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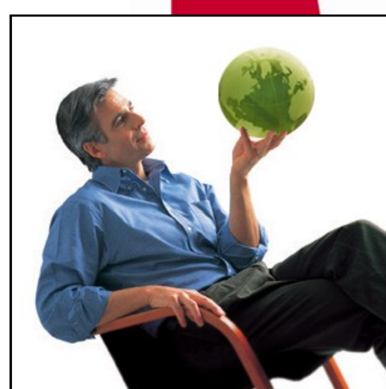
International Markets Bureau

MARKET INDICATOR REPORT | FEBRUARY 2012

Pork Products
in Italy



Growing Forward

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EXECUTIVE SUMMARY

According to Global Trade Atlas, Italy imported US$48.5 billion worth of agri-food and seafood products in 2010 and exported US$37.6 billion. Pork imports were valued at US$2.6 billion in 2010, representing 5.3% of the country's total agri-food and seafood imports. Most of Italy's pork imports are from neighbouring countries, with Germany holding the largest market share at 33.4%.

In 2010, Italy was the world's 4th largest importer of pork products. In the same year, Canada was Italy's 20th largest supplier, exporting C$0.6 million worth of mainly fresh and frozen pork.

Over 50% of Italy's pork imports in 2010 consisted of frozen hams. Fresh pork, as well as carcasses and half-carcasses, were also somewhat popular, representing 17.6% and 13.2% of the country's imports, respectively. The Italian market presents an opportunity for pork exporters, as consumers in the country are showing a growing tendency to purchase less expensive sources of protein.

Italian consumers tend to prefer cured meat such as prosciutto, salami and mortadella, as it can be stored more easily. When buying fresh meat, Italians feel more confident visiting their local butcher, in order to be guaranteed product quality.

According to Euromonitor, Italian per capita meat consumption is forecast to decrease between 2010 to 2013, going from 49.1 kg to 48.9 kg. However, it is expected to bounce back, reaching 49.2 kg in 2014 and 49.6 kg in 2015.

New pork products introduced on the Italian market within the last year mostly consisted of cured hams, which were often already sliced in the package and ready-to-eat. Top claims for new pork products were primarily based on ethical, convenient and allergen-free characteristics.

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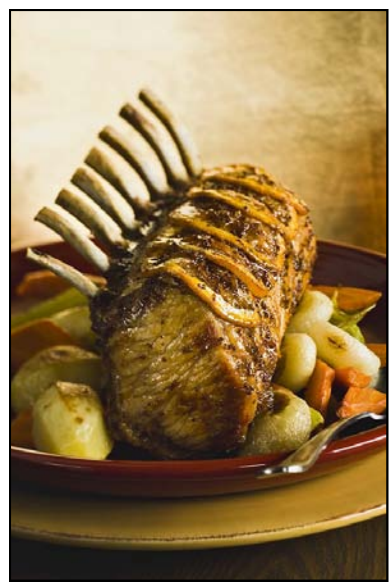

MARKET OVERVIEW

- Pork and poultry are the only meat sectors expected to achieve significant volume growth from 2009 to 2013. According to Euromonitor, the "other" meat sector will see minimal growth, while beef, veal, lamb, mutton and goat are forecast to decrease in the long-term.

Meat Retail Market Size and Forecast Growth in Italy by Type - '000 Tonnes

Types of Meat	2003	2004	2005	2006	2007	2008	2008-13 CAGR*
Beef and veal	1,114.8	1,097.6	1,086.9	1,075.5	1,033.5	1,010.8	-1.7%
Lamb, mutton and goat	75.5	74.5	73.3	72.9	72.3	72.1	-0.2%
Pork	658.9	654.3	658.2	686.5	710.5	734.0	2.6%
Poultry	889.8	874.6	791.5	809.7	838.9	859.1	2.5%
Other meat	312.1	315.5	314.1	315.9	317.1	317.8	0.1%
Meat	**3,051.1**	**3,016.5**	**2,924.0**	**2,960.6**	**2,972.4**	**2,993.7**	**0.9%**

Source: *Euromonitor 2009.* ***Note:*** *2008 figures are the most recent data available from Euromonitor.*
**CAGR = compound annual growth rate.*

CONSUMER TRENDS

- Fresh pork accounts for a minority of total Italian pork consumption, which is dominated by cured/processed meat.

- Italy is a net importer of swine leg used to produce Italian ham, also known as prosciutto. Cured/processed pork, also known as salumeria, is frequently used in Italian kitchens to prepare traditional dishes. Popular cured meats include parma ham (prosciutto), salami, and mortadella from bologna. Cured meats are preferred to fresh meats as they can be stored more easily, even with the summer heat.

- Local consumption of pork increased in 2010 mainly because Italian preferences shifted away from expensive red meats (beef, for example). Pork is a source of quality nutrients with a decreasing price, so demand for this type of meat is expected to remain stable.

- Ready-meals are still quite expensive in Italy, meaning they don't currently constitute a threat to sales of fresh meat. However, their claim of convenience may affect fresh meat sales in the future.

Italian Pork Consumption ('000 tonnes), Historic and Forecast

2009	2010	2011	2009-2010 % growth
2,376	2,419	2,410	1.8%

Source: *USDA Foreign Agricultural Service, 2011.*

CONSUMER TRENDS (continued)

- While there has been a shift toward cheaper options due to reduced spending by Italian consumers, sales of organic meat remained relatively stable in 2008, especially for less price-sensitive consumers. Also, government guidelines require institutions such as school canteens to buy organic produce for children.

Italian Meat Market - Standard vs. Organic/Fair trade - % Volume Sales			
	2006	**2007**	**2008**
Organic/Fair trade	1.4	1.4	1.5
Standard	98.6	98.6	98.5
Total	**100.0**	**100.0**	**100.0**

Source: *Euromonitor, 2009.* ***Note:*** *2009-2010 data is not available.*

DOMESTIC PRODUCTION

- As opposed to other countries in the European Union (EU-27), Italy mostly produces heavy-weight pigs. As reported by the United States Department of Agriculture (USDA), around 85% of the pigs slaughtered in Italy weigh between 130 kg and 180 kg (Livestock Outlook, 2010). Producing such large pigs, however, requires higher costs, mainly in terms of feeding. With the increasing feed costs and the decreasing prices for swine meat, farmers' margins are being reduced.

- The Italian supply-chain is very fragmented and disorganized, which impacts the sector's growth.

- The slight drop in domestic pig meat production was offset, in part, by an increase in imports.

RETAILING

- A large number of Italian consumers are doubtful of the quality of meat sold in supermarkets, and prefer to visit a local butcher for quality meat. However, with the slight increase in demand for processed and semi-processed meats, supermarkets' sales are expected to grow slowly.

- The Italian Parliament is currently debating a new legislative proposal (draft bill 2260) that would create mandatory labelling requirements for all meat sold on the Italian market. If the proposal is approved, food labelling for processed meat products would need to be more detailed by indicating the country of origin, the source of the majority of raw materials used, the area of production, and the plant where the final processing occurred.

Italian Meat* Sales by Distribution Format - % Total Volume Sales				
	2005	**2006**	**2007**	**2008**
Retail	79.5	79.6	79.6	79.8
Others (including foodservice and institutional)	20.5	20.5	20.4	20.2
Total	100.0	100.0	100.0	100.0

Source: *Euromonitor, 2009.* ***Note:*** *2009-2010 data is not available.*
**Meat includes beef, veal, lamb, mutton, goat, pork, poultry and other.*

TRADE SUMMARY

- Canada was Italy's 20th largest supplier of pork products in 2010. Despite the decline in value of Italy's total pork imports, Canada's absolute value and relative market share managed to increase in 2010, demonstrating the opportunities that exist in this market.

Italy's Top Suppliers of Pork Products (Canadian Dollars)							
Supplier	2008	2009	2010	% Share			% Change 2009/2010
				2008	2009	2010	
World	**2,873,109,273**	**2,786,905,459**	**2,673,926,006**	**100.00**	**100.00**	**100.00**	**- 4.05**
1. Germany	921,325,513	920,453,322	892,058,520	32.07	33.03	33.36	- 3.08
2. Netherlands	473,834,184	409,707,169	378,981,380	16.49	14.70	14.17	- 7.50
3. France	417,168,126	400,522,866	378,754,037	14.52	14.37	14.16	- 5.44
4. Spain	298,572,073	356,847,716	309,355,651	10.39	12.80	11.57	- 13.31
5. Denmark	338,204,383	265,190,330	268,417,122	11.77	9.52	10.04	1.22
6. Austria	176,846,598	184,662,528	173,699,106	6.16	6.63	6.50	- 5.94
7. Belgium	134,098,114	135,569,034	123,652,970	4.67	4.86	4.62	- 8.79
8. Poland	20,365,910	27,869,944	56,203,427	0.71	1.00	2.10	101.66
9. Hungary	17,765,436	37,110,027	47,718,720	0.62	1.33	1.78	28.59
10. Ireland	14,212,874	10,596,698	10,426,349	0.49	0.38	0.39	- 1.61
20. Canada	0	310,970	591,360	0.00	0.01	0.02	90.17

Source*: Global Trade Atlas, 2011.*

- Despite the decrease in the value of Italian pork imports, the total volume imported from the world has grown, thanks to lower unit costs for pork products.

Italy's Top Suppliers of Pork Products (Tonnes)							
Supplier	2008	2009	2010	% Share			% Change 2009/2010
				2008	2009	2010	
World	**922,741**	**930,792**	**1,048,155**	**100.00**	**100.00**	**100.00**	**12.61**
1. Germany	271,332	279,977	325,124	29.40	30.08	31.02	16.13
2. Netherlands	170,892	155,825	165,100	18.52	16.74	15.75	5.95
3. France	139,574	139,632	151,847	15.13	15.00	14.49	8.75
4. Spain	104,937	129,672	126,680	11.37	13.93	12.09	- 2.31
5. Denmark	113,366	92,573	110,912	12.29	9.95	10.58	19.81
6. Austria	47,651	50,936	59,075	5.16	5.47	5.64	15.98
7. Belgium	41,720	45,931	49,933	4.52	4.93	4.76	8.71
8. Hungary	4,595	13,281	21,639	0.50	1.43	2.06	62.94
9. Poland	3,609	4,445	19,190	0.39	0.48	1.83	331.72
10. UK	5,525	5,938	6,082	0.60	0.64	0.58	2.43
18. Canada	0	72	199	0.00	0.01	0.02	90.17

Source*: Global Trade Atlas, 2011.*

TRADE SUMMARY (continued)

- Frozen ham remained the dominant pork product in the Italian market in 2010, and was the only top pork import to see both its retail value and volume increase.
- All of the products listed below have seen their unit prices decrease over the 2009-2010 period.
- The quantity of fresh or chilled pork, fresh or chilled carcasses and half-carcasses, as well as prepared or preserved hams and pork bellies, have all grown in demand while their value sales decreased.
- In 2010, demand for expensive meat has shifted toward cheaper protein sources, such as pork and chicken, due to the reduced purchasing power of Italian families
- Fresh or chilled pork meat was the only category of Canadian pork exports to grow from 2009 to 2010. The import value of this product has increased by 856.2%, however, it only accounted for 0.1% of total fresh or chilled pork imports in 2010.

Top Italian Pork Imports by Product Type

Product Type	Canadian Dollars			Quantity (Tonnes)		
	2008	2009	2010	2008	2009	2010
Total Imports	**2,873,109,273**	**2,786,905,459**	**2,673,926,006**	**922,740**	**930,792**	**1,048,155**
Hams, Shoulders and Cuts Thereof, Frozen	1,527,281,439	1,415,462,549	1,419,478,012	545,005	535,446	616,010
Pork, nes, Fresh Or Chilled	435,652,568	472,660,614	470,970,995	107,349	122,752	143,037
Swine Carcasses and Half-Carcasses, Fresh Or Chilled	376,511,502	359,909,790	353,057,194	126,630	126,929	145,118
Pork, Nes, Frozen	211,460,132	195,023,333	142,955,576	66,004	64,285	56,884
Sausages And Similar Products, Of Meat, Meat Offal	81,569,455	89,062,676	74,946,567	15,937	16,006	16,003
Pork, Nes, Salted, In Brine, Dried Or Smoked	67,184,840	70,972,133	62,751,300	10,891	12,270	11,892
Hams And Cuts Thereof, Prepared Or Preserved	46,229,875	56,848,773	48,541,936	5,923	7,393	7,786
Pork Bellies (Bacon Etc.) and Cuts Thereof	30,664,060	30,944,170	24,958,802	5,179	5,109	5,123
Meat, Meat Offal Or Mixtures Of Swine, Prepared Or Preserved	33,120,702	35,006,212	23,275,005	5,411	5,270	5,207
Pork Hams, Shoulders And Cuts Thereof, Fresh or chilled	31,472,204	29,879,905	18,686,486	9,787	10,333	7,067

Top Italian Pork Imports from Canada by Product Type

Product Type	Canadian Dollars			Quantity (Tonnes)		
	2008	2009	2010	2008	2009	2010
Total Imports	**0**	**310,970**	**591,360**	**0**	**72**	**199**
Pork, nes, Fresh Or Chilled	0	49,696	475,191	0	18	163
Pork, Nes, Frozen	0	164,391	116,169	0	48	37
Hams, Shoulders And Cuts Thereof, Bone In, Cured	0	10,342	0	0	1	0
Pork, Nes, Salted, In Brine, Dried Or Smoked	0	86,542	0	0	4	0

***Source for both**: Global Trade Atlas, 2011.*

NEW PRODUCT ANALYSIS

- From August 2010 to August 2011, 115 new pork products were released on the Italian market. The dominating sub-category was meat products, with almost 40% of total new products. These meat products consisted mainly of cured hams such as prosciutto, salami, and mortadella.

- The top claims were mainly based on ethical, convenience, and allergen-free features, including: low/no/reduced allergen (20%), gluten-free (20%), microwaveable (16%), and no additives/preservatives (13%). Convenience characteristics are increasingly popular in the Italian market; however, the high price of these products creates an obstacle to their expansion.

New Pork Products Launched in Italy by Top 10 Sub-Categories, August 2010 to August 2011

Sub-Category	Number of Variants
Meat Products	44
Prepared Meals	13
Pasta	13
Hors d'oeuvres/Canapes	11
Pizzas	9
Sandwiches/Wraps	6
Meat Snacks	5
Poultry Products	4
Salads	3
Pasta Sauces	3

New Pork Products Launched in Italy by Top 10 Label Claims, August 2010 to August 2011

Claims	Number of Variants
Not Specified	47
Low/No/Reduced Allergen	23
Gluten-Free	23
Microwaveable	18
No Additives/Preservatives	15
Low/No/Reduced Lactose	9
Time/Speed	9
Ethical - Environmentally Friendly Package	7
Convenient Packaging	5
Ease of Use	5

- Private label accounted for 21% of new pork products launched on the Italian market between August 2010 and August 2011. These private label products were sold mainly through three of the top ten companies, including Eurospin Italia, Carrefour, and Auchan.

- There is an opportunity for Canadian companies to sell their pork products, especially cured hams, through the available private labels.

New Pork Products Launched in Italy by Top 10 Companies, August 2010 to August 2011

Company	Number of Variants
Fratelli Beretta	6
Eurospin Italia (private label)	6
Principe di San Daniele	4
Parmacotto	4
Carrefour (private label)	3
Auchan (private label)	3
Pagani Industrie Alimentari	2
Piatti Freschi Italia	2
Giuseppe Citterio	2
Mondelli Group	2

New Private Label Pork Products Launched in Italy, August 2010 to August 2011

Private Label	Number of Variants
Other	91
Private Label	24

Source for all tables: *Mintel, 2011.*

NEW PRODUCT ANALYSIS (continued)

The following section features a small sample of the new products introduced in the Italian marketplace within the past year, from the Mintel Global New Products Database (2011).

High Quality Sliced Cooked Ham

Company: Parmacotto
Brand: Parmacotto Le Finissime
Date Published: August 2011
Pack Size: 80.0g
Claims: None
Price in local currency: €1.69
Price in major currency: US$2.33

Quadrucci Pasta Stuffed with Meat

Company: Lo Scoiattolo
Brand: Lo Scoiattolo
Date Published: August 2011
Pack Size: 250.0g
Claims: No additives/preservatives
Price in local currency: €2.25
Price in major currency: US$3.16

Queen Style Mortadella

Company: Giuseppe Citterio
Brand: Citterio Sofficette
Date Published: June 2011
Pack Size: 80.0g
Claims: Gluten-free, low/no/reduced allergen, portionability
Price in local currency: €1.20
Price in major currency: US$1.65

Milanese Style Salami

Company: Montana
Brand: Montana
Date Published: March 2011
Pack Size: 120.0g
Claims: None
Price in local currency: €1.50
Price in major currency: US$2.06

NEW PRODUCT ANALYSIS (continued)

Pork Sausages

Company: Principe di San Daniele
Brand: Principe Wulevù
Date Published: August 2010
Pack Size: 250.0g
Claims: Gluten-free, low/no/reduced allergen, microwaveable
Price in local currency: €0.99
Price in major currency: US$1.27

Mini Spicy Peeled Salami

Company: Eurospin Italia
Brand: La Bottega Del Gusto (private label)
Date Published: August 2011
Pack Size: 150.0g
Claims: None
Price in local currency: €1.89
Price in major currency: US$2.63

Ascolana Style Stuffed Olives

Company: Carrefour
Brand: Carrefour (private label)
Date Published: July 2011
Pack Size: 250.0g
Claims: Time/Speed
Price in local currency: €1.99
Price in major currency: US$2.79

KEY RESOURCES

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