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MADE IN ITALY: GLOBAL TRENDS AND NEW CHALLENGES

Graziella FERRARA
University of Suor Orsola Benincasa,
10 Via Suor Orsola, 80125 Napoli, Italy, e-mail: graziella.ferrarara@libero.it

Abstract: Italian agro-food is the third industry in Europe, after Germany and France. The connection between culture and territory has made the Mediterranean dieta a value for the whole humanity. The relevance of agro-food industry for Italian economy leads us to investigate geographical strategies to promote the 'Made in Italy' in the world. We present results of some cases studies of agro-food firms. Our article offers an innovative perspective for promoting Italian agro-food industry in the world. It reinforces the idea that both technological and non-technological innovations have to be realized to support geographical diversification of firms.

Keywords: agriculture, Italy, culture, territory, foreign markets

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GEOGRAPHICAL ANALYSIS

Agriculture refers to the production of food and non-food items through farming or animal husbandry. It depends on geographical structure of the country and its natural resources (land, climatic conditions, water, etc.). Because of geographical differences between countries, some economies export some goods and others import them. Thus, for increasing agricultural productivity some governments invest in reaearch and development financing the activity of public research institutions. Governments can contribute to such support by providing agriculture-related infrastructure facilities. Governments can also support industries involved in production of goods made of agricultural commodities. In this way, they reinforce firms operating in the value chain from suppliers of inputs, farmers and other agricultural service providers, to processors of agricultural goods, trading companies and retailers. The World Bank works on government policies and institutions to improve financial services for agriculture (World Bank, 2016). It focuses on the objective of increasing financial inclusion in the agricultural sector by bringing more rural people into the formal financial system. Moreover it provides funding to increase investments in agriculture to raise productivity, improve quality of agricultural products, and lead to better postharvest practices, which ultimately will increase smallholders' incomes and promote rural entrepreneurship for small agribusinesses.

Geographical diversity of natural resources, technology, institutional support and industrial structure defines the agro-food system in which each producer of agrofood value chain have to operate to compete globally. Agricultural value chains for each commodity can involve different players in different countries from local small and medium firms to huge multinational. Each player contributes specific functions and adds value to whole chain. This could range from being an input supplier to farmers, engaging in harvesting operations, transportation, processing, marketing and retailing.

The Italian companies in the food supply chain make it the third Italian industry in Europe, after Germany and France. In 2016 the gross value added of the agricultural sector was 33.1 billion euro, corresponding to 2.3% of the national value added. The point of strength of Italian food processing industry is to offer good food, healthy and safe food at affordable prices for everyone. The know-how as part of an appropriate selection of the best raw materials available and is expressed through production processes born of ancient traditions. The deep bond with the Italian food culture and the territory has led to the spread of a protected name products. These innovations have made Italian products famous in the world and the Mediterranean Diet intangible cultural heritage of humanity. Istat (2015) data evidences that in 2016 Italy confirmed its position as the country with the highest number of PDO, PGI and TSG certifications granted by the European Union. Between 2005 and 2016 PDO, PGI and TSG specialities certified by the EU passed from 150 to 300. The sectors with the highest number of certifications were fruit, vegetables and cereals (106 products), cheese (51), extra virgin olive oils (43) and meat preparations (40). Fresh meat and other sectors had a total of 5 and 32 specialities respectively. The regions with the most PDO and PGI products were Emilia-Romagna and Veneto, with 42 and 36 products respectively. Among producers of certified products (75,463 units) the cheese sector was particularly highly represented (26,042 units, equal to 34.5% of the total), along with olive oil (19,567 or 25.9%) and fruit, vegetables and cereals (17,061 or 22.6%). Transformers (7,150 units) were also more frequent in the extra virgin olive oil (1,811 or 25.3% of the total), cheese (1,529 or 21.4%) and fruit, vegetables and cereals (1,350 or 18.9%) sectors.

MADE IN ITALY

Investments in technological and non-technological innovations have made the excellence of 'Made in Italy' accessible to consumers around the world. Thanks to investments in the food industry technological innovation places on the market healthy products that meet the changing needs of consumers.

The companies that make product innovations have to protect the original traditions but also take into account that the new type of consumer health-conscious, food security, sustainability, with a clear social responsibility, etc. The main consumer trends affecting the naturalness and freshness of the products, the texture, portioning, the nutritional and health values, the functionality, the opportunity and the place of consumption (Amato, 2011, Citarella and Sorrentini, 2010).

Current trends in food consumption patterns have increased the preference of customers for new products, products with designation of origin and organic products. In addition, technological innovation has meant that food classic traditional production (pasta, preserves, cheeses, wine, oil, peeled, cut), it is increasingly being accompanied by traditional evolved (frozen, ready-made sauces, fresh toppings, fourth vegetables range, flavored oils) and new products (high healthy contents and food service). For these products is the radical innovation that is based on the incremental oldest local cultural tradition (Salvatori and Spagnoli, 2009, Bruinsam, 2003).

Innovative enterprises that do not focus on the development of new products they choose to adopt more advanced production processes, machines that provide greater energy savings, technologies that provide greater productivity, speed, accuracy and flexibility. The innovative model prevalent in the food industry is based on the ability to integrate and adapt technologies incorporated in advanced machinery to its production processes.

The firm shall be also be non-technological innovations marketing aimed at helping consumers to make choices on the detailed information about products, raw materials, storage conditions, etc.. These innovations should cover especially the food packaging. The latter a key role, in fact, play in ensuring the quality and safety of food, protect the integrity of the product during transport, distribution and consumption, convey the brand values but also provide nutritional information and essential services for consumer (Evans, et al., 2002, Morris and Evans, 2004).

Communication has to be accompanied by a real innovation on the market to provide new solutions for lifestyles and different targets. Firms choose joint product innovation-process to come in against consumers' rapidly changing needs. And 'desirable that food businesses associate innovation in design (or packaging) of products to at least a technological innovation and over a quarter plays combined activity of technological innovation (new products integrated with new production processes) and non-technological innovation (Cirelli, et al., 2005, Fagan, 1997, Nosi and Zanni, 2004).

The Italian food industry, however, is not self-sufficient in raw materials of some products for which it is to put in place organizational innovations designed to optimize relationships with foreign suppliers by means of integrated management systems that provide for participation in the upstream activities of chain. In addition, companies operating in the sector tend to internationalize through exports processes involving foreign buyers, since the phenomenon of relocation abroad of productive activity is almost non-existent. The growth strategy of many companies of the markets must therefore move towards the strengthening in which we already operate and entry into new markets through organizational innovations that provide for the establishment of its own sales facilities abroad (Cook and Crang, 1996, Lee, 2000, Reardon and Barrett, 2000).

In addition, the food industry is affected by some structural gaps that constrain growth and ability to compete for food operators. the main factor limiting the development of agriculture and food industry is the excessive fragmentation of the productive structure, which adds to the lack of infrastructure, logistics and distribution, the excessive production costs from energy, to the poor quality of the offer of services for business, finance, credit (Lockie and Kitto, 2000, McMichael, 1994, Winter, 2003).

A strong impetus to the transfer of process and product innovations would help to improve the ranking of competitiveness. Research and innovation are not sufficient if they are not accompanied by a regulatory environment conducive to enterprise development. The harmonization with respect to the EU regulatory framework evolving and uniform implementation of the rules on the territory are fundamental concepts to ensure the proper development of efficient commercial policies on security issues, rationalization of controls and reduction of bureaucracy. The sustainability of food production and the establishment of common European rules on the supply conditions in international commodity markets are, therefore, critical to the development of food chains of excellence of Made in Italy.

EMPIRICAL ANALYSIS

We presented results of some interviews realized on a sample of Italian agro-food small and medium firms. Through them we obtained information on main innovative and geographical choices of firms for competing globally. These interviews aim to evidence innovative strategies to support internationalization process of agro-food firms.

The interviews allowed us to highlight some choices of firms that do not emerge from official reports. The group of firms operates in the industry of fruits, mushrooms, vegetables, and preparation of ready sauces according to the EU specifications. They realize in Italy their production and in Italy and abroad their distribution. In their transformation are used only fresh vegetables controlled by internal technical staff. The traceability of all the steps of production process ensures compliance with all the mandatory requirements of law. In Italy this group of company is well represented in the large-scale retail trade. The exportations are realized through commercial intermediaries of foreign markets. The primary choice for internationalization is exports through international operators. The choice of internationalization responds to the need to increase profits. The main opportunities concern the expansion of the size. However, the main point of weakness is cultural diversity of consumer in Japan, South African and Australia.

Our analysis evidences that in the last decade agro-food companies have gained experience in foreign markets. The reasons that have prompted such companies to begin a process of internationalization are the need to find new locations for their goods, increase and diversify revenue, defend domestic market by foreign competitors and take advantage of Government incentives.

Most of them export their goods through international exporters or commercial intermediaries residing in foreign market. Main markets are Europe, USA, Canada, Japan, and Australia. Elements of Italian firms' strengths in internationalization are quality of goods, "Made in Italy" image and traditional culture. Their weaknesses on markets are strong competition, high distribution costs and little information on local markets. Opportunities on markets that lead them to internationalize are the chance of improving their production, innovation and marketing that can lead them to reinforce image and increase profits. To achieve these important results, however, firms have to realize non-technological innovation in their marketing activities and organizational structure for facing cultural differences and market barriers. At this aim most of them developed additional services for the foreign market, cooperate with foreign companies and adapt their product to the foreign needs.

Table 1. Agro-food strengths and weakness

Firms	Quality Made in Italy Tradition	Competition Price Market knowledge
Markets	Production Innovation Marketing	Fakes Cultural differences Market Barriers
	Strengths	*Weakness*

CONCLUSIONS

The agri-food sector is rapidly changing its character. The new challenges that present themselves on the global stage push Italian companies in new directions. From the point of view of the lifestyles, food built around the individual consumer requires a vision based on a series of individual macro, micro or nano ingredients, which can be combined at will for custom formulations. The current scientific and technological knowledge oriented food composition in the direction of a depletion or enrichment of their nutritional value, is the technological process can be modulated in order to preserve the nutritional and sensory characteristics of food or increase the bioavailability of bioactive components or even induce the formation of compounds with antioxidant activity.

From the point of view of sustainability, the direction to go can only be that of the full re-use of waste materials. In these directions, the search is already well, even if it requires further developments for the industrialization and for the development of materials with different properties depending on the different needs of packaging. This multifunctional approach needs to be directed to the increase of knowledge about the relationship between microstructure, process, product features, technological innovation and the identification of appropriate indicators of process and product for the protection of the quality and origin of products and to 'adaptation of food law in order to protect more and more products made in Italy from commercial fraud, counterfeiting and by the Italian Sounding.

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