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Report Highlights:

In 2018, Spain imported $2.3 billion in agricultural, seafood and forest products from the United States, a 40 percent increase compared to the previous year. Impacted by the Eurozone recession, the Spanish economy is likely to lose steam. However, the food service and tourism sectors continue to be the backbone of the Spanish economy. Despite the expected lower number of tourists, tourist per capita expenditures are rising. In addition, new market dynamics and changing demographics are creating opportunities for non-traditional imports. 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.

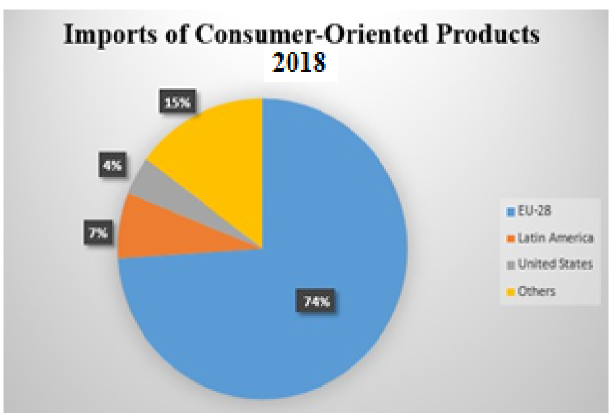
Market Fact Sheet: Spain

Spain is the 5th largest economy in the European Union. In 2019 and 2020, the Spanish economy is expected to grow at a more moderate pace. 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 2018, Spain's total imports of agricultural products reached $44.7 billion, up 7.1 percent compared to 2017.

SWOT Analysis	
Strengths	***Weaknesses***
Diversified economy Robust tourist sector	High public debt Low productivity
Opportunities	***Threats***
Competition policy to reduce market rigidities	Political uncertainty Ageing population

Imports of Consumer-Oriented Products

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



Food Processing Industry

In 2018, the food-processing sector maintained its prominent position 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 manufactures. It has one of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. exports of food ingredients. Food processing mainly focuses on supplying the domestic market, accounting for 70 percent of total sales.

Food Processing Industry Facts 2018

Food Processing Industry	$130.2 billion
Output Food Exports	$33.9 billion
Commercial Surplus	$8.9 billion
No. of Employees	426,300
No. of Food Processors	31,342
% of total GDP	3%
% of Industrial GDP	16%

Food Retail Industry

In 2018, Spanish food retail sales slowed slightly to $112.4 billion. Spain's improved economic environment has increased consumer confidence and expenditures and contributed to steady retail sales. Additionally, Spain continues to host record numbers of tourists, which also boosts food demand. In 2018, 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 2018 ($ Million)
MERCADONA	Spanish	24,782
GRUPO CARREFOUR	French	10,781
GRUPO EROSKI	Spanish	5,231
AUCHAN RETAIL ESPAÑA	French	5,122
DIA	French	4,663
LIDL SUPERMERCADOS	German	4,464
EL CORTE INGLES, S.A.	Spanish	3,092
CONSUM, S. COOP.	Spanish	2,839
AHORRAMAS	Spanish	1,893
MAKRO	German	1,371

Data and Information Sources: Euromonitor, Eurostat, Trade Data Monitor, LLC, FIAB**; Contact:** AgMadrid@fas.usda.gov

New Market Dynamics and Changing Demographics Invite Imports of Non-Traditionally Traded Products

SECTION I. MARKET OVERVIEW

Spanish economic growth has held strong since the recovery started in 2013. Today, Spain's economy is more diversified, more competitive, and more export oriented. However, the economic momentum is slowing and organizations like the International Monetary Fund (IMF) estimate that Spain's growth is projected to level off at 2.2 percent in 2019 and 1.8 percent in 2020. This is partly due to the slowing down of key European export markets, dragged by the first symptoms of the Eurozone recession.

In terms of population and demographic trends, Spain's population went from 40.5 million in 2000 to 46.5 million in 2018, partly thanks to the economic growth of the early 2000s. Nonetheless, having one of the lowest fertility rates in the world is causing Spain's population to age rapidly and this trend is forecasted to continue in the next decade. Correspondingly, the market will have to adapt to this demographic change and the impact on future consumer trends and preferences. This opens opportunities for "free from" consumer-oriented products (gluten, dairy, soy free foods).

The Spanish market is also influenced by a continued record number of tourists each year. In 2018, Spain was the second most popular tourist destination in the world after France. During the first half of 2019, the number of foreign tourists reached 58.2 million, up 1.5 percent compared to the same period last year. Similarly, tourist expenditures rose 3.2 percent to $71 billion. In addition, given the 2019 rise in domestic and regional hog prices as a result of higher pork exports to Asia, the Spanish food processing industry is increasingly interested in importing U.S. pork for processing.

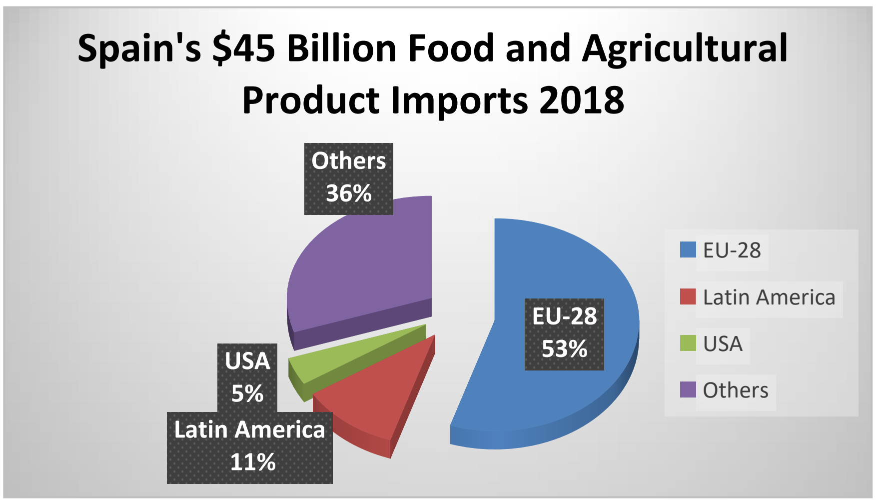
Table 1. Advantages and Challenges Facing U.S. Exporters in Spain

Advantages	Challenges
Tourism is a robust 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 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/smaller container loads vs 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 available 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

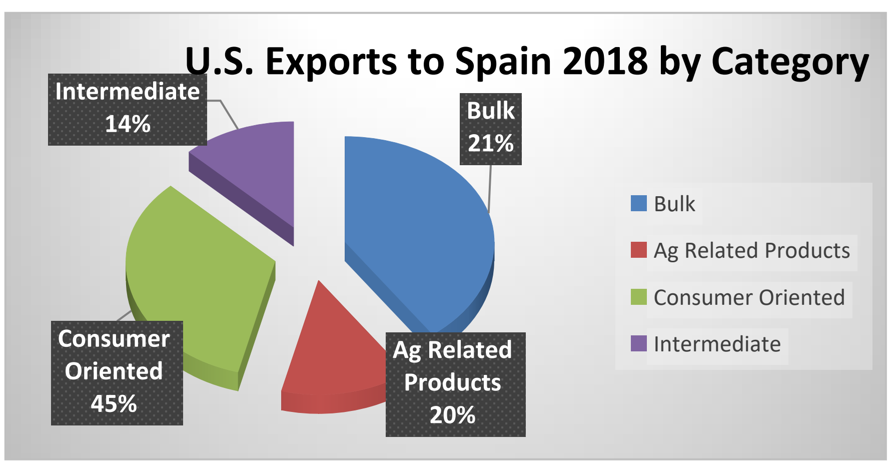
In 2018, Spain imported $45 billion worth of agricultural products from the world. By region, Spain's main trading partners are other EU member states, as shown in the chart below:



SOURCE: Trade Data Monitor, LLC

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: Trade Data Monitor, LLC

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, sales contact with existing and potential buyers, and market development expertise.

Spain has sales channels ranging from traditional distribution methods - whereby wholesalers sell to small retailers that sell to the public - to large multinational supermarkets and retail stores. However, personal relationships are still very important, especially within smaller organizations. There is no substitute for face-to-face meetings with Spanish business representatives in order to break into this market.

The decision-making process within a Spanish company may be different 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 Spanish company will likely expect the U.S. firm to translate into Spanish commercial brochures, technical specifications and other marketing materials. Decision makers at Spanish firms may speak English, but paperwork should be in Spanish.

The Spanish market is composed of regional markets serviced by two major hubs, Madrid and Barcelona. Most agents, distributors, foreign subsidiaries and government-controlled entities that make up the economic power block of the country operate in these two hubs. Dealers, branch offices, and government offices found 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, duties, sanitary regulations and other requirements
4. Explore the purchasing arrangements of the larger retail channels

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. In addition, 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 and arrangement 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 Spain. Therefore, the Spanish agent/importer should guide the U.S. exporter through the entire process of marketing a U.S. 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 or 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.

Please keep in mind that if the product you are exporting into Spain does not comply with EU harmonized regulations, Spanish customs or health authorities may not allow entry of the product.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

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

Product Category	2018 Spanish Imports ($ Million)	5-Year Average Total Import Growth (% Value)	Key Constraints	Attraction for U.S. Exporters
Fish Fillets and Other Fish Meat	World Total: $964 U.S.A.: $64	3%	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: $554 U.S.A.: $499	4%	Aflatoxin issues.	Domestic consumption and exports of nuts is increasing due to their use in the processing industry.
Beer	World Total: $336 U.S.A.: $1.2	1%	Competition from other EU countries, traditional producers of beer.	Increased interest in U.S. style beers. **Average import growth from the U.S. in the last 5 years was 21 percent.**
Pistachios	World Total: $110 U.S.A.: $39	11%	Competition from Iran and EU importers, such as Germany, who re- export this product to Spain.	Consumption of nuts continues to increase. U.S. pistachios have a higher quality image than Iranian, the main competitor.
Pulses	World Total: $317 U.S.A.: $50	8%	Strong competition from Argentina and Canada, traditional suppliers.	Spain is a traditional consumer of pulses and its local production is insufficient to fulfill local demand.
Pork and Pork Products	World Total: $309 U.S.A.: $0	-3%	Competition from EU producers and importers. Increasing prices.	New export markets and facilities investments in Spain have considerably increased the interest of Spanish processors to import pork from the U.S.

Source: Trade Data Monitor, LLC

Food Retail Sector

The Spanish 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 retail food industry continues its consolidation process. Economic recovery is slowly leading to an increase in domestic demand. Despite slowing slightly, retail performed well in 2018 thanks to the positive economic environment, and this kept consumers optimistic to increase their expenditures on food.

Online retail continues to perform well in 2019. Internet retailing is expected to see the fastest growth in the medium term, as more stores are likely to enter the channel, or, if already present, investment will increase in order to improve the online shopping experience.

Changing consumer habits and the development of new technologies are leading the sector to develop new commercial formats and greater diversification. Retailers are incorporating new services and offering improved shopping experiences. According to Euromonitor, the digitization progress is leading to a reinvention of commercial formats, which is translating into greater diversification. The new model is a blend of the traditional characteristics of supermarkets with the elements of convenience, such as an increased offering of prepared food, freshly squeezed juices, and a variety of on-the-go products.

Top 10 Spain Country Retailers

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Mercadona	Spanish	24,782
Grupo Carrefour	French	10,781
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Auchan Retail España, S.A.	French	5,122
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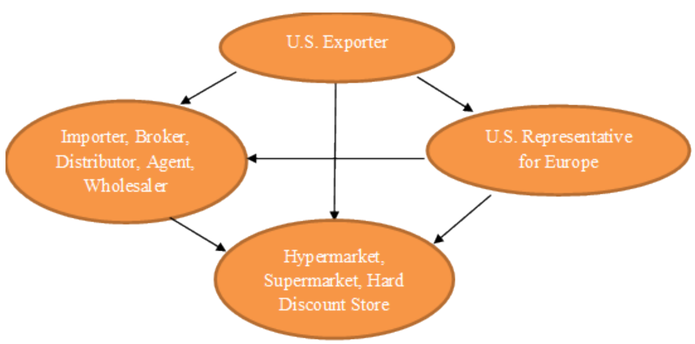
Source: Alimarket

Market Structure:



For more information, please see the Spanish Retail Food Sector report.

Hotel, Restaurant and Institutional (HRI) Sector

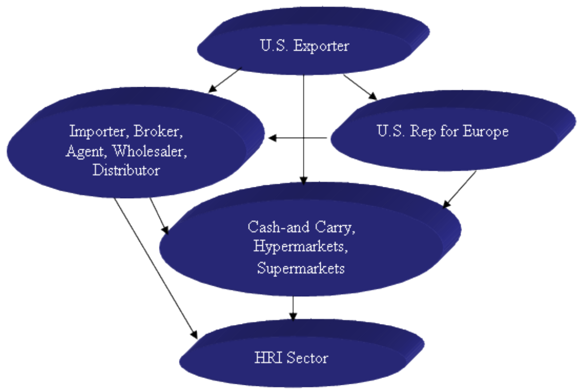
Spain continues to host a record number of tourists. According to official Spanish data, in 2018, 82.6 million tourists arrived in Spain—a 0.9 percent increase from 2017—and spent more than 90 billion euros. Spain was the second most popular tourist destination in the world in 2018, only after France. In the first half of 2019, the number of foreign tourists reached 58.2 million, up 1.5 percent compared to the same period in 2018. Visitors spent $71 billion, a 3.2 percent increase compared to previous year. This will likely have a positive effect in the HRI industry, boosting demand for meals in this sector.

Key demographic changes and consumer habits affecting the HRI sector:

- Smaller households – The average family has one or two children per household. No children or single person households are increasing.
- Increasing number of women in the workforce – The percentage of women in the workforce is bolstering the demand for more ready-to-eat foods, as well as the frequency to dine-out.

- Aging population – The percentage of the Spanish population over 65 years old is increasing, as is the demand for senior citizens centers and/or facilities.

Market Structure:



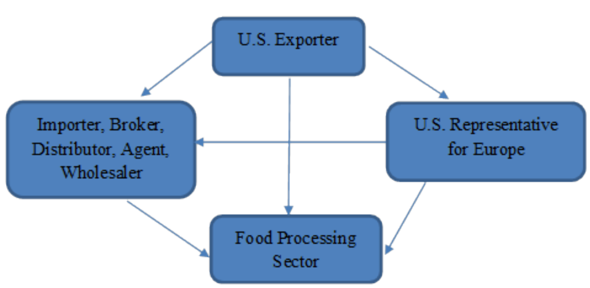
For more information on the Spanish HRI Sector report.

Food Processing Sector

The food and beverage industries in Spain are key to the economy, contributing to social and economic stability. In a global economic environment marked by uncertainty, these sectors have become the first industrial sectors in the country. In 2018, the industry responded to global challenges with consistent growth in employment and business creation and, at the same time, consolidating its weight domestically and abroad.

In 2018, this sector provided 426,300 jobs, representing more than 20 percent of the total industrial workforce. The food industry in Spain is comprised of mostly small and medium sized companies— in 2018, there were 31,342 food processors throughout the country. The industry produced an estimated $130.2 billion in product in 2018. Exports continue to be critical for the development of the industry and, in 2018, were valued at $33.9 billion. Spain has some of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food ingredient 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)	2015	2016	2017	2018	2019*
Total Agricultural, Fish and Forestry Products	36,659	38,003	41,993	45,223	45,000
Total U.S. Agricultural, Fish and Forestry Products	1,981	1,857	1,643	2,188	2,000
Total Agricultural Products	27,647	28,067	30,987	32,656	32,000
Total U.S. Agricultural Products	1,607	1,487	1,319	1,868	1,800
Total Fish and Seafood Products	6,364	7,024	7,922	8,465	8,000
Total U.S. Fish and Seafood Products	134	134	103	101	100

Source: Trade Data Monitor LLC; (*) 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; and Peanuts -- Pulses; Rice; Sunflower seeds -- Fish and Seafood, fresh and frozen; Beverages (wine and beer)

Products Not Present in Significant Quantities with Good Sales Potential

Functional and innovative health food; Free-from products (lactose-free, gluten-free) -- Specialty foods; Snack foods; Nuts e.g. pecans, hazelnuts; Sweet potatoes -- Pork and pork products -- 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, please contact the Office of Agricultural Affairs in Madrid. The FAS website offers recent reports of interest to U.S. exporters interested in the Spanish market. Additionally, please see below useful contacts:

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

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

Attachments:

No Attachments