USDA Foreign Agricultural Service
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Iberian Peninsula (Spain and Portugal)

Food-processing Ingredients Sector

Annual

2008

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Report Highlights:
The Iberian Peninsula food-processing sector is vibrant for specific and well known sectors of U.S. ingredients suppliers. However, U.S. ingredient exporters not currently in the Iberian Peninsula market may find trade opportunities by visiting the major food show, Alimentaria, in Lisbon, Portugal or Barcelona, Spain.

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

INDEX

I. MARKET SUMMARY

SPAIN

Economic Trends

	2001	2002	2003	2004	2005	2006	2007(2)	2008 (3)
ECONOMIC TRENDS								
Inflation (%) (U.S. Embassy)	2.7	4.1	2.6	3.2	3.4	2.7	4.1	3.5
Unemployment (%) (U.S. Embassy)	13.1	12.4	11.7	11.0	9.2	8.3	8.0	7.9
GDP at Market Prices (%) (OECD Econ Outlook)	2.6	2.1	2.4	3.1	3.6	3.9	3.8	2.5
GDP per Capita ($) (CIA WorldBook)	19,691	20,227	21,271	23,644	27,256	27,400	30,000	32,000
AGRICULTURAL PRODUCTS IMPORTS ($ Million) (1)								
Total Agricultural, Fish and Forestry Products	16,810	18,327	22,284	24,870	28,129	30,087	34,000	35,000
Total U.S. Agricultural, Fish and Forestry Products	1,128	1,132	1,310	1,301	1,185	1,046	2,000	2,200
Total Food Products	14,564	15,960	19,433	22,041	24,614	26,205	29,600	30,000
Total U.S. Food Products	875	899	1,050	1,049	954	815	1,100	1,200
Major Competitors:								
EU	8,260	9,121	11,294	13,226	14,535	15,643	17,300	17,500
France	2,472	2,704	3,357	3,690	4,238	4,339	4,900	5,000
United Kingdom	1,167	1,178	1,563	1,663	1,765	1,739	2,000	2,100
Netherlands	1,055	1,173	1,387	1,531	1,590	1,753	2,100	2,200
Germany	959	1,038	1,299	1,442	1,696	2,008	2,200	2,300
Other EU	2,607	3,028	3,688	4,900	5,246	5,804	6,100	5,900
Argentina	976	1,062	1,287	1,410	1,419	1,606	2,100	2,200
Brazil	656	607	905	1,134	1,104	1,118	1,950	2,100
Total Fish and Seafood Products	3,658	3,763	4,620	4,790	5,659	6,429	6,900	7,000
Total U.S. Fish and Seafood Products	71	62	80	83	78	94	160	170
Major Competitors:								
EU	1,383	1,561	1,807	2,005	2,205	2,341	2,600	2,700
France	278	307	394	419	385	389	500	550
United Kingdom	215	241	277	295	327	336	400	450
Netherlands	207	232	244	291	342	367	500	550
Denmark	160	177	217	225	267	266	250	300
Other EU	523	604	675	775	883	983	950	850
Morocco	281	314	370	374	477	535	600	650
Argentina	408	306	445	356	293	516	500	550

(1) GTA
FAS/Iberia (2) 2007 Estimates and (3) 2008 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.

PORTUGAL

Economic Trends

	2001	2002	2003	2004	2005	2006	2007(2)	2008 (3)
ECONOMIC TRENDS								
Inflation (%) (CIA Worldbook)	4.4	3.6	3.3	2.4	2.1	3.1	3.4	3.2
Unemployment (%) (OECD Econ Outlook)	4.1	5.1	6.4	6.7	7.7	7.7	7.9	7.6
GDP at Market Prices (%) (OECD Econ Outlook)	1.8	0.5	-1.2	0.8	0.5	1.3	1.8	2.0
GDP per Capita ($) (CIA WorldBook)	15,138	15,740	15,863	16,387	17,456	19,800	20,400	21,000
AGRICULTURAL PRODUCTS IMPORTS ($ Million) (1)								
Total Agricultural, Fish and Forestry Products	5,495	5,704	6,677	7,467	7,506	8,176	10,000	10,050
Total U.S. Agricultural, Fish and Forestry Products	244	275	292	289	292	245	300	350
Total Food Products	4,699	4,927	5,874	6,558	7,037	7,619	9,500	9,600
Total U.S. Food Products	202	233	241	234	236	190	250	250
Major Competitors:								
EU	3,281	3,498	4,331	4,805	5,005	5,561	6,450	6,550
Spain	1,733	1,778	2,307	2,468	2,681	3,103	3,600	3,700
France	592	576	679	728	718	739	950	1000
Germany	264	291	341	394	449	483	500	550
Netherlands	177	239	306	375	325	388	550	650
Other EU	515	613	699	840	832	848	850	650
Brazil	200	203	239	365	311	365	700	750
Argentina	139	130	176	173	146	110	300	350
Total Fish and Seafood Products	913	921	1,065	1,183	1,322	1,504	1,850	1,900
Total U.S. Fish and Seafood Products	36	27	28	41	52	69	90	100
Major Competitors:								
EU	464	536	689	797	897	1,001	1,300	1,400
Spain	307	325	444	455	545	654	800	850
Sweden	12	22	34	90	82	56	200	250
Denmark	43	67	62	77	80	86	40	40
Netherlands	28	36	48	66	69	90	140	145
Other EU	74	86	101	109	121	115	120	115
Russia	65	61	83	101	91	118	100	105
Norway	107	89	57	56	52	58	70	80

(1) GTA
FAS/Iberia (2) 2007 Estimates and (3) 2008 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.

The Iberian Peninsula food-processing sector modernized and expanded significantly over the last couple of decades. With integration into the European Union in 1986, the Iberian Peninsula food-processing sector began a profound modernization in order to adapt to new EU requirements. Spain and Portugal now have some of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food-ingredient exporters.

The Iberian Peninsula food-processing sector in summary:

- Modern, with special attention to the quality, safety, and traceability of the food products it produces.

In Spain this sector:

- Generates just under 20 percent of Spain's total industrial production, accounting for just under ten percent of the national gross domestic product and providing about 500,000 jobs;

- Is comprised of mostly small companies--about 97 percent of the 31,847 food processors employ less than 50 people; 833 employ between 50 and 200 people; 155 employ between 200 and 500 people; and only 68 food processors employ more than 500 people; and,

- Produces an estimated € 66 billion in product, of which around € 14 billion is exported.

In Portugal the food-processing sector:

- Generates about 16 percent of Portugal's total industrial production, accounting for about nine percent of the national gross domestic product and providing an estimated 105,000 jobs;

- Is dominated by even smaller companies—only 11 percent of the 8,200 food processors employ more than 20 people, which accounts for about 2/3 of the sector manpower and about 85 percent of the € 24 billion in product produced. Just over €1 billion of the final product is exported.

The Iberian Peninsula Food Sector

	Spain	Portugal*
Year	2006	2006
Total Production (Million €)	65,828	24,000
Total No. Of Food Processors	31,847	8,200
Labor Force	486,000	105,000
Total Exports (Million €)	13,536	1,300

Source: Spain - FIAB – Spanish Food Industry Federation
Portugal - AEP – Portuguese Business Association

*Estimates

Current market developments affecting the food-processing sector include:

- Changes in demographics and working patterns are shifting demand to more convenient and ready-to-eat foods. Due to higher income, people are eating out more often.

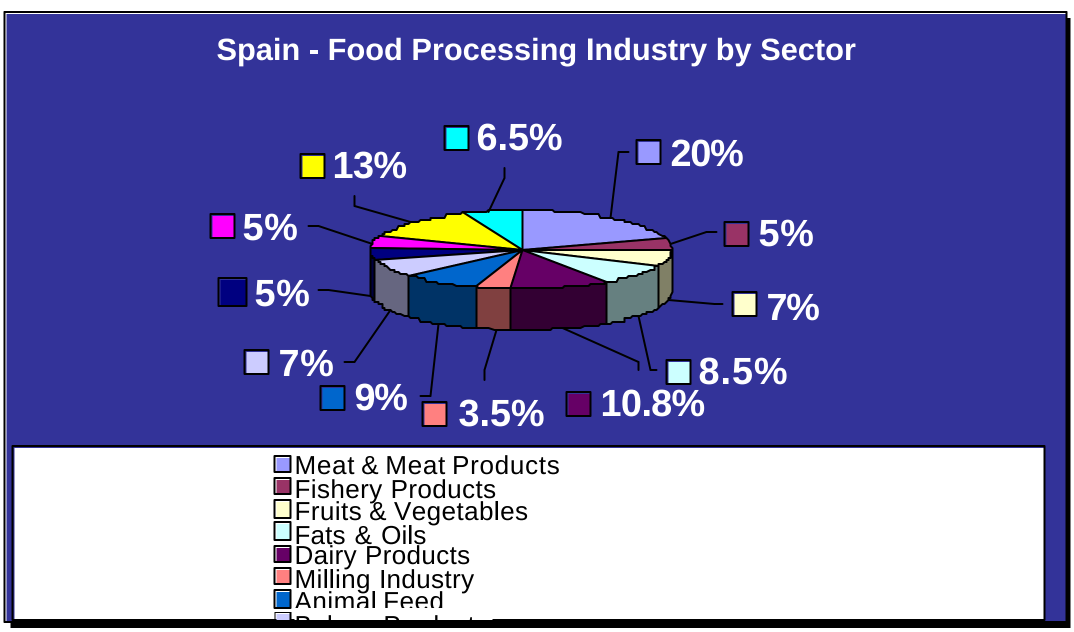
- New, demanding labeling and traceability requirements are forcing consolidation of all levels of the food chain, from farm to fork.

- Consumers have become more health conscious: problems concerning food safety are widely publicized and usually receive immediate attention from government agencies.

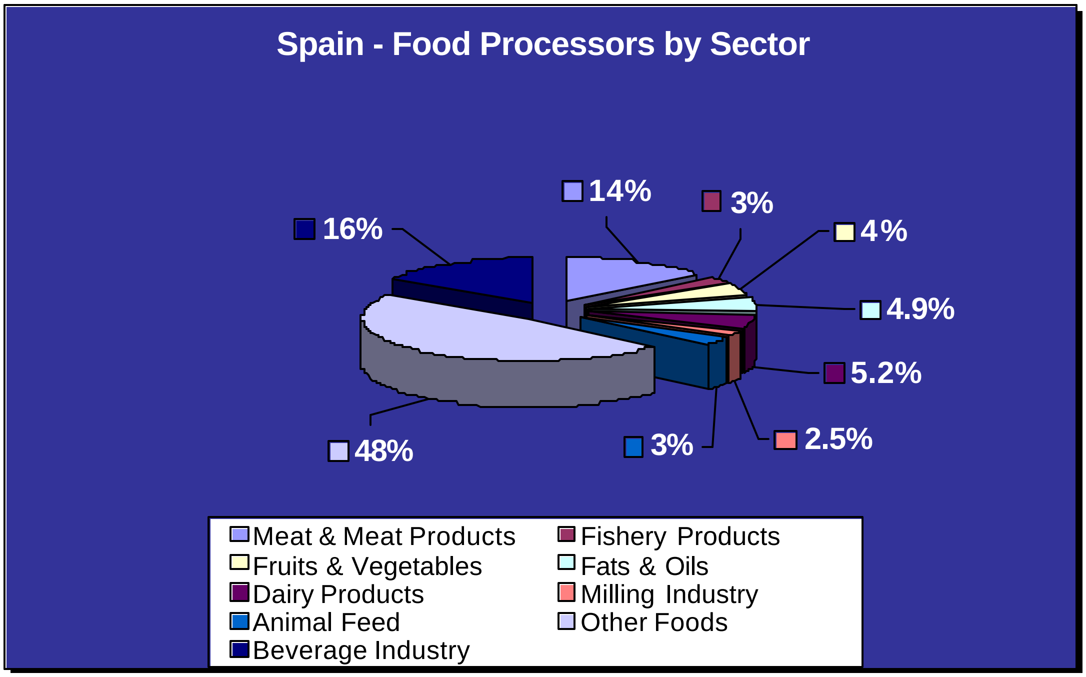
Spain Total Food Consumption Expenditures
(Billion Euros)

	2000	2001	2002	2003	2004	2005	2006	2007 (1)	2008 (2)
Home	40.7	44.8	48.5	50.7	54.2	56.2	59	63	65
Hotel & Restaurants	14.5	15.5	16.5	17.5	19.2	20.1	21	22	23
Institutions	1.1	1.1	1.2	1.2	1.3	1.5	1.6	2	2
Total	56.5	61.4	66.2	69.4	74.8	77.8	82	87	90
% Increase	6.8	8.6	7.8	4.8	7.7	4.0	5.1	6	3.3

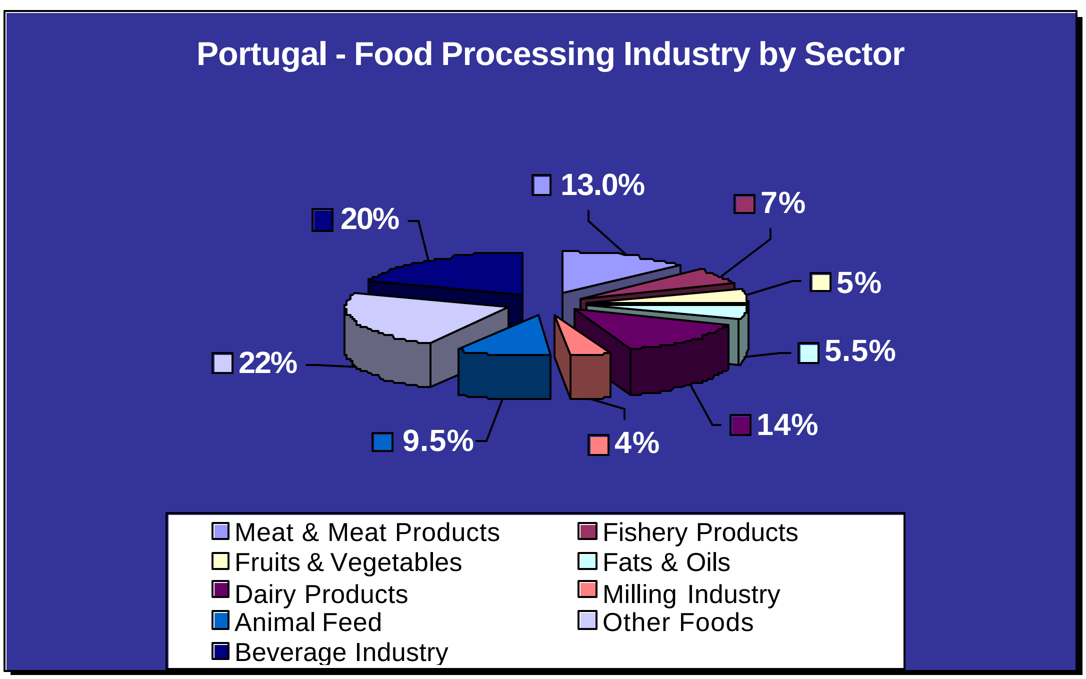
Source: MAPA
FAS/Iberia (1) 2007 Estimates and (2) 2008 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.



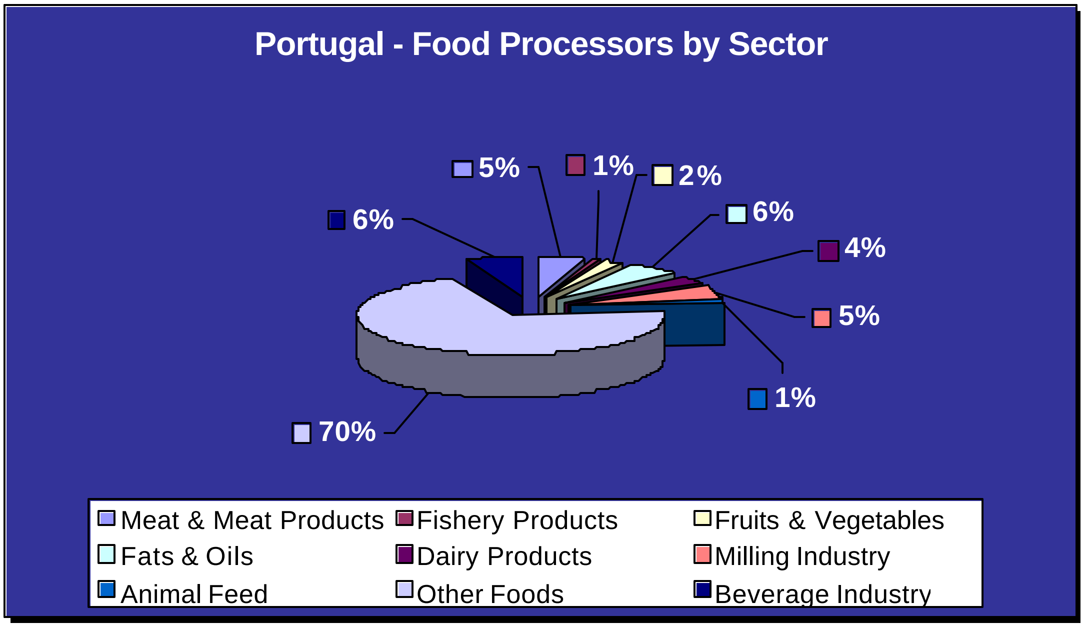
Source: [FIAB]



Source: INE



Source: FIPA



Source: FIPA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE IBERIAN PENINSULA

Advantages	Challenges
The dynamic IP food-processing sector will continue to grow, creating increased demand for food ingredients.	Food imported from third countries, including the U.S., must comply with EU food law, which varies considerably from U.S. regulation and practice.
Food products in the market are becoming more diversified.	Competition from neighboring EU countries, where tastes and traditional products may be well known.
Good network of agents and importers to help get product into the market.	EU labeling, traceability, and packaging laws and a reluctance to purchase products containing genetically modified ingredients.
Overall sales of consumer-ready food products continue to expand.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
Consumers are more health conscious, and tastes are becoming more diversified.	High marketing costs (advertising, discounts, etc.) are necessary.

II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Success in introducing products in the Iberian Peninsula (IP) 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, sales contact with existing and potential buyers, and market development expertise. The Office of Agricultural Affairs in Madrid maintains listings of potential importers and develops sector-specific information to help you introduce your product in the IP market.

We have also developed a series of product-specific market access reports that are available to U.S. exporters who wish to contact us. Spain and Portugal generally apply EC rules and regulations. However, there are subtleties that you should learn about if you are thinking of exporting to the IP market. For more information, we invite potential U.S. exporters to contact us for additional, unpublished sector-specific information.

In general terms, U.S. exporters already exporting to other EU Members will likely be meeting most of the requirements for exporting into the IP. The U.S. exporter needs to make contact with an IP importer and/or distributor for his product.

Typically, IP food processors buy their food ingredients from importers or wholesalers. Some large companies buy directly from foreign suppliers. Around 20 percent of the IP food production is sold to export markets, mainly to the EU. Some food-processing companies concentrate on the domestic or on export markets, but most of them will have mixed customers. Companies supplying mainly the domestic market frequently market their products directly and have their own logistics infrastructure. However, their customers will vary from wholesalers to buying groups and retailers. Companies producing for the export market may have their own marketing office overseas, local agents or may work with local importers.

U.S. processed food exporters now face even greater challenges in the IP market, because of the new EC labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Since IP consumers don't yet have familiarity with genetically modified foods, food processors, retailers and the HRI sector are reluctant to purchase these processed products or food ingredients for processing.

The following documents are required for ocean or air cargo shipments of foodstuffs to Spain and Portugal:

Bill of Lading and/or Airway Bill

Commercial Invoice

Phytosanitary Certificate and/or Health Certificate when applicable

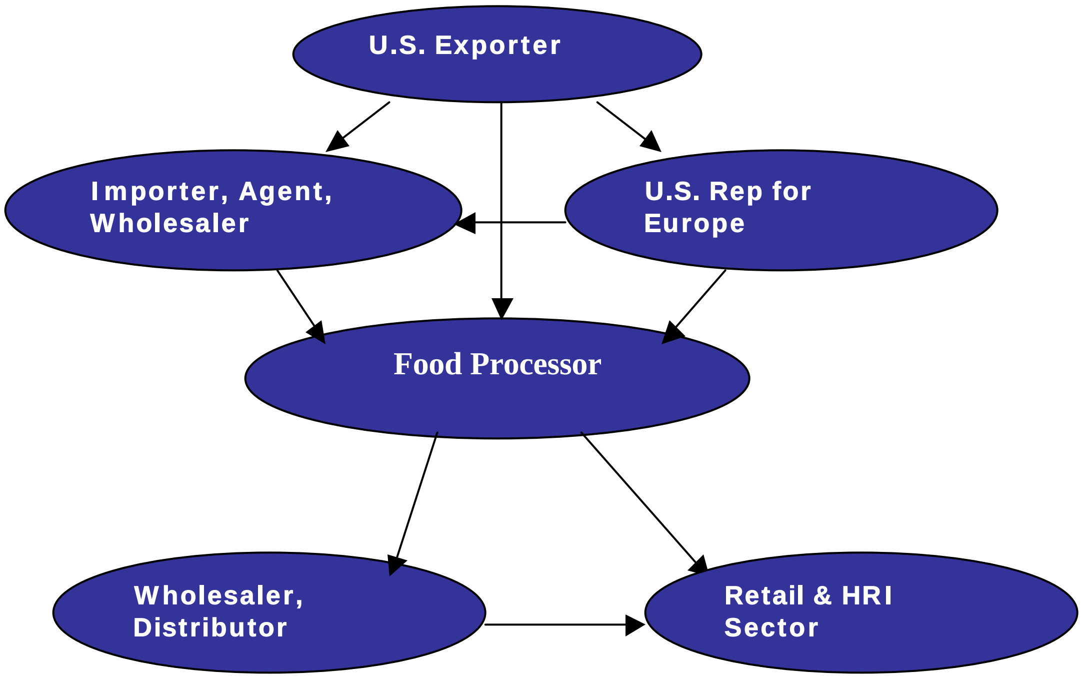
> If your product is or contains plant or animal products, it will require a phytosanitary or health certificate issued by the competent U.S. authority. Also, if you are exporting animal products, your production plant has to be approved to export into the EU.

Import Certificate

Most food products require an Import Certificate issued by the competent Spanish or Portuguese authority. However, the Import Certificate is obtained by the Spanish or Portuguese importer and/or the agent involved in the business and is intended for tariff classification purposes.

For more information please check the U.S. Mission to the European Union webpage at http://www.useu.be/agri/expguide.html, which will guide you on exporting into the EU.

B. Market Structure



C. Company Profiles

The Iberian Peninsula food processing has a wide range of food-processing sectors, many of them importing food ingredients.

Spain – Main Companies Operating in the Food-processing Industry – 2006

Subsector	Company	Sales (Million €)	End-Use Channels	Procurement Channels
Other Foods	Ebro Puleva	2,449	Retail & HRI	Importers, Direct
Dairy Products, Other Foods, and Beverage Industry	Nestle España	1,852	Retail & HRI	Importers, Direct
Fats & Oils and Other Foods	Grupo SOS	1,472	Retail & HRI	Importers, Direct
	Cobega	912	Retail & HRI	Importers, Direct
	Nutreco España	1,000	Retail & HRI	Importers, Direct
Fishery Products and Fruits & Vegetables	Pescanova	1,133	Retail & HRI	Importers, Direct
Beverage Industry	Grupo Heineken	1,063	Retail & HRI	Importers, Direct
Meat Products	Campofrío Alimentación	865	Retail & HRI	Importers, Direct
Other Foods, Dairy Products	Unilever España	867	Retail & HRI	Importers, Direct
	Cooperativas Orensanas	844	Retail & HRI	Importers, Direct

Source: ESADE

Portugal – Main Companies Operating in the Food-processing Industry - 2006

Subsector	Company	Sales (Million €) Estimates	End-Use Channels	Procurement Channels
Milling Industry &				
Other Foods	CEREALIS	N/A	Retail & HRI	Direct / Importers
Beverage Industry	COCA-COLA	N/A	Retail & HRI	Direct
Beverage Industry and				
Fruits & Vegetables	COMPAL, SA	13,000	Retail & HRI	Importers, Direct
Dairy Products	DANONE	N/A	Retail & HRI	Importers, Direct
Dairy Products	LACTOGAL	800	Retail & HRI	Importers, Direct
Other Foods	MATUTANO	N/A	Retail & HRI	Importers, Direct
Dairy Products, Other Foods				
and Beverage Industry	NESTLE, SA	700	Retail & HRI	Importers, Direct
Fats & Oils	NUTRINVESTE, SA	600	Retail & HRI	Importers, Direct
Beverage Industry and				
Other Foods	SCHWEPPES	N/A	Retail & HRI	Importers, Direct
Beverage Industry	SUMOLIS	150	Retail & HRI	Importers, Direct
Other Foods, Dairy Products	UNILEVER BESTFOODS	N/A	Retail & HRI	Importers, Direct
and Fats & Oils	PORTUGAL			

Source: FIPA

III. BEST PRODUCT PROSPECTS

Tree Nuts, particularly almonds and walnuts
Sunflower seeds
Fish and Seafood, fresh and frozen
Pulses
Hardwood

IV. POST CONTACT AND OTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Iberian Peninsula, please contact the Office of Agricultural Affairs in Madrid at the following address:

Foreign Agricultural Service
American Embassy, Madrid
C/ Serrano, 75
28006 Madrid
Spain
PSC 61, Box 20
APO AE 09642

Tel. 34-91 587 2555
Fax: 34-91 587 2556
Email: AgMadrid@usda.gov
http://www.embusa.es/fas/index.html

SPAIN

Trade Associations

FIAB- Federación de Industrias de Alimentación y Bebidas
(Spanish Federation of Food and Beverage Industries)
http://www.fiab.es

FEHR – Federación Española de Hostelería
(Spanish Federation for HRIs Sector)
http://www.fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)
http://www.asedas.es

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución
(National Association of Midsize and Large Distributors)
http://www.anged.es

Government Agencies

Subdireccion General de Sanidad Exterior
Ministerio de Sanidad y Consumo
(Imported Foodstuffs, Infections and Compound Residues, Health Certification, Port Inspection and EU Alerts)
http://www.msc.es/profesionales/saludPublica/sanidadExterior/home.htm

Agencia Española de Seguridad Alimentaria (AESA)
(Spanish Food Safety Agency)
http://www.aesa.msc.es/aesa/web/AESA.jsp

Dirección General de la Industria Agroalimentaria y Alimentación
Ministerio de Agricultura, Pesca y Alimentación
(Ministry of Agriculture, Fisheries and Food)
http://www.mapya.es/es/alimentacion/alimentacion.htm

PORTUGAL

Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição
(Portuguese Association of Distribution Companies)
www.aped.pt

ARESP-Associação da Restauração e Similares de Portugal
(Portuguese Associations for HRIs Sector)
www.aresp.pt

FIPA-Federação das Indústrias Portuguesas Agro-Alimentares
(Federation of the Agro-Food Portuguese Industries)
www.fipa.pt

Government Agencies

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar
(General Directorate for Control of Food Quality)
www.min-agricultura.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
www.dgaiec.min-financas.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
Direcção de Serviços do Licenciamentos **(Import Certificates)**
www.dgaiec.min-financas.pt

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

V. OTHER RELEVANT REPORTS

Report Number	Title	Date Released
E35067	EU Food-processing Industry	04/06/2005
SP7028	The Exporter Guide	09/28/2007
SP6039	The Retail Food Sector	12/29/2006
SP7010	The HRI Sector	02/21/2007
PO7009	The Exporter Guide	09/28/2007
PO5024	The Retail Food Sector	11/04/2005
PO7003	The HRI Sector	02/21/2007
These reports can be accessed through the FAS website http://www.fas.usda.gov/scriptsw/attacherep/default.asp.		