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Spain

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Exporter Guide

Encouraging Market Prospects despite Moderate Economic Growth

2018

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Report Highlights:
In 2017, Spain imported $1.7 billion in agricultural, seafood and forest products from the United States. Spain's economy will likely continue expanding at a moderate pace and tourist numbers are expected to remain high. This offers opportunities, especially for consumer-oriented food items, as well as long-term prospects for other products. This report provides guidance to U.S. companies interested in exporting high-value consumer-ready food products to Spain and includes an overview of the country's economic situation, market structure, and export requirements.

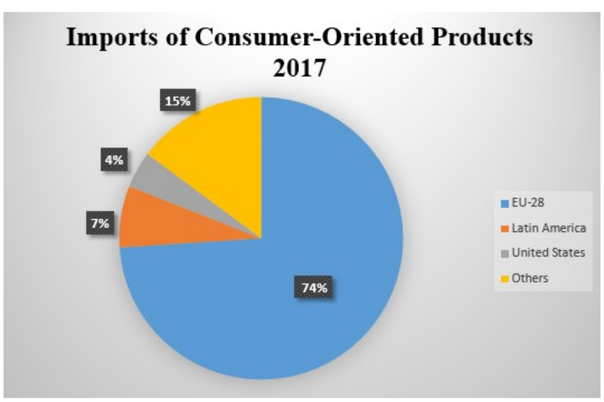
Market Fact Sheet: Spain

In 2017, Spain was the 14th largest economy in the world and the 5th in the European Union. After years of deep economic recession, the Spanish economy grew at least 3 percent for the third straight year. Spain is now one of the fastest growing economies in the EU. Spain is a major producer and exporter of food and agricultural products with other EU countries as its primary export destination. Spanish producers, processors, wholesalers, retailers, food service operators, and importers are all part of a well-developed agribusiness sector, contributing to a competitive and dynamic domestic scenario. In 2017, total imports of agricultural products reached $41.5 billion, up 9.42 percent compared to 2016.

SWOT Analysis	
Strengths	***Weaknesses***
One of the fastest growing Euro zone economies	High public debt
Opportunities	***Threats***
Competition policy to reduce market rigidities	Political uncertainty

Imports of Consumer-Oriented Products

Goods imported into the EU must meet the EU sanitary and phytosanitary requirements to protect human and animal health and as part of the custom union. Spain implements EU rules and regulations. Hence, U.S. exporters already exporting to other EU member states will likely meet most of the Spanish import requirements. For the export of animal product, the production plant must be approved for export to the EU.



Food Processing Industry

In 2017, the food-processing sector consolidated its position and importance as the main industrial sector pushing the economic recovery. Spain enjoys a modern food-processing sector that pays special attention to the quality, safety, and traceability of the food products it produces. It has one of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. exporters of food ingredients. Food processing mainly focuses on supplying the domestic market, which accounts for 70 percent of sales.

Food Processing Industry Facts 2017

Food Processing Industry	$119.6 billion
Output Food Exports	$35.3 billion
Commercial Surplus	$9.4 billion
No. of Employees	503,675
No. of Food Processors	29,018
% of total GDP	3%
% of Industrial GDP	20%

Food Retail Industry

In 2017, Spanish food retail sales reached $118.7 billion. Spain's improved economic environment increased consumer confidence and expenditure and contributed to better retail sales. Additionally, Spain continues to host record numbers of tourists, which also boosts food demand. In 2017, the largest store-based food retailers were Mercadona, Grupo Carrefour and Grupo Eroski. In the medium term, Post expects Internet retailing to see the fastest growth.

Top 10 Spain Country Retailers

Retail Organization	Ownership	Sales 2017 ($ Million)
MERCADONA	Spanish	23,840
GRUPO CARREFOUR	French	10,903
GRUPO EROSKI	Spanish	5,246
AUCHAN RETAIL ESPAÑA	French	5,090
DIA	French	4,896
LIDL SUPERMERCADOS	German	4,078
EL CORTE INGLES, S.A	Spanish	3,311
CONSUM, S. COOP.	Spanish	2,669
AHORRAMAS	Spanish	1,824
MAKRO	German	1,409

Data and Information Sources: Euromonitor, GTA, Eurostat, FIAB

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SECTION I. MARKET OVERVIEW

Spain has the fifth largest economy in the European Union. Spain's economy grew 3.1 percent in 2017. This marks the third straight year of at least 3 percent GDP growth since the economic recovery began in late 2013 following the deep economic recession. Compared to pre-crisis figures, Spain's economy today is more diversified, more competitive, and more export-oriented. In 2017, Spain set a record for tourism, surpassing the United States to become the second most popular destination in the world behind France. According to official Spanish data, in 2017, 82 million tourists arrived in Spain—an 8.9 percent increase from 2016—and spent more than 87 billion euros. According to OECD reports, the Spanish economy grew more moderately in 2018 and this pace expected to continue over the next two years. However, economic observers also expect continued improvements in domestic demand fueled by continued growth in employment.

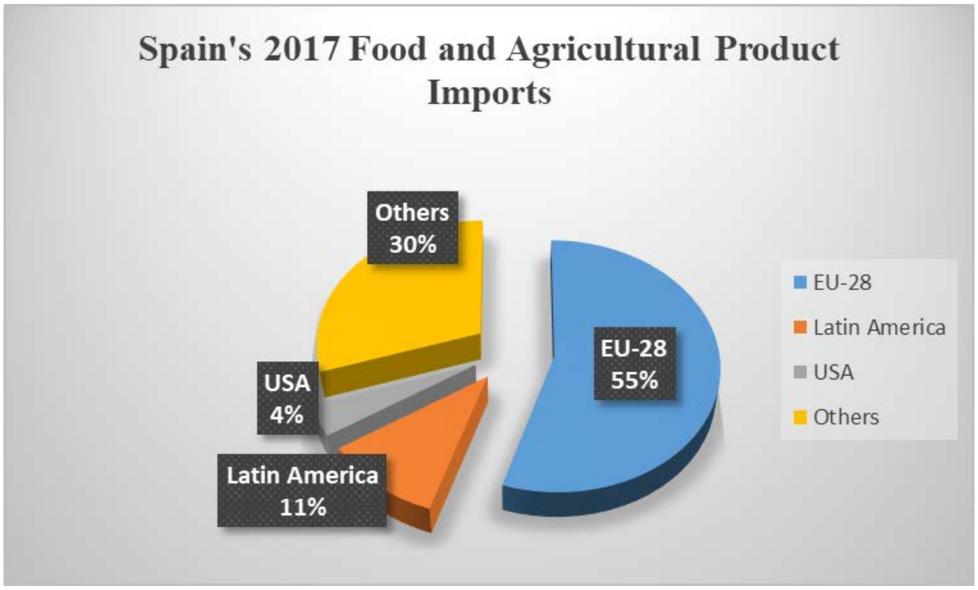
Spain has a diversified distribution structure for food products, ranging from traditional distribution methods -- whereby wholesalers sell to small shops that cater directly to the public -- to large multinational supermarkets and retail stores. Department stores, hypermarkets, shopping centers and very specialized outlets are introducing the customer fidelity concept, which usually involves issuing client cards, cumulative discounts, and special offers for frequent customers. In addition, innovative sales techniques are becoming increasingly popular.

Table 1. Advantages and Challenges Facing U.S. Exporters in Spain

Advantages	Challenges
Tourism is a strong and ever-growing sector that provides sales in the food sector, as well as demand for more international foods.	Food imported from third countries, including the U.S., must comply with EU food law, which varies considerably from U.S. regulation and practice.
Spain's food industry relies on imported ingredients, many from the U.S.	Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products.
Good image and reputation of U.S. products.	Competition from neighboring EU countries, where tastes and traditional products may be better known.
Good network of agents and importers to help get product into the market.	U.S. exports face higher transportation costs. In addition, small exporters face difficulties in shipping mixed or smaller container loads versus EU competitors or big exporters.
Consumers are increasingly health conscious, demanding new products.	EU labeling, traceability, and packaging laws.
Distribution structure is modern and many companies cover both Spain and Portugal.	High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies.
Diversity of food products in the market is increasing. Consumers are becoming more open, creating opportunities for new and foreign products.	High marketing costs (advertising, discounts, etc.) are necessary.

Competition within Spain's Food and Agricultural Product Import Market

In 2017, Spain imported $37 billion worth of agricultural products from the world. By regions, Spain's main trading partners are other EU member states, as shown in the chart below:



SOURCE: Global Trade Atlas

Spanish Market for U.S. Food and Agricultural Products

By category, the distribution of U.S. food and agricultural exports to Spain has stayed consistent over the last decade.

SOURCE: Global Trade Atlas

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs

Success in introducing products in the Spanish market requires local representation and personal contact. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, contact with existing and potential buyers, and market expertise.

Spain's sales channels range from traditional distribution methods – wholesalers sell to small retail shops that sell to the public -- to large multinational supermarkets and retail stores. However, personal relationships are still important, especially within smaller organizations. There is no substitute for face-to-face meetings with business representatives in order to enter this market. The decision-making process within a company may differ from that in the United States. An initial "yes" usually means that the company will study the situation, and not necessarily that they will buy the product. Once a deal is signed, the company will likely expect the U.S. firm to translate into Spanish commercial brochures, technical specifications and other relevant materials. Decision makers at Spanish firms may speak English, but paperwork should be in Spanish.

The majority of agents, distributors, foreign subsidiaries and government-controlled entities that make up the economic power block of the country operate in two hubs: Madrid and Barcelona. Companies outside these two hubs will almost invariably obtain their supplies from their Madrid and Barcelona contacts rather than engage in direct importation.

Market Entry Strategies

Market entry strategies for U.S. products intending to enter the Spanish market should include:

1. Market research in order to assess product opportunities
2. Advanced calculations of the cost of introducing the product in the Spanish market, in order to prove its competitiveness in the local market
3. Identify an experienced distributor or independent reliable agent to advise on adequate distribution channels, import duties, sanitary regulations and labeling requirements
4. Explore the purchasing arrangements of the larger retail channels

General Consumer Tastes and Trends

In 2018, the Spanish economy consolidated its expansion. The economic improvement contributed to rising consumer confidence, who are slowly moving away from the habits acquired in the years of economic uncertainty. Hence, when it comes to purchasing food, consumers are increasingly looking at factors different from price. For example, nutrition and quality, health, product origin, novelty and convenience are emerging as major trends determining purchasing decisions. Manufacturers have to adapt quickly to the changing environment. This translates into innovative products and ingredients, as well as promoting these releases through major advertising campaigns. The strong growth of home delivery is a factor demonstrating that consumers are slowly loosening their belt when it comes to food spending. Conversely, Spain's aging population, urban concentration, and changes in consumer lifestyles are upcoming challenges for the food retail sector.

Still, Spanish consumers remain comparatively price-sensitive. The average consumer still looks for the best value-for-money products. Within the EU, Spain is one of the countries with the highest penetration and lowest concentration of private label. This is primarily due to existing business models of Spain's major retailers.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

Food Standards and Regulations

For detailed information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standards Report (FAIRS) and the FAIRS Export Certificate Report for the EU and Spain. Also, please check the U.S. Mission to the European Union (USEU Mission) web page for helpful information on exporting U.S. food and agricultural products into the EU.

General Import and Inspection Procedures

Spain follows the Harmonized Nomenclature and Classification System (HS) and applies EU import duties according to a maximum and minimum rate schedule. The minimum tariff rate is applied to goods originating in countries entitled to the benefits of most-favored nation treatment -- that is, members of the World Trade Organization (WTO), including the United States, and countries with which the EU has signed trade agreements. In some instances, negotiations and trade agreements in place between the EU and other countries provide for advantageous access to the European market. Currently, the EU and the US have the following agreements in place:

- US-EU Organic Equivalency Arrangement
- US-EU Wine Agreement
- Veterinary Equivalency Agreement

The local importer has primary responsibility with the Spanish Government for imported food products once they enter Spanish territory. Therefore, the Spanish agent/importer should guide the U.S. exporter through the entire process of marketing a food or agricultural product in Spain. Most food products require an Import Certificate issued by the competent authority. The Spanish importer obtains the Import Certificate and/or the agent involved in the transaction and serves for tariff classification purposes.

The following documents are required for ocean/air cargo shipments of food products into Spain:

- Bill of Lading and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate, when applicable
- Import Certificate

The Standard U.S. label does not comply with the EU's labeling requirements. For all the details, visit the EU labeling requirements section of the USEU Mission webpage.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Table 2. Best Consumer-Oriented Product Prospects Based on Growth Trends

Product Category	2017 Spanish Imports ($ Million)*	5 Year Average Import Growth (% Value)	Key Constraints	Attraction for U.S. Exporters
Fish Fillets and Other Fish Meat	World Total: $867 U.S.A.: $47	4%	Heavy competition from other EU Member States and domestic suppliers.	Good reputation and reliability of U.S. producers. High per capita consumption of fish.
Almonds	World Total: $517 U.S.A.: $448	15%	Aflatoxin issues.	Domestic consumption and exports of tree nuts is increasing due to their use in the processing industry.
Beer	World Total: $310 U.S.A.:$2	5%	Competition from other EU countries, traditional producers of beer.	US style beer is a referent and making inroads in Spain due to increased interest in these styles. **Average import growth from the U.S. in the last 5 years was 145 percent.**
Pistachios	World Total: $92 U.S.A.:$28	9%	Competition from Iran and EU importers, such as Germany, who re-export this product to Spain.	Domestic consumption of tree nuts continues to increase. U.S. pistachios have a higher quality image than Iranian, the major competitor.
Distilled Spirits	World Total: $1,047 U.S.A.:$ 121	-2%	Difference in legal format of alcohol containers; exporters need to adapt to EU size.	Increasing interest in U.S. distilled drinks, mainly bourbon. Despite the total negative growth figure, **the average import growth from the U.S. in the last 5 years was 7 percent.**
Pulses	World Total: $258 U.S.A.:$62	-4%	Strong competition from Argentina and Canada, a traditional supplier to Spain.	Spain is a traditional consumer of pulses and its local production is insufficient to fulfill local demand. Despite the total negative growth figure, **the average import growth from the U.S. in the last 5 years was 10 percent).**

Source: Global Trade Atlas (www.gtis.com)

Food Retail Sector

The Spain retail food market is highly diversified. Hypermarkets/supermarkets, convenience stores, major discount stores and specialized stores coexist with traditional corner grocery stores and open- air markets. Yet, the total number of retail outlets decreased over the past decade and the consolidation of the retail food industry continues to date. The recovery of the economy is slowly leading to an increase in domestic demand. According to Alimarket, retailing showed a good performance in 2017 thanks to the positive economic environment, and this made consumers' behavior become more optimistic and increase their expenditure on food. So far, from January to August 2018, according to Kantar Worldpanel, food retail grew 0.9 percent in value. Mercadona and Lidl are the growing retail leaders in the Spanish market.

Online retail experienced the best performance in 2017. In 2018, online sales, delivery times and social networks will remain key elements in the food retail sector. Within grocery store-based retailing, the competitive environment is quite concentrated, with Mercadona having by far the largest share, followed by Carrefour. On the one hand, discount stores performed well because the perception of their goods relates to good value for the money and offering a good quality-price ratio.

In Spain, hyper and supermarkets account for some 65 percent of total food sales.

- There is increasing competition in the scope and range of product offerings, including ready- to-eat and/or ready-to-cook foods, take away meals, and home delivery - and the prices and services retailers offer consumers.

- An increasing supply of imported products has intensified competition among suppliers and retailers.

- EU Member States are the major suppliers of consumer-ready products to other EU countries.

Top 10 Spain Country Retailers

Retail Organization	Ownership	Sales 2017 ($ Million)
Mercadona	Spanish	23,840
Grupo Carrefour	French	10,903
Grupo Eroski	Spanish	5,246
Auchan Retail España, S.A.	French	5,090
DIA	French	4,896
Lidl Supermercados, S.A.	German	4,078
El Corte Ingles, S.A.	Spanish	3,311
Consum, S. Coop.	Spanish	2,669
Ahorramas	Spanish	1,824
Makro	German	1,409

Source: Alimarket

Market Structure:

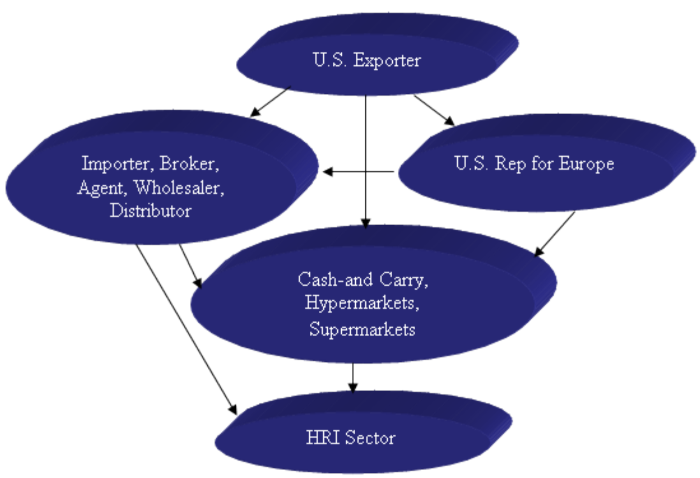
For more information on the Spanish Retail Food Sector, please consult the retail sector reports for Spain at [FAS GAIN Home]

Hotel, Restaurant and Institutional (HRI) Sector

The Spanish economy will likely continue expanding at a slightly slower pace in 2018. The progress in alleviating the unemployment situation, the growth in exports, and the improvement in private consumption is leading Spain's way out of the recession. The country seems to continue on the right path out of the economic crisis, which severely affected its financial system and consumer income and behavior. This will likely have a positive effect in the HRI industry as a whole, boosting demand for meals in this sector.

Spain continues to host record number of tourists. The Spanish National Statistics Institute indicated that 82 million international tourists visited Spain in 2017, an 8.9 percent increase compared to 2016. The average expenditure of these visitors also increased, with spending at $1,220 during their stay, up 12.4 percent. In addition, an improved economic situation and lower unemployment numbers are leading to higher spending in foodservice.

Market Structure:

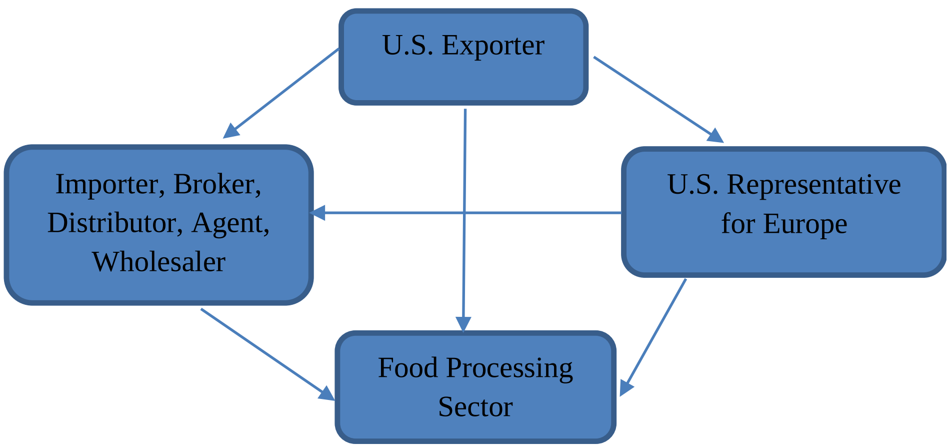


For more information on the Spanish HRI Sector, please consult the HRI sector reports for Spain at [FAS GAIN Home].

Food Processing Sector

Spain now has one of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food ingredient exporters. The food-processing sector in Spain is modern, paying special attention to the quality, safety, and traceability of the food products it produces. This sector provides 503,675 jobs, representing more than 20 percent of the total industrial workforce. The food industry in Spain comprises mostly small and medium sized companies. The industry as a whole produced an estimate of almost $120 billion in product in 2017. The export sector keeps bringing positive news to the Spanish economy. Exports from the agri-food sector have maintained an upward trend seen since 2009. According to the data published by the Spanish Food Industry Federation (FIAB) in their annual report, exports in 2017 were valued at $35.3 billion. This positive trend provides opportunities for U.S. exporters.

Market Structure:



For more information on the Spanish food processing sector, please consult the food processing sector report for Spain at FAS GAIN Home.

SECTION V. AGRICULTURAL and FOOD IMPORTS

Table 3. Agricultural and Food Import Statistics

AGRICULTURAL PRODUCTS IMPORTS ($ Million)					
	2014	**2015**	**2016**	**2017**	**2018***
Total Agricultural, Fish and Forestry Products	40,447	36,659	38,003	41,765	42,000
Total U.S. Agricultural, Fish and Forestry Products	1,990	1,981	1,857	1,637	1,700
Total Agricultural Products	30,535	27,647	28,067	30,995	31,000
Total U.S. Agricultural Products	1,678	1,607	1,487	1,319	1,500
Total Fish and Seafood Products	6,861	6,364	7,022	7,919	8,000
Total U.S. Fish and Seafood Products	129	134	134	103	120

Source: Global Trade Atlas (www.gtis.com) (*) Estimate

Best High-Value, Consumer-Oriented Product Prospects Category

Products Present in the Market with Good Sales Potential

- Tree nuts, particularly almonds, walnuts and pistachios; Peanuts
- Pulses
- Rice
- Sunflower seeds
- Fish and Seafood, fresh and frozen
- Beverages (wine and beer) and distilled spirits

Products Not Present in Significant Quantities with Good Sales Potential

- Functional and innovative health food; Free-from products (lactose-free, gluten-free)
- Food ingredients
- High value beef meat (only Non-Hormone treated cattle)
- Specialty foods, snack foods and sauces
- Pet foods

Products Not Present Because They Face Significant Barriers

- Red meat and meat preparations (hormone ban)
- Poultry (sanitary procedures - chlorine wash)
- Processed food (with GMO ingredients)

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Spain, contact the Foreign Agricultural Service American Embassy Madrid. Additionally, find below a list of key associations and government agencies:

Spanish Trade Associations
Spanish Federation of Food and Beverage Industries
Spanish Federation for HRI Sector
Spanish Association for Distributors and Supermarkets
National Association of Midsize and Large Distributors
Spanish Restaurant Chain Association

Spanish Government Agencies
Ministry of Health, Consumption and Social Welfare
Spanish Consumption, Food Safety and Nutrition Agency
Ministry of Agriculture, Fisheries and Food

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page.