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The Italian Coffee Market 2010

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Report Highlights:
This report was prepared in response to many requests for information from US exporters. While Italy has one of the highest per capita coffee consumption rates in Europe, there are few opportunities for US sales in this market. Italians consume coffee as Espresso, Cappuccino, Macchiato, and Marocchino. Some coffee bars and restaurants serve American style coffee but this is not common. The various flavored coffees popular in the United States are considered children's drinks and are not available on the Italian market. There are limited opportunities for organic espresso coffee and decaffeinated espresso coffee.

SUMMARY

Italy is the 7th largest coffee consumer in Europe. Italians consume 5.8 kilograms per capita or more than 37 kilograms per year per household. Despite a stable population, per capita consumption of coffee is growing. Italians drink approximately 600 cups of coffee per capita per year and this trend is increasing. Between half to three-fourths of coffee is consumed for breakfast and at the mid-morning break. Italians prefer dark roasted coffee, mostly from arabica-type coffee, which serves as the basis for most types of coffee consumed in Italy. Decaffeinated coffee also has a dark roasted coffee base.

The coffee sector is one of the most dynamic in the Italian food and beverage industry[i]. More than 700 companies employing about 7,000 people are engaged in roasting coffee. The coffee market is dominated by a few large manufactures with their private brands. Lavazza, Kjs / Kraft, Segafredo, Illycaffee, Café do Brasil, and Suchard are the largest manufacturers and distributors. Consumers are often very loyal to these main producers, which are mainly concentrated in Campania, Lombardy, and Lazio. Private labels, especially supermarket brands, are of secondary importance in the market. Moreover, there is a significant presence of local brands that can reach a significant market share. Italians know coffee and expect high quality flavor. As a result, increased competition has resulted in decreased prices, particularly for top quality coffee.

IMPORTS

In 2009, the EU-27 imported more than 47 million bags of green, roasted, and soluble coffee. Italy, with 8.3 million bags (60 kg bags), is the second largest EU-27 importer after Germany[ii]. According to the International Coffee Organization (ICO), Italy imported 7,616,373 bags of green coffee—an increase of 1.8% over the previous year. Italian companies process more than 7.3 million bags.

Italy imports mainly from Brazil and Vietnam, while the Dominican Republic, Congo, Madagascar, Uganda, Ethiopia, and Indonesia have increased their share in the Italian market. Specifically, 35.2% of not-roasted and not-decaffeinated coffee is imported from Brazil, 19.9% from Vietnam, and 9.4% from India.

Imports of green decaffeinated coffee are increasing as well as imports of non-decaffeinated roasted coffee. Decaffeinated coffee is imported mainly from Germany (95.1%), while roasted coffee comes primarily from Switzerland. The imports of soluble coffee, despite recent increases, remain modest and represent only 2.6% of Italian imports of coffee.

Table 1. Italian Imports of Coffee (Not Roasted, Not Decaffeinated) in tons

Partner Country	Quantity		% Share	
	2008	2009	2008	2009
Brazil	106,939	103,694	35.52	35.17
Vietnam	55,374	58,549	18.39	19.86
India	29,371	27,733	9.75	9.41

Source: GTA (Global Trade Atlas- Navigator)

EXPORTS

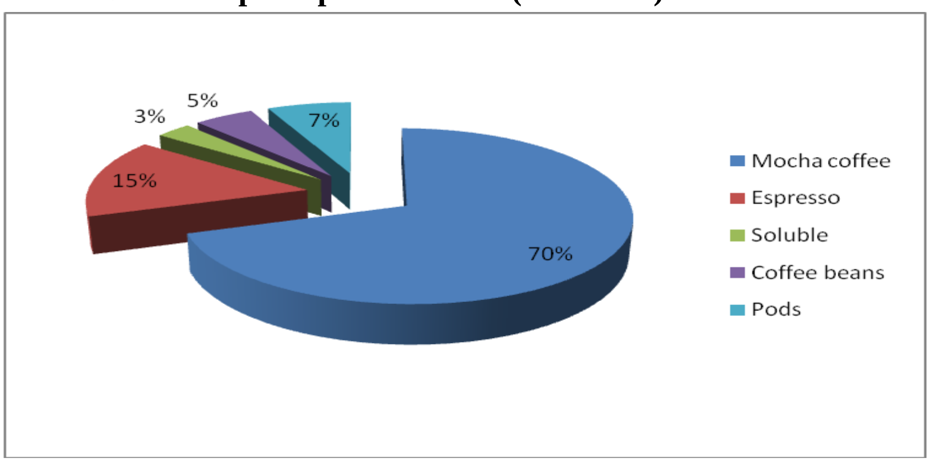
Italy also exports coffee. More than over 90% of exports consists of roasted espresso coffee, in response to the increasing popularity of Italian "espresso" by consumers. In 2010 Italy exported roasted coffee (not decaffeinated), valued at more than $186 million, mainly to Germany (15.3%), France (14.5%) and Austria (5.5%)[iii].

Coffee exports in all forms totaled more than 2.2 million bags (green equivalent) in 2009. However, in the last two years, the value of exports has decreased nearly 6%. The most important export markets for roasted coffee are the EU-27 (70%), with significant increases in the Balkans and Eastern Europe. Coffee exports are secondary to supplying the domestic market. The largest coffee producers are also the largest exporters.

PATTERNS OF CONSUMPTION

The Italian market for hot drinks is dominated by coffee (70% of the total market value). In addition to breakfast and after lunch, many Italians drink a cup of coffee during the day for a break from work or after. Most coffee is drunk with sugar, but no milk. The exceptions are "cappuccino", "macchiato", "marocchino", and "caffelatte" that all contain differing quantities of milk, possibly with cacao sprinkled on top. Approximately 78% of those who regularly drink coffee, consumes at least one cup of coffee a day.

Table 2. Consumption patterns 2010 (estimated)



Source: ICO (International Coffee Organization)

The key item to Italian coffee, as with all food consumption, is freshness. Consequently, packaging for home consumption is done to maintain freshness. There are no large two, three or five pound coffee tins available for sale, except to coffee bars and other commercial establishments. A family would not consider purchasing a large can like we do in the United States because the coffee wouldn't be fresh after a few days.

It is common for young children to drink a cappuccino in the morning for breakfast along with their parents. In 2009, more than 70% of all coffee was drunk at home. The remainder was drunk mostly through the HRI industry, in particular Italian coffee bars. Coffee machines in the work place account for around 5 to 10% of coffee consumption[iv].

Home brewed coffee is usually prepared on the stove with a mocha-type coffee maker found in most Hispanic or Italian food stores in the United States. However, as many Italian consumers are fanatics on good quality coffee, there is a wide array of small espresso coffee machines available for family purchases. These machines duplicate the larger fancy machines found in the coffee bars by shooting steam over the ground beans, rather than hot water as done in the cheaper models, and the prices range from around $70 to $1000. The hot water "boilers" as the coffee experts disdainfully call them cost between $20 to $100.

Percolators common in the United States are available for sale to the foreigners, but in general, Italians don't use them. With freshly made coffee a requirement, coffee warmed in a percolator for a few hours doesn't meet Italian's consumption needs.

In the last few years, Italy has experience an increase in instant coffee consumption. The trend is promoted by Nestlé (through the brand Nescafè) targeting young people, eager for novelty in hot drinks. Instant coffee is available in the supermarkets. Usually it is not served in restaurants or coffee bars unless specifically requested.

MARKETING AND PRICING

The coffee industry is highly concentrated in the mocha segment, by far the most important. People purchase ground beans rather than grinding them at home. Usually packages are small, around 250 grams, or in small tin cans of around 500 to 750 grams, to accommodate use at home while also maintaining freshness. Prices range from around US $2.00 for a 250 grams package to around US $7.00 for a premium type of coffee. The national average retail price roasted coffee in Italy in 2009 was 803.76 US cents per lb, an increase of 3.22% over the previous year.

Hag dominates sales of decaffeinated coffee, which represents about 5% of the total coffee sold.

Coffee is the largest fair trade food product sold in Italy, with approximately 35% of the total distribution marketed through fair trade coffee blends.

Approximately two-thirds of coffee is marketed through hypermarkets and supermarkets though smaller distribution outlets are available, as well as, pricey coffee toasting/grinding establishments.

Prices in Italian coffee bars and restaurants are relatively consistent. An espresso coffee costs around US $0.90 per cup while a cappuccino is around US $1.60 per cup.

Stiff competition in the coffee market has caused a few of the major coffee producers to diversify the distribution channels such as vending machines and home or office espresso coffee machines (e.g. espresso machines 'My Way' Lavazza or 'Nespresso' Nestlè). These machines provide good tasting coffee. The catch is that these machines function only with specific prepackaged coffee dispensers (pods/capsules) adapted for use in the machine and good for one or two cups of coffee each. Usually the price per cup of coffee from these machines and prepackaged dispensers is as cheap as, or cheaper, than if you brewed the coffee yourself on the stove or with your specialized coffee steamer.

To better meet consumers tastes and preferences, companies are widening their range of coffee. Coffee producers are also searching for innovative products such as flavored coffee drinks, high quality coffee from organic production, or Fair Trade certified production, to maintain their market share.

US Export Opportunities Exist but You Have to Dig for Them

The Italian market is characterized by high competition. The saturation of the market (over 90% household penetration), population stability, and the fragmentation of suppliers reduce the chance of success for American exporters in this sector. In terms of large scale retailing, the top three producers (Lavazza, Kjs / Kraft, Cafe Do Brasil-Kimbo) cover more than 70% of total sales, both in terms of value and volume. Branded as "Italy's Favourite Coffee", Lavazza, the world's largest espresso company, claims 47% share of the total Italian coffee market. It operates in over 90 countries, in the home and away-from-Home sectors (Foodservice, Vending and Coffee Shop Business). In 2008, Lavazza`s turnover exceeded €1,12 billion[v]. Other famous large Italian roasting companies include Segafredo Zanetti and IllyCaffe. These two in particular, and along with Lavazza, have strong presence in foreign markets for Italian espresso. Competing with such a powerful names in coffee is not easy.

There is a general increase in the consumption of decaffeinated roasted coffee, though this is not expected to dominate the market. The consumption of ground coffee in pods also is increasing. The development of this innovative segment, for example through a partnership, could be an opportunity for US producers to enter the Italian market.

The best advice is to work with one of the larger Italian coffee producers. Specialized coffee producers, organic, flavored, etc. may have to work with small importers and distributors. Normally, when working with a small to medium sized importer/distributor, if you take a risk in the market, you lose.

RELATED EVENTS

From October the 21st to October the 25th 2011, Milan will host SIC (International Coffee Exhibition). SIC brings together some of the world's leading coffee producers, importers and roasters, as well as the manufacturers of coffee processing and packaging machines and equipments. The exhibition will focus on every aspect of the coffee industry.

ASSOCIATIONS

The Committee of Italian Coffee (Comitato Italiano Caffé) is based in Milan and represents the main trade associations involved in importing, processing, and marketing coffee in Italy. The body's summit is the ICO's contact in Italy and represents more than 90% of the national market[vi].

The Coffee Menu

Caffe`: Unless otherwise specified, it means espresso and is considered the only suitable conclusion to a proper meal.

Caffe` Ristretto: "Short" coffee, less water than usual and truly not for beginners.
Caffe` Macchiato: Literally "stained coffee", with a spot of milk added, hot or cold.
Caffe` Lungo: More water than normal. Perhaps not as strong as a regular espresso.
Caffe` Lungo Macchiato: We consider this to be a mini-cappuccino and a "face-saving" alternative to ordering a cappuccino after a restaurant meal.
Caffe` Coretto: Black espresso "corrected" with a spot of liqueur, usually brandy or grappa.
Caffe` Hag: Decaffeinated coffee; Hag (pronounced ahg) is the name of the most common brand, now used generically.
Caffe` Orzo: Another type of decaffeinated coffee (barley coffee).
Caffe` Americano: "Rare and pointless"…."Bitter and Brutal"….
Moka: The home coffeepot. Sometimes small trattorias serve coffee prepared with moka. Similar taste to espresso from a bar.
Cappuccino: Espresso with hot frothy milk. Some serve it with a sprinkle of cacao on top. As a general rule, Romans only drink it for breakfast, though you can get it anytime.
Cappuccino Freddo: Espresso with a lot of cold milk. Good for the summer months.
Cappuccino Chiaro: Light espresso with hot frothy milk.
Cappuccino Scuro: Dark espresso with hot frothy milk.
Cappuccino Schiuma: Espresso with milk, with an abundance of foam.
Cappuccino Senza Schiuma: Espresso with milk, but no foam
Cappuccino Ben Caldo: Extra hot espresso with milk. Our favorite!!!
Caffe` Latte: Like Cappuccino, but with more milk.
Latte Macchiato: A glass of hot frothy milk with just a "spot" of espresso.

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[i] www.massmarket.it
[ii] packagingspace.net
[iii] www.camcom.gov.it
[iv] www.caffe.it
[v] www.lavazza.com
[vi] www.beverfood.com