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Spain

Product Brief

Chocolate Products Industry in Spain

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Report Highlights:
Traditional chocolate products in Spain are decreasing in volume, but increasing in value. New to the market products are on demand, as well as those with attractive packaging that would appeal to the adult consumer. There are some opportunities for high-quality and innovative U.S. chocolate products, as well as for low-calorie chocolates.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1], SP

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I. PRODUCTION

Trade sources indicate that 1999 production of cocoa based products in Spain was 168,408 Metric Tons, a decrease of about 2.3 percent over the previous year. Chocolate products production has experienced minor changes during the last few years. Value has been increasing faster than volume in this sector as there are more high-end value-added products in the market, value in 1999 increased by 3.3 percent and this is the trend expected in the next few years.

Production of Cocoa based products - Volume and Value - 1999

Types of Product	Volume Percentage	Value Percentage
Tablets	27.7%	31%
Chocolates	5.6%	16.4%
Count Lines	5.7%	13.1%
Cocoa Powder	48.7%	30.4%
Spreads	11.6%	7.6%
Chocolate candies	0.7%	1.5%

Production of chocolate products in Spain is in the hands of a few companies. Only five multinational companies hold a market share of 60 percent. The Chocolate and Cocoa Products Producers Association (CHOCAO), represents 87 percent of the total Spanish chocolate market with only 43 companies. The main ones are Nestle, Nutrexpa, Kraft J. Suchard and Grupo Lacasa.

By product, Nutrexpa holds 50 percent of the total cocoa powder market, followed by Nestle. The latter, together with Kraft J. Suchard represent 46 percent of sales of tablets. Lacasa holds 70 percent of total chocolate candy sales. Nutrexpa is the leader in chocolate spreads, while Nestle is the largest producer of chocolates.

EU Directive 2000/36, of June 23, 2000, relates to cocoa and chocolate products intended for human consumption. The Directive lays down definitions and common rules in respect to the composition, manufacturing, specifications, packaging and labeling of cocoa and chocolate products in order to ensure their free movement within the Community. Annex I specifies the sales names of all chocolate products covered by the directive and indicates the percentage of cocoa and other ingredients, as well as vegetable fats and other authorized ingredients.

II. CONSUMPTION

Per capita consumption of cocoa products in Spain is around 3.1 kilos, according to the Ministry of agriculture data, nevertheless, CHOCAO pegs it to 4 kilos. Both figures are much lower than consumption in other EU countries, of about 7 kilos/per-capita. Chocolate consumption is stable although there is a tendency toward a long-term decrease due to the decline in the Spanish birth rate, and also due to diet concerns, being a high-calorie product.

Consequently, in general, consumption of tablets and spreads is decreasing, while powder, chocolates and countlines (this includes bars, chocolate candy and eggs) is growing. the first two products are mostly directed to children, while the target of products with more value-added is the adult population. Companies invest large amounts of money to promote consumption of chocolate products, in an effort to increase consumption, with favorable results in the more expensive products, although cocoa powder has also experienced an increase of three percent due to promotions of low-calorie products directed to the adult population.

Chocolate consumption is Spain is higher in areas with lower temperature, as well as during the fall/winter season. On average, 61 percent of households in Spain buy chocolate products, in the North this percentage reaches 71 percent, but goes down to 56 percent in Andalucia. The percentage varies also depending on the family income as well as on the number of family members and the age of the housewife. It is interesting to note that there is a higher per-capita chocolate consumption in the case of households with only one member and also with six or more members. Consumption is also higher when the age of the housewife is between 35 and 49, or in families with children between 6 and 15 years of age. Consumption is higher in smaller villages.

III. DISTRIBUTION

About 94.53 percent of chocolate and cocoa products are consumed at home, followed by 2.83 percent in hotels and restaurants and 2.64 percent in institutions. Supermarkets, with 54.2 percent of total chocolate products, hold the highest share of the retail distribution, followed by hypermarkets, with 32.5 percent, traditional shops with 8 percent, and others 5.3 percent.

Distribution of Cocoa and Chocolate products by Type of outlet - 1999

Type of Outlet/ Product -Percentage	Cocoa powder	Tablets	Countlines	Chocolates
Hypermarket	38.2%	23.7%	25.4%	36.3%
Supermarket (< than 1,000 sq. m)	12%	4.4%	12.6%	17.1%
Supermarket (401/1000 sq. m)	18.0%	20.7%	16.5%	15.3%
Supermarket (101/400 sq. m.)	22.2%	36.5%	20.1%	14.5%
Supermarket (up to 100 sq. m.)	4.9%	8.5%	5.0%	4.4%
Traditional	3.8%	6.2%	7.6%	4.9%
Other	0.9%		12.7%	7.7%

In the HRI sector chocolate products are distributed through distributors (70 percent), cash&carries (13.3 percent), wholesalers (6 percent), supermarkets (3 percent), hypermarkets (3 percent) and traditional outlets (1.4 percent).

IV. TRADE

Chocolate and other food preparations containing cocoa fall under Harmonized Tariff Schedule Heading number 1806, listed in the Integrated Tariff of the European Community (TARIC), implemented January 1, 1988.

Most of the imported chocolate products in the Spanish market come from other EU countries mainly Germany, France, Italy and the United Kingdom. According to 1999 Customs data, imports were 60,296 metric tons (38,220 MT in 1998). Exports during the same period were 32,835 metric tons (36,149 MT in 1998), the main markets for Spain's chocolate exports are France, Portugal, Germany, Italy and Russia. In 1999 Spain imported 86 metric tons of chocolate products from the United States, and exported 637 metric tons.

The main product imported were chocolate bars (Tariff Code 1806.32). This product within the count-lines group is one of the fastest growing products.

V. MARKETING

A novel product as well as attractive packaging are key factors to increase consumption of chocolate products in the adult population.

The most common size of tablets is between 125 and 200 grams, accounting for 48 percent of sales, followed by tablets below 100 grams of weight with 27 percent of sales. Sales of tablets experienced a 0.1 percent decrease in value and a 1.8 percent in volume in 1999.

Cocoa powder is usually sold in boxes of over 1.5 kilograms, representing 32 percent of the sales of this product. Cocoa powder is very popular in Spain among the young population, consumed preferably at breakfast. Sales grew by 4.3 percent in value and 3.3 percent in volume in the reported period. The price of a three kilogram package of the most popular cocoa powder is 1,675 pesetas ($9.46)

Spreads decreased 2.4 percent in value and 0.16 in volume in 1999, although they still occupy the third position in total chocolate products sales. Price of a 475 gram jar of chocolate spread is 329 pesetas ($1.85)

Among the count lines, the most common are the filled snack bars, representing a 72 percent share in volume and 58 percent in value of the total category. Bars of less than 70 grams represent 18.5 percent of volume and a 32.7 percent value. There are many types and sizes, and can be found in a wide range of flavors, fillings and also prices. As an example, a 40-gram Nestle Milkibar bar costs 100 pesetas ($.56).

Chocolate candy and chocolate-covered nuts accounted for 10 percent of sales and 9 percent of value. These two types of chocolate products, together with chocolates, are the products with higher value-added and those that have been experiencing the greatest increase in this sector and further increases are expected.

There are some niche markets in Spain in the chocolate products sector, specially low-calory count lines; this is a sector that has recently started in Spain, and is not yet well-developed. This type of product started to be produced in the United States before in EU countries; only in 1997 was Milky Way Light first introduced in the United Kingdom. A Spanish company started producing a low-calorie chocolate snack in 1997, but there are not many products of this type in the Spanish market, while demand for low-calorie products is growing.

Sugarless chocolate products are usually found in the Diet Products section of the large supermarkets and hypermarkets. Prices are higher than of the regular product, for instance a 250-gram chocolate with almonds is 299 pesetas ($1.69) and a sugarless 200-gram tablet of the same brand with almonds is 345 pesetas ($1.95)

A. Entry Strategy

The Spanish market is a series of regional markets, Madrid and Barcelona being the main markets, and from where the majority of agents, distributors, importers and government-controlled entities operate. The key for a U.S. exporter would be to appoint an agent or distributor or to establish a subsidiary. A representative in Spain would be more aware of the different consumption attitudes and preferences in each of the 17 different Spanish autonomous regions.

Advantages and Challenges for U.S. Chocolate Suppliers to the Spanish Market

Advantages	Challenges
This is a niche market with a high growth rate for count lines and chocolates.	High promotion costs to introduce new products.
High quality of specialty U.S. products.	Chocolates pay high customs duties to entry EU countries due to milk and sugar content.
Spanish consumers demand new products.	U.S. food products have to comply with EU labeling and packaging.
Attractive and original packaging of some U.S. chocolate products.	Spanish tastes are different, preferring less sweet chocolate.
"Countlines" is the most imported chocolate product and there are many types in the U.S. especially low-calorie	Have to compete with chocolate products from other EU countries and local market

V. Key Contacts for Further Information

For further information about the Spanish market we suggest you check the following reports prepared by this office. You may find them in the web page of the Foreign Agricultural Service: http://www.fas.usda.gov click on "Countries", and under "Market Reports" select "Attache Reports". On the search form click on Option 3 and enter the Report Number.

- Food and Agricultural Import Regulations & Standards - SP0032
- Food Processing Industry - SP0036
- Exporter Guide - SP0043
- Retail Food Sector - SP0046
- Promotion Opportunities - SP0054

Note: These reports are updated on a yearly basis.

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Key Players in the Chocolate Products Industry in Spain

Company	Brand Name	Product
Nestle España, S.A.	Nestle, Kit-Kat, Nesquik	Cocoa powder, tablets, chocolates, bars
Kraft Food España, S.A.	Milka, Toblerone, Cote D'Or	Tablets, bars
Nutrexpa, S.A.	Cola-Cao	Chocolate powder
Bestfoods España, S.A.	Nocilla	Chocolate spreads
Ferrero Iberica, S.A.	Ferrero Rocher, Kinder, Mon Cherie	Chocolates, bars, spreads, chocolate eggs
Effem España, Inc.	Mars, Snickers, Twix, M&M'sMilky Way	Bars, chocolate candy
Cadbury Dulciora, S.L.	Cadbury, Hueso, Tokke	Tablets, bars, chocolates
Lacasa, S.A.	Lacasa, Lacasitos, Conguitos, Uña	Tablets, bars, chocolates, chocolate candy
Zahor, S.A.	Zahor, Chokrep, Harry-Up	Chocolate powder, tablets, bars, spreads, chocolates