Overview of the Italian Food & Beverage Industry

Seizing opportunities in the Food & Beverage sector with major Buyers of Saudi Arabia
6th October 2021

FEDERALIMENTARE: *THE MISSION*

FEDERALIMENTARE Federazione Italiana dell'Industria Alimentare

FEDERALIMENTARE represents, protects and promotes the **Italian Food and Beverage Industry**, the second highest ranking Italian manufacturing sector

FEDERALIMENTARE is member of **Confindustria** (General Confederation of the Italian Industry) and of **FoodDrinkEurope** (European Confederation of Food and Beverage Industry)

13 MEMBER ASSOCIATIONS

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1. **ANCIT** – canned fish
2. **ANICAV** - processed fruit and vegetables
3. **ASSALZOO** - animal feed
4. **ASSICA** – Italian salumi, pork meat and meat products
5. **ASSITOL** – oils and fats
6. **ASSOBIBE** - soft drinks
7. **ASSOBIRRA** - beer and malt
8. **ASSOCARNI** - fresh meat, with specific emphasis on the beef industry
9. **ASSOLATTE** - milk and dairy products
10. **FEDERVINI** - wine, vinegar, spirits
11. **ITALMOPA** - flours, based flour mixes
12. **MINERACQUA** - mineral natural water
13. **UNIONE NAZIONALE FOOD** – confectionery, pasta and other food products (frozen, baby foods, dietetic products, spices, coffee, etc.)

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Italian Food & Beverage Industry:
basic figures (2020/2019)

Turnover

143 Bl/€ (-1,4%)

Production

- 2,5%

Employment

385.000 employee
850.000 (including agriculture)

Companies

58.000
6.850 with more than 9 employee

Consumptions

***225 Bl/€**

***Total consumptions (national and foreign markets)**

Export

36,5 Bl/€ (+1%)

In 2020 F&B Industry confirms as the second largest manufacturing sector

Source: Federalimentare

ITALIAN F&B INDUSTRY: STRENGTHS AND WEAKNESSES

Strengths

- Wide range of high-quality products
- Italian GGIIs in the forefront on international markets
- Close connections with the territory and Italian cultural heritage (Italian food model based on Mediterranean Diet - In 2020 for the Global Health Index Italy is the 2nd healthier country in the world)
- High level of safety, attention to nutrition and sustainability
- Process/product innovation while respecting tradition

Weaknesses

- Fragmented sector (98% SMEs)
- High costs for logistics and services
- Lower growing export compared to EU competitor countries
- Counterfeiting (8 Bl/€) and imitation (90-100 Bln/€ estimated value for the so-called Italian Sounding)
- Lack of Italian Large Scale modern retail spread worldwide

Agri-food sector and consumers’ choices: the COVID-19 impact

F&B sector demonstrated its **anti-cyclical strength** as an **economic driver** and **safeguard of employment** even in the hardest months of the Covid-19 emergency

Despite this, **F&B operators recorded losses**, mainly due to the **closure/restriction of the HO.RE.CA. channels** and the **collapse of tourism** (the so-called "out of home" sector accounts for 1/3 of total food consumption)

The COVID-19 pandemic has highlighted the **need for digitization of the agri-food chain** and further stressed the importance of **research and training** (new skills)

On the side of consumers’ choices, a recent survey* about the COVID-19 impacts shows that after lockdown and for the future:

- **49%** more of Italian consumers will give greater importance to **made in Italy and local products**
- **42%** more consumers will draw major attention to **products’ sustainability**
- **38%** more consumers will favour **healthy choices**
- **23%** more consumers will **buy on-line**

**(Survey 2019 Nomisma Agrifood Monitor on Italian consumer and Nomisma Observatory on Lockdown and Post Lockdown 2020)*

F&B MADE IN ITALY: WE KNOW HOW

MADE IN ITALY F&B IS LINKED TO THE 'KNOW-HOW' OF OUR PRODUCERS, THE 'RECIPE', THE TECHNOLOGIES AND THE CULTURE OF QUALITY PRODUCTION

Italy is historically a processing country: we use the **best raw materials**, after selecting them according to **criteria of quality, sustainability and availability**.

It's therefore in our interest to **work together with Italian primary production** in a supply chain perspective.

The **Italian F&B Industry already buys and processes more than 72% of national agricultural production**, but some raw materials are grown only abroad and in various sector national raw materials are not enough: for these reasons, **we must also source part of our commodities from foreign markets.**

That's why it's important:

- **not to link the idea of Made in Italy only to products made with 100% national raw materials;**
- **and not to overlap the concept of origin with those of safety and traceability**, which are instead guaranteed at European level by specific binding regulations.

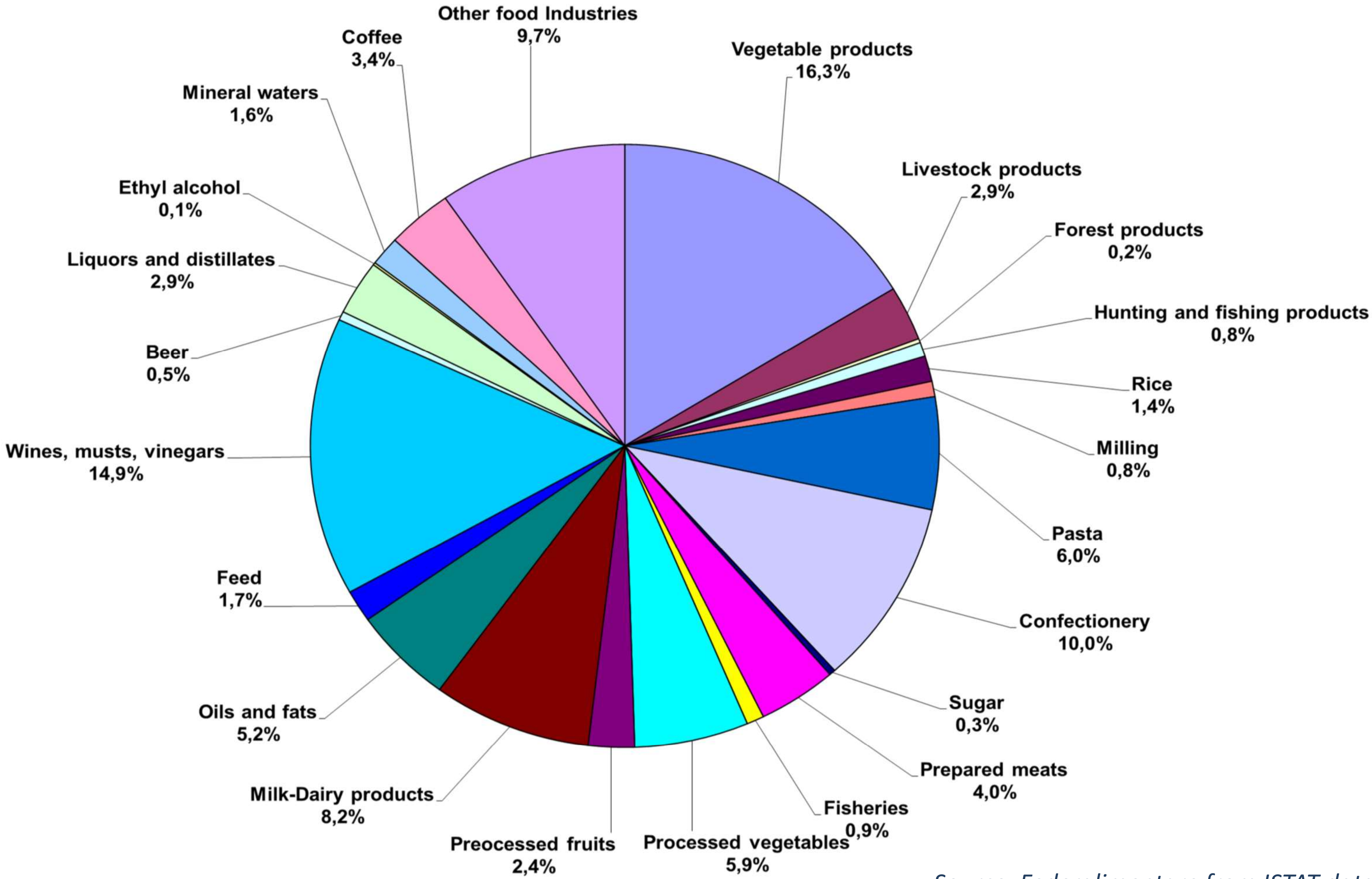
F&B INDUSTRY EXPORT: THE TREND

- **Export is confirmed as the most relevant real area of growth and development** for the Italian F&B Industry

- **The final EXPORT 2020 balance accounts for almost 36.5 Bl/€**, with an increase of +1.0% in respect of 2019

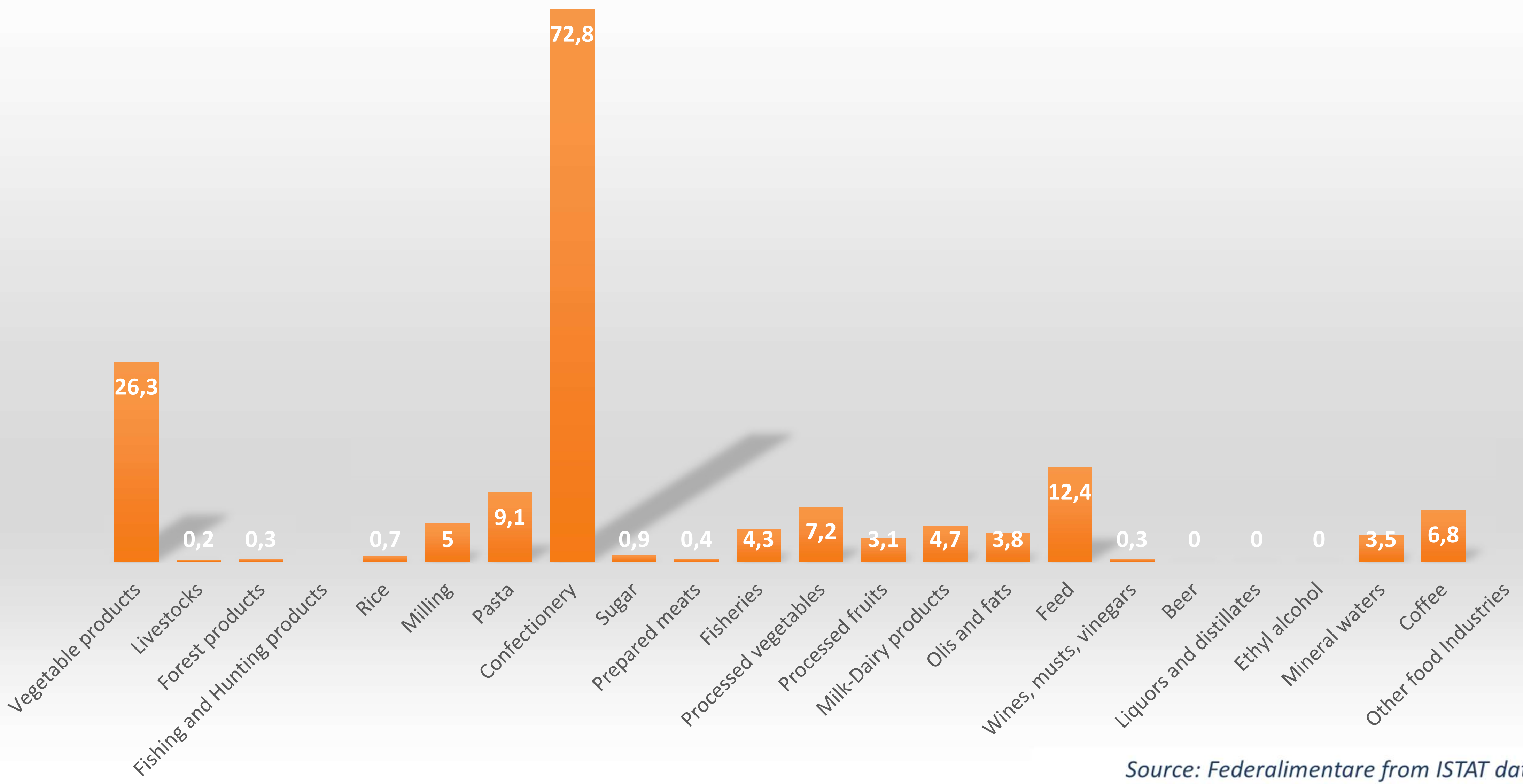
- The final balance for the **1° semester of 2021 shows an export of almost 20 Bl/€** (+10.4% in respect of the same period of 2020), so confirming the **expansionary cycle** facilitated by the solid economic recovery started in many countries and the **relaunch of international trade**, which is **expected to grow by 15% this year**

FOOD EXPORT WORLD – COMPOSITION – 1° SEMESTER 2021



Source: Federalimentare from ISTAT data

ITALIAN F&B EXPORT – SAUDI ARABIA – 1° SEMESTER 2021



Source: Federalimentare from ISTAT data

INTERNATIONALIZATION DRIVERS:
ACCESSING NEW MARKETS FOR ITALIAN F&B PRODUCTS BY:

EDUCATING

consumers about choosing and appreciating true Italian Food

STRENGTHENING

relations with the main stakeholders of Ho.Re.Ca and retail

DEVELOPING

the Italian agri-food production base by increasing the average dimension of companies, granting new management expertise and raising capital

TACKLING

protectionism and trade barriers (often NTB), which damage international trade, by improving bilateral FTAs and by working in the competent international Bodies (Codex Alimentarius, SPS…)

TACKLING

The illegal practice of counterfeiting (8 Bl/€) and Italian Sounding (unfair imitation usually not punishable by law (90 Bl/€)

FOOD SAFETY in the F&B Italian Industry

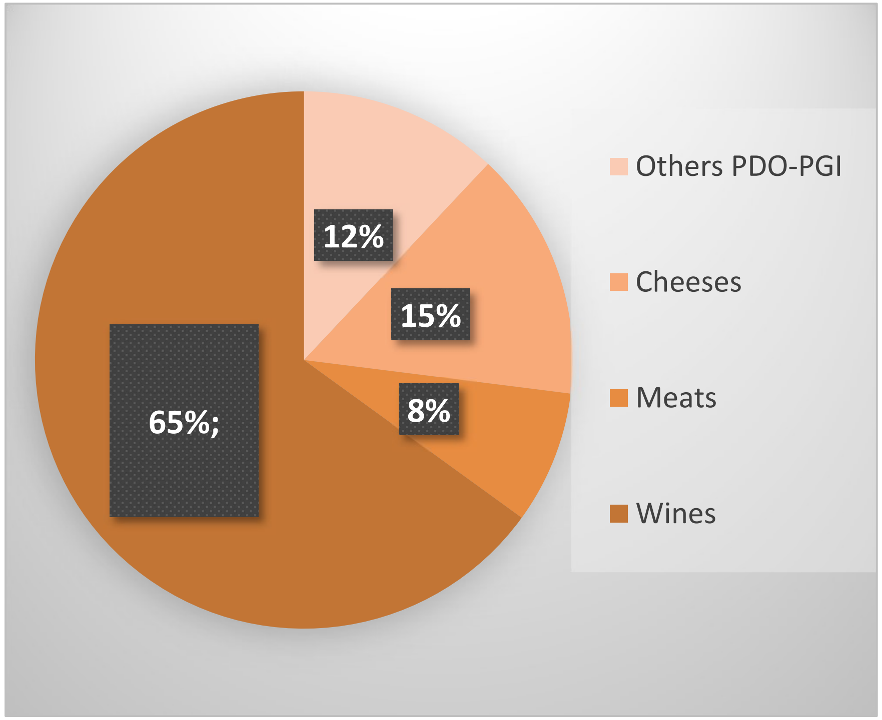
The **EU food&feed framework safety** strictly covers all aspects of food production:

- **authorized ingredients** (additives, flavorings, enzymes)
- bans and safety limits on **undesirable substances** and **contaminants**
- **hygiene requirements** for products/processes (incl. microbiological aspects)
- standard for objectives and instruments of **official and private controls**
- a central **EU Food Safety Authority** (EFSA) and an **EU Alert Notification System** (RASFF) in case of suspicion of non-compliance
- **traceability** of food, feed and food contact materials

Within this framework, the Italian F&B Industry invests **significant resources**:

- almost **3% of the turnover,** equal to more than 3 Bl/€ (in 2020) dedicated to product safety
- a significant part of the **10 Bl/€/year of R&D** investments for safety
- **85,000 people** (**22% of total workforce**) engaged in safety and quality
- **2.8 mln self-control analyses** per day (and about **700,000 official controls per year** performed by public Authorities)

MADE IN ITALY and GEOGRAPHICAL INDICATIONS
The primacy of quality



ITALY IS THE FIRST COUNTRY IN THE WORLD FOR CERTIFICATED PRODUCTS

- **314 GGIIs - Italy is the leading EU country with the highest number of certified PDO, PGI and STG products**
- **526 wines with a register quality system (almost 2/3 of the value of the entire Italian production)**
- **In the last decade, GGIIs export registered an increase of +145%**

CERTIFICATED F&B PRODUCTS

- **Ambassador of Italian food&beverage abroad**
- **Deep link with territory and tradition**
- **Push for the request of other Italian products**
- **Severely damaged by Italian Sounding**

Source: Nomisma-Crif Agrifood Monitor on data Istat, Qualivita and Ismea

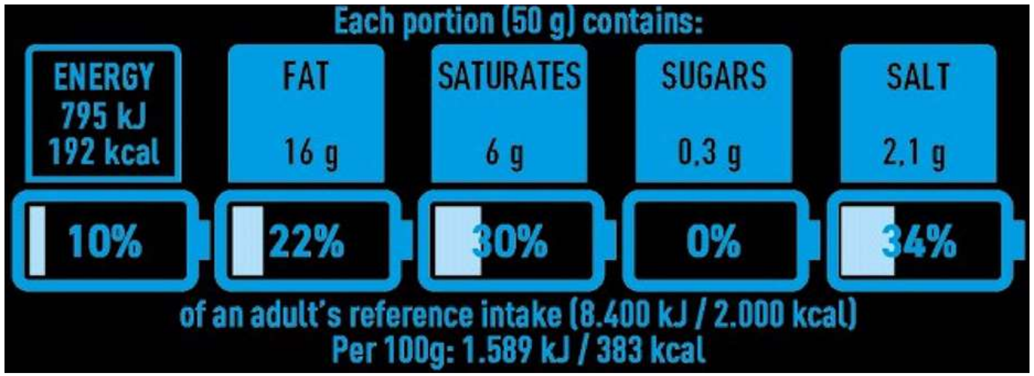
NUTRITION: ITALIAN F&B INDUSTRY COMMITTMENTS

Federalimentare and several member Associations signed **voluntary commitments with the Italian Ministries of Health and of Education** with a holistic life-style approach and a particular attention to children in order to:

- **improve the nutritional characteristics of food products** (reformulation, portioning)
- **share Guidelines for Commercial Communication** related to food and beverage products (to protect children)
- act together on the **topics of food education and research (CLUSTER agrifood)**

Federalimentare, with the Italian Government and all the actors of the food-chain, **supports the harmonization at EU level of Front of Pack Nutritional Labelling schemes** and the **NUTRINFORM BATTERY**, presented to the European Commission

NB differs from traffic light FoPN schemes because it aims not to address consumers, but **to inform and help them in making aware consumption choices aligned with balanced diets**



ENVIRONMENTAL SUSTAINABILITY

The F&B Industry's commitment is based mainly on **4 strategic areas of intervention** in line with the **principles of the Circular Economy** and respecting the **3 sustainability pillars (economic, social, environmental)**:

1. efficient use of basic inputs (**energy, water**)
2. **full exploitation of agricultural raw materials** in all their components
3. **eco-design of packaging** and correct **environmental management after use**
4. **prevention of food waste** and management of surpluses

F&B is committed to reducing packaging materials without compromising consumer needs or quality and safety of products (in the last ten years, for some types of packaging, plastic has decreased by -30/40%, aluminum by 30%, glass by up to -60%)

F&B Industry - with few exemptions - is featured by a relatively low energy impact compared to other industrial sectors: it is energy efficient (-30% consumption in 20 years), reduces greenhouse gas emissions (-30%) and has halved water use in the last 30 years

F&B Industry uses all parts of raw materials with particular regard to by-products (where food use for human or animal consumption is not possible, other important uses are in the cosmetics, pharmaceutical and chemical industries and, secondarily, in the production of fertilizers and bioenergy)

F&B Industry aims to prevent waste either in its processes, and at the household consumption stage with proper indications to consumers, new portioning and advanced packaging. In addition to this, hundreds of food companies make donations to food banks and to non-profit and third sector organizations

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THANKS FOR THE ATTENTION!