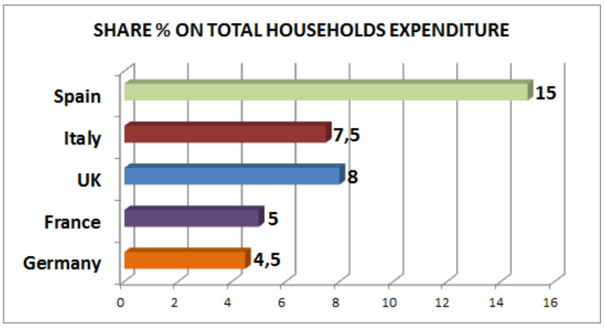
For what concerns quality agro-food products PDO, PGI and TSG, Italy has confirmed its position as the first country for the number of PDO, PGI and TSG certifications granted by the EU. At 31 December 2014, Italy had 269 quality-certified products (8 more than in 2013); of these, 257 were active. The sectors with the highest number of certifications were fruit, vegetables and cereals (103 products), Cheeses (49), extra virgin olive oils (43) and meat preparations (38). Fresh meat and other sectors had a total of 5 and 32 specialties respectively.

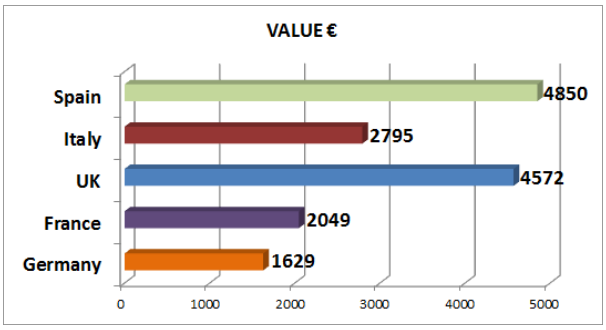
THE HOTEL, RESTAURANT AND CATERING (HO.RE.CA) MARKET

Also in 2015 the increasing trend of eating out from home is confirmed.
Italians had an average expenditure for out-of-home meals of 2.800€, more than French and German households. In UK the higher average budget for out-of-home-meals is mainly due to higher average cost in the HO-RE-CA segment, while Spain is the country with higher expenditure having a life cost comparable to Italy.

According to a survey by NPD Group research center, 19% of the value of HO-RE-CA sector turnover is generated by the household segment. In 2015 the presence in restaurant and similar has increased of +2,4% and in the quick meals services (BARS, PUBS) has increased +1,7%.

EXPENDITURE FOR OUT-OF-HOME MEALS





Source: COOP Report 2015 on Nielsen data - Ufficio Studi Ancc-Coop

BALANCE OF FOOD & BEVERAGES IMPORT-EXPORT 2014 VS 2103

		annual statistic							value Mill. Euro
	Prodotto	Import 2013	Import 2014	Var.%	Export 2013	Export 2014	Var.%	Saldo 2013	Saldo 2014
1.01	FRESH AND DRIED VEGETABLES AND FRUITS	9 001,29	9 356,97	3,95	5 458,35	5 418,52	-0,73	-3 542,94	-3 938,45
1.02	ZOOTECHNICAL PRODUCTS	7 363,37	7 153,44	-2,85	1 239,77	1 273,26	2,70	-6 123,60	-5 880,18
1.03	FORESTRY PRODUCTS	735,39	734,40	-0,14	187,97	182,46	-2,93	-547,43	-551,93
1.04	FISHING AND HUNTING PRODUCTS	2 490,96	2 637,14	5,87	329,10	333,29	1,27	-2 161,86	-2 303,85
2.01	RICE INDUSTRY	82,64	113,11	36,87	503,07	543,99	8,13	420,43	430,87
2.02	FLOUR INDUSTRY	253,15	238,48	-5,80	250,67	265,26	5,82	-2,49	26,78
2.03	PASTA	75,69	80,56	6,43	2 169,85	2 261,31	4,22	2 094,16	2 180,75
2.04	SWEETS AND HOVEN PRODUCTS INDUSTRY	1 727,34	1 828,13	5,84	3 164,94	3 345,78	5,71	1 437,61	1 517,65
2.05	SUGAR INDUSTRY	1 131,67	906,16	-19,93	206,41	148,82	-27,90	-925,27	-757,34
2.06	CURED MEATS	350,44	378,76	8,08	1 389,50	1 438,24	3,51	1 039,06	1 059,48
2.07	SEAFOOD	1 957,37	2 011,75	2,78	261,67	284,33	8,66	-1 695,70	-1 727,43
2.08	VEGETABLE TRANSFORMATION INDUSTRY	897,97	970,83	8,11	2 013,65	2 088,60	3,72	1 115,68	1 117,78
2.09	FRUITS TRANSFORMATION INDUSTRY	544,69	574,57	5,49	1 023,66	1 026,75	0,30	478,97	452,18
2.10	MILK CHEESE INDUSTRY	3 020,64	3 089,38	2,28	2 382,77	2 488,47	4,44	-637,87	-600,91
2.11	OILS AND NATURAL FATS	3 069,02	3 571,43	16,37	1 900,91	1 849,73	-2,69	-1 168,12	-1 721,70
2.12	FEEDS INDUSTRY	1 500,46	1 628,96	8,56	517,36	636,26	22,98	-983,09	-992,70
2.13	WINE INDUSTRY	340,92	319,48	-6,29	5 463,88	5 523,33	1,09	5 122,96	5 203,85
2.14	BEER INDUSTRY	486,24	490,47	0,87	133,28	154,40	15,84	-352,95	-336,08
2.15	SPIRITS	312,17	325,26	4,19	728,98	689,27	-5,45	416,80	364,01
2.16	ALCHOOL	180,06	102,91	-42,84	58,90	38,80	-34,12	-121,16	-64,11
2.17	MINERAL WATERS INDUSTRY	176,92	187,26	5,84	633,37	709,49	12,02	456,45	522,23
2.18	COFFEE INDUSTRY	240,66	258,47	7,40	1 059,49	1 139,67	7,57	818,83	881,20
2.19	OTHER FOOD AND BEVERAGE INDUSTRIES	3 131,52	3 340,14	6,66	2 362,25	2 515,89	6,50	-769,27	-824,25
2	TOTAL	19 479,58	20 416,14	4,81	26 224,61	27 148,39	3,52	6 745,03	6 732,26
2a	*of which specifically food and beverages*	*16 953,42*	*17 559,63*	*3,58*	*25 501,63*	*26 432,97*	*3,65*	*8 548,21*	*8 873,35*
1+2	TOTAL AGRIFOOD	39 070,59	40 298,08	3,14	33 439,79	34 355,92	2,74	-5 630,80	-5 942,16

Source: Federalimentare on ISTAT data (Italian Statistics Institute)

2. Opportunities for Norwegian companies in Italy

- Gourmet segment in the HO-RE-CA sector; food and gastronomy, including food specialties from all around the world, are becoming main topics of interest to Italians. A real boom is registered for TV-programs, blogs and web sites related to gastronomy and cooking. Due to high pricing and high quality, the Norwegian products could fit into that market segment.
- Stockfish from Lofoten got the PGI certification (first Norwegian food specialty getting it); Italy is still the n. 1 importer of high quality Stockfish from Norway. Even if the market demand is decreasing due to changes in the food preparation culture - less time at disposal, more demand for ready-to-cook, less knowledge within young people on how to prepare traditional food - Stockfish from Norway has room to recover the market share through a product innovation, also exploiting the PGI certification as marketing leverage.
- Fresh cod export to Italy: Norwegian exporters haven’t invested so far on the local market which is becoming more and more open to the consumption of fresh white fish fillets; nowadays the import is from Denmark (which product origin is probably partly from Norway), a product substitution can be a concrete opportunity for Norwegian exporters.

- Market share of ready to cook products has increased and it's still increasing, especially in the North; value added food preparations (marinated and spiced fillets) could have rooms for market introduction.

3. Challenges for Norwegian companies in Italy

- **Italian distribution** is much more fragmented than in other countries, Italy has the highest number of street shops and traditional shops in Europe; it's important to find the right local partner and make a geographical analysis to understand which distribution areas could better match with the product to be exported.
- **Italian customs** offices are very rigid and often unpredictable in their behaviors; the documental part is very complex to manage, a dedicated advisor is needed; to avoid issues is suggested to hire Italian speaking people.
- **Pricing:** the average pricing of Norwegian products is above the Italian, a feasible solution could be to refer to premium and gourmet sectors where pricing is a weak barrier.

4. Recommendations to Norwegian companies considering export of food and beverages to Italy

- **Learn about the local market**; make a market analysis, focusing on competitors, market dimension, sales processes and distribution.
- **Find out the most appropriate distribution** and sales channel according to the exported product and to the correct market segment; not all the distributors can reach the same market niches.
- **Find a reliable local partner** (agent, distributor, importer) to work with on the market development. The companies should support continuously the local sales partner through marketing activities. Local distributors do not build the market by themselves for foreign and unknown brands.
- **Sales support**: the introduction of a product has to be supported with marketing & communication activities for positioning and give visibility; being a very crowded market, the product visibility obtained by the display on the stores' shelves is not enough.