

## CBI MARKET SURVEY

# THE COFFEE, TEA AND COCOA MARKET IN ITALY

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### Report summary

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

- Italy is the second largest consumer of coffee in the EU, accounting for 15% of the total coffee market consumption.
- Although Italy has one of the lowest per capita tea consumptions in the EU, tea consumption is increasing fast, by 3.5% between 2004 and 2008, amounting to 6.9 thousand tonnes in the latter year.
- Italy is a significant cocoa bean grinder, with an EU market share of 5% and also enjoys considerable demand for processed cocoa products, due to its confectionery industry.
- Italy is the second leading EU importer of coffee, accounting for 15% of the total EU import value in 2008. Tea imports are relatively small. Furthermore, Italy is also a major importer of cocoa paste and, to a lesser extent, of other processed cocoa products.
- Developing countries play an important role in the supply of green coffee and cocoa beans to Italy.

This survey provides exporters of coffee, tea and cocoa with sector-specific market information related to gaining access to Italy. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The 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, they 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, which makes it more interesting for DC exporters. Although these markets are still relatively small compared to the conventional market, having certification in place improves your market access in the EU. Italy used to lag slightly behind other EU countries regarding organic assortment and availability, but organic sales are now booming in Italy. According to the Research Institute of Organic Agriculture (FiBL), Italians spent just over € 32 per person on organic products in 2007, bringing the entire Italian organic market to € 1.9 billion in that year (FiBL 2009).

The retail value of Fairtrade-certified products increased slightly by 6% between 2007 and 2008 amounting to € 41 million in the latter year (FLO, 2009).

Note that the consumption data for coffee and tea in this chapter concern the Italian consumer market. Information on industrial demand for green coffee and tea for blending/packing, the form in which most coffee and tea is shipped to Europe, is not available. Although consumption offers much information about market developments, an increase or decrease in consumption does not necessarily translate into an increase in industrial demand from local roasters and blenders, because Italy also imports processed products. Moreover, imports are not necessarily sourced directly in developing countries. This is not the case for coffee, Italy being a major

importer of green coffee. However a lot of the tea trade takes place through other EU countries.

Cocoa is a food ingredient which is further processed into chocolate, confectionery and beverages. In contrast, consumption of cocoa is not known, 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

According to the International Coffee Organization (ICO), Italy is the second biggest consumer of coffee in the EU with a market share of 15%. This is much lower than German consumption, and comparable to consumption in France. Italian total coffee consumption developed positively between 2004 and 2008, with an average annual increase of 2.1%, amounting to 356 thousand tonnes in 2008. Per capita consumption showed an average annual decrease of 0.7% between 2004 and 2008, amounting to 5.5 kg in 2008, which is slightly above the EU average of 5.0 kg (ICO, 2009).

The growth in coffee was driven by the increasing consumer demand for specialised, convenient, time-saving, good taste and healthy property products. As a result, coffee pods as well as instant coffee mixes were of particular popularity (Euromonitor, 2009).

According to the ITC Coffee Guide (2009), Italian consumption of Fair Trade coffee increased by 8.9% between 2003 and 2007, amounting to 323 tonnes in the latter year.

### Tea

According to the International Tea Committee, considering its size, Italy is a small tea consumer, responsible for only 2.7% of total EU consumption (ITC, 2009). Total Italian tea consumption shows an average annual increase of 3.5% over the period 2004-2008, amounting to 6.9 thousand tonnes in 2008. The per capita tea consumption in Italy is very low compared to other EU countries, at only 0.1 kg in 2008 (ITC, 2009).

The consumption of green and fruit tea has been showing particularly rapid increases, mainly due to a focus on health issues. Health awareness is being promoted by both the media and the government, as obesity and its consequences have hit the Italian consumers. Specialty black teas also enjoyed more interest. Although herbal infusions show a strong growth, they do not contain tea thus do not offer opportunities to developing country suppliers of tea (Euromonitor, 2009).

Consumption of Fair-Trade-certified tea in Italy is small and decreasing, amounting to only 8 tonnes (FLO, 2007).

### Cocoa

According to the International Cocoa Organization (ICCO), Italy is a medium-sized grinding country in the EU, with a market share of 5% (ICCO, 2009). Total Italian grindings of cocoa beans showed a small average annual decrease of 1.0%, amounting to 62 thousand tonnes in 2008/2009, which is comparable to Belgium.

No information on the domestic consumption of processed products is available for Italy. Italian apparent consumption of cocoa<sup>1</sup> amounted to 106 thousand tonnes in 2007/2008. This was an increase of 1.2% per year since 2003/2004 (ICCO, 2009). The Italian per capita cocoa consumption was 1.8 kg in 2007/2008, lower than the EU average of 2.8 kg. However, considering its significant chocolate and confectionery industry, its domestic grindings and the

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<sup>1</sup> Apparent consumption of cocoa means grindings plus net imports (imports minus exports) of cocoa products and of chocolate products recalculated into the amount of beans, using conversion factors.

substantial imports of these products, industrial demand for processed cocoa products could be significantly higher than this.

Per capita consumption of chocolate confectionery in Italy was 2.7 kg in 2007, almost half of the European average of 5.4 kg.

The sales of Fair-Trade-certified cocoa amounted to 365 tonnes in 2006, which was a substantial increase of 11% per year for the period 2004-2006 (FLO, 2007).

### **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.

### **Trends**

- Decaffeinated coffee is enjoying increasing consumption in Italy, due to health concerns related to caffeine, although in 2008 it amounted to only 6% of total volume sales.
- Like many other EU member countries, there is a growing interest in Italy in specialty black teas, green tea, Rooibos tea and fruit/herbal tea. This development is based on the general trend towards healthier products.
- The instability of the Italian economy is leading some consumers towards premium brands, while price-sensitive consumers are shifting to cheaper brands. On the one hand, there are consumers who are willing to pay a premium, if the product they get has some real added-value to them. On the other hand, price-sensitive consumers are turning to cheaper products (Euromonitor, 2009).
- The combination of convenience and good quality offered by the coffee pods and instant coffee mixes, together with the decreased purchasing power of the consumers, is making at home consumption very popular in Italy. This trend is expected to continue.
- Consumption of Fair-Trade-certified coffee is strongly increasing in the Italian market. In addition to Fair Trade practices, there is increasing interest in locality, sustainability and environmental issues which concern the origin of agricultural products.
- Among all different kinds of certifications for organic and Fair-Trade products, an interesting one is a certification on emissions of CO<sub>2</sub>, Impatto Zero (<http://www.impattozero.it>). A product which has already being certified is the coffee Caffe Agust (<http://www.caffeagust.it>).
- For more information on trends, please also refer to the CBI survey covering the EU market for coffee, tea and cocoa.

### **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 is, however, the 6<sup>th</sup> largest grinder of cocoa beans in the EU. 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 2.

### **Opportunities and threats**

- + Coffee consumption in Italy is substantial and still increasing, in contrast to the generally stable coffee consumption in the EU. This fact is really interesting for suppliers in developing countries, especially when it comes to suppliers of Arabica coffee.
- + Although Italy has one of the lowest EU per capita tea consumptions, prospects are positive as consumption is increasing. The consumption of green and fruit tea has shown particularly interesting developments.
- Herbal tea consumption is growing fast, but offers no opportunities to developing countries, might even occur at the expense of the consumption of other teas.

- + Italy represents an important market for cocoa beans as well as for processed cocoa products. The Italian per capita cocoa consumption is more than twice the EU average, and its industrial demand for processed cocoa seems to be even greater.
- +/- Italy has a significant market for organic coffee and cocoa, and Fair-Trade certification also offers increasingly good opportunities. However, Fair-Trade tea is insignificant. Organic-certified suppliers in developing countries have a competitive advantage when entering this market.
- Italy is also feeling the effects of the economic crisis and the Italian economy has been facing a recession. Although this is not likely to impact on total sales of coffee, tea and cocoa, it can hit high-value, premium varieties for some time. However, in the long term, opportunities will be best in those market niches.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to Chapter 7 of the CBI market survey covering the EU market.

### Useful sources

For useful sources on consumption and production of coffee, tea and cocoa in Italy and the EU, please refer to the EU survey, Chapters 1 and 2. Furthermore, the associations and trade press mentioned in Chapter 6 of this survey are of interest. The Italian Association of Food Product Industries and the Federation for Green Coffee offer interesting information on the Italian market. Information on the market for tea is very limited.

Euromonitor offers information on the Italian market for Hot Drinks, including coffee, tea and cocoa drinks - <http://www.euromonitor.com>

## 2. Trade channels for market entry

### Trade channels

#### *Conventional*

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 four main products of cocoa beans, paste, butter 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 processing of cocoa in the country of origin is becoming more common. On the other hand, the trade structures also have common features:

- Processing takes place in a limited number of EU countries, although the extent of concentration varies between the three products.
- Developing countries play a limited role in processed products except for cocoa products. However, powder, butter and paste are also still mostly sourced from EU processors.
- As such, imports into the EU take place mostly through EU countries or other countries with an important trading role.
- Countries with smaller processing industries also source (part of) their needs from traders and processors in these countries. Countries with a small or no processing industry for one of the products will offer limited opportunities to developing country suppliers, except for certain market niches.

Please also 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 for all three commodities, but especially for tea since they are prime actors at tea auctions, although increasing amounts of tea are traded outside these systems. 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 Cattedegno Alberto. Agents representing importing companies in developing countries can play an important role.

#### *Traders*

Traders play a vital role for all three product groups. This channel offers good, if not the best, opportunities for market entry for all three product groups. However, trade is increasingly dominated by a limited number of trading companies. Nevertheless, prospects remain for smaller specialised traders which trade 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. A large number of traders and roasters is located in these cities, the roasting being 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 by distributors and retailers as processed or even packaged products. Important organics retailers include Esselunga and Naturasi, but the principal conventional retailer is the French supermarket chain 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 major direct importer, because of 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.

The level of concentration in Italy is, at 70% for the largest five roasters, comparatively low. Even though many roasters have 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, 2008).

Blending and packing of tea takes place in the EU. Although less concentrated than for the coffee trade, processing is strongly concentrated on a regional level. The leading three firms usually hold more than half of the local market, with players being 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.

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.

#### *Retailing and consumption*

The next step for the coffee and tea trade is retailers and caterers. In most countries, retail sales account for 70-80% of the market. Because of increasing retail concentration and buying power of retailers in the EU, as well as increasing private label sales, the coffee and tea industries are becoming further concentrated.

Consumers buy chocolate or cocoa beverages and confectionery either directly through supermarkets and/or specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

#### **Channels for certified products**

Importers of organic coffee, tea and cocoa are often not exclusively 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 due to further organic market development this situation is changing. Most traders of organic products are still located in The Netherlands and Germany, and form an important trade channel for organics producers in developing countries. UTZ-certified and Rainforest Alliance are mainly working with the larger mainstream players and are therefore traded through conventional channels.

In the EU, certified coffee, tea and cocoa (i.e., organic, Fair-Trade, Utz certified, 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. A considerable portion of the organics market in Italy 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 (though 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 up-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 trade and processing of coffee, tea and cocoa.
- Due to increasing interest in premium 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, have made the organic market increasingly interesting for conventional players. Their entrance in the market will have a profound influence on this niche.

#### **Price structure**

Different prices and margins apply throughout the various trade channels. Moreover, the products under discussion, coffee, tea and cocoa, each have their own pricing structure. For example, for tea, the largest margins are achieved by blenders/packers - which blend, pack and market tea, often under their own brand. A very large margin for cocoa is made during processing of cocoa beans into butter, paste and powder. Margins further on in the cocoa trade channel, when cocoa products are used in chocolate and other final products, are not transparent. In general, margins in Italy follow EU levels and trends.

Following consolidation and internationalisation in the coffee, tea and cocoa industry, prices and margins are under pressure.

### 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 in other EU countries.

Buyers and suppliers often find each other at trade fairs. The Anuga, SIAL, FI Europe are of principal importance for conventional food products and ingredients. The COTECA trade fair 2010 in Hamburg is the first specialist trade fair for coffee, tea and cocoa. The BioFach trade fair is of particular importance for organic coffee, tea and cocoa. Moreover, for coffee and tea, the Tea and Coffee World Cup in Vienna is of importance. Participating in or visiting trade fairs is also valuable 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, you could invite prospective buyers to your country. 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.

### Useful sources

#### Coffee

- Coprocafe-Bero Italia, broker : [mailto: bero@spin.it](mailto:bero@spin.it)
- Depase Aldo, broker : <http://www.assocaffe.it>
- Cattegnò Alberto, broker: <mailto:gattegno@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>
- 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 organics retailer - <http://www.esselunga.it>
- Naturasi, largest organics franchiser - <http://www.naturasi.it>
- Interporto Rivalta, largest warehouse company in Italy - <http://www.interportors.it>

#### Tea

No companies of importance were encountered in the Italian tea sector

#### 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>
- 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 can very useful. National associations for the appropriate products are mentioned in Section 6. Furthermore, several sector-specific EU-wide associations are included in Chapter 3 of the EU survey.

### 3. Trade: imports and exports

#### Imports

##### **Coffee**

As already shown in the previous sections Italy has a large coffee roasting sector. This is also reflected in the imports. Italy is the second largest EU importer of green coffee, accounting for 15% of EU coffee imports. Total coffee imports increased by 21% in value and 3.7% in volume annually, amounting to € 829 million / 449 thousand tonnes in 2008.

Italy predominantly sources its coffee directly from DCs. The share of developing countries in coffee imports increased between 2004 and 2008, and now stands at 98%. Brazil is by far the most important supplier, but is losing market share to other suppliers. Especially Vietnam (increasing by 36% annually), Colombia (26%) and Uganda (45%) outperformed overall coffee imports in value as well as volume. Imports from India increased in value (17%) but decreased in volume (2.2%) showing a decrease in supplies.

Most EU countries import part of their coffee needs as roasted coffee, a market in which DCs play a negligible role. As domestic roasters largely supply the local market imports are dominated by green coffee, amounting to 95% of the total volume of coffee imports. Roasted coffee imports show a development similar to green coffee imports increasing by 24% in value and 3.7% in volume. In 2008, the imports amounted to € 110 million / 25 thousand tonnes. Roasted coffee is mainly sourced in the EU and Switzerland, with the latter showing an especially strong development.

##### *Organic coffee*

Imports of organic coffee in Italy are still limited. However, between 2003/2004 and 2007/2008, Italian imports increased on average by 20% per year amounting to 283 tonnes of organically certified coffee in the latter year.

**Table 3.1 Imports of coffee, tea and cocoa by Italy, 2004 - 2008, average annual change in % of value**

Product	2004		2006		2008		Average annual % change	
	value	volume	Value	volume	value	volume	value	volume
<b>Green coffee</b>	382	388	632	416	829	449	21%	3.7%
<b>Tea</b>	39	6.4	41	6.9	41	7.9	1.1%	5.0%
Black tea	33	5.4	32	5.5	33	6.3	0.1%	4.0%
Green tea	6.3	1.1	8.5	1.4	8.0	1.6	6.1%	9.7%
<b>Cocoa beans</b>	99	60	100	66	124	68	5.8%	3.2%
<b>Cocoa paste</b>	19	9.2	27	14	40	17	20%	16%
<b>Cocoa butter</b>	41	14	55	16	97	22	24%	12%
<b>Cocoa powder</b>	48	20	32	23	40	27	-4.6%	8.7%

Source: Eurostat (2009)

\*Developing countries



**Table 3.2 Imports by origin and leading suppliers to Italy 2004 - 2008, share in % of value, average annual growth in % of value**

Product	Origin	Leading suppliers in 2008 (share in %)	Share <sup>1</sup> (%)	Average annual % change
<b>Green coffee</b>	Intra-EU	Austria (0.6%), Belgium (0.4%), Germany (0.4%), The Netherlands (0.1%)	1.6%	32.5%
	Extra-EU, ex DC*	USA (0.1%)	0.1%	-6.7%
	DC*	Brazil (37%), Vietnam (15%), India (10%), Colombia (6.3%), Uganda (5.7%), Indonesia (4.6%), Guatemala (3.4%), Ethiopia (2.6%), Cameroon (2.3%), Honduras (1.7%)	98%	21%
<b>Tea</b>	Intra-EU	United Kingdom (39%), Belgium (15%), Germany (11%), France (5.5%), Poland (4.2%),	78%	4.5%
	Extra-EU, ex DC*	Switzerland (1.9%), USA (1.1%), Japan (0.6%)	3.6%	15%
	DC*	Sri Lanka (13%), India (3.4%), China (1.0%), Vietnam (0.3%)	18%	5.2%
Black tea	Intra-EU	United Kingdom (40%), Belgium (17%), Germany (11%), Poland (5.2%), France (3.0%),	80%	-1.8%
	Extra-EU, ex DC*	Switzerland (2.0%), Japan (0.2%), USA (0.2%)	2.5%	-0.1%
	DC*	Sri Lanka (13%), India (3.7%), Vietnam (0.4%)	18%	12%
Green tea	Intra-EU	United Kingdom (33%), France (16%), Germany (12%), Belgium (4.9%), Austria (3.4%),	71%	3.1%
	Extra-EU, ex DC*	USA (4.8%), Japan (2.2%), Switzerland (1.2%)	8.3%	21%
	DC*	Sri Lanka (14%), China (4.6%), India (1.8%)	21%	14%
<b>Cocoa beans</b>	Intra-EU	Luxembourg (2.0%), The Netherlands (1.4%), Belgium (0.7%), Germany (0.7%), France (0.6%),	5.4%	19%
	Extra-EU, ex DC*	-	0.0%	n.a.
	DC*	Ivory Coast (47%), Ghana (22%), Dominican R. (15%), Ecuador (6.5%), Peru (1.5%), Nigeria (0.8%), Tanzania (0.7%), Togo (0.7%), Uganda (0.7%), Venezuela (0.3%)	95%	5.2%
<b>Cocoa paste</b>	Intra-EU	The Netherlands (55%), France (15%), Germany (12%), Belgium (6.2%), Spain (1.9%)	91%	24%
	Extra-EU, ex DC*	Switzerland (0.3%)	0.3%	106%
	DC*	Ivory Coast (5.0%), Ghana (3.4%), Ecuador (0.1%)	8.4%	-2.2%
<b>Cocoa butter</b>	Intra-EU	The Netherlands (52%), Germany (8.6%), France (7.6%), Spain (5.4%), United Kingdom (0.8%)	75%	22%
	Extra-EU, ex DC*	-	0.0%	n.a.
	DC*	Ivory Coast (24%), Malaysia (0.3%), Ghana (0.2%), Indonesia (0.1%), Cuba (0.3%)	25%	33%
<b>Cocoa powder</b>	Intra-EU	The Netherlands (43%), France (29%), Spain (11%), Germany (10%), United Kingdom (2.7%)	99%	-4.9%
	Extra-EU, ex DC*	-	0.0%	n.a.
	DC*	Malaysia (0.9%), Cuba (0.2%), Ivory Coast (0.1%), Bolivia (0.1%), Brazil (0.1%), Morocco (0.1%)	1.4%	69%

Source: Eurostat (2009)

\*Developing countries

<sup>1</sup> Due to rounding off, shares might not add up to exactly 100%.

### **Tea**

Italy is the sixth largest tea importer in the EU, accounting for 4.6% of EU tea imports, reflecting limited domestic consumption. Import values increased by 1.1% between 2004 and 2008, although was substantially less than the EU average. Import volumes increased by 5.0% annually. In contrast to the EU on average, volumes imported increased much faster than values, which shows a decrease in the average price of imported teas. In 2008, Italian imports amounted to € 41 million / 7.8 thousand tonnes. Of the tea imported by Italy, 80% consists of black tea. The volume of black tea imports increased by 4.0% while the value of imports remained stable. Imports of green tea, however, showed a large increase of 9.7% in volume and 6.1% in value.

Developing countries accounted for a rather small percentage of Italy's tea imports (18%), which was far below the EU average. Moreover, the share of developing countries is stable. The leading developing country supplier was Sri Lanka, accounting for a share of 13% in total imports. Imports from India increased the most, by 31% annually. However, several EU suppliers, especially Poland also showed a large increase by 52% annually. In contrast, the main supplier, the UK, saw its supplies of tea to Italy decrease by 3.5% annually.

### **Cocoa**

Italy is a medium-sized importer of cocoa products. It is the 7<sup>th</sup> biggest EU importer for cocoa beans, the 6<sup>th</sup> for butter and paste and the third largest for cocoa powder. The bigger role for cocoa powder is mainly due to the substantial demand from the local confectionery industry. All import volumes of cocoa products into Italy increased. The value of imports also increased except for powder, which decreased compared to 2004, due to lower prices paid for cocoa powder.

Imports of cocoa beans increased by 5.8% annually in value between 2004 and 2008, and increased in volume (3.2%), amounting to € 124 million / 68 thousand tonnes. Most beans were imported directly from DCs and this proportion remained stable. Among developing countries, Ivory Coast, Ghana and the Dominican Republic were the biggest suppliers. Imports from the Dominican Republic grew rapidly (31% annually).

Between 2004 and 2008, imports of cocoa paste increased by 20% annually in value and by 16% in volume, amounting to € 40 million / 17 thousand tonnes. The role in developing countries in the supply of paste was small compared to the EU average and decreasing. This is especially due to very large increases in imports from Ivory Coast. The Netherlands is the leading supplier of cocoa paste, also showing the highest growth rates among the leading suppliers.

Imports of cocoa butter grew between 2004 and 2008 by 24% in volume and 12% in value, to reach € 97 million / 22 thousand tonnes in 2008. The share of developing countries of imports, at 25%, was below the European average (34%), but these imports are growing strongly. The DC supplies are almost fully covered by the Ivory Coast.

Between 2004 and 2008, imports of cocoa powder decreased by 4.6% annually in value but increased by 8.7% in volume. In 2008, imports amounted to € 40 million / 27 thousand tonnes. Although increasing, developing countries play a very limited role in the supply of cocoa powder to Italy.

### **Exports**

#### **Coffee**

Italian re-exports of green coffee are limited at € 17 million / 5.7 thousand tonnes in 2008. Italy is, however, the second largest exporter of roasted coffee in the EU, after Germany, accounting for 22% of total EU exports, which, in 2008, amounted to € 621 million / 106 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. The two

main export destinations are France and Germany. However, Italy also plays a significant and rapidly growing role in supplying East European markets, although this concerns more low-value coffees.

### **Tea**

Italy is a small tea exporter, accounting for only 1.0% of total EU tea exports. Italy's exports increased by 17% annually in value terms and 4.0% in volume terms, amounting to € 5.8 million / 1.0 thousand tonnes in 2008.

### **Cocoa**

Although Italy takes a 5<sup>th</sup> to 8<sup>th</sup> place as an exporter of the different cocoa products, the role of the country is limited, as compared to leading players such as The Netherlands. Italy accounts for less than 1% of the EU exports of cocoa beans, paste and butter and 2.0% for cocoa powder. Exports increased significantly for cocoa beans (53% annually between 2003 and 2007), but have been decreasing for cocoa paste (5.5%), butter (1.2%) and cocoa powder (7.4%). Exports of cocoa beans in 2008 amounted to € 1 million, of paste to € 2.2 million, of cocoa butter to € 7.3 million and of powder to € 10 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, because Italy's domestic coffee market is the second largest in the EU. Italy is also a very important coffee trader and processed-coffee exporter. Furthermore, developing countries account for 98% of Italian coffee imports and their shares increased strongly in the review period.
- + Consumption of tea is not particularly high in Italy, compared to the other EU countries. As a consequence, imports of tea are not large. Consumption and imports are however increasing and imports from DCs show a strong positive development.
- ± Italian imports of cocoa beans are considerable and, to a large extent, imported directly from developing countries. Imports of cocoa paste and butter are also considerable, but with a limited role for imports from developing countries. However, as imports of cocoa butter and especially powder from developing countries increased, there are opportunities. Imports of cocoa powder remain however rather limited.
- The economic crisis is negatively affecting on the growth of the premium and high-end market in the European Union. As Italy mainly exports speciality espressos, this might have a negative impact on the Italian coffee exports and, therefore, also its imports.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to Chapter 7 of the CBI market survey covering the EU market.

### **Useful sources**

- EU Expanding Exports Helpdesk  
→ <http://exporthelp.europa.eu>  
→ go to: trade statistics
- Eurostat – official statistical office of the EU  
→ <http://epp.eurostat.ec.europa.eu>;  
→ go to 'themes' on the left side of the home page  
→ go to 'external trade'  
→ go to 'data – full view'  
→ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext  
→

[http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20090513.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf)

- International Coffee Report, World Tea Markets, Chocolate & Confectionery International - <http://www.agra-net.com>

#### 4. Price developments

As prices for coffee, tea and cocoa are global market prices, Italian prices should show limited deviation from those prices. Italy plays an important role in the coffee trade, through the port cities of Genoa and 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 pricier 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.

Retail prices of coffee in Italy are the second highest in the EU, at € 11.78, 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. The Italian coffee market is also highly fragmented, which may cause price increases, due to gourmet coffee production.

The survey covering the EU provides more information on price developments. However, prices of coffee, tea and cocoa provided should be used only as a reference point, as they depend on origin and buyer preferences. 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. Owing 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.

#### Useful sources

There are no country-specific sources of price information available for Italy. The websites of large retailers like E-coop (<http://www.e-coop.it>) can however provide some information on retail prices. Please, refer to Chapter 5 of the survey covering the EU for useful sources.

#### 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. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select food ingredients and Italy in the category search, click on the search button and click on market access requirements.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>.

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>. No quotas apply to coffee, tea and cocoa. However, import tariffs apply to processed products. More information is available in the EU survey.

#### 6. Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual

'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

### 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 is extremely concentrated, because of 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 less applicable to cases where individuals are in the trade business.

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:info@federazionecaffeverde.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.assocaffe.it> (Representing the Triest Coffee traders and producers)
- Comitato Italiano Caffé / Italian Coffee Committee - [mailto: comitcaf@comitcaf.it](mailto:comitcaf@comitcaf.it)
- Associazione Industrie Dolciarie Italiane / Italian Sweets Industry Association - <http://www.cioccolato-italia.org> (especially focused 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>

Trade fairs offer companies in 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.fieramilano.it>

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.

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

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