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Spain

Food Processing Ingredients Sector

Food Processing Industry - Spain

2004

Approved by:
Stephen Hammond
U.S. Embassy

Prepared by:
Magdalena Escudero

Report Highlights:
Spain's food processing industry will continue to be one of the largest, most dynamic in the European Union, and a very substantial importer of food ingredients. FAS/Madrid forecasts that processing industry production value will reach 68 billion Euros in 2005, up from 62,1 billion Euros in calendar year (CY) 2003. During CY 2005, Spanish consumers will likely spend 80 billion Euros on food, up from 69.4 billion in 2003. We expect continued yearly increases in demand for ready-to-eat products, seafood, food ingredients, etc. through 2005. (ME50SH5)

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

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I. Market Summary

Total Area (million Ha.) 50.6

	2001	2002	2003	2004
Population (millions)	41.1	41.8	42.7	43.0
Population growth rate	1.55	1.75	2.10	0.7
GDP (billion Euros)	653.2	696.2	743	760.7 (est.)
GDP Growth (percent)	2.6	2.1	2.4	2.8 (est.)*
Per capita GDP (Euros)	16,147	16,586	17,442	18,121 (QI)
Per Capita GDP on purchasing power parity basis in $US				22,652
Inflation Rate	2.7	4.1	2.6	2.8 (QI)

* Government estimate.
QI – First Quarter

	2001	2002	2003	2004
Total Labor force** (million)	33.7	34.0	34.2	34.3 (QII)
Active	17.8	18.3	18.8	19.1
- Employed	15.9	16.3	16.7	17.0
- Unemployed	1.9	2.1	2.1	2.0
Unemployment (%labor force)	13.1	12.4	11.7	10.9
Men (million)	16.4	16.5	16.6	16.7 (QII)
Active	10.8	11.0	11.2	11.2
- Employed	10.0	10.1	10.3	10.4
- Unemployed	0.8	0.9	0.9	0.9
Women (million)	17.3	17.5	17.6	17.6 (QII)
Active	7.0	7.3	7.6	7.8
- Employed	5.9	6.1	6.1	6.6
- Unemployed	1.1	1.2	1.2	1.2
Population in urban areas (percent)	69	69	69	69

Population by age (%)	1991	2001
Under 15 years of age	19.4	14.5
15 – 65 years	66.8	68.5
65 and over	13.8	17.0

Average age in Spain	39.5 years
Life expectancy	
- Men	75 years
- Women	82 years

**Labor force= population over 16 years of age

Spain will likely continue to be a strong economic performer within the European Union (EU) through calendar year 2005. Gross domestic product will likely grow by about three percent during 2005, 2.6 percent in 2004 and 2.4 percent in 2003 (EURO area average 0.3 percent for 2003). Unemployment will likely continue to decline, however, at 10.9 percent currently, it is still higher than in most other EU countries. Based on our reading of the local economic indicators, inflation will likely run at about three percent during 2005, three percent in 2004 and registered 2.6 percent in 2003. We expect per capita annual income to continue increasing through 2005, up from about 18,000 euros that we expect for 2004.

Spain's population will continue to grow, mostly because of immigration. While some resent the upturn in immigration (with the high unemployment rate currently), it appears to be needed to keep Spain's vibrant economy competitive, especially with the addition of 10 new Member States in the EU. We expect the average number of persons working, per household, will continue to increase through 2005.

The food processing industry will continue to be the economic engine underlying Spain's expanding economy. It currently generates 17 percent of Spain's total industrial production, consumes 70 percent of all domestic agricultural production and provides almost half million jobs. Raw materials, which account for 58 percent of total production costs, are mainly sourced domestically and neighboring EU Members.

However, there are raw-material sourcing exceptions. For example, we expect that Spanish confectioners to increase imports of U.S. almond to satisfy growing demand in the EU for their products. Also, we expect that weather events will provide opportunities for U.S. agricultural exports as with the case for demand for high protein wheat from the United States. In addition, we expect that the EU disciplines on total allowable fish catch will provide opportunities for seafood exporters.

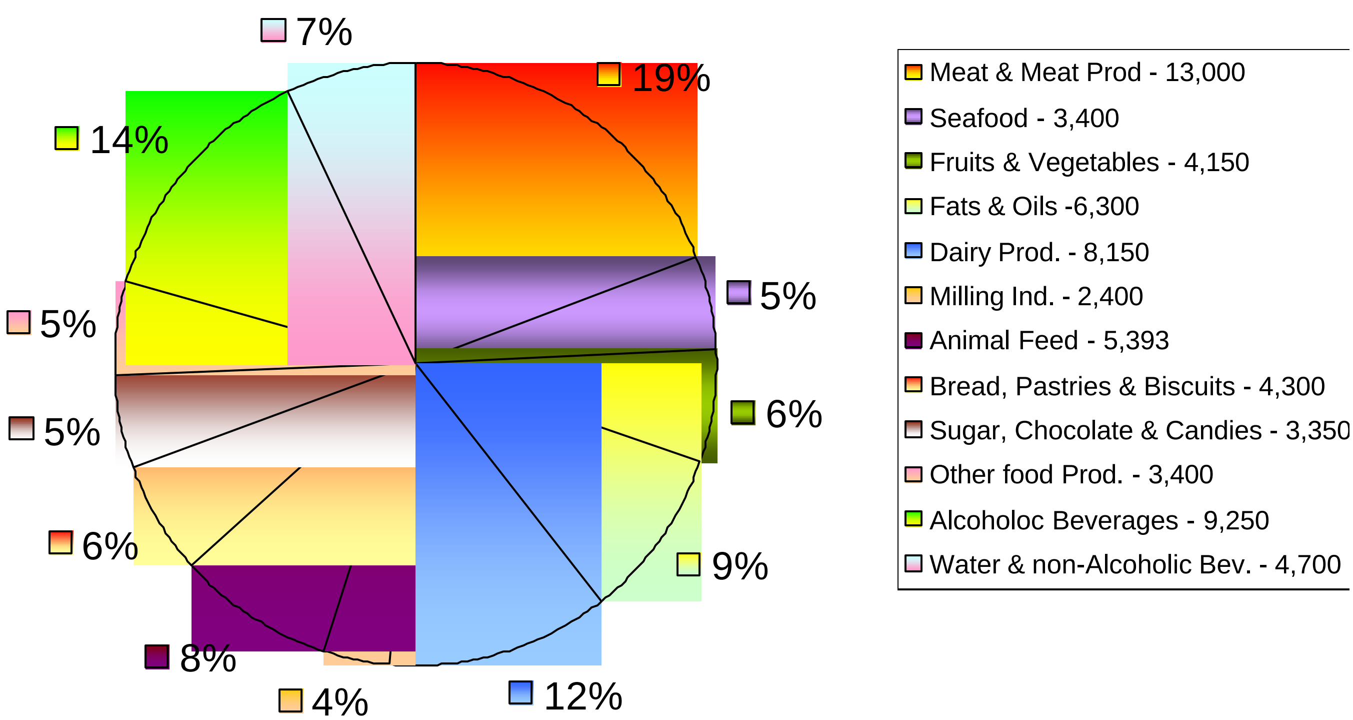
SPAIN – Food Production

	2000	2001	2002	2003	2004 (estimate)	2005 (forecast)
Total Food Prod. Billion Euros	55.0	56.2	58.8	62.1	65.4	68.0
Volume Increase %	-1.1	-2.5	3.6	2.8	3.0	2.7
Value Increase %	1.2	2.2	4.5	5.5	5.3	3.9
Inflation Rate %	2.3	2.7	4.1	2.6	2.8	2.6

Production in the Food & Beverage Industry
(Million Euros)

Industry	2000	2001	2002	2003	2004 (estimate)	2005 (forecast)
Total Food & Bev Industries	55,023	56,255	58,864	62,100	65,400	68,000
- Meat & Meat Prod.	10,749	11,916	11,581	12,190	12,600	13,000
- Seafood	2,151	2,360	2,858	3,000	3,250	3,400
- Fruits & Vegetables	4,139	3,910	4,160	4,080	4,100	4,150
- Fats & Oils	3,720	4,175	5,046	5,600	6,100	6,300
- Dairy Products	6,033	5,925	6,413	6,800	7,600	8,150
- Milling Ind.	1,981	1,977	2,000	2,100	2,200	2,400
- Animal Feed	5,469	5,352	5,393	5,450	5,500	5,600
- Bread & Pastries	4,469	4,055	4,190	4,200	4,250	4,300
- Sugar, Chocolate & Confectionery	2,912	2,741	2,772	2,950	3,200	3,350
- Other Food Prod.	2,662	2,870	2,848	3,100	3,300	3,400
- Alcoholic Beverages	7,240	7,423	7,869	8,570	8,800	9,250
- Water & Non-Alcoholic Bev.	3,497	3,552	3,734	4,060	4,500	4,700

Food Industry Production by Sector - 2005 (Forecast)
(,000 Euros and percent)



Labor Force in Spain
(Thousands)

	2000	2001	2002	2003	2004 QII	2005 (forecast)
Food & Beverages Industry	417	434	437	438	440	445
Total Industry	3,296	3,371	3,388	3,371	3,091	3,130
Total	17,856	17,814	18,340	18,822	19,142	19,525

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

Advantages	**Challenges**
The declining value of the U.S. dollar vis-à-vis the Euro	Spanish consumers are not accustomed to foods containing genetically modified organisms
The dynamic food processing sector will continue to grow, creating increased demand for food ingredients	High and complex tariffs for many products, especially those containing sugar
Spanish consumers are relatively wealthy, and consistently choose high-quality seafood products	EU traceability, labeling, and packaging requirements are complicated for many products
Gourmet and organic food consumption is just starting to pick up and will likely increase substantially in the years to come	Local import agents are almost always needed to bring a product into Spain and introduce it to the market

Note: We wrote the remainder of this report in 1999, and updated it in 2004.

II. Road Map for Entry Strategy

A. Market Strategy

The Spanish market is a series of regional markets. Madrid and Barcelona are the main markets and the headquarters for the majority of agents, distributors, importers and government-controlled buying agencies. We suggest that a U.S. exporter new to the market appoints an agent or distributor or establishes a subsidiary. A local representative is aware of the different consumption attitudes and preferences in each of Spain's 17 autonomous regions.

B. Market Structure

Total food production by the food processing industry in 2003 was valued at 62,1 billion Euros, an increase of 5.5 percent in value, and a 2.8 percent in volume. Further increases will occur in 2004 and 2005 to couple with demand. Spanish consumers spent 69.4 billion Euros on food, an increase of two percent in volume and 4.8 in value we expect a slightly higher trend during the next two years. In 2003, total exports of processed food products were 12.4 billion Euros, this is a 4.7 percent increase, while imp orts were 14 billion Euros, 2.7 percent higher than a year earlier. (See import charts on pages 17 and 18)

Food Consumption – Value
(Billion Euros)

	2000	2001	2002	2003	2004 (forecast)	2005 (forecast)
Home	40.7	44.8	48.5	50.7	54.7	59.1
Hotel/Restaurants	14.5	15.5	16.5	17.5	18.6	19.6
Institutions	1.1	1.1	1.2	1.2	1.3	1.3
Total	56.5	61.4	66.2	69.4	74.6	80.0
Increase %	6.8 %	8.6 %	7.8 %	4.8 %	7.5 %	7.2%

While the value of food consumed has risen, the volume was more stable. The increase in price for less product reflects "value added" by the processing industry. Ready to eat, diet and "functional" foods have all contributed to this trend; the change from the peseta to the Euro was also another factor to the price increase in many products, due to the "rounding" of prices. This factor was more evident during the first two years.

Food Products Consumption
(Million Euros)

Products	2001	2002	2003	2004 (forecast)	2005 (forecast)	% Total Consumption
Meat & Products	13,549	14,725	15,037	15,789	16,736	22
Seafood Products	8,440	9,162	9,504	10,264	10,983	14
Dairy Products	3,832	4,222	4,510	5,051	5,556	6.5
Fluid Milk	2,643	2,700	2,635	2,740	2,850	3
Fresh Fruits	3,839	4,184	4,781	5,116	5,474	7
Fresh Vegetables	2,917	3,398	3,748	3,898	4,093	5
Ready to Eat food	1,070	1,306	1,466	1,730	1,989	2
Oils	1,330	1,483	1,552	1,707	1,827	2
Bread	3,984	4,346	4,273	4,615	4,984	6
Pastries & Cereals	1,931	2,069	2,134	2,305	2,466	3

There were over 40,500 smaller supermarkets and traditional outlets selling food in 2003, these types of outlets will continue to decrese in the near future. While the expansion in the number of large supermarkets and hypermarkets has begun to slow, the number of medium-sized supermarkets and discount outlets continuous increasing.

The top five food distribution groups hold more than half of total sales as a consequence of the consolidation of the industry.

Number of Retail Outlets

Type of Outlet	2000	2001	2002	2003	2004 (forecast)	2005 (forecast)
Traditional + Self-Service > 100 sq. meters	48,849	45,569	43,193	40,505	38,480	34,200
- Supermarket: 100 to 399 sq. meters	8,169	8,032	7,811	8,233	8,496	8,751
- Supermarket: 400 to 999 sq. meters	3,574	3,801	4,027	5,439	5,711	5,996
- Supermarkets: 1000 to 2500 sq. meter	1,137	1,342	1,539	1,839	1,968	2,105
Total Supermarkets 100 - 2,500 sq. meters	12,880	13,175	13,377	15,511	16,175	16,853
Hypermarkets	318	332	343	391	406	422
Grand TOTAL	62,047	59,076	56,913	56,407	55,061	51,475

The consolidation of the industry has caused fierce competition, lower prices, and narrower profit margins, driving down raw materials prices. Food producers indicate that the growing purchasing power of the big food distribution groups allows them to demand lower prices from farmers.

Main Food Industry Sectors

Meat & Products

Spain's meat processing industry is the fourth largest in the EU, with a production capacity of 7 million tons/year. The industry is also one of the country's leading food processing sectors. In 2003, meat products account for 22 percent of total food expenses in Spain. Average meat consumption in 2003 was 67.6 Kg per capita (68 Kg. in 2002).

Meat Production
(Metric Tons)

	2000	2001	2002	2003	2004 (forecast)	2005 (forecast)
Pork	2,912,390	2,992,770	3,122,577	3,322,365	3,320,000	3,350,000
Bovine	631,784	642,033	654,161	700,065	702,000	702,500
Ovine	232,331	236,409	239,500	236,548	238,000	236,000
Caprine	18,801	15,369	15,101	13,861	13,000	14,000
Equine	6,732	8,639	5,742	4,963	4,200	4,000
Poultry	986,712	1,307,265	1,331,700	1,339,365	1,330,000	1,330,000
- TOTAL	**4,788,750**	**5,202,485**	**5,368,781**	**5,617,167**	**5,617,200**	**5,636,500**

Source: Asociacion Industrias de la Carne de España (AICE) and FAS Madrid estimates

Dairy Products

About 54 percent of the sector's total sales is located in the region of Asturias. Per capita consumption of liquid milk is estimated at 108 liters in 2003, with a decrease of -0.9 percent, consumption of milk with vitamins or similar ingredients represents 16 percent. About 86 percent of total milk is consumed at home.

Spanish production of **cheese** is around 300,000 tons. The top three groups of the sector hold 32 percent of the market. Per capita consumption of cheese is 7.2 Kg.; 87% is consumed at home and is purchased primarily at supermarkets (50%) and hypermarkets (23%). Distributors are the main suppliers to the HRI Sector.

Dairy Products – Production
(Metric Tons)

Product	2001	2002	2003	2004 (forecast)	2005 (forecast)
Fluid Milk	3,7348,000	3,791,500	3,700,500	3,700,000	3,770,000
Concentrated Milk	65,500	59,900	61,000	62,000	62,900
Powder Milk	22,100	34,700	40,00	34,500	20,700
Cream	103,000	78,200	80,000	70,000	75,200
Butter	31,900	55,700	53,100	45,000	40,200
Cheese	294,200	314,700	323,000	330,700	345,000
Acidified Milk (yogurt)	615,300	614,400	618,300	615,400	616,400
Dairy Deserts	214,800	167,200	160,400	171,200	172,200
Milk Shakes	231,900	271,500	282,500	285,000	290,000
Other dairy Prod.	75,400	79,700	79,700	79,700	79,700

Source: Federacion Nacional de Industrias Lacteas (FENIL) and FAS/Madrid estimates

Fats & Oils

Spain is the world's largest producer of olive oil. Total olive oil production in 2003 was 1.38 billion liters. Per capita consumption of fats and oils is about 20.8 liters, of which 12.7 is olive oil, 6.9 sunflower oil, and the remainder, other oilseeds. Most of the olive oil is consumed at home (72.3%).

Canned Fruits & Vegetables

Total annual production of canned fruits and vegetables is around 1.3 million tons. Tomato is the most popular canned product, accounting for 41% of total volume, followed by processed fruits (35%), processed vegetables (21%) and jams and marmalades (3%). Total consumption is around 714,000 tons; the remaining production is exported. Per-capita consumption is approximately 17.4 Kg.

Canned Seafood

The top eleven manufacturers control around 70 percent of the market. Currently there are some 130 plants; most of them (80 %) are in Galicia, the region in the northwest of Spain where fishing remains stable. Total production is about 250,000 tons and 85 percent is produced in Galicia.

Per capita consumption is about four kilos, and is mainly consumed at home (81 percent); the HRI sector takes most of the rest. The favorite canned seafood product is tuna fish (56.5%), followed by sardines (9.7%), mussels (4.5%).

Wine, Beer and Alcoholic Beverages

Spain is the third largest wine producer in the world. The wine sector represents 11.3 percent of output of the total food processing industry. The sector is very dispersed, with some 3,830 companies in the wine business. Per capita consumption, at 26.2 liters, has been falling for decades. In Spain 57 percent is consumed in the HRI channel and 43 percent at home.

The **beer** sector is highly concentrated: there are only 22 factories, which in 2003, produced 30.6 million hectoliters, there was a higher demand due to the high temperatures, more tourists and an increase of exports.

Two-thirds of consumption occurs through the HRI sector. Imported beer is mostly consumed at home. The main suppliers are Germany (63%), the Netherlands (20%) and Mexico (5%).

Beer – S& D. Table

	2001	2002	2003	2004 (forecast)	2005 (forecast)
Production	27.7 Mil. Hl.	27.8 Mil. Hl.	30.7 Mil. Hl.	29.7 Mil. Hl.	30.7 Mil. Hl.
Consumption	26.9 Mil. Hl.	26.7 Mil. Hl.	25.4 Mil. Hl.	24.4 Mil. Hl.	24.6 Mil. Hl.
- Per-capita consumption	75.2 liters	73.4 liters	78 liters	75 liters	76 liters
Imports	3.9 Mil. Hl.	3.6 Mil. Hl.	3.6 Mil. Hl.	3.6 Mil. Hl.	3.8 Mil. Hl.
Exports	6.9 Mil. Hl.	7.7 Mil. Hl.	8.9 Mil. Hl.	8.9 Mil. Hl.	9.9 Mil. Hl.

Spain has the highest per capita **non-alcoholic beer** consumption in the EU, 5 liters per capita. Production reached 225 million liters in 2003, an increase of 8 percent from a year earlier.

Total consumption of **spirits** reached 195.1 million liters in 2003, this is an increase of seven percent from the previous year. Whisky accounts for 40 percent, followed by brandy (18.7%), cordials (15.2%), gin (15.1%). Per capita consumption of spirits is about 4.8 liters, most of them are consumed in the HRI sector. There is also a high concentration in this sector, as well as a strong penetration of multinational groups.

Within the whiskeys, **bourbon** (this includes most American whiskies) represents only 4 percent. However, consumption continues to increase steadily. Total imports of bourbon are $40.5 million this is an increase of 50 percent. Only $27 million were directly imported from the United States.

Water and non-Alcoholic Beverages

There has been a continuous growth of **bottled water** consumption in the last decade. Total consumption was 2.71 billion liters, or 5.4 percent more than in 2002. Still water accounts for 98% of the market. Total amount of water bottled, according to the water bottlers association, was 5.09 billion liters in 2003, 12.9 percent higher than in 2002. Spain is the third largest producer of bottled water in the EU, after Italy and France, with an output of 5.1 billion liters in 2003. Per-capita consumption was 66.1 liters. While there are around 100 bottled water companies in Spain, the top 10 companies account for 48 percent of total sales.

About 74.3% of bottled water is consumed at home; purchases are made at supermarkets (54.1%), hypermarkets (22.7%) and convenience stores (19%). The HRI sector purchases water through distributors (86%), wholesalers (7.5%) and cash & carries (2.2%).

Water

	2001	2002	2003	2004 (forecast)	2005 (forecast)
Production	4.26 Mil. Hl.	4.51 Bil. l.	5.09 Bil. L.	5.7 Bil. L.	5.9 Bil. L.
Consumption	2.39 Mil. Hl.	2.57 Bil. l.	2.71 Bil. L.	2.90 Bil. L.	2.97 Bil. L.
- Per-capita consumption	58.8 liters	63.3 liters	66.1 liters	67.5 liters	69.1 liters

The association of soft-drinks producers in Spain pegs production of **soft drinks** at 4,498 million liters in 2003, this is an increase of 6.3 percent from 2002. There is a tendency to introduce new flavors and ingredients, as well as beverages without sugar and without gas, there is a demand of healthier products. Cola drinks account for 58.19% of total production, followed by orange (13.95%), lemon (8.18%), soda (6.09%), lemon-lime (2.89%), tonic water(2.07%) and isotonic beverages (2.03%). Most of the soft-drinks, about 90 percent contain gas. While 20 percent contain sweeteners other than sugar. 62 percent are consumed at home and 38 percent in the HRI sector. There is a high concentration in this sector, with the leading group controlling 57 percent of the market.

Soft Drinks
(Mil. Liters)

	2001	2002	2003	2004 (forecast)	2005 (forecast)
Production	4,261	4,215	4,498	4,700	4,950
Consumption	2,659	2,600	2,720	2,815	2,900
- Per-capita consumption	66.2 liters	64 liters	66.4 liters	68 liters	69 liters

According to trade organizations, production of **juices** totaled 1,106 million liters in 2003, a four percent increase from 2002. Consumption of juices and nectars is 773 million liters. The sector works actively to attract more health conscious consumers offering sugarless, enriched or prepared product lines. About 85 percent of juices are manufactured from concentrates.

Juices
(Mil. Liters)

	2001	2002	2003	2004 (forecast)	2005 (forecast)
Production	1,080	1,061	1,106	1,150	1,180
Consumption	756	748	773	780	820
- Per-capita consumption	19.5 liters	18.4 liters	18.9 liters	19 liters	19.2 liters

There is also a high concentration in this sector: the top ten producers manufacture 74 percent of total juices; the top two hold a market share of 38 percent.

Juices are mainly consumed at home, with about 39 percent consumed in the HRI sector.

Consumption of Juices by distribution channel
(Mil. Liters)

	2001	2002	2003	2004 (forecast)	2005 (forecast)
Home Consumption	482	472	469	476	485
HRI Sector	274	276	304	309	314
- TOTAL	756	748	773	785	799

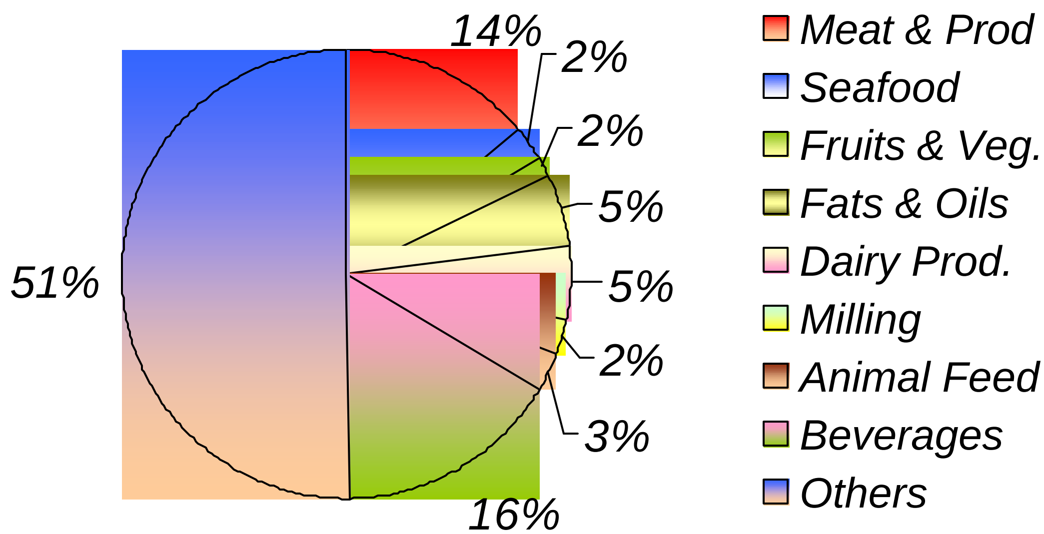
C. Company Profiles

There were 33,275 food-processing plants in 2003, of these, 32,146 (or 96.6 percent) are small companies (less than 50 workers), among them 27,534 have less than 10 workers. 866 companies are medium size companies (50/199 workers); 193 companies (0.58%) have between 200 and 499 workers, while the remaining 70 companies (0.21%) are considered large companies with more than 500 workers.

Number of Food & Beverage Industries

Type of Industry	2001	2002	2003	2004 (forecast)	2005 (forecast)
Total Food & Bev Industries	33,207	33,747	33,275	33,194	33,195
- Meat & Meat Prod.	4,518	4,568	4,584	4,600	4,615
- Seafood	767	779	788	794	800
- Fruits & Vegetables	603	625	574	525	500
- Fats & Oils	1,703	1,748	1,737	1,730	1,735
- Dairy Products	1,651	1,693	1,705	1,725	1,750
- Milling Ind.	970	925	869	830	800
- Animal Feed	934	975	965	970	975
- Beverages	5,117	5,161	5,280	5,320	5,370
- Other Food Prod.	16,944	17,273	16,773	16,700	16,650

Food Processing Industries - 2005 (Estimated)

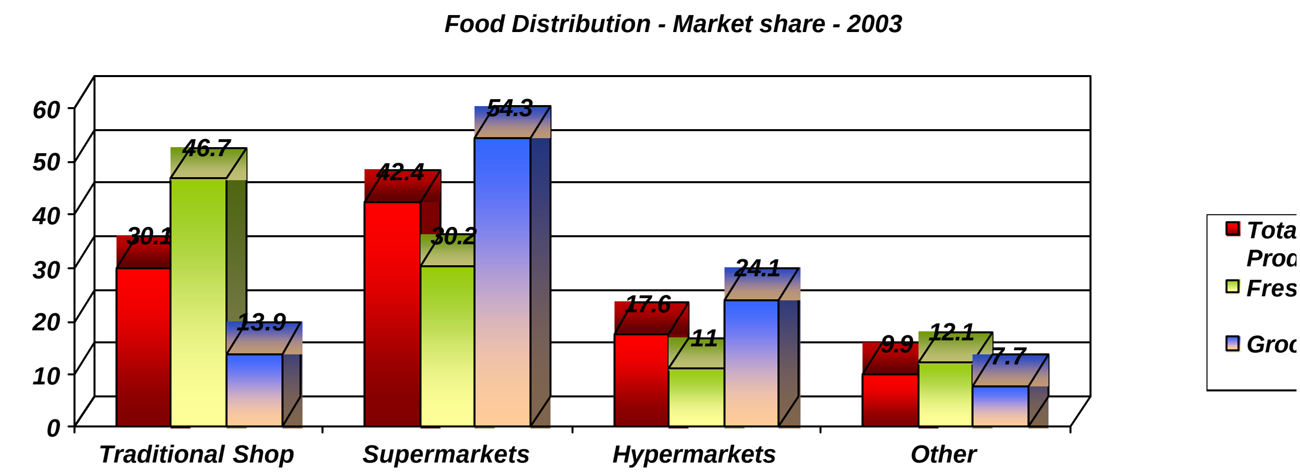


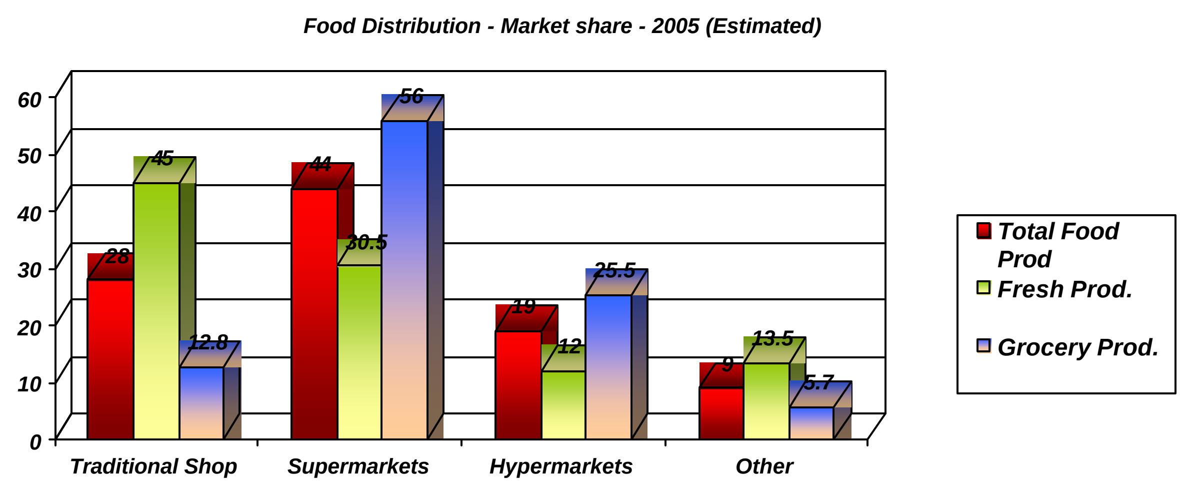
Source: FAS/Madrid estimate

Fresh products, including seafood and fruits and vegetables, are distributed through a network of 22 public wholesale markets located throughout the country.

About half of total fresh products, such as fruit, vegetables, meat and seafood, are sold through traditional stores; however, supermarkets and hypermarkets are steadily increasing their market share of these products.

Processed products are mainly sold through supermarkets (54.3%), hypermarkets (24.1%) and traditional outlets (13.9%). The largest share of beverages is sold by the HRI sector.


Food Distribution - Market share - 2003
60
50
40
30
20
10
0
30.1
46.7
13.9
42.4
30.2
54.3
17.6
11
24.1
9.9
12.1
7.7
Traditional Shop
Supermarkets
Hypermarkets
Other
Tota
Prod
Fres
Groc


Food Distribution - Market share - 2005 (Estimated)
60
50
40
30
20
10
0
28
45
12.8
44
30.5
56
19
12
25.5
9
13.5
5.7
Traditional Shop
Supermarkets
Hypermarkets
Other
Total Food Prod
Fresh Prod.
Grocery Prod.

Main Companies Operating in the Food Processing Industry - Spain

Company & Prod. Types	Sales in 2002 M. Euros	End-Use Channels	Procurement Channels
C. Servicios de Bebidas Refrescantes - Coca-Cola	2,515	Retail & HRI	Direct
Azucarera Ebro Agricolas Processed Foods in general	2,161	Retail & HRI	Importers, Direct
NESTLE España, S,A, Processed Foods in general	1,683	Retail & HRI	Importers, Direct
Campofrio Alimentación, S.A. - Meat Products	1,426	Retail & HRI	Importers, Direct
UNILEVER ESPAÑA , S.A. – Processed Foods	1,041	Retail & HRI	Importers, Direct
Danone, S.A. - Dairy Products	983	Retail & HRI	Importers, Direct
Corporación Agrolimen - Holding	944	Retail & HRI	Importers, Direct
Heineken España, S.A. – Beer	840	Retail & HRI	Importers, Direct
PESCANOVA, S.A. - Frozen Products	863	Retail & HRI	Importers, Direct
Leche Pascual, S.A. Dairy, breakfast cereal, juices	840	Retail & HRI	Importers, Direct
Coop. Orensanas – COREN - Meat Products	745	Retail & HRI	Importers, Direct
Cargill España, S.A. - Fats & Oils	742	Retail & HRI	Importers, Direct
Corp. Alimentaria Peñasanta, S.A. - Dairy Products	676	Retail & HRI	Importers, Direct
Guinness UDV España, S.A. - Beer	699	Retail & HRI	Importers, Direct
MAHOU, S.A. – Beer	669	Retail & HRI	Importers, Direct
Grupo DIAGEO - Alcoholic Beverages	661	Retail & HRI	Importers, Direct
Unilever Foods España, S.A. Ice Cream - Frozen Products	592	Retail & HRI	Importers, Direct
SOS Cuetara – Processed Prod	570	Retail & HRI	Importers, Direct
Allied Domecq, S.A. - Alcoholic Beverages	540	Retail & HRI	Importers, Direct
Corp. Alimentaria Guissona – Meat, Feed Prod	553	Retail & HRI	Importers, Direct
PANRICO, S.A. – Bakery	509	Retail & HRI	Importers, Direct

D. Sector Trends

International companies now control about 25 to 30 percent of the volume of business. The high standards needed to compete in the EU market have caused a relentless pursuit of tighter quality controls.

Although exports of agricultural products are slightly larger (13 percent) than imports, in the past the opposite was true. The trend was reversed due to substantial investment, both public and private, in the Spanish food processing industry. Imports from the United States dampened for the past several years by the strong U.S. dollar. Nevertheless with the dollar's fall against the euro, U.S. products are more price competitive. Total agricultural imports in 2003 were $22.2 billion, of which $1.3 billion came from the United States, with a market share of 5.8 percent.

The growing number of ethnic restaurants cropping up in Spain also helps U.S. exporters. Tex-Mex and Asian cuisine products could get a major boost from this development.

The organic food market, which was once seen as a small niche market, is now moving into the mainstream of the food industry. Apart from the shops that specialize on this type of products, they can also sold in many supermarkets and hypermarkets. Food shows in Spain have a sector dedicated to organic products.

Spain – Food Products Imports from the United States ($US Million)

Description	2001	2002	2003	% Change 03/02	Jan/June 2004
- Total Food Products	***874.7***	***899.1***	***1,049.5***	***16.7***	***534.8***
Meat And Edible Meat Offal	0.1	0.0	0.0	0.0	0.0
Fish, Crustaceans & Aquatic Invertebrates	71.0	62.3	80.0	28.3	28.6
Dairy Prods; Birds Eggs; Honey; Ed Animal Pr	1.5	2.1	1.3	-40.2	0.67
Products Of Animal Origin, Nesoi	2.9	2.9	3.4	16.3	1.2
Edible Vegetables & Certain Roots & Tubers	20.1	20.6	20.7	0.7	14.2
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	119.6	134.9	190.0	40.9	126.4
Coffee, Tea, Mate & Spices	0.4	0.2	0.2	15.3	0.2
Cereals	76.8	70.4	137.8	95.7	73.2
Milling Products; Malt; Starch; Inulin; Wht Gluten	0.1	0.3	0.1	-60.8	0.1
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	303.5	365.5	411.8	12.7	170.1
Animal Or Vegetable Fats, Oils Etc. & Waxes	12.8	3.6	8.3	128.1	2.6
Edible Preparations Of Meat, Fish, Crustaceans	0.1	0.1	0.3	188.6	0.8
Sugars And Sugar Confectionary	2.6	3.8	1.8	-52.3	0.4
Cocoa And Cocoa Preparations	0.1	0.4	0.7	54.0	0.2
Prep Cereal, Flour, Starch Or Milk; Bakers Wares	3.3	2.6	1.3	-49.1	0.43
Prep Vegetables, Fruit, Nuts Or Other Plant Parts	3.1	2.7	3.2	18.3	0.3
Miscellaneous Edible Preparations	4.0	6.1	4.7	-23.7	2.9
Beverages, Spirits And Vinegar	21.6	23.2	35.5	52.9	2.5
Food Ind Residues & Waste; Prep Animal Feed	113.5	103.1	87.6	-15.0	11.2
Tobacco, Unmanufactured; Tobacco Refuse	115.0	92.0	60.5	-34.3	11.3
Tobacco & Tobacco Subst Mfrs Nesoi	2.7	2.3	0.4	-84.2	0.40

III. Competition

Spain is a large producer of agricultural products. Harvesting and handling of raw materials is constantly improving. While production of processed food is based on the availability of raw materials, most of the inputs used by the food industry are of Spanish or EU origin.

Total Spain's food products imports in 2003 were $19.39 billion, 22 percent higher than in 2002, while exports of the same products were $23.59 billion, with an increase of 26 percent. The main suppliers are France, United Kingdom, Netherlands and Germany; the United States is usually among the top ten suppliers. Total U.S. food products exports to Spain in 2003 were $1.04 million, this is an increase of 16 percent from a year earlier. The main agricultural products imported from the United States were: oilseeds, tree nuts, cereal and seafood products.

Spain Food Products Imports
($US Million)

Description	2001	2002	2003	03/02 %	Jan/June 2004
--TOTAL--	14,564	15,860	19,399	22.31	10,66
Fish, Crustaceans & Aquatic Invertebrates	3,658	3,741	4,619	23.49	2,15
Beverages, Spirits And Vinegar	1,236	1,266	1,658	30.94	80
Cereals	1,035	1,499	1,464	-2.35	71
Dairy Prods; Birds Eggs; Honey	1,060	1,065	1,351	26.86	77
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	1,042	1,153	1,271	10.23	77
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	813	846	1,183	39.8	69
Food Industry Residues & Waste; Prep Animal Feed	865	984	1,115	13.32	81
Miscellaneous Edible Preparations	633	742	960	29.42	25
Meat And Edible Meat Offal	608	693	895	29.14	47
Prep Cereal, Flour, Starch Or Milk; Bakers Wares	483	540	728	34.91	41
Edible Vegetables & Certain Roots & Tubers	617	563	715	27.04	59
Prep Vegetables, Fruit, Nuts Or Other Plant Parts	438	503	608	20.74	32
Animal Or Vegetable Fats, Oils Etc. & Waxes	320	363	528	45.28	35
Sugars And Sugar Confectionary	419	478	520	8.7	28
Cocoa And Cocoa Preparations	270	377	488	29.54	24
Edible Preparations Of Meat, Fish, Crustaceans Etc	312	337	481	42.76	23
Coffee, Tea, Mate & Spices	333	295	370	25.41	19
Tobacco, Unmanufactured; Tobacco Refuse	229	190	159	-16.19	9
Milling Products; Malt; Starch; Inulin; Wht Gluten	75	87	100	15.24	5
Products Of Animal Origin	70	80	98	22.49	6
Tobacco & Tobacco Subst Mfrs Nesoi; Tob Proces Etc	50	59	88	50.66	5

IV. Best Products Prospects

A. Products present in the market which have good sales potential are as follows:

Seafood in general, especially lobster, surimi, monkfish, whiting, hake, octopus, squid, tuna fish
Tree nuts: almonds and walnuts
Ethnic products and seasonings
Bourbon and other American whiskey varieties (HS220830)
Ready-to-eat products
Snacks
Low-cholesterol, sugar-free products

B. Products not present in significant quantities but which have good sales potential are as follows:

Fresh fruit: mangoes, apples, sweet grapefruit
Ingredients to prepare fruit & vegetable juices
Ingredients to prepare extruded snacks
Premium beer
Liqueurs & Cordials (220870)
Pet Food (230910)
Organic products
Food ingredients in general

C. Products that are not present because they face significant barriers:

All poultry and red meat products, and most corn products.

V. Post Contact and Further Information

U.S. Address:

American Embassy Madrid
Foreign Agricultural Service
PCS 61 - (Box 20)
APO AE 09642

International Address:

American Embassy Madrid
Foreign Agricultural Service
Serrano, 75
28006 Madrid - SPAIN

Phone: 34 91 411 8931
Fax: 34 91 564 9644
e-mail: AgMadrid@usda.gov

For further information check the "Agricultural Affairs" home page on the U.S. Embassy Madrid web site: www.embusa.es

Spain's Federation of Food and Beverage Producers has links with many member associations: www.fiab.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

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

http://www.bde.es

NOTE: Average exchange rate Euro/$: 2001: 1.11/$ - 2002: 1.06/$1 - 2003: 0.88/$
Current exchange rate: 0.79/$1.00