



## ITALY

### Synopsis

Italy is the world's tenth largest economy, and Alberta's most important agri-food market in the EU, purchasing \$65.3 million from the province in 2007.<sup>1</sup> Italy remains Alberta's ninth largest market for Wheat and fourth largest for Horse Meat in the world. Although Italy is known for its cuisine, the agriculture sector is not self-sufficient and its 58 million consumers will remain dependent on imports to satisfy a large portion of their food needs.

### Market Overview

Italy's economy is the world's tenth largest with a GDP (PPP) of US\$ 1.786 trillion (2007 est.). On a per capita basis the country's GDP is comparable to that of Canada (\$30,400 for Italy vs. \$38,400 for Canada in 2007).

Italy has a diversified industrial economy with roughly the same total and per capita output as France and the UK. The country has experienced sluggish economic growth in recent years, registering growth rates of 0.2% in 2005, 1.9% in 2006 and 1.5% in 2007. Owing to EU mandates, Italy is being pressured to address its chronically high budget deficits, thereby limiting the government's use of fiscal policy to stimulate growth. Economic forecasts suggest Italian inflation will be limited to 1.8% in 2007.<sup>2</sup>

Though a democratic country, Italian politics are generally unsteady and unpredictable, and national administrations often face enormous challenges in generating the consensus needed to enact reforms, especially those that address the considerable economic divide between the country's wealthy north and poorer south.

Italian Population: 58,145,321 (July 2008 est.)

*0-14 years:* 13.6% (male 4,086,951/female 3,842,765)

*15-64 years:* 66.3% (male 19,534,247/female 19,024,776)

*65 years and over:* 20% (male 4,864,189/female 6,792,393) (2008 est.)<sup>3</sup>

At 80.07 years, Italy has one of the highest life expectancies in the EU, after France and Sweden, and the median age is 42.9 years. Due to low birth rates, the population is aging

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<sup>1</sup> Alberta Government, Agri-food trade On-line

<sup>2</sup> CIA World Factbook

<sup>3</sup> Idem 2

rapidly, with 20% of the population over the age of 65.<sup>4</sup> The population is forecast to fall by nearly a third over the next 50 years.

24.7 million residents make up the country's labor force, and approximately 45% of women are employed outside the home. Italy's unemployment rate stood at 6% in 2007.<sup>5</sup>

The average daily caloric intake in Italy is 2,100 calories. And while Italy compares favorably to other developed countries, obesity rates are still high: 48% of men and 34% of women are considered overweight, with an additional 10% of men and women classified as obese. Moreover, obesity rates among children are rising.<sup>6</sup>

Nearly 20 percent of household income is spent on food, with food purchases accounting for the second largest category of spending in Italian households. In 2006, Italian households spent €55.1 billion on food, drink and tobacco, of which 122.2 billion were spent on food only. With a population of 58.7 million, that would mean the Italians spent €2,081.6 on food per capita in 2006.<sup>7</sup>

Given the economic disparity between North and South, it is not surprising that the northern half of the country has a highly developed retail environment increasingly dominated by supermarkets and supported by sophisticated transportation and logistics systems. The south, on the other hand, tends to be dominated by small, 'mom and pop' operations that are less likely to carry imported goods.

Italy and Canada are both members of the WTO. As a member of the European Union, Italy conforms to all EU directives, regulations and obligations.

Although Italy is not a closed market, regulations exist in Italy and the EU which limit market access for specific Canadian agricultural exports. The ongoing harmonization of EU import regulations, as well as the implementation of the Uruguay Round commitments under the World Trade Organization (WTO), may result in the elimination of those regulations that are inconsistent with the WTO, as well as the conversion of quotas, variable levies and restrictive licensing to tariffs, which are to be reduced over time. Products which are subject to restrictive regulations include enriched flour, genetic material, beef, "exotic meats" such as alligator and buffalo, pet food and certain fruits and vegetables. These products are subject to EU quality norms and must be inspected at the point of entry.<sup>8</sup>

## **Agriculture and Food Trade Overview**

Alberta's agri-food exports to Italy were valued at about \$65.3 million in 2007 and accounted for over 19% of Canada's total agri-food exports to that country. Italy is Alberta's largest export market for agri-food products in the EU. In 2007, the province's

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<sup>4</sup> Idem 2

<sup>5</sup> Idem 2

<sup>6</sup> WHO, Highlights on Health in Italy, 2004

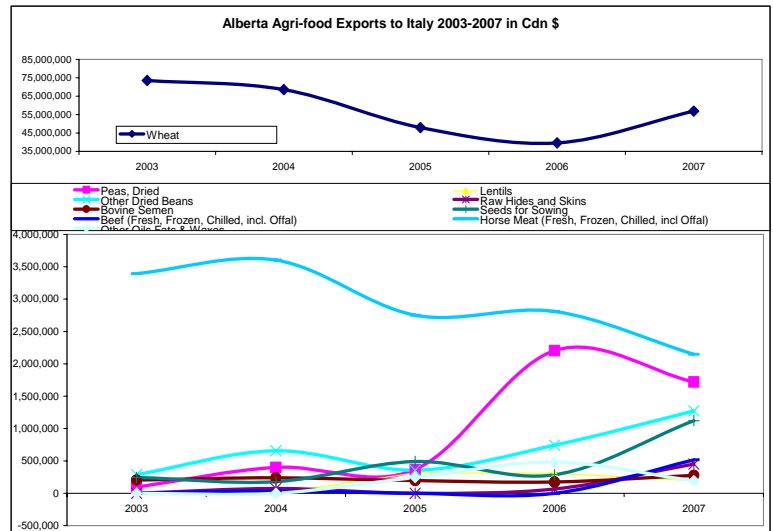
<sup>7</sup> Mintel, Italy Food Retailing, 2007

<sup>8</sup> USDA, Italy Food and Agricultural Import Regulations and Standards Annual, 2007

top agri-food exports to Italy were wheat (\$56.9 million), horse meat (\$2.1 million) and dried peas (\$1.7 million).<sup>9</sup>

Alberta's Top agri-food exports to Italy in 2007 (millions of CDN\$)

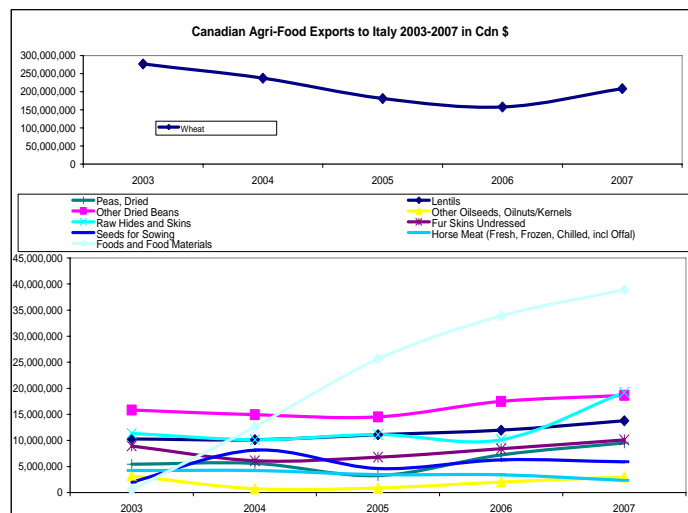
Alberta's Top Exports to Italy in 2007	Value in Millions
1-Wheat	56.9
2-Horsemeat	2.1
3-Dried Peas	1.7
4-Other Dried Beans	1.27
5-Seeds for Sowing	1.12
6-Beef	0.51
7-Raw Hides and Skins	0.45
8-Bovine Semen	0.27
9-Other Oils, Fats and Waxes	0.19
10-Lentils	0.19



Canada's agri-food exports to Italy totaled \$343.5 million in 2007 making it the country's second largest export market in the EU. Alberta accounted for almost one fifth of Canadian agri-food exports to Italy. Canada's exports share some similarities with Alberta's. Wheat exports are the country's largest (\$208 million) followed by foods and food materials (\$38.9 million), raw hides and skins (\$19.2), other dried beans (\$18.6 million), and lentils (\$13.7 million).<sup>10</sup>

Canada's Top agri-food exports to Italy in 2007 (millions of CDN\$)

Canada's Top Exports to Italy in 2007	Value in Millions
1-Wheat	208
2-Foods and Food materials	38.9
3- Raw Hides and Skins	19.2
4-Other Dried Beans	18.6
5- Lentils	13.7
6-Fur Skins Undressed	10.1
7-Dried Peas	9.5
8-Seeds for Sowing	5.9
9-Other Oilseeds, Oilnuts/Kernels	2.9
10-Horse Meat	2.3



<sup>9</sup> Alberta Government, Agri-food trade On-line  
<sup>10</sup> Alberta Government, Agri-food trade On-line

70% of Italy's food imports come from EU member states, including France, Germany, the Netherlands, Spain and Belgium.

## **Market Sector Structure and Trends**

Supermarkets account for 29% of food sales, 15% of food is purchased in traditional stores, 11% in mini markets, and 10% in hypermarkets. Miscellaneous sources comprised of other small markets, sales from producers, and self service account for 6%.<sup>11</sup>

In 2005, Italians spent over €1,000 per capita on dining out, most money being spent in full service restaurants and cafés and bars.<sup>12</sup> Coffee is the product most consumed outside of the home, followed by alcoholic drinks and other beverages. Fast food is another promising sector, though much more so in the industrialized north.<sup>13</sup>

A shift towards convenient dining has led Italian importers to seek food products that are adapted for self-service eateries. Many bars, restaurants and food service companies are also seeking foods that are easily prepared. While home ownership of microwaves remains low, sales are increasing. Families with two working parents are relying more and more on microwaves to reheat meals and prepare frozen foods. Microwaves are also available in most small food shops for reheating baked goods such as pizza or roasted chicken.

## **Exporter Business Tips**

Considering the variety of distribution options available in Italy, it is important for the new-to-market exporter to select the method best suited to his or her product. Since differences in language, customs and business practices make entering the Italian market a very difficult task, the preferred route is generally to find an Italian partner, who knows the market and understands local requirements and expectations. Also, Italian buyers generally prefer to purchase through an intermediary, making sales directly to the end-user is a rare practice.

Agri-food Exporters should be aware of the following:

1. Customs clearance: Done by a person or a company able to present to Customs Authorities at the port of entry in the country the imported goods as well as the necessary accompanying documents for these food products (i.e., commercial invoice, bill of lading, the certificate of origin, the import and sanitary/phytosanitary certificate if need be). The Canadian exporter should have the customs clearance done by a forwarding agent, importer/distributor, or agent in the country of destination.
2. Customs clearance should be done in a Customs Office at the port of entry or at the airport. All shipping documents must be in Italian. Also, some products are subject to

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<sup>11</sup> [USDA](#), Italy Retail Food Sector Annual, 2003

<sup>12</sup> Euromonitor, Italy, Consumer Lifestyles 2006

<sup>13</sup> [USDA](#), HRI Food Sector Annual, 2005

veterinary or health inspection upon arrival in Italy. The entire customs clearance procedure is rapid, provided the Canadian exporter has furnished all the necessary documentation with the shipment. Also, it is recommended that the exporter be fully aware of the necessary shipping documents required for the product. Most often this information is provided by the importer.

3. When foodstuffs enter Italy, customs duties, ad valorem, have to be paid. The amount of duty depends on the product. In addition, a value added tax (VAT), has to be paid.<sup>14</sup>

## **Market Opportunities**

Italy's food self-sufficiency is low and will likely remain so for a number of reasons, including the high cost of production and the aging of the farm sector.

Meat remains the country's leading import, a market worth more than \$4.3 billion in 2002. Pork is the largest meat imported, worth \$1.4 billion, followed by beef, worth \$1.9 billion. Poultry, on the other hand, comprises a very small share; its imported value lies at only \$70.6 million.

Although not particularly healthy, as studies show that Italians are consuming fruits and vegetables less often, the evolution of the Italian diet is geared towards greater convenience and a perception that North American-style foods are trendier and easier.<sup>15</sup>

## **Contacts for Albertans**

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<sup>14</sup> [USDA](#), Italy Food and Agricultural Import Regulations and Standards Annual, 2005

<sup>15</sup> Idem 14

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