

CBI MARKET SURVEY

THE (ORGANIC) COFFEE, TEA AND COCOA MARKET IN ITALY

Publication date: May 2007

Report summary

This CBI market survey discusses, amongst others, the following highlights for the (organic) coffee, tea and cocoa market in Italy:

- Italy is a relatively big consumer of coffee, accounting for 15% of total EU coffee consumption.
- Although Italy has one of the lowest per capita tea consumption, tea consumption is increasing fast.
- Italy is a relatively large cocoa bean grinder, with an EU market share of 5%.
- Italy is the third leading EU importer of coffee, accounting for 11% of the total EU import value in 2005. Furthermore, Italy is also a major importer of cocoa paste.
- Developing countries play an important role in the supply of coffee and cocoa beans to Italy.

This survey provides exporters of (organic) coffee, tea and cocoa sector with sector-specific market information related to gaining access to Italy. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The (organic) coffee, tea and cocoa market in the EU', which covers the EU market in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1. Market description: consumption and production

Due to the interesting perspectives offered to developing country exporters in organic and other certified markets for coffee, tea and cocoa, these are given a particular focus in this survey. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market.

Moreover, whereas coffee and tea consumption is referred to simply as consumption, where cocoa is concerned it is referred to as industrial demand. Coffee and tea processors produce consumer products, while cocoa grinders produce ingredients for chocolate manufactures and food processors. Data on final consumption of coffee and tea by EU citizens is available, while data on processing is not. In contrast, consumption of cocoa is unknown, due to the fact that cocoa products are processed in a large range of products. However, EU grindings, combined with the imports of processed cocoa products, offer a good indication of industrial demand.

Consumption**Coffee**

- Italy is the second biggest consumer of coffee in the EU with a market share of 15.0% (ICO,2006).
- Italian total coffee consumption fluctuated slightly between 2001 and 2005 with an average annual increase of 1% amounting to 5.5 million bags in 2005 (ICO,2006).
- Per capita consumption showed an average annual increase of 1% between 2001 and 2005 amounting to 5.6 kg in 2005 (ICO,2006). Decaffeinated coffee is still enjoying increasing consumption due to health concerns relating to caffeine, whereas in most other EU countries the decaffeinated coffee market is largely flat (Euromonitor 2005).

Tea

- Considering its size, Italy is a small tea consumer, responsible for only 2.5% of total EU consumption (ITC, 2006).
- Total Italian tea consumption shows a relatively big annual average increase of 7.7% over the period 2001-2005, amounting to 5.9 thousand tonnes in 2005. Particularly the consumption of green, fruit and herbal tea has been showing fast increases. There is also more interest in specialty black teas.
- However, per capita tea consumption in Italy is very low compared to other EU countries and shows an average annual increase of about 2.7% amounting to 0.1 kg in 2005.

Cocoa

- Italy is a relatively large cocoa bean grinder, with an EU market share of 5.0% (Icco, 2006). Total Italian grindings of cocoa beans show a small average annual decrease of 0.6% amounting to 65 thousand tonnes in 2005/2006.
- Per capita consumption of chocolate confectionery in Italy is quite low at 3.5 kg in 2004.

Organic and Fair-Trade

- According to FiBL, Italians spent just over € 40 per person on organic products in 2005, bringing the entire Italian organics market to € 2.4 billion in that year. This is 1.5% of total food sales (FiBL, 2007¹). However, Italian produce in particular is often organic (Organic Europe, 2004). Considering the limited size of the organic coffee market described above, which is usually more advanced than organic markets for tea and cocoa in other EU countries, organic sales for these products are likely to be very limited.
- Although still small in volume, Fair-Trade-certified coffee, tea and cocoa sales are increasing in Italy, as shown in table 1.1.

Table 1.1 Volume sales of fair-trade-certified coffee, tea and cocoa in Italy in 2004-2005, tonnes

	2004	2005	increase in %
coffee	225	243	8%
tea	9	10	11%
cocoa	296	329	11%

Source: <http://www.fairtrade.net> (December 2005)

Market segmentation

- Market segmentation of coffee, tea and cocoa in Italy does not differ from overall EU segmentation. For more information, please refer to the CBI survey covering the coffee, tea and cocoa market in the EU.

Production

- Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Italy is fully dependent on imports of these products from other countries.
- Italy has, however, grinding activities, processing cocoa beans imported from developing countries. Moreover, tea and coffee processing predominately takes place in the EU, and Italy has a large number of coffee roasters. There are few tea processors. These companies are discussed in section 3.

Trends

- Like in many other EU member countries, there is a growing interest in Italy in specialty black (fruit) teas, green tea and herbal tea.
- Private labels are increasing in importance (but do not yet command a share as high as in north-western European markets), at 6% for coffee and 4% for tea. The growth of private labels is mostly to the detriment of smaller producers.
- For more information on trends, please also refer to the CBI survey covering the EU market for coffee, tea and cocoa.

¹ <http://www.fibl.org/english/news/events/2007/documents/willer-2007-market-data.pdf>

Opportunities and threats

- Coffee consumption in Italy is substantial and still increasing, in contrast to the overall decreasing coffee consumption in the EU.
- Although Italy has one of the lowest per capita tea consumption, prospects are positive with consumption increasing by almost 8% annually.
- Italy has a low per capita consumption of chocolate confectionery, which is far below EU average.
- Italy has a significant market for organic coffee and cocoa, and Fair-Trade certification also offers increasingly good opportunities.

Useful sources

- International Trade Centre's coffee guide <http://www.thecoffeeguide.org>.
- International Coffee Organization's Coffee Market Reports, online available at http://www.ico.org/show_doc_category.asp?id=2
- International Tea Committee's Annual Bulletin of Statistics 2006, which can be purchased at <http://www.inttea.com/publications.asp>
- An interesting source for information on cocoa is <http://r0.unctad.org/infocomm/anglais/cocoa/sitemap.htm>
- International Cocoa Organization at <http://www.icco.org>
- Fairtrade Labelling Organizations International coffee, tea and cocoa information at <http://www.fairtrade.net/coffee.html> or [tea.html](http://www.fairtrade.net/tea.html) or [cocoa.html](http://www.fairtrade.net/cocoa.html).
- Furthermore, national associations as mentioned in Section 6 also often offer very useful information.

→ For more useful sources on consumption and production of coffee, tea and cocoa, please refer to the EU survey, Chapters 4 and 5.

2. Trade: imports and exports

Imports

Table 2.1 Imports by Italy and leading suppliers to Italy, 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Coffee	546	420	589	Intra-EU: Germany (4.3), Belgium (2.3) Extra-EU ex. DC: Switzerland (0.9) DC*: Brazil (39.5), India (8.8), Vietnam (7.5), Colombia (7.0), Indonesia (4.2), Guatemala (3.5)	9.1 1.0 89.9
Unroasted coffee	510	385	548	Intra-EU: Germany (3.1) Extra-EU ex. DC: - DC*: Brazil (42.0), India (9.5), Vietnam (8.1), Colombia (7.6), Indonesia (4.5), Guatemala (3.8), Ethiopia (3.4)	3.7 0.2 96.1
Roasted coffee	35	35	41	Intra-EU: Belgium (29.5), France (24.2), Germany (20.1), The Netherlands (3.1) Extra-EU ex. DC: Switzerland (12.2) DC*: Brazil (7.1)	79.8 12.5 7.7
Tea	35	37	36	Intra-EU: United Kingdom (37.4), Belgium (16.8), Germany (10.5), France (7.6), The Netherlands (2.9) Extra-EU ex. DC: Switzerland (1.9), USA (1.1) DC*: Sri Lanka (12.8), India (2.5), China (1.5)	78.6 3.6 17.8
Black tea	30	31	30	Intra-EU: United Kingdom (40.3), Belgium (19.6), Germany (8.8), France (4.9), The Netherlands (2.8) Extra-EU ex. DC: Switzerland (2.2) DC*: Sri Lanka (13.7), India (2.5)	79.8 3.0 17.2
Green Tea	4	5	6	Intra-EU: United Kingdom (22.6), France (21.5), Germany (18.8), Austria (3.6), The Netherlands (3.4) Extra-EU ex. DC: USA (3.1), Japan (2.9) DC*: Sri Lanka (8.6), China (7.7), India (2.6)	72.9 6.3 20.8

Cocoa beans	88	147	103	Intra-EU: The Netherlands (5.4), Belgium (3.3), Germany (0.5) Extra-EU ex. DC: - Côte d'Ivoire (42.0), Ghana (27.6), Dominican Republic (6.4), Ecuador (6.1), Nigeria (3.8)	9.7 0.0 90.3
Cocoa paste	14	29	23	Intra-EU: The Netherlands (47.3), Germany (), France (), Belgium (), Spain Extra-EU ex. DC: DC*: Côte d'Ivoire (13.7), Ghana (7.2), Ecuador (0.2)	78.8 0.0 21.2
Cocoa powder	28	54	23	Intra-EU: The Netherlands (47.8), France (32.4), Germany (8.5), Spain (6.9), United Kingdom (2.3) Extra-EU ex. DC: DC*: Malaysia (0.1)	99.8 0.2

Source: Eurostat (2004)

*Developing Countries

Italy is the third largest EU importer of coffee, accounting for 11.2% of EU coffee imports. Concerning roasted coffee, the country is the number one EU importer. Total coffee import value increased slightly by 1.9% annually to € 589 million / 423 thousand tonnes.

Between 2001 and 2005, developing country imports increased by 2% annually, accounting for 90% of imports in 2005. This amounts to € 530 million / 398 thousand tonnes. This share is higher than the EU average. The number one supplier is by far Brazil (40%), from which imports also increased by 7% annually. Imports from Germany increased relatively the most (+ 39% annually) amounting to an import share of 4.3%.

Tea

Italy is a small to medium-sized importer of tea, accounting for 5.2% of total EU tea imports, reflecting limited domestic consumption. Import value as well as volume stayed unchanged between 2001 and 2005, amounting to € 36 million / 7 thousand tonnes in 2005.

Developing countries account for a rather small percentage of Italy's tea imports, 18%, which is far below the EU average. Nevertheless imports from developing countries increased by 10% annually between 2001 and 2005. The leading developing country supplier is Sri Lanka, accounting for a market share of 13%. Imports from India increased relatively the most, by 65% annually; amounting to a market share of 2.5%. The UK is the largest supplier with a market share of 37%.

Cocoa

Except for cocoa powder, supplying the substantial local confectionery industry, for which it takes the fourth place among EU importers, Italy is a medium sized importer of cocoa products. Imports into Italy performed well, except for cocoa powder. As in most other EU countries, imports in value peaked in 2003, due to high prices paid for cocoa products between 2003 and 2005, after which imports decreased again.

Imports of cocoa beans increased by 4% annually in value between 2001 and 2005, but decreased in volume (-4%). In 2005, total imports amounted to € 103 million / 68 thousand tonnes. Most of the beans are imported directly, and the proportion coming from developing countries has remained stable. Among developing countries, Ghana and the Dominican Republic are growing in importance. Imports of cocoa paste showed a more favourable development, with the import value increasing by 13% annually and import volume by 12%. This amounted to € 23 million / 12 thousand tonnes in 2005. The role of developing countries in the supply of paste is small compared to the EU average, but has increased significantly, especially through very large increases in imports from Côte d'Ivoire and Ghana. Imports of cocoa powder also showed a more favourable development, with the import value increasing by 8% annually and import volume by 5%. In 2005 imports amounted to € 38 million / 23 thousand tonnes. Developing countries play no role in the supply of cocoa powder to Italy.

Exports

Coffee

Italy is the second largest exporter of coffee, after Germany in the EU, accounting for 19.7% of total EU exports, which amounts to € 451 million / 85 thousand tonnes. Interesting to note is that Italy mainly exports premium, and thus expensive, coffee. The price/volume ratio is the highest of all EU countries concerned. One ton of Italian export coffee costs about € 5.300 whilst 1 ton of German export coffee cost about € 2.100. The two main export destinations are France and Germany. However, according to ITC, Italy also plays a significant role in supplying East European markets (ITC, 2002)

Tea

Italy is a small tea exporter, accounting for only 2.3% of total EU tea exports. Italy's exports increased slightly by 2.3% annually in value terms, amounting to € 3.5 million / 789 thousand tonnes. The picture for the different tea varieties looks somewhat different; green tea exports increased strongly by 14% annually and black tea exports decreased by 2% annually between 2001 and 2005. Half of Italy's tea exports are destined for Greece and the USA.

Cocoa

Although Italy lies between the 5th and 8th place as an exporter of cocoa products, the role of the country is limited as compared to top players such as The Netherlands. Italy accounts for less than 1% of EU exports of cocoa beans and cocoa paste, and just over 2% for cocoa powder. Exports have been increasing for cocoa beans (+6% annually between 2001 and 2005) and cocoa powder (+23%), but decreased significantly for cocoa paste (-10%). Exports of cocoa beans amounted to €1.1 million, of paste to € 1.0 million and of powder to € 13.0 million. Important destination countries are other EU countries and the USA.

Opportunities and threats

Italy is an interesting market for developing country producers of coffee who want to target the Italian and the European market, as Italy's domestic coffee market is the second largest in the EU and as Italy is a very important coffee trader and processed-coffee exporter. Furthermore, developing countries account for a more than average part of Italian coffee imports and their shares have been increasing in the period reviewed.

The Italians are not large tea drinkers. Also, Italy's role in the international tea trade is not prominent. Since developing countries account for a small percentage of Italian imports, the country does not look really interesting for developing country producers of tea.

Italian imports of cocoa beans are considerable and, to a large extent, imported directly from developing countries. However, although imports of the other two cocoa products are also considerable, imports from developing countries are more limited, or negligible in the case of cocoa powder. As imports of cocoa powder are also decreasing, opportunities for developing countries seem to be very limited for this product.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
Go to: trade statistics.
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.
- International Coffee Report: <http://www.agra-net.com>
- World Tea Markets: <http://www.agra-net.com>
- Chocolate & Confectionery International: <http://www.agra-net.com>

3. Trade structure

The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly the cocoa trade, with its three main products of cocoa beans, paste and powder and its industrial focus, has an entirely different trade structure. Some initial processing takes place for coffee, tea and cocoa, before being exported to the EU, but local processing of cocoa is becoming more common. However, this is often conducted by international processors such as ADM and Cargill. Also please note that the role of the tea trade in Italy is very limited. For more information, please refer to the CBI survey covering the EU market for coffee, tea and cocoa.

Brokers and agents

- Brokers and agents play an important role in all three commodity chains, but especially for tea since they are prime actors at tea auctions. Large multiple commodity brokers, as well as smaller specialised companies are active in these markets. Important agents/brokers in Italy for coffee are Coprocafe-Bero Italia, Depase Aldo, and Catteagno Alberto. Agents representing importing companies in developing countries can play an important role.
- The auction trade is specific for tea and a considerable part is still traded through the main auction centres. These auctions are dominated by a very limited number of brokers and are difficult for outside parties to enter. More and more tea is traded outside the auction systems, especially by new entrants into the tea trade.

Traders

- Traders play a very important role for all three product groups. This level of the trade structure offers good, if not the best, opportunities for market entry for all three product groups. However, for all three product groups trade is increasingly concentrated in a limited number of trading companies. Prospects remain for smaller specialised traders which trade in non-conventional products (high quality, specific origin), which might be interesting for developing country producers.
- Apart from traders, coffee roasters also play a considerable role as traders themselves. Traditionally, traders and dealers operate in ports where coffee is delivered, which include two Italian cities: Genoa and especially Trieste. In these cities a large number of traders and roasters is located, which are organised in different associations per city. Important traders include Sandalj Trading Co. SpA, Imperator, Cogeco,
- Vertical integration between tea blenders and traders is considerable. Considering the small size of the Italian market, the very high import prices and sourcing through other EU countries, tea is probably to a considerable extent imported as processed or even packaged products by distributors and retailers. Important organics retailers include Esselunga and Naturasì, but the principal conventional retailer is French Carrefour.
- The largest cocoa processors also have their own import departments, but trading companies play a very large role in processor sourcing practices. Most major traders are located in Northwest Europe, but Italy is also an important direct importer with traders such as Luigi Zaini and Stramoka di Finotto Vereino & CSAS.

Processing

- The level of concentration in processing (roasting of coffee, blending of tea, and grinding of cocoa) industries is also high.
- Roasting of the original green coffee usually takes place in consumption countries. In the EU, this often concerns multinationals supplying several EU countries from their production facilities. The level of concentration in the roasting sector is very different per country, and is, at 72% for the largest five roasters, comparatively low in Italy. Even though many roasters disappeared, Italy still has a very large number (several hundred) of smaller roasters producing under own brands or private labels, and supplying regional or national markets. Please refer to both associations for these companies. A very important roaster is Mauro Demetrio SpA, especially in the private label market. Italy has several large specialty roasters, most notably Illy and Lavazza, which play a leading role across Europe. Furthermore, East European countries import a relatively significant share of their roasted and soluble coffee needs from Italian producers (ITC, 2002).

- Blending and packing of tea takes place in the EU. Although less concentrated than for coffee trade, processing is strongly concentrated on a regional level. The top three firms usually hold more than half of the local market, with players either multinationals such as Unilever or national players as well as niche and specialty players.
- Cocoa processing companies can be divided into the grinding industry, producing cocoa paste, butter, and powder and secondly, secondary processing companies active in further processing of cocoa butter. The grinding industry is also concentrated, with several multinationals dominating the market. Barry Callebaut, Cargill and Nestlé have cocoa processing facilities in the country. Next to this, Italy has a considerable number of local grinders, which are often integrated in large chocolate manufacturers. Examples include Elah-Dufour, Majani S.p.A, Caffarel, Ferrero, Pernigotti, and Venchi.

Final users

- The next step for the coffee and tea trade is final sales by retailers and caterers. In most countries the retail sales generally account for 70-80% of the market. Because of increasing retail concentration and buying power of retailers in the EU, and increasing private label sales, the coffee and tea industries are becoming further concentrated.
- The highly concentrated end-industries use processed cocoa products in chocolate, cocoa confectionery, beverages, and cosmetics (cocoa butter). Direct trade with these players will be difficult. Although, Italy has a large industry, it also imports very large quantities of chocolate and cocoa confectionery, mostly from Germany, Belgium, France and The Netherlands.
- Consumers either buy chocolate or cocoa beverages and confectionery directly through supermarkets and/or specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

Organic

- Importers of organic coffee, tea and cocoa are often not specialized in these products, but in organic products in general, and they are mostly dedicated to conventional (e.g. not specialty) products. Trading houses of coffee, tea and cocoa, play a more limited role in the trade in organic products, but thanks to further organic market development this situation is changing. Most traders are still located in The Netherlands and Germany, and form the most important trade channel for organics producers in developing countries.
- In Europe, certified coffee, tea and cocoa (i.e., organic, Fair-Trade, Utz Kapeh, Rainforest Alliance, etc.), is sold primarily through traditional channels (either mainstream retailers or organics retailers, but not specialty coffee and tea stores). Supermarkets have become more important, especially for coffee. Many EU retail chains offer private label organic and Fair-Trade products, or sell under Fair Trade brands. However, considering the limited size of the organic coffee, tea and cocoa sector in Italy, it is likely that this trend is less advanced than in the North Western Europe. In Italy a considerable portion of the organic market still lies in the hands of organic food supermarkets and stores which sell organic coffee, tea and chocolate.
- Supermarkets hire the services of large-sized (not mega-) roasters, blenders and chocolate/ food product producers. Cocoa processors will usually be involved on request of chocolate manufacturers working under private or Fair Trade label, or are part of integrated chocolate companies which have organic lines. Certain uo-market tea and coffee processors also have their own organic brands.

Trends

Trends in trade structure have been described in the overall trade structure above, but the most important trends are:

- Continued concentration tendencies in the trade and processing of coffee, tea and cocoa.
- Due to increasing interest in organic and premium and single-origin products, there are also increasing numbers of small processors in Italy.
- Increasing sales and good expectations for organic and Fair-Trade coffee, tea and chocolate and cocoa products, and especially increasing sales through supermarkets, has made the

organic market increasingly interesting for conventional players. Their entrance in the market will have a profound influence in this niche.

Useful sources

Coffee

- Coprocafe-Bero Italia, broker : +39 (0)40 636363
- Depase Aldo, broker : +39 (0) 347 6246
- Catteagno Alberto, broker: <mailto:gatteagno@interfree.it>
- Sandalj Trading Co. SpA, important trader: <http://www.sandalj.com>
- Imperator, major importer: <http://www.imperator.cc/>
- Cogeco, major importer: <http://www.cogeco.it/it/>
- Illy Café, premium roaster: <http://www.illy.com>
- Lavazza, premium roaster: <http://www.lavazza.com>
- Mauro Demetrio SpA, one of the largest roasters: <http://www.caffemauro.com/>
- Esselunga, most important organic retailer: <http://www.esselunga.it>
- Naturasi, largest organic franchiser: <http://www.naturasi.it>
- Interporto Rivalta, largest warehouse company in Italy: <http://www.interportors.it/>

Cocoa

- Luigi Zaini, major trader and processor of cocoa beans and processed cocoa products and producer of chocolate: <http://www.zainispa.it>
- Caffarel, integrated chocolate manufacturer: <http://www.caffarel.it/>
- Elah-Dufour, integrated chocolate manufacturer: <http://www.elahdufour.it>
- Majani S.p.A, integrated chocolate manufacturer: <http://www.majani.com>
- Ferrero, large international chocolate company: <http://www.ferrero.it>
- Venchi, integrated chocolate manufacturer <http://www.venchi.it>

On-line company databases for finding companies working in the coffee, tea and cocoa markets are:

- National associations for the appropriate products as mentioned in Section 6
- Food world: <http://www.thefoodworld.com> (an extensive online food business directory, with full EU coverage. Coffee, tea and cocoa are a separate product group.)
- Europages: <http://www.europages.com> (online business directory, with full EU coverage. Cocoa and chocolate, and coffee and tea are two separate product groups)

Business-to-business sources include the following:

- Agronetwork.com: <http://www.agronetwork.com/global> (coffee and tea are included under food)
- Organic Trade Services: <http://www.organicts.com> (also offering organic industry news. Cocoa products are included under food of the company database, coffee and tea under drinks)
- IngridNet: <http://www.ingridnet.com> (a marketing instrument for companies supplying ingredients to, among others, food industries. Cocoa and cocoa products, and tea and coffee products are two separate product groups)

For additional sources, please refer to the EU survey.

4. Prices and margins

As the prices for coffee, tea and cocoa are world market prices, Italian prices should show limited deviation from those prices (except in case of transport costs for example). Due to specific preferences in the kind of products consumed, average import prices especially for tea will deviate between countries, as these products differ in price. Italy has an important role in the coffee trade, through the port cities of Genova and especially Trieste and in the processing of coffee. This important trade function, as well as the very limited imports of roasted coffee, is reflected in a below-average import price for coffee in the country. Moreover, the country

consumes more of the cheaper Robusta than Arabica species. In contrast, import prices for tea are comparatively much higher, whereas those for cocoa beans are more average compared to other EU countries.

Actual prices of coffee, tea and cocoa (products) prices provided in the market survey covering the EU should be used as a reference point only. Prices for coffee, tea and cocoa are to a large degree dependent on origin, and buyer preferences regarding quality, order size etc. Therefore, actual prices are dependent on negotiation with partner companies, and expressed as differentials of future market prices in the case of coffee, or are dependent on developments at the auction level for tea.

In general, exporters need to have detailed production costs/volume price breaks for the products they supply. This will give them an important reference point for any negotiations with buyers.

On the global market, there has been an overall increase in world coffee prices from their lows in 2004. Prices of coffee remain volatile, but reasonable prices are expected to continue. Premiums for organic coffee in the EU are between 15% and 25%, but are decreasing as conventional roasters and retailers enter the organics market. A premium for Fair-Trade certified coffee is paid above guaranteed minimum prices for conventional and organic coffee. For premiums of other certification schemes, please refer to the survey covering the EU. Retail prices of coffee in Italy are the second highest in the EU, at € 10.90, but well below prices in the UK. These prices could be due to the high market share of more expensive premium brands such as Illy and Lavazza and more expensive espresso coffee, and the large fragmentation in the coffee market.

Tea supply exceeds demand, and real prices have been declining since the 1980s. Tea prices show a wide variation due to large differences in quality. Prices remain under pressure from over-supply. The price for organic tea strictly follows the market rules, but is very volatile. Due to increasing supply of organic tea, prices have decreased substantially. Fair-Trade offers a differentiated premium depending on the type of tea.

World market prices for cocoa beans are readily available, as are prices for cocoa butter. Prices for other cocoa products such as powder, liquor and paste are more difficult to encounter. Prices for cocoa beans are volatile, but more stable compared to previous periods. Monthly prices now range between € 1,200 and € 1,400 per tonne. ICCO is expecting an annual increase in real prices of 2.2%. In 2007, more limited supply could push up prices. Organics prices fluctuate, but current premiums are high at around € 400 (25%). Fair-Trade offers an additional premium of € 120 above minimum prices.

Sources

- Important sources for price information are firstly the international commodity organisations: the International Coffee Organisation (<http://www.ico.org>), the International Tea Committee (<http://www.inttea.com>), and the International Cocoa Organisation (<http://www.icco.org>).
- Furthermore, publications such as Public Ledger, International Coffee Report, and World Tea Markets Monthly (<http://www.agra-net.com>) are of importance.
- Lastly, the future markets LIFFE (<http://www.liffecommodities.com>) and New York Board of Trade (NYBT) (<http://www.csce.com/>) provide real-time future quotes.

5. Market access requirements

As a manufacturer in a developing country preparing to access Italy, you should be aware of the market access requirements of your trading partners and the Italian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements which are applicable to your products. For information on legislation go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements

Social, environmental and quality-related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

Packaging, marking and labelling

For general information on packaging, refer to the survey covering the EU. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.eu/marketinfo>.

Tariffs and quota

For information on import tariffs please refer to the survey covering the EU. The standard VAT rate in Italy is 20% as of September 2006. The VAT rate applied to foodstuffs is either 4 or 10% depending on the product.

Useful sources

- CBI Database <http://www.cbi.eu/marketinfo>
- Taric Homepage http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- Directorate General XXI http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For general information on business practices exporters should refer to the CBI document 'From survey to success: guidelines for exporting (organic) coffee, tea and cocoa to the EU', CBI's Export Planner and CBI's Image Builder manual.

Selecting a suitable trading partner

Finding a trade partner in Italy should not deviate from the general EU method. Due to its large size, and its important role in the cocoa, but especially coffee trade and processing, all relevant trade channels are present in Italy, including traders, processing industries and a large manufacturing sector using cocoa. Moreover, direct imports play an important role. This is not the case for tea, which is mostly sourced from other EU countries. Buyers and suppliers often find each other at trade fairs. The BioFach trade fair is of particular importance for organic coffee, tea and cocoa, whereas Anuga, SIAL, FI Europe are of principal importance for conventional products. Moreover, for coffee and tea, the Tea and Coffee World Cup in Geneva is of importance. Participating in or visiting trade fairs is also important for price benchmarking, and making necessary product adaptations. Establishing contact through trade directories, or through directly contacting interesting companies you encounter, can also be useful. Concerning conventional products, company visits and sending samples, including elaborate technical data, are indicated as a method appreciated by importers. If positive responses are obtained, these efforts can be followed by country visit invitations. Brokers also fulfil an important function in market linking, while websites offer another opportunity to find

trade partners. The first step after finding a trade partner, which is often requested by the buyer, is to give a quotation and sometimes packaging details.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, the kind of trade relation the partner is interested in, the position of the partner and his financial status and credibility.

Reaching an agreement with your trade partner

As in the rest of Europe, both general and specific offers are common in Italy. Therefore, common practices as detailed in the above-mentioned CBI documents apply. When establishing an overseas price for your products, factors involved are competition, costs such as production, packaging, transportation and handling, promotion and selling expenses, the demand for your product or service and the maximum price which the market is willing to pay regarding origin, quality and order size. How you price your product is worth a good deal of thought and effort, since it directly affects your ability to make a profit.

The most commonly used terms of payment in the coffee, tea and cocoa trade are the *Letter of Credit* (L/C) and *Cash Against Documents* (CAD). When using L/C, risks have been divided between buyer and supplier. The supplier only receives payment after the goods are consigned to a carrier and the buyer only receives the goods after payment. CAD carries the greatest risk for the exporter as the exporter will only receive payment when the buyer picks up the goods. In case of co-operation agreements with overseas companies, payment terms could also include periodical payments. Once trading relationships are established, clean payments are often used.

Export terms of sale determine which costs are covered in the price of the cargo, at which point ownership transfers to the buyer and at which point responsibility for the cargo is transferred. The most commonly used terms of sale are FOB (Free on Board), and less often CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). While coffee is generally sold FOB, some roasters prefer an ex-dock basis, and small roasters prefer to buy small lots on a delivered-in-store or ex-store basis. However, supplier and importer are free to negotiate and agree as to whether quotations and subsequent trade are based on CIF or FOB prices. Special attention should also be given to contract fulfilment in reference to contingencies which might occur while the sale order is being processed, shipped etc. Coffee trade is usually conducted according to European Coffee Federation contracts. Likewise, for cocoa standard practices have been set out by the main international cocoa trade associations, which in the EU is the Federation of Cocoa Commerce Ltd (FCC).

Cultural differences

A profound knowledge of the Italian business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides a durable co-operation. Some key aspects are listed below.

- Although punctuality is taken seriously, your Italian counterparts, especially in the South, may not always adhere to this rule.
- In the north of the country, people are direct, see time as money, and get down to business after only a brief period of social talk. In the south, people take a more leisurely approach to life and want to get to know the people with whom they do business.
- The Italian bureaucracy and legal systems are slow; therefore you should expect decisions and business action to take time.
- Italian business organisations are often hierarchal; only the most senior managers make decisions, furthermore they like doing business with high-ranking people.
- Personal relationships in Italy are critical for successful business negotiations, but take a long time to develop. Therefore, a third party introduction is very useful.
- Personal interest is appreciated and will also be shown.
- Initial business meetings are often informal opportunities for evaluating colleagues and establishing relationships, not for reaching decisions. Meetings are meant for a free flow of ideas, to let everyone have their say, and can even erupt in heated debates.

- When greeting your Italian business colleagues, use their last names and, if known, appropriate, professional titles, until invited to do otherwise.
- Appearances matter in Italy, therefore dress well. First impressions are lasting impressions in Italy. Greetings are enthusiastic yet rather formal.
- Wait until invited to move to a first-name basis. Italians are guided by first impressions, so it is important that you demonstrate propriety and respect when greeting people, especially when meeting them for the first time.
- Bargaining over price and delivery date is common.

Internet provides many sources on business practices and culture, such as <http://www.communicaid.com/italian-business-culture.asp> and <http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>. Please keep in mind that these pages only give general remarks. Therefore, when conducting business, use your intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion in Italy should not differ considerably from other European countries. However, please keep in mind that the trade of conventional cocoa and cocoa products, tea and coffee are extremely concentrated, with different companies dominating the different product groups across and within national markets. Many inhabitants of Italy do not speak English (or other EU languages), although this is more the case when they are in the trade business. In general, good care should be taken of existing contacts, by using prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Please refer to CBI's *Export planner* and *Your image builder* for more information on this subject.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on coffee, tea and cocoa, or the (organic) food sector. Interesting *trade associations* in Italy are:

- Italian Federation of Alimentation Industries – (FEDERALIMENTARE): <http://www.federalimentare.it/>
- The Italian Association of Food Product Industries- Associazione Italiana Industrie Prodotti (AIIPA): <http://www.aiipa.it>
- Associazione Industrie Dolciarie Italiane / Italian Confectionery Industry Association (AIDI): <http://www.dolceitalia.net/>
- Federazione Caffè Verde / Federation for Green Coffee: <mailto:comitcaf@comitcaf.it>
- Associazione Commercio Caffè, Droghe e Coloniali "ASSOCAF" / Association of Coffee and Colonial Products Commerce : <http://www.assocaf.it> (Representing the Genua Coffee traders and producers)
- Associazione Caffè Trieste/Trieste Coffee Association: <http://www.asscaffè.it> (Representing the Trieste Coffee Traders and producers)
- Comitato Italiano Caffè / Italian Coffee Committee: <mailto:comitcafe@tin.it>
- Associazione Industrie Dolciarie Italiane / Italian Sweets Industry Association: <http://www.cioccolato-italia.org> (especially focussed on cocoa products and chocolate)

Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns finding potentially interesting companies, as well as promotion of your own activities and products. Major trade press of EU-wide significance is mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade press* of interest in Italy is:

- Food Industria: <http://www.pubblindustria.info/>
- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

Trade fairs offer companies from developing countries the opportunity to establish contacts, promote their products and conduct EU market orientation. Major fairs of EU-wide significance are mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade fairs* of interest in Italy are:

- SANA (International exhibition of natural products): <http://www.sana.it/>
- SIC - Coffee trade fair: http://www.eventseye.com/fairs/trade_fair_event_8624.html#

This survey was compiled for CBI by ProFound – Advisers in Development
in collaboration with Mr. Joost Pierrot.

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