ROYAL DANISH EMBASSY
Rome

THE DAIRY SECTOR IN ITALY: AN OVERVIEW

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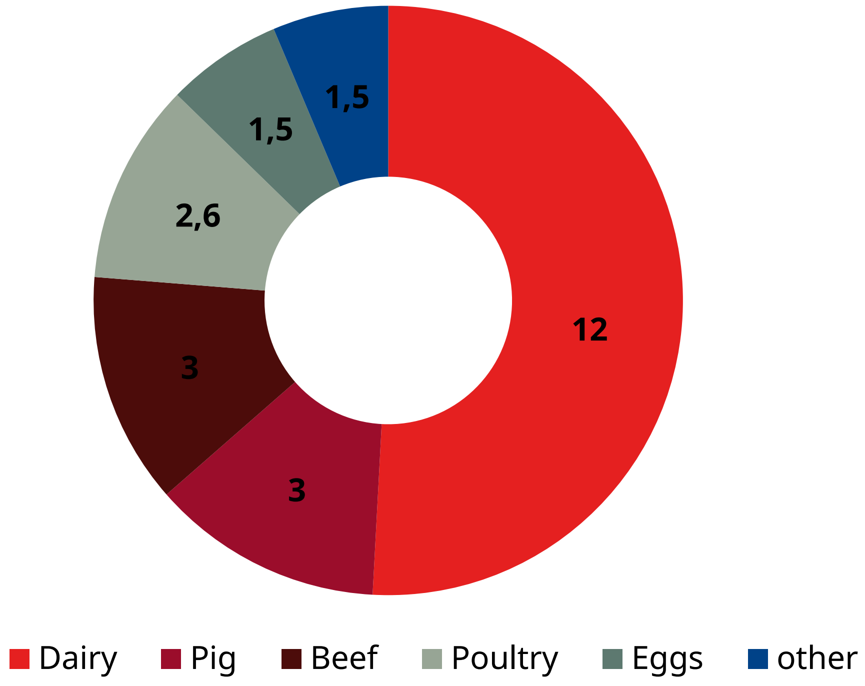
AGENDA

- Introduction to the Italian Agricultural and Dairy sectors: size, geography and players
- Overview on the dairy agenda: the Political vision
- Farmers´ engagement for innovation and sustainability
- Quality production and geographical indication (IGP-DOP): marketing and trade/export opportunities
- Export and Import
- Consumers´ preferences, market outlook and trade opportunities
- Q&A

ITALIAN FARMING AND DAIRY

- Italian dairy productions is the among **largest in Europe (9,4% of the milk produced in EU). Is n. 4 in the world for value.**
- **The dairy sector is the most relevant of all.** Geographically, the block of northern regions produces 84% of Italian milk. The region of **Lombardy alone accounts for 45%** of national production, which is closely followed by **Emilia Romagna**, (16%), Veneto (9%) and Piedmont (9%), Trentino.
- The **beef meat sector is heavily dependant on the dairy sector: main meats products are veal and calves (vitella, scottona, etc.)**
- Dairy livestock counts **6 millions cows- 2.7 millions for milk**. In **2021-2022 growth** in volumes produced were: **cattle +6.4%, milk +2.5%.**
- **Italy holds 95%, European buffalo heritage almost entirely concentrated in Campania: 450k (Mozzarella di Bufala).**
- **Sheep for pecorino cheese (77k tons per year)- and consequently for lamb meat production- are 7.5millions (half of it in Sardinia).**
- **Goats are 1million (7k tons of cheese per year).**

Value of main livestock productions 2020/2021 (in million tonnes)



ITALIAN DAIRY SECTOR : MARKET FIGURES

- **19 billion euro the overall turnover**
- Employing more than **100,000 people** along the all supply chain
- **22,600 farms** contributing to produce **13 millions tons milk- mainly for cheese production**
- 80% of milk farms have more that 100 cows (concentration and disappearing of small farms).
- **Cooperatives are the main business model**: there are more than **600 cooperatives (17k farms, 540 transformation plants, 13000 workers),** producing **65%** of all milk collected in Italy, with a **70% incidence in the main dairy PDOs such as Parmigiano Reggiano, Grana Padano and Asiago**
- Productivity per cow: **28 liters per day, per 9-10 months** on average. **Friesian** breed is the most productive, with production per year of **10.000 liters**. Average life: 5 years- three lactations
- Italy has a milk **self-sufficiency rate of 92%** making imports from abroad necessary to meet domestic demand (especially for the industry). Bulk skinny milk is the most imported good (1 million tons).

I SISTEMI AZIENDALI DI RIFERIMENTO

Nord-West:
-Big farms with +150 cows (Friesian)
-10000kg milk per cow (DOP cheese, milk)
- Silage feeding

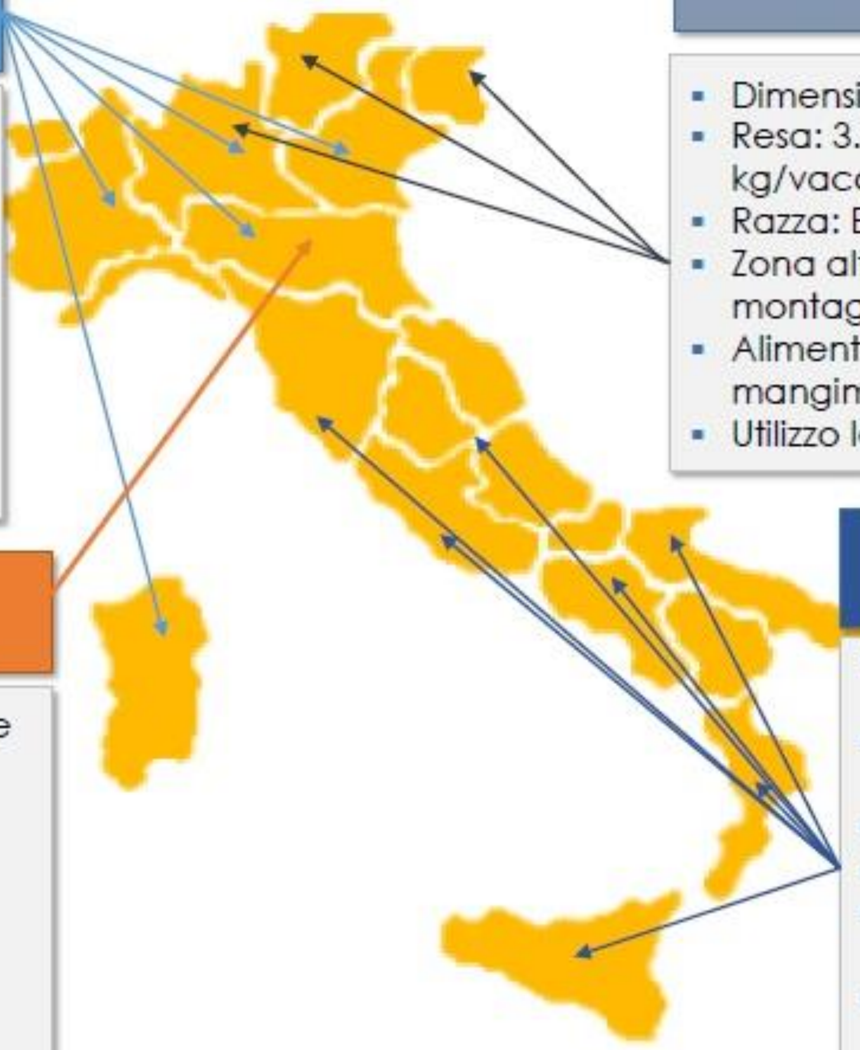
AZIENDE GRANDI

- Dimensione: oltre 150 vacche
- Resa 8.000-10.000 kg/vacca/anno
- Razza: Frisona
- Zona altimetrica: Pianura
- Alimentazione: Insilati
- Utilizzo latte: latte alimentare, formaggi DOP

Parmigiano-Reggiano:
-Farms with 50-100 cows (Friesian)
-Max. 7.500 kg/cow/year
-Forage feeding

Parmigiano Reggiano

- Dimensione: 50-100 vacche
- Resa: 6.500-7.500 kg/vacca/anno
- Razza: Frisona
- Alimentazione: foraggi freschi, fieni
- Utilizzo latte: Parmigiano reggiano



AZIENDE PICCOLE

- Dimensione: < 30 vacche
- Resa: 3.500-5.000 kg/vacca/anno
- Razza: Bruna, Pezzata Rossa
- Zona altimetrica: montagna
- Alimentazione: Pascolo, mangimi
- Utilizzo latte: Formaggi

Nort-East/Mountains:
- **Small farm <30 cows, mainly local breedings**
- **Max 5000kg milk/cow for cheese mainly**
- **Grazing and feeding**
- **High presence of BIO production**

AZIENDE MEDIE

- Dimensione: 50-100 vacche
- Resa: 6.500-8.000 kg/vacca/anno
- Razza: Frisona
- Zona altimetrica: Pianura
- Alimentazione: Fieno, insilati
- Utilizzo latte: latte alimentare, formaggi a pasta filata

Center-south
- **Medium farms 50-100 cows (Friesian)**
- **Max.8000kg milk/cow for milk and fresh cheese (mozzarella)**
- **Hay and Silage**

ismea

PUBLIC FUNDING LINES AND POLITICAL PRESSURE

- **Political willingness** to create a sovereign and resilient food production
  - ➢ In this, **agricultural production is essential**
- 500 million euros allocated to Italian agriculture through Next Generation EU
- The importance of the ”Made in Italy” brand and the competitiveness.
- Innovation to improve production

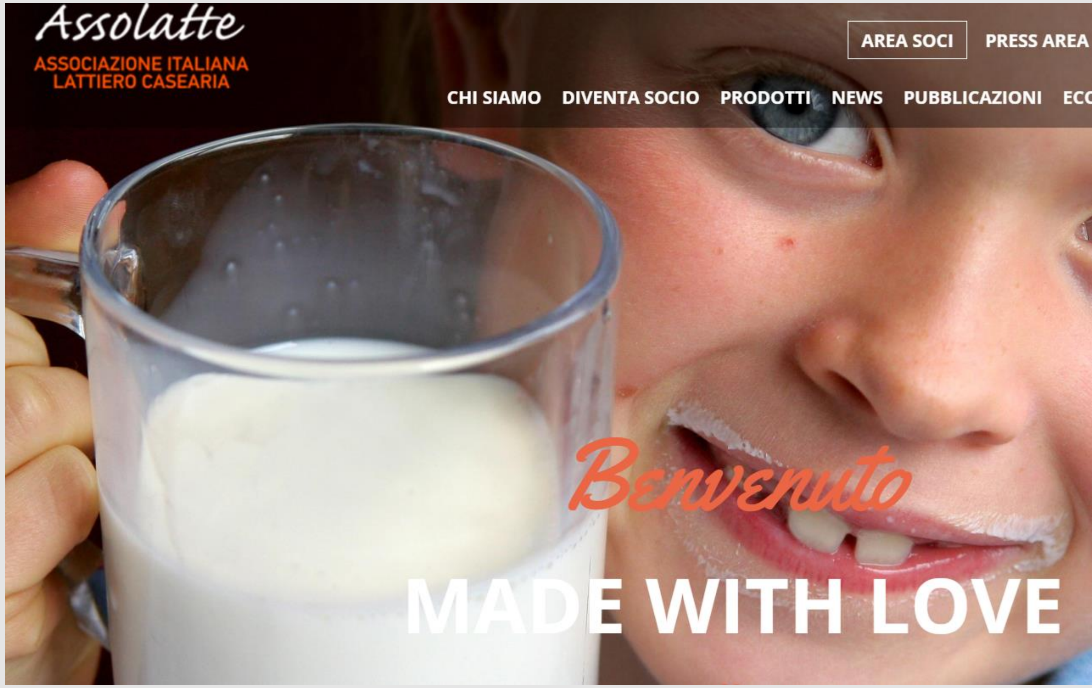
Access to funding

- CAP 2023-2027 and National Rural Development Plans 2023-2027: 37 billions euro. Urgence to better invest the funds
- National Fund for Innovation in Agriculture- 75 million is envisaged for each of the years 2023 to 2025
- ISMEA : direct credit to farmers with low or even zero interests rate and convenient contracts
- Proposal to establish a CMO also for the milk sector

POLITICAL AGENDA – ASSOLATTE

Assolatte represents and protects the industries active in the dairy (milk, butter, yogurt and cheese) sector in Italy, operating at local, national and EU level with all relevant bodies and institutions.

- It negotiates and signs with the trade unions the national collective agreement for workers in the food industry;
- It represents the interests of its members vis-à-vis national and local public administrations, European institutions, and international organizations (FIL/IDF).
- Participates in the activities of the European Union and national, central and peripheral Administrations, collaborating in the training and correct interpretation of the sector's regulatory provisions;
- Collaborates with the Consortia for the Protection of Protected Designation of Origin Cheeses;
- Realizes numerous initiatives to enhance the image of the sector's enterprises and products and to disseminate correct consumer information.



POLITICAL AGENDA – DAIRY SECTOR

Ettore Prandini- President of Coldiretti

Owner of a 303-hectare farm with 1000 cows, 470 of which are lactating- The company is a member of the Cooperativa Gardalatte, the most important cooperative adhering to the Grana Padano Consortium

Massimiliano Giansanti – President Confagricoltura

Owner of the Giansanti srl farm, which has 3 locations: in Rome (sheep for cheese and lamb), Viterbo, Parma (Parmigiano Reggiano) - for a total of 2000 hectares. The Parma dairy farm has 250 heads; each year 1,300,000 liters of milk are produced, for an annual production of about 2,200 forms of Parmigiano Reggiano. In Viterbo, the company produces forage crops (triticale wheat, sorghum and corn). All agricultural production is used for breeding 600 cattle, of which over 300 are lactating.

ISSUES AND CHALLENGES IN ITALIAN AGRICULTURE

- **Relatively low effiency** compared to Denmark- also due to climate change, beside lack of innovation and organization.
- **Shortage of labour**
  - Difficult to attract younger workers and make the generational switch
  - Nevertheless, younger Italian farmers, for example, **earn about 4 times more than French farmers per hectare**
  - **Eurostat estimates that the indicator of agricultural income per labour unit in Italy is a value of 134,5**: the country's performance is quite good when compared with other European countries (Denmark -50.5%, Slovenia -25.2%, Poland -23.3%, Germany -12%).
- **Not climate and environmentally sustainable enough**
  - High energy bills
  - Water shortage
  - New studies show **majority of Italian farmers are willing to make green investments**
- **Lack of attention on animal welfare: mortality and illnesses rate still high (av. 5.7% -up to 10% mortality for calf in 30% of the cases; 50% of calves with diarrea and respiratory complication), lack of a national protocol and a strong compulsory certification system**

ANIMAL WELFARE

- European Commission proposal for a European animal welfare label - as a useful information tool on the conditions under which animals are treated (farming, slaughter and transport conditions). The labelling was strongly supported by European consumers.
- The Italian Ministry of Agriculture issued **SQNZ (Sistema qualita´ nazionale zootecnica) specifications in 2022** - certifications that identify the entire supply chain and the requirements for the quality recognized by the label, which must be met by feeders, breeders, dairy, slaughterers and cutters, cheesemakers right up to the finished product.
- The certification emphasises animal welfare and the risk management on biohazards and zoonoses, but it is voluntary and not compulsory.

LIVESTOCK 4.0 AND CHALLENGES FOR THE FUTURE

- Intensive livestock farms are getting bigger and bigger and this leads to management problems related to the impossibility of giving sufficient attention to individual animals in terms of health, welfare and production efficiency. Moreover, 90% of farmes are more than 40 years old and companies have on avarege only 2.4 workers each.

- Precision Live Stock Farming
- Milking systems
- Feeding
- Monitoring to enhance Animal Health and Quality
- Energy consumption
- Biogas and emission control
- Reducing the amount of antibiotics used in husbandry
- Artificial Intelligence, sensors and remote control
- Sustainability and circularity (lowering the impact on environment)
- Support to farmers for heavy work

QUALITY AS DRIVER FOR THE INDUSTRY AND THE EXPORT: THE DOP/IGP

- Based on 2019/2020 data, **food and beverage enterprises account for 15%** of the enterprises in the manufacturing sector.
- The ”Made in Italy” requires raw ingredients of high quality
- **DOP and IGD – the so called ”geographical indications” are the main driver for exports.**
- About 2500 varieties of cheeses including fresh, spreadable and aged. Of these, over 300 are recognized as having protected origin (DOP, IGP), and among these **57 are protected at European level**
- **DOP Cheeses, growing by +5.3%, in 2023-2024 exceeded 5.5 billion euros** in production value and represent **60% of PDO PGI turnover (9,1billion)**

TOP 15 DOP AND IGP FOOD PRODUCTS BY PRODUCTION VALUE

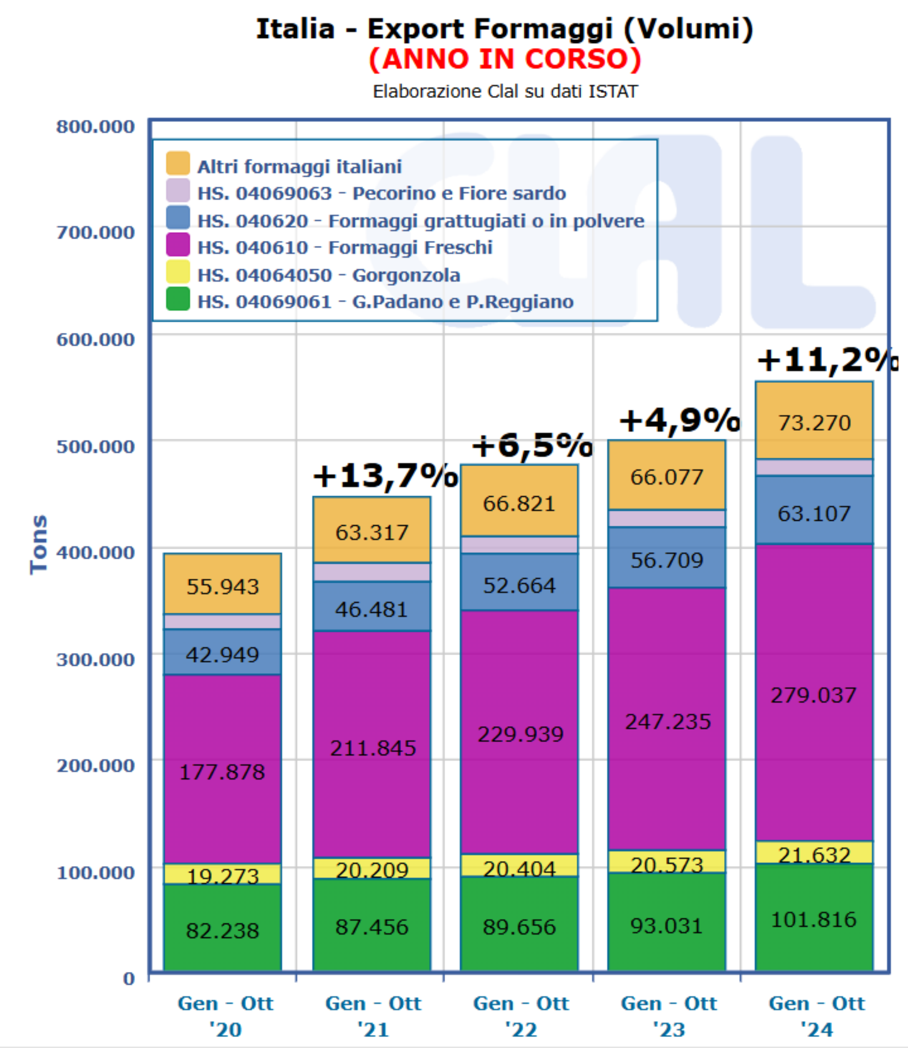
	PRODUZIONE CERTIFICATA (tonnellate)			VALORE ALLA PRODUZIONE (milioni di euro)		
Prodotti	2022	2023	Var 23/22	2022	2023	Var 23/22
Grana Padano DOP	202.051	**211.831**	+4,8%	1.734	**1.885**	+8,8%
Parmigiano Reggiano DOP	161.520	**158.015**	-2,2%	1.720	**1.599**	-7,0%
Prosciutto di Parma DOP	78.350	**74.400**	-5,0%	932	**951**	+2,0%
Mozzarella di Bufala Campana DOP	55.815	**55.588**	-0,4%	502	**528**	+5,1%
Pecorino Romano DOP	32.602	**36.633**	+12,4%	378	**494**	+30,8%
Gorgonzola DOP	56.819	**58.328**	+2,7%	384	**430**	+12,1%
Prosciutto di San Daniele DOP	27.061	**27.512**	+1,7%	365	**385**	+5,4%
Aceto Balsamico di Modena IGP*	95.275	**87.599**	-8,1%	381	**350**	-8,1%
Mortadella Bologna IGP	34.430	**35.681**	+3,6%	327	**339**	+3,6%
Pasta di Gragnano IGP	100.863	**97.404**	-3,4%	267	**273**	+2,0%
Bresaola della Valtellina IGP	12.290	**11.865**	-3,5%	246	**225**	-8,3%
Asiago DOP	20.842	**20.433**	-2,0%	141	**160**	+13,3%
Speck Alto Adige IGP	13.470	**11.871**	-11,9%	117	**107**	-8,3%
Mela Alto Adige IGP	199.479	**161.112**	-19,2%	80	**81**	+1,0%
Mela Val di Non DOP	151.431	**125.670**	-17,0%	55	**63**	+15,3%

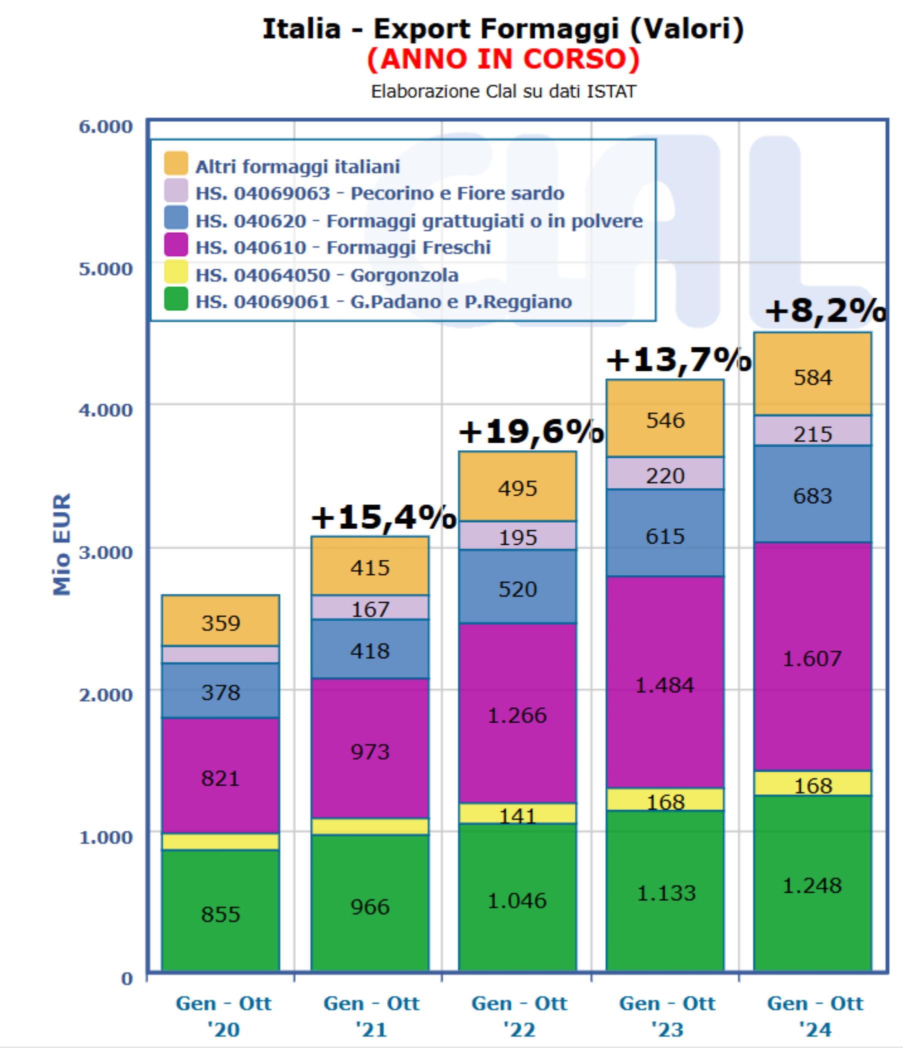
** migliaia di litri*

Indagine Ismea - Qualivita 2024

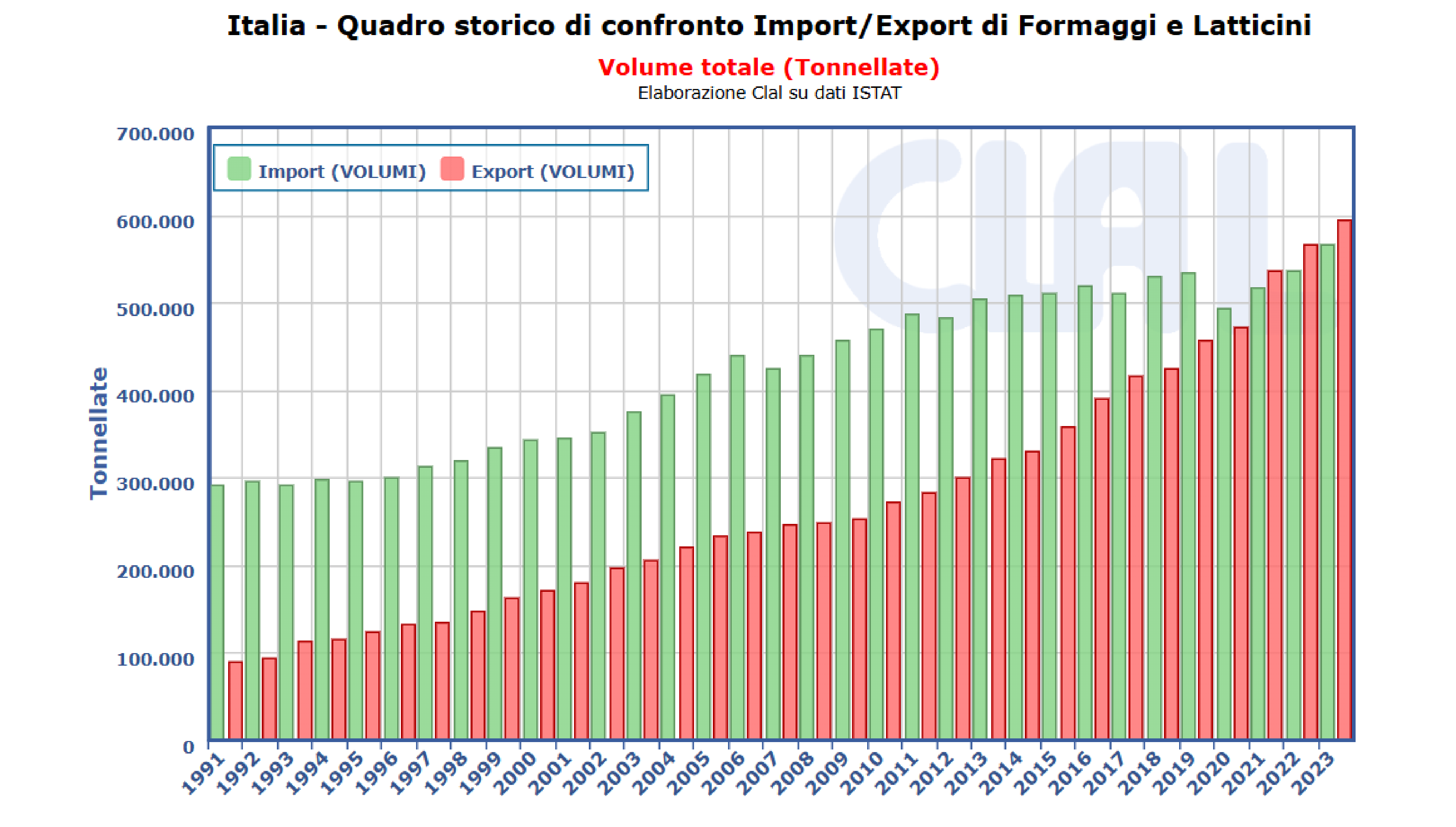
EXPORT´S TRENDS IN DAIRY

- In 2023: almost 600,000 tonnes
- Total turnover of EUR 4.9 billion, +11.6% over 2022.
- Exports of cheese and dairy products recorded the most significant growth in 2024 (+8%) with exports of Grana Padano and Parmigiano Reggiano increasing by +10%

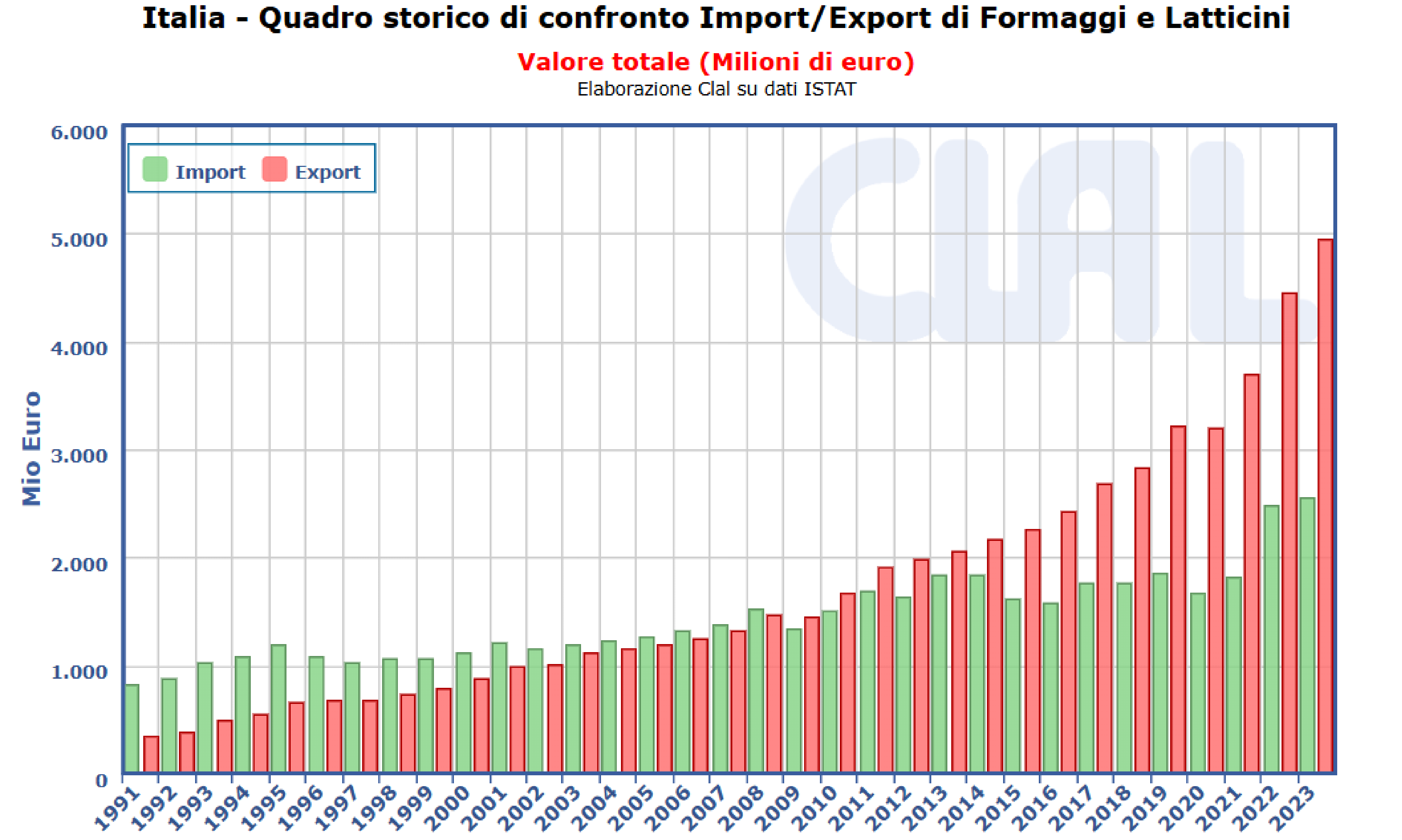




DAIRY PRODUCTS IMPORT – VOLUME



DAIRY PRODUCTS IMPORT – VALUE



IMPORT

Italy has an AUTOSUFFICIENCY for total milk consumption of about 92%. Therefore it is necessary to import semi-finished, finished products (cream and butter) and bulk milk throughout the year.

- Bulk milk quantities increase when less is produced, especially in the autumn period or, as in this late spring and summer period, when there is greater demand for milk from southern Italian companies to produce fresh cheese and icecream - CLAL - Italia: Settore lattiero caseario

IMPORT ITALIA: Principali 10 fornitori di LATTE IN IMBALLAGGI > 2 L (Tons)

Paese	Annuale				Gen-Ott		
	2020	2021	2022	2023	2023	2024	± % su 2023 *
Germania	335.835	193.597	166.870	382.135	320.279	304.240	-5,01%
Slovenia	152.364	159.516	136.689	135.387	115.475	144.053	+24,75%
Francia	194.142	104.936	104.693	95.902	72.958	129.057	+76,89%
Austria	119.590	78.590	82.630	113.352	95.250	88.615	-6,97%
Ungheria	64.317	40.533	17.173	35.726	27.947	28.534	+2,10%
Slovacchia	38.181	32.255	37.293	37.428	31.873	20.232	-36,52%
Spagna	20.740	13.584	15.869	9.081	8.669	14.805	+70,78%
Paesi Bassi	10.150	3.239	9.722	12.897	11.219	10.107	-9,91%
Belgio	3.470	1.633	5.865	8.618	7.772	9.218	+18,60%
Regno Unito	1.990	-	-	-	-	4.441	0,00%

Fonte: **Elaborazione Clal su dati ISTAT**
* Variazione % calcolata rispetto allo stesso periodo dell'anno precedente

IMPORT – BEFORE AND AFTER QUOTA REMOVAL

CLAL.it Anno	Import Latte Sfuso Intero 1)		Import Latte Sfuso Parialmente Scremato 2)		Import Latte Sfuso Scremato 3)	
	Quantità Tonnellate	Variazione %	Quantità Tonnellate	Variazione %	Quantità Tonnellate	Variazione %
2007	1.133.555	0,00	27.142	-33,49	434.798	0,00
2008	1.155.267	+1,92	25.923	-4,49	475.917	+9,46
2009	1.254.370	+8,58	24.061	-7,18	431.099	-9,42
2010	1.330.602	+6,08	36.420	+51,37	463.494	+7,51
2011	1.452.910	+9,19	47.952	+31,66	522.393	+12,71
2012	1.245.751	-14,26	36.741	-23,38	499.861	-4,31
2013	1.144.575	-8,12	40.808	+11,07	468.160	-6,34
2014	1.143.659	-0,08	38.595	-5,42	413.728	-11,63
2015	1.101.318	-3,70	28.122	-27,14	426.643	+3,12
2016	950.064	-13,73	22.747	-19,11	365.129	-14,42
2017	792.864	-16,55	24.369	+7,13	320.484	-12,23
2018	765.806	-3,41	12.502	-48,70	347.546	+8,44
2019	856.042	+11,78	24.879	+99,00	394.101	+13,40
2020	682.616	-20,26	10.585	-57,46	292.288	-25,83
2021	494.635	-27,54	3.287	-68,95	166.022	-43,20
2022	430.822	-12,90	3.971	+20,80	167.353	+0,80
2023	594.774	+38,06	11.388	+186,80	250.032	+49,40
Gen - Ott 2024 *	**528.215**	**+4,89 4)**	**9.092**	**+5,20 4)**	**225.356**	**+12,85 4)**

IMPORT, INTERNAL MARKET AND POLICIES

- After the elimination of quotas, cow's milk production in Italy has significantly increased in the last five years, **exceeding 12.6 million tons in 2020 (+13.4% compared to 2015, +4.4% between 2020 and 2019).**
- 2020-2022: Protectionist policies to increase domestic production and decrease imports
- In 2023: drop in domestic milk production (-1.7%) which should have been accompanied, in a normal situation, by an increase in the price of milk. On the contrary, the national farm price has suffered a contraction, crushed by the strong increase in imports which marked a plus 50% in the first nine months of 2023.
- In 2023, for the second consecutive year after more than a decade, overall cheese production decreased (-1.1% compared to 2022). Not for DOP!
- Germany remains the strongest trading partner, given its geographical proximity and low price

DEMAND, PUBLIC OPINION AND CONSUMERS´ TRENDS

- Italians drink less fresh milk. Between 1998 and 2020, daily milk consumption decreased significantly from 62.2% to 48.1%. Consumption has become more occasional (+9.8%) and non-consumers have increased from 17.2% to 22.2%.
- Yet, they consume cheese (approximately 23 kilograms per year, per person).
- According to CLAL, the important global demand, especially for cheese, will support the farmgate milk price, which stands at €53.61/100 Lt end of 2024.
- Attention to animal welfare and sustainability
- Consumer Health and Food Safety concerns after the mad cow disease and others
- Good butter and yogurt is missing (they are mainly industrial products).
- Whey powder and whey protein are promising business

GEOGRAPHY OF CONSUMPTION: VOLUME AND VALUE OF FRESH CHEESE MARKET

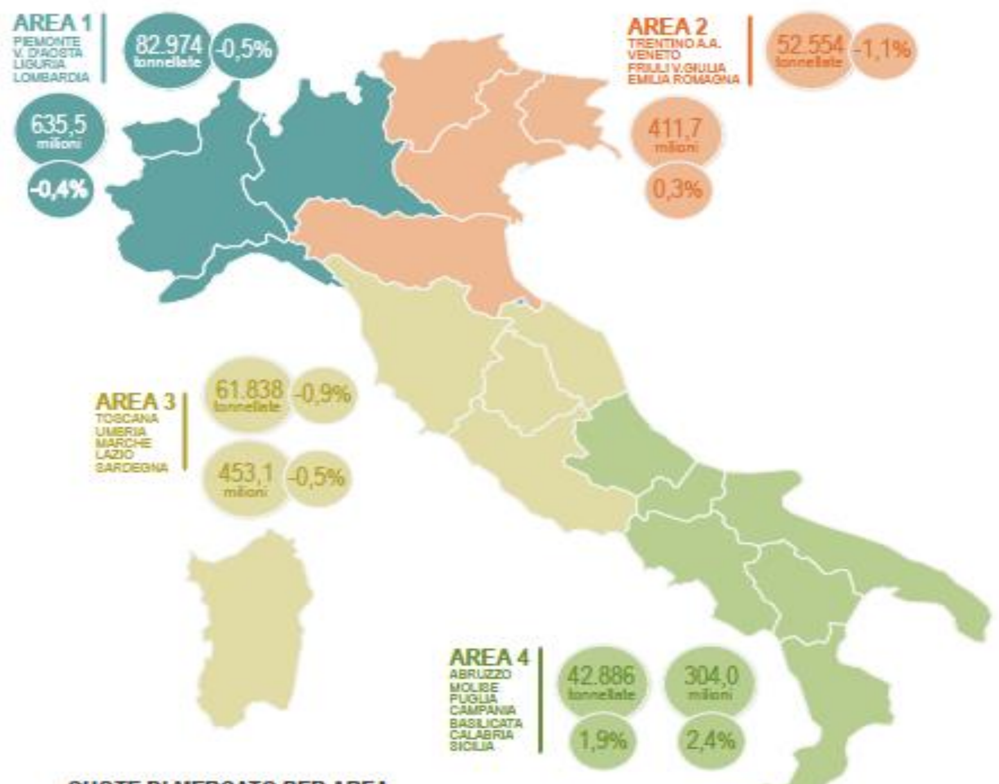
- Nord-west: 83k tons of fresh/soft cheese sold and consumed. 636 milions euros of market value.

- Nord-east: 52k tons of fresh/soft cheese sold and consumed. 411millions euros of market value.

- Center: 61k tons of fresh/soft cheese sold and consumed. 453 millions euro of market value.

- South: 42k tons of fresh/soft cheese sold and consumed. 304 millions euros of market value.

The same trend is applicable to hard cheese!



	VOLUME	VALORE
AREA 1	34,5	35,2
AREA 2	21,9	22,8
AREA 3	25,7	25,1
AREA 4	17,9	16,8
totale	100,0	100,0

QUESTIONS 1

- ***Is the price of milk dedicated to DOP prodution higer than avarege?***

Yes it is. In many cases DOP are produced in cooperatives and supported by Consortia, so farmer can have a great impact on milk´s price. Avarage price in DOP is 0.70euro/kg.

Parmigiano Reggiano DOP is the one recording the higer average price repartitioned at 100% mungibility (Average price - (% Average Residual Mungibility * Average Price Rent) + Average Price Rent).

In December 2024, price was 1,28euro/kg

bollettino QLPR_v.4_aggiornato.xlsx

QUESTION 2

- ***Which Markets are the most relevant for the Italian Dairy exports?***

Sales of made-in-Italy dairy products were close to 600 thousand tonnes for a value of almost 5 billion: +5.7% in volume and +11.6% in value.

Italian cheeses are superstar abroad- especially for what concern Parmigiano, Grana, Gorgonzola and Mozzarella: this literally drives the production, explaining why 68% of the sectors revenues come from cheese. In 2023, Italy produced 1.2 million tonnes – the 13% share of the EU total cheese production.

In the first six months of 2024, Italian dairy companies were the first European exporters to the **United States, Switzerland, China, the Arab Emirates and Canada, and second to Japan and Australia.**

Within the EU, **France and Germany** are the most relevant trading partners- receiving together almost 50% of the intra-EU Italian exports.

Good are sold in retail store as well as in restaurants (considering the high presence of Italian-cuisine abroad)

QUESTION 3

- ***How climate change is affecting the sector?***

Climate change is affecting the sector in many ways, and particularly is hitting the high-added value production such as DOP cheese- which have moreover strict production protocols and quality standards to respect.

The threats arising from the effects of climate change in this sector are mainly of 2 types:

- The increase in average temperatures especially in summer leads to a stressed condition of the cows (some breeds, such as the Friesian, originate from cool or even cold climates), which can lead to a drop in production and quality (milk composition)
- The availability of fodder cultivated in the production area, as required by the regulation for Parmigiano Reggiano, is also affected by climate change and extreme events such as drought or excessively heavy rain, which are equally damaging.

The situation is worrying also because farmers are not prepared for climate change mitigation and adaptation. Innovation will be a key factor for the survaival of dairy farming in Italy.

QUESTION 4

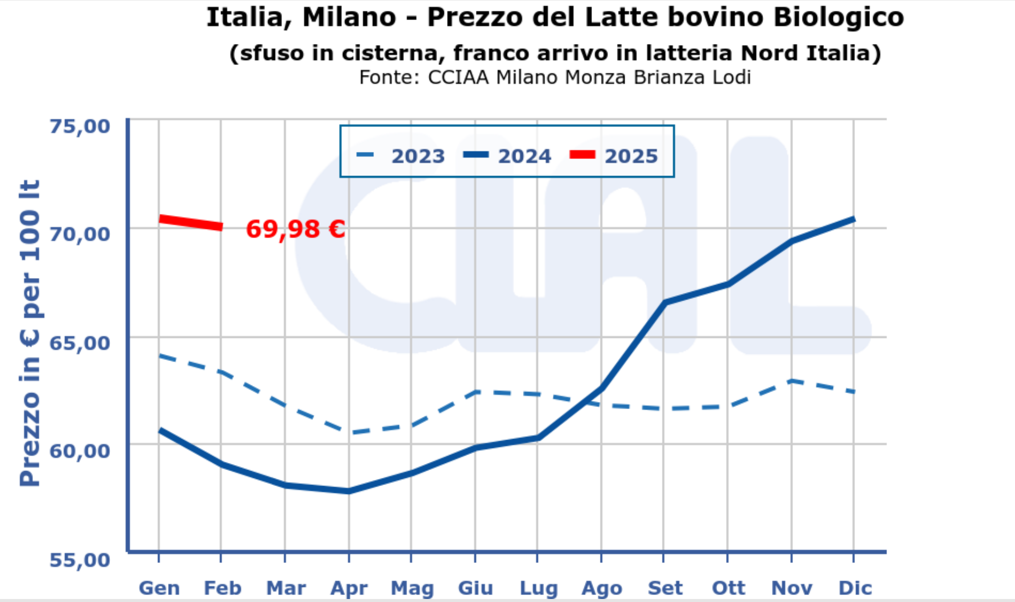
- ***What about the Organic dairy production in Italy?***

Italy has increased in the last 20 years other number of organic farms and livestock farms, but surely industries have bigger numbers. There are more than 69,000 producers in the organic sector (about 25% of all European producers) and 20,000 organic processors.

Land allocated to organic production in Italy is increasing, although at a lower growth rate than in other countries (about 2.5 million hectares). The number of organic cattle (milk and meat) in Italy for 2021-22 was around 400,000, accounting for about 7% of the total cattle herd. They are mostly small farms in hilly and mountainous areas.

The market share of organic products is on average 3.5% of the total agri-food industry. Regarding the regional distribution, Northern and Central Italy have shown a higher growth rate than the South, with a progressive rebalancing of organic areas.

Although BIO consumption has declined slightly, dairy products remain well sold and gained a +10.6% market share in 2023: that's why the price for organic milk is increasing (see table regarding the prices in North Italy –comparing 2023-2025)



QUESTION 5

- ***Why Producers Consortia are so powerfull in Italy?***

By consortium we mean the association of several enterprises - each with its own independent production - with a mutualistic purpose of pursuing common interests. One very important aspect is that each company joining the consortium is bound to retain its own precise identity, provided it agrees to have certain parts of the production process governed by the consortium's rules.

The establishment of consortia goes beyond the simple concept of cooperatives and is a defining characteristic of the Italian agri-food sector. The first Italian agrarian consortia were born in the 19th century, and soon the model was exported to other industries, such as cheese and wine.

Their role is decisive for the success and promotion of a product. Just think of Italian wine production: in 1986, Italy produced almost 38% of world production - 77 million hectoliters. The wine consortia worked to reduce volumes, register more DOCGs to increase quality (controlled designations of origin) and increase value. In 2015, production had fallen to less than 46 million hectoliters, but exports of Italian wine had grown by +575% to a total value of almost 10 billion euros. The same happened to Parmigiano Reggiano and Grana Padano. What do all these success stories have in common? The presence of strong and capable consortia.

ECONOMIC DIPLOMACY DEPARTMENT (TRADE COUNCIL)

- The EDD works with selected sectors to promote Danish exports and strengthen the position of Danish companies in the Italian and South EU market. Main focus are on AgriFood, Energy, Water Technology and Health.
- The Department offers worldwide any kind of assistance: from political advocacy to commercial activities.
- For SMEs, the Ministry of Foreign Affairs offers subsidies and convenient tailor made programs to discover key information on the market of interest and support the company during the first steps.

Do you want to see your company's business model in the context of a chosen market?

ROYAL DANISH EMBASSY
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THANK YOU FOR YOUR ATTENTION

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