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Spain

Exporter Guide

Annual

2003

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Report Highlights:
Spain's economy is growing again. According to OECD, Spain's GDP will grow by 2.2 percent in 2003, compared to only 0.5 percent in the overall EURO area. Unemployment is decreasing, while consumers' purchasing power is gaining. Changes in consumer's habits are boosting demand for processed and ready-to-eat products. Seafood is Spain's largest food imported, with a total value of $3.8 billion in 2002; the U.S. takes only 2 percent of this market, and has many opportunities to grow. There are also good opportunities for U.S. exports of nuts, snacks, cake mixes, ready-to-eat products and some tropical fruits, such as mangoes.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1]
[SP]

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I. Market Summary

Spain is among the ten largest economies in the world. Its GDP grew about 2.1 percent in 2002, and according to recent OECD data, should grow by 2.2 percent in 2003, and by 2.6 percent in 2004. (This compares with the average GDP growth in the EURO area of 0.5 percent in 2003 and 1.9 in 2004.) Spain's economic growth has permitted a further drop in unemployment, which has been declining for several years; however, its current level of 11.7 percent is still higher than in most other EU countries. Inflation has been relatively low, reaching 4 percent in 2002; economic forecasters expect it will be about 3 percent for 2003. Per capita annual income in 2002 was estimated at about 16,586 euros (purchasing power parity basis is $US 18,000).

Higher labor force participation, particularly by women and a change in the composition of the "traditional" family, are having a large impact on food purchasing patterns. While individuals' purchasing power is growing, the time available to buy and prepare foods is being reduced. Consumers are increasingly able, and willing, to buy foods which require little preparation time.

Food Availability

The Spanish food processing industry is the fifth largest in the European Union. Domestically, it is the principal industrial group, generating 20 percent of Spain's total GNP. Total 2002 processed food production was valued at 58.5 billion Euros, an increase of 4.1 percent by value, and a three percent in volume. Spanish consumers spent 66 billion Euros on food, representing an increase of 1.9 percent in volume and 7.8 percent in value from 2001. (Note: The value consumption is higher than that of production since fresh fruits and vegetables do not undergo any industrial processing and imports and exports of processed foods are also to be taken into account.) In 2002, total exports of processed foods were 11.9 billion Euros, while imports were 14 billion Euros. Total grocery sales in 2002, through food distribution chains or groups, reached 44.8 billion Euros -- an almost eight percent increase from the previous year. About 27 percent of total food expenses took place through the Hotel, Restaurant and Institutional (HRI) sector.

Spain is one of the largest per capita consumers of seafood products in the world, after Japan and Portugal. In 2002, fish consumption was about 36.6 kilos/per capita, while total consumption amounted to 1.48 million tons. With declining marine fish stocks, Spain must rely increasingly on imports to meet demand. While consumer preferences are largely determined by price, fresh fish is generally preferred over frozen products. Fresh products account for 53 percent of total seafood consumption; followed by frozen fish, at 34 percent, and canned and cured seafood products, at 13 percent.

Spain's agricultural imports in 2002 totaled $17.2 billion, representing a 2 percent increase in comparison with imports of $16.8 billion in 2001. Total agricultural exports amounted to about $18.7 billion, representing almost a three percent increase from 2001.
Enter production subcategory text here

Demographics and Consumption

Spain's population is nearly 41 million. Like much of the rest of Europe, the country's demographics have been affected by decades of lower birth rates. In 2001, for the third consecutive year, and after 25 years of continuous decreases, the birth rate increased due primarily to its immigrant population. Family size has been shrinking: the "normal" family is comprised of at most four people, with two members of the family working. The number of one-person households is also increasing. Currently there three million people living alone, triple the number 20 years ago, which reflects the growing number of "seniors" living alone. The strong growth of one-person and two-person households (which now make up a third of all households) is affecting food consumption patterns since those two groups tend to spend more on a per-capita basis for food purchases.

More congested metropolitan areas, and an increasing number of women in the work force have altered the traditional habit of daily trips to the market. The traditional extended mid-afternoon lunch (the principal meal for most Spanish families) is becoming less common in the large urban areas. About 69 percent of Spaniards now live in cities, while the balance live in rural areas. Consumption patterns are also highly dependent on geographical area. For instance, the highest meat consumption occurs in Castilla-Leon (Center), while the Canary Islands has the lowest.

Virtually all of Spain's households have refrigerators. The incidence microwave ovens has increased rapidly in the last decade; they are now found in 65 percent of homes. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products.

- Profile of Spain

Population: 40.8 Million - Male: 49% - Female: 51%

Age	**Percentage**
0 – 24	27.7 %
25 – 49	39.0 %
50 – 64	16.2 %
65 – 74	9.5 %
75 +	7.6 %

Life expectancy:

	EU-15	Spain
- Men	74.6	75.3
- Women	80.9	82.2

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

Advantages	Challenges
Growing niche markets, such as organic products and ethnic foods	High promotion costs to introduce new products
High quality of U.S. products	Competition with similar food products produced in other EU countries with no import duties
Consumer demand for new products	Higher shipping costs from the U.S.
Increasing demand for processed foods and ready-to eat products	Need to promote the wholesomeness of U.S. products
Increase of imports of U.S. seafood and consumer-oriented foods	Reluctance to purchase products containing genetically modified ingredients
U.S. products have attractive packaging	U.S. consumer-oriented products have to comply with EU labeling and packaging
Modern food distribution system	Important to find an importer/distributor

II. Exporters Business Tips

Local Business Customs

As the Spanish economy has grown and become more sophisticated, distribution has become a key factor in supplying the consumer market. Most types of sales channels to consumers are present in this market, ranging from traditional distribution methods, in which wholesalers sell to traditional shops which sell to the public, to more sophisticated methods, characterized by an increased presence of large multinational supermarkets, retail-stores and central purchasing units.

Due to increasing concentration of the food retail sector, food distribution chains are more powerful, and are tougher when negotiating with manufacturers and suppliers. Price, financing terms and after-sales services are important when negotiating with this sector.

European exporters provide generous financing and extensive cooperative advertising and most member state governments support exporting efforts with promotional activities. Spanish procedures are the same as in other Western European countries, where price is an important factor.

The Spanish market is a series of regional markets. Madrid and Barcelona are the main markets, where the majority of agents, distributors, importers and government-controlled entities are located. The key for a U.S. exporter wishing to enter this market is 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 country’s 17 autonomous regions.

General Consumer Tastes and Preferences

In general Spanish consumers have conservative tastes based on the cuisine of each geographical area. The traditional Spanish diet is the so-called "Mediterranean Diet" which is based on seafood, salads, vegetables, fruits, olive oil and wine. Nevertheless, due to the change of habits, consumption of prepared and ready to eat products are increasing every year. Although it might seem a contradiction, consumers are also demanding more "natural" products. Consumption of organic food products is growing rapidly, although it currently represents only three percent of total food sales.

Demand for specialty products, such as low calorie, sugarless, low cholesterol, and low sodium is also increasing rapidly.

In 2002, Spain's total per capita food expenditure at home reached 1,192 Euros, an 8 percent increase from the previous year.

Increasing travel abroad by Spaniards, as well as growing influx of foreign tourists into Spain, is increasing the demand for new products and an interest in ethnic foods and restaurants.

Spanish consumers are very sensitive to food safety issues. Problems – or potential problems -- are widely publicized and usually receive immediate attention from government agencies.

Food Standards and Regulations

For information on Spain's food standards and regulations, see our FAIRS Report #SP3022. All food products imported into Spain must comply with EU standards and regulations.

General Import and Inspection Procedures

See FAIRS Report #SP3022, Section IX - Import Procedures.

INCOTERMS 2000

When making an international transaction it is important that buyer and seller define their respective responsibilities, thus eliminating any possibility of misunderstanding and dispute. Each term indicates where the responsibilities of the seller end and where those of the buyer begin. In 1936, the International Chamber of Commerce (ICC) published the first set of rules, which have been periodically updated to keep them current with commercial practices. "Incoterms 2000" has replaced "Incoterms 1990", and has been applied since January 1, 2000.

There are minor but important differences from the previous Incoterms. The main changes have taken place in the customs clearance and payment of duty obligations under FAS and DEQ, and in the loading and unloading obligations under FCA. Some contract terms are defined below.

Departure
EXW - Ex Works (... named place)

Main carriage unpaid
FCA - Free Carrier (...named place)
FAS - Free Alongside Ship (...named place)
FOB - Free on Board (...named port of shipment)

Main carriage paid
CFR - Cost and Freight (... named port of destination)
CIF - Cost, Insurance and Freight (... named port of destination)
CPT - Carriage Paid To... (... named place of destination)
CIP - Carriage & Insurance Paid To... (... named place of destination)

Arrival
DAF - Delivered at Frontier (... named place)
DES - Delivered ex Ship (... named port of destination)
DEQ - Delivered Ex Quay (... named port of destination)
DDU - Delivered Duty Unpaid (... named place of destination)
DDP - Delivered Duty Paid (... named place of destination)

If a dispute arises the case can be taken to an arbitration center.

III. Market Structure and Trends

Food Processing

Total 2002 food production was valued at 58.5 billion Euros, an increase of 4.1 percent in value, and a three percent increase in volume. Food production represents 20 percent of total industrial production.

Total food expenditures in 2002 were 66.2 billion Euros, an increase of nearly 8 percent from the previous year. The largest share of expenditures was for meat products (22%), followed by seafood products (14%), milk and dairy products (10%), bread (6.5%), fresh fruit (6%), and vegetables (5%).

In-home consumption expenses in 2002 were 48.50 billion Euros, which amounted to 73 percent of total Spanish food purchases; the remaining 27 percent was spent in HRI facilities.

U.S. direct exports of “consumer-oriented” products to Spain reached $174.8 million in 2002. This figure is misleading, however. Some 80 percent the category consists of one group of products -- tree nuts – virtually all of which are imported in bulk and further processed. Tree nuts continue to have a strong potential for future sales. Another category with strong prospects is seafood products. Although sales were off slightly in 2002, reaching only $68.9 million, sales so far this year point to further growth. Given the further restrictions expected on fishing in EU waters in the coming years, foreign suppliers will enjoy an even larger market share of the Spanish market.

Food Retail

The food retailing and distribution system in Spain is dominated by an increasing number of supermarkets, hypermarkets and self-service stores. Expansion of hypermarkets (mostly owned by French companies) has slowed to a fraction of the pace of growth during the previous decade, while supermarkets and convenience store numbers continue to grow. Meanwhile, the traditional small neighborhood outlets are disappearing from the food distribution system

According to Ministry of Agriculture statistics, the share of total food sales in 2002, by type of product is as follows:

Type of Outlet	TOTAL %		Fresh Products %		Dry Products %	
	2001	***2002***	***2001***	***2002***	***2001***	***2002***
Hypermarkets	18.3	17.5	11.4	10.9	24.8	23.9
Supermarkets	42.2	42.3	30.3	30.1	53.5	54.2
Traditional	31.3	30.9	48.8	47.4	14.8	14.5
Other	8.1	9.3	9.5	11.3	6.8	7.4

Consumers still prefer to purchase fresh products (meat, seafood, fruits and vegetables) in traditional specialty outlets; however, the market share of these outlets continues to erode. Supermarkets have been steadily increasing their share of overall sales.

Hotels, Restaurants and Institutions - HRI

Spain’s HRI sector absorbs about 27 percent of the total food consumed in Spain, worth about 17.7 billion Euros. Hotels and restaurants experienced an increase of 6 percent in volume and only 1.5 percent increase in value in 2002; a further increase is expected for 2003. This upward trend reflects a resurgence of foreign tourists after the reaction to 9/11.

The Spanish HRI sector is both complex and diverse. Food service is divided into “commercial” (with an estimated 14,184 hotels and hostels, 45,000 restaurants, and over 160,000 cafeterias and bars) and “social food service” (with about 16,680 cafeteria/ restaurants associated with private companies, schools, universities, hospitals, prisons, the army). There is an average of one food service outlet per 170 people. Further growth of this sector is expected, as people eat more meals outside their homes and as more foreign tourists visit Spain.

There are several domestic food manufacturers and importers that have product lines specially designed for this sector. According to the Spanish Ministry of Agriculture, most of the HRI sector’s buyers procure their products through distributors; about three-quarters of non-perishable products are purchased through this channel. Small bars and restaurants buy fresh products from the local market or supermarket for their daily use. Institutions, food chains (usually fast food) and vending machine companies buy from larger wholesalers in order to be more competitive.

Various companies in the food distribution sector have outlets designed specifically to supply the HRI sector; MAKRO, the largest cash & carry group, has 13 percent of this market, followed by GRUPO UNIGRO, COOP. COVIRAN, H.D. COVALCO, PUNTOCASH, ALIMENTACION PENINSULAR, GRUPO ENACO, and others. Also, some distribution companies for this sector are located in specific areas where the tourist demand is higher, such as MERCATEL and DAVIGEL in the Balearic Islands, and GRUP SEHRS in the Costa Brava (North Eastern coast). Food companies supplying the HRI sector are diverse and must be able to serve small customers with different needs. Beverage distributors are very specialized since most consumption of alcoholic beverages takes place in bars, cafeterias and restaurants.
Enter stocks subcategory text here

Industry Concentration

Just before Spain joined the EU in 1986, many multinational companies started buying Spanish food companies as a way to be present in this market. This is still taking place in many sectors, including food distribution. This concentration of industries and distribution groups makes them more powerful and more difficult for the individual exporter to deal with. This is also true in the food distribution for the HRI sector, as several central purchasing companies merged recently into two groups. One of the, GRUNADIS, will supply HRI outlets throughout Spain, while the other, AEDIS, will centralize imports for distribution to its members.

Promotional and Marketing Strategies

New-to-market products need to be promoted and consumers have to be educated about their use. It is advisable to be in contact with an importer/distributor who can also do the marketing of the product. TV advertising is very expensive in Spain but there are other media that can carry the message. Most supermarket and hypermarket chains have biweekly flyers that are widely distributed in their respective areas of influence. In-store promotions are also a good way to promote a product.

Tourism

One of the most notable features of the Spanish market is the importance of the tourist industry to the national economy. With a resident population of nearly 41 million, Spain attracted 79 million foreign visitors in 2002, an increase of 4.3 percent over the previous year. During the first six months of 2003, the number of tourists expanded by yet another 4.7 percent. Spain is now the third most popular tourist destination in the world, behind the United States and France.

The Mediterranean beach areas and the Regions of Catalonia, the Canary Islands and the Balearic Islands are the country's most popular tourist resorts. Enjoying a mild year-round climate, the Canaries are especially attractive as a winter tourist destination. Most tourists come from northern Europe, with a very high percentage from the United Kingdom, Germany and France. Many tourists prefer to keep their usual dining and drinking habits while enjoying their vacations in Spain.

These demographics have resulted in a significant increase in demand for high-value and consumer-ready products from restaurants and hotels during the summer months. As a consequence, the strong seasonal trend in tourism creates a sharp decline in retail grocery sales towards the end of the summer months, which lasts until demand again picks up during the Christmas season.

Internet Sales

The main food distribution companies have web pages through which it is possible to shop on-line. It is a sector that is still at its early stage in Spain. About 37.8 percent of the Spanish population has Internet access, of which 19.4 percent buy products through Internet. Consumers who buy products through this channel are almost always (97 percent) pleased with their purchases. Music, books and travel related products represent 62 percent of the purchases. It is estimated that in the next ten years only five percent of total food products sales will be made on-line. During 2002, total sales increased dramatically from 525 million euros in 2001 to 1.16 billion euros in 2002.

IV. Best High-Value Products Prospects

The main consumer food/edible fishery products, which offer outstanding U.S. export opportunities, are as follows:

- Walnuts
- Almonds
- Peanuts
- Fruit & Vegetables Juices
- Processed Fruits & Vegetables
- Lobster
- Squid
- Whiting
- Surimi
- Sauces
- Pancake and cake mixes
- Ethnic foods
- Snacks

V. Key Contacts for Further Information

American Embassy - Madrid
Agriculture Section (Box 20)
Serrano, 75
28006 Madrid

Phone: 34 91 411 8931
Fax: 34 91 564 9644
e-mail: agmadrid@fas.usda.gov
http://www.embusa.es

Ministerio de Agricultura, Pesca y Alimentación
(Spanish Department of Agriculture)
Paseo de la Infanta Isabel, 1
28014 Madrid

Phone: 34 91 347 5000

http://www.mapya.es

Ministerio de Economía y Hacienda
(Department of Economy)
Paseo de la Castellana, 162
28071 Madrid

Tel: 34 91 583 7400

http://www.mineco.es

Instituto Nacional de Estadistica
(Statistics)
Pº Castellana, 183
28071 Madrid

Tel: 91 583 91 00

e-mail: info@ine.es
http://www.ine.es

Ministerio de Sanidad y Consumo
(Department of Health and Consumption)
Paseo del Prado, 18
28071 Madrid

http://www.msc.es

MERCAMADRID
(Madrid wholesale market)
Ctra. Villaverde-Vallecas, km.3,800
28053 MADRID

Tel: 34 91 785 5013

e-mail: mercamadrid@ibm.net
http://www.mercamadrid.es

Federacion de Industrias de Alimentacion y Bebidas (FIAB)
(Food and beverages industries federation)
Diego de Leon, 44
28006 Madrid

e-mail: fiab@fiab.es
http://www.fiab

Ministerio de Medio Ambiente
(Department of Environment)
Plaza de San Juan de la Cruz, s/n
28003 Madrid

Tel: 34 91 597 6000

http://www.mma.es

Banco de España
(Bank of Spain)
Alcalá, 50
28014 Madrid

http://www.bde.es

Appendix I – Statistics

A. Key Trade & Demographic Information

	Year	Value
Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%)	2002	17.2 / 6.3%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	2001	5,717 / 3%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%)	2002	3,579 / 2%
Total Population (Millions) / Annual Growth Rate (%)	2002	40.8 / 0.9%
Urban Population (Millions) / Annual Growth Rate (%)	2002	29.5 / 0.7%
Number of Major Metropolitan Areas	2003	4
Size of the Middle Class (Millions) / Growth Rate (%)	2002	16 / n/a
Per Capita Gross Domestic Product (Euros)	2002	$16,586
Unemployment Rate (%)	2002	9.22%
Per Capita Food Expenditures (Euros)	2002	$1,192
Percent of Female Population Employed	2002	39.8%
Exchange Rate (US$1 = .94 Euros)	2002	.94 Euros

B. Spain Imports

Spain Imports (In Millions of Dollars)	Imports from the World 1999	2000	2001	Imports from the U.S. 1999	2000	2001	U.S Market Share 1999	2000	2001
CONSUMER-ORIENTED AGRICULTURAL TOTAL	5,821	5,201	5,717	186	170	180	3	3	3
Snack Foods (Excl. Nuts)	354	314	333	1	1	1	-	-	-
Breakfast Cereals & Pancake Mix	49	49	60	1	1	1	-	-	1
Red Meats, Fresh/Chilled/Frozen	581	518	417	1	1	1	-	-	-
Red Meats, Prepared/Preserved	121	99	122	1	1	1	-	-	-
Poultry Meat	132	129	174	1	1	1	-	-	-
Dairy Products (Excl. Cheese)	643	641	775	1	1	1	-	-	-
Cheese	407	372	419	1	1	-	-	-	-
Eggs & Products	20	23	33	1	1	2	3	2	6
Fresh Fruit	557	431	543	4	1	1	1	-	-
Fresh Vegetables	227	168	229	3	3	2	1	2	1
Processed Fruit & Vegetables	628	573	573	12	8	6	2	1	1
Fruit & Vegetable Juices	134	103	106	1	2	4	1	2	4
Tree Nuts	229	214	247	129	118	125	56	55	51
Wine & Beer	265	216	218	1	1	1	-	-	-
Nursery Products & Cut Flowers	144	130	146	2	2	2	1	2	1
Pet Foods (Dog & Cat Food)	114	96	92	12	11	10	10	11	11
Other Consumer-Oriented Products	1,219	1,124	1,230	20	23	26	2	2	2
FISH & SEAFOOD PRODUCTS	3,375	3,385	3,870	69	64	72	2	2	2
Salmon	97	105	115	3	6	4	3	6	4
Surimi	36	40	52	4	6	7	10	15	14
Crustaceans	900	1,039	1,067	22	24	23	2	2	2
Groundfish & Flatfish	752	733	882	10	4	9	1	1	1
Molluscs	618	599	728	13	11	6	2	2	1
Other Fishery Products	972	870	1,026	17	13	23	2	1	2
AGRICULTURAL PRODUCTS TOTAL	11,918	10,389	11,085	965	845	842	8	8	8
AGRICULTURAL, FISH & FORESTRY TOTAL	17,056	15,499	16,743	1,302	1,206	1,160	8	8	7

Data: Harmonized Tariff Schedule (HS 6 Digit)
Global Agricultural Trade System using data from the United Nations Statistical Office

C. Spain Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS ($1,000)

	1999	2000	2001
France	1,251,717	1,147,578	1,319,745
Germany	607,540	579,744	697,795
Netherlands	739,749	648,768	653,964
Italy	408,168	319,321	348,288
Ireland	430,813	343,241	320,614
Belgium	261,061	227,448	301,355
Portugal	222,150	234,134	244,234
United Kingdom	276,956	216,572	220,420
Denmark	221,652	197,172	197,354
United States	***186,440***	***169,846***	***179,904***
Brazil	120,969	128,524	136,020
Peru	67,652	81,598	91,032
Thailand	126,720	118,249	83,459
Iran	49,755	46,165	68,093
Argentina	52,998	41,502	64,702
Other	796,895	701,295	789,783
World	**5,821,263**	**5,201,194**	**5,716,841**

FISH & SEAFOOD PRODUCTS IMPORTS ($1,000)

	1999	2000	2001
Argentina	236,805	286,608	410,671
Morocco	216,432	269,401	303,727
France	300,874	268,050	287,702
United Kingdom	226,483	203,343	218,010
Namibia	-	178,800	212,441
Portugal	137,485	151,382	170,654
Netherlands	150,729	153,737	165,455
China	109,600	132,682	137,500
Italy	100,720	96,398	128,341
Denmark	143,645	130,702	122,528
Chile	95,005	84,163	113,338
South Africa	-	84,764	102,645
Iceland	73,256	71,829	96,799
Ireland	73,403	63,491	76,178
United States	***69,148***	***63,819***	***72,381***
Other	1,441,792	1,145,695	1,251,992
World	**3,375,375**	**3,384,862**	**3,870,368**

Source: FAS Global Agricultural Trade System using data from United Nations Statistical Office