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Report Highlights:

The impact of the COVID-19 health crisis on the Spanish Hotel, Restaurant and Institutional (HRI) sector has been nothing short of devastating. After hosting another record number of foreign visitors in 2019, Spain received 72.4 percent less tourists during the first seven months of 2020 compared to the previous year. Following seven weeks of strict confinement, gathering restrictions, and capacity limits inside restaurants across the country, the Spanish hospitality sector estimates that about 40,000 businesses have already closed. Under the current scenario, the sector expects a total of 65,000 establishments will disappear by the end of the year. Throughout this time, food delivery services provided a lifeline for some restaurants. Just during the strictest period of confinement food delivery attracted 2.2 million new customers. Meanwhile, catering and institutional operations are virtually paralyzed with over half of its working force currently unemployed.

Market Fact Sheet: Spain

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 2019, Spain's world total imports of agricultural products lowered 2.8 percent to \$43.9 billion. As a result of the COVID-19 pandemic, the Bank of Spain's latest estimates show that in 2020 the Spanish GDP will contract between 10.5 and 12.6 percent.

GDP / Population 2019

Population: 46.9 million

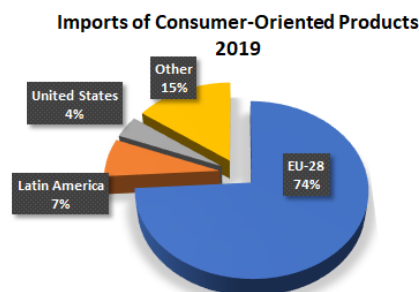
Real GDP Per capita*: \$25,200

*Provisional

| <i>SWOT Analysis</i> | |
|---|---|
| <i>Strengths</i> | <i>Weaknesses</i> |
| Diversified economic base | High public debt |
| <i>Opportunities</i> | <i>Threats</i> |
| Lower tariffs on high-end U.S. products (lobster) Emphasis on Sustainability | COVID-19's negative impact on the Hospitality Sector and the economy Food patriotism |

Imports of Consumer-Oriented Products

Goods imported into Spain must meet the EU sanitary and phytosanitary requirements to protect human and animal health, as well as, requirements under the customs union. Hence, U.S. exporters already exporting to other EU member states will likely meet most of the Spanish import requirements. For the export of animal products, the production plant must be approved for export to the EU.



Food Processing Industry

In March 2020, during the COVID-19 outbreak and the following lockdown, the Spanish food-processing sector was considered essential and continued to respond to demand, with some initial difficulties and adjustments along the way. Industry's interest in developing new products continue to present opportunities for food ingredients.

Food Processing Industry Facts 2019

| | |
|--------------------------|----------------|
| Food Processing Industry | \$135 billion |
| Output Food Exports | \$36.7 billion |
| Commercial Surplus | \$8.3 billion |
| No. of Employees | 436,700 |
| No. of Food Processors | 31,342 |
| % of total GDP | 2.1% |

Food Retail Industry

The retail competitive landscape in Spain remained highly fragmented in 2019, led by major grocery retailers. Within grocery store-based retailing the competitive environment is fairly concentrated, with Mercadona retaining its leadership, followed by Carrefour. During the confinement, eCommerce took center stage. As internet retailing is expected to continue growing, retailers continue to invest in eCommerce platforms.

| Retail Organization | Ownership | Sales 2019 (\$ Million) |
|---|-----------|-------------------------|
| MERCADONA | Spanish | 26,499 |
| GRUPO CARREFOUR | French | 9,988 |
| GRUPO EROSKI | Spanish | 5,333 |
| AUCHAN RETAIL* | French | 5,200 |
| LIDL | German | 5,108 |
| SUPERMERCADOS* | | |
| DIA RETAIL | French | 4,741 |
| CONSUM, S. COOP.* | Spanish | 2,856 |
| EL CORTE INGLES ALIMENTACION* | Spanish | 2,818 |
| AHORRAMAS | Spanish | 1,941 |
| MAKRO | German | 1,424 |

*Estimate

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

SECTION I. MARKET SUMMARY

Economic Trends

In 2019, Spain’s economy grew more modestly compared to previous year at 2 percent. After five consecutive years of growth since the start of the economic recovery in late 2013, the economy slowed but with positive prospects. According to official Spanish data, in 2019, Spain hosted 83.7 million tourists with expenditure of almost 109 billion euros.

However, positive economic prospects came to a sudden halt on March 14, 2020 when Spain declared a nationwide State of Alarm to stop the expansion of the COVID-19 pandemic. Although the end of the national lockdown gave hopes for a recovery, at the time of this report, the country faces a second wave of COVID-19 outbreaks. In addition, travel and gathering restrictions imposed since late July tempered economic activity once again, particularly hitting the hospitality industry.

Tourism is a strategic sector for Spain, providing 12.3 percent of GDP and 12.7 percent of employment. After hosting another record-breaking number of foreign visitors in 2019, during the first seven months of 2020, Spain received 72.4 percent less tourists compared to the previous year. While, the Spanish tourist industry has experienced other situations of global uncertainty in the past, in the case of COVID-19 and its global expansion, the sector experienced a dramatic number of travel cancellations during the first half of the year. In addition, COVID-19 brought a sharp decline in short and medium-term demand for tourism services, both in countries of origin and at destinations, affecting the entire value chain of the Spanish tourist industry.

According to Spanish official statistics, Spain entered a recession in the second quarter of 2020. The Spanish economy contracted 22 percent compared to previous year. The latest predictions released by the Bank of Spain show a pessimistic outlook that places the decline of Spain’s GDP for 2020 somewhere between 10.5 and 12.6 percent. In July, the Bank of Spain estimated that even in the most favorable scenario, the Spanish economy is unlikely to reach pre-crisis level until the end of 2022. Both the short and medium-term economic outlook continue to be highly dependent on epidemiological developments, around which remains a high degree of uncertainty.

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

| Advantages | Challenges |
|--|---|
| Spain’s food industry relies on imported ingredients, many from the U.S. | Post coronavirus economic environment; adjustments to the overall economy, and tourism; changes in consumer habits. |
| Good image and reputation of U.S. products. | Food imported from third countries, including the U.S., must comply with EU food law, labeling, traceability, and packaging laws, which vary from U.S. regulation and practice. Increased consumer preference towards national food products (food patriotism) following the COVID-19 pandemic. |
| Good network of agents and importers to help get products into the market. | High 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. | Competition from EU countries, where tastes and traditional products may be better known. |
| Distribution structure is modern and many companies cover both Spain and Portugal. | Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products. |
| Diversity of food products available is increasing. Consumers are increasingly open to new products. | High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies. |

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

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. The Office of Agricultural Affairs in Madrid maintains listings of potential importers and develops sector-specific information to help you introduce your product in Spain.

Customs are involved in the implementation and enforcement of European legislation relating to external trade, not only for customs duties and commercial policy measures, but also as regards security, environmental, anti-dumping, consumer protection, cultural and agricultural controls. Goods imported into the EU must meet the sanitary and phytosanitary requirements to protect human and animal health and as part of the custom union. Though Spain implements harmonized EU rules and regulations, there are subtleties that exporters should learn about when considering exporting to Spain. For more information, we invite potential U.S. exporters to contact our office for additional sector-specific information. U.S. exporters already exporting to other member states will likely be meeting most of the requirements for exporting to Spain.

Typically, HRI operators buy their food ingredients from importers or wholesalers. Some large companies buy directly from foreign suppliers. Spain exports around 20 percent of the Spanish food production, 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 logistic infrastructure. However, their customers will vary from wholesalers to buying groups and retailers. Companies producing for re-export may have their own marketing office overseas, local agents or may work with local importers.

U.S. exporters face great challenges with EU labeling and traceability regulations. Labeling is required for any product that contains genetically modified ingredients. Since consumers have relatively low acceptance of 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: Bill of Lading and/or Airway Bill, Commercial Invoice, and 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. If you are exporting animal products, your production plant must be approved to export to the EU. Most food products require an Import Certificate issued by the competent Spanish authority. However, the Spanish importer and/or agent is responsible for obtaining the appropriate Import Certificate. Also, please check the [U.S. Mission to the European Union](#) web page, which will guide you on exporting into the EU.

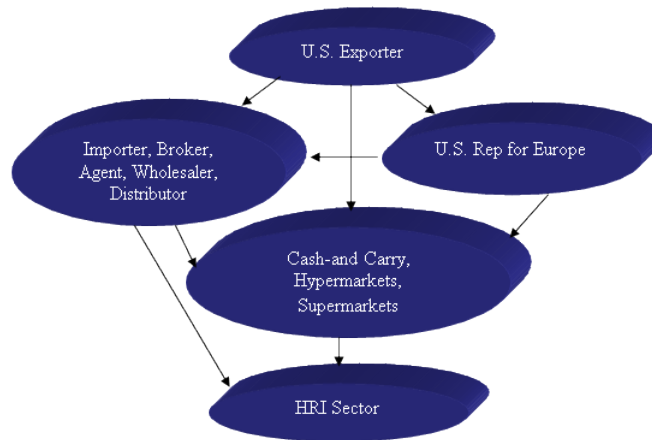
Trade Shows

Trade shows offer excellent opportunities for U.S. exporters to make contact with potential clients or business partners from Spain, other EU countries and other continents. In the current state of affairs, most trade shows are happening in virtual platforms. The most important trade shows related to the HRI sector are:

[HIP – Hospitality Innovation Planet HRI Professional Expo](#) **Dates:** February 15-17, 2021

[Hostelco](#) **Dates:** May 17-20, 2021

Market Structure



The HRI supply channels are diverse and serve small and large customers with different needs. Beverage suppliers are very specialized since most beverage consumption takes place in bars, cafeterias and restaurants. The most important HRI sector suppliers are:

- Importers, Wholesalers, Specialists -- More specialized by product segment, importers and wholesalers also supply directly the HRI sector, particularly the restaurant and hotel chains.
- Commercial distributors -- play an important role in the supply of the food and beverages needs of many small and diverse food service providers.

- Wholesale Markets -- Buyers purchase most perishable products at the wholesale market. The HRI sector is, by tradition, a net consumer of fresh produce.
- Cash & Carry -- Open only to businesses and offering very competitive prices, they supply a wide variety of food products, from perishable to non-perishable, domestic and imported. Some cash-and-carry chains have developed outlets that only service the HRI sector.
- Super and Hypermarkets -- Very important to the HRI sector when considering “last minute” purchases. Also important due to their convenient locations.
- Local Producers -- Some players in the HRI sector buy directly from local producers, particularly if they are located close to major markets. The food service sector has a tradition of using fresh produce in their daily menus. Many restaurants and hotels, particularly along the coasts, buy directly from local producers and fishermen.

Sub-Sectors Profiles

Hotels

The COVID-19 pandemic marked an abrupt stop to ten years of constant growth in the Spanish hotel industry, which in 2019, showed symptoms of entering a stabilization phase. The recovery of the hotel sector started in 2010 and has had a sustained growth all the way to 2019. In 2010, the turnover was \$18 billion. In 2019, according to Alimarket, the main companies and groups in the sector generated \$33 billion, a 6 percent increase compared to previous year. However, from January to July 2020, Spain received 72.4 percent less tourists compared to previous year. Travel restrictions around the world caused the cancellation of holidays and thus, a dramatic fall in the inflow of tourists during this period. While Spain is still trying to evaluate the impact of the first wave of COVID-19, the country is already facing a second wave of infections. This brings another wave of uncertainty on top of the already gloomy economic prospects.

Spain – Main Hotel Chains – 2019

| Company | Total Sales 2019 (\$ Million) |
|---|----------------------------------|
| Melia Hotels International, S.A. | \$3,389 |
| RIU Hotels & Resorts-RIUSA II, S.A. | \$2,668 |
| NH Hotel Group, S.A. | \$2,203 |
| Barcelo Gestión Hotelera, S.L. | \$2,054 |
| Iberostar Management, S.A. | \$1,757 |

Restaurants

Prior to COVID-19, the record numbers of the tourism industry have been one of the key drivers supporting the growth of Spain's foodservice sector in recent years. Additionally, consumers were dining-out more frequently, and more restaurants were opening. Independent restaurants still dominate the market, although restaurant chains continue to gain ground. In 2019, the number of full-service restaurants grew 1 percent compared to previous year to 77,716 outlets and generated \$34 billion.

After seven weeks of strict confinement, followed by gathering restrictions and capacity limits imposed on restaurants across the country, the hospitality sector estimates that 40,000 businesses have already closed, and under the current scenario a total of 65,000 establishments will have disappeared by the end of 2020. The worsening of the health crisis could put in jeopardy the survival of up to 85,000 establishments.

The main difference between the two economic scenarios considered by the Bank of Spain for 2021 (a rebound 7.3 percent in the better situation, or by 4.1 percent in a scenario of more intense coronavirus outbreaks in the short term) are estimated on the course of the pandemic over the coming quarters. This will determine the degree of severity of the containment measures and their consequent impact on economic activity. The first scenario would only require containment measures of limited scope which will mostly affect hospitality services. In the second scenario the restrictions required could have a greater impact on the service sector, as well as other productive sectors.

On the other hand, the recent growth in the food delivery services offered some restaurants a silver lining. Since Spain declared a state of alarm, the food delivery sector (including orders by phone and online) has increased significantly. As the offer grew at high speed, more customers were also willing to order. Just during the strictest period of confinement (from March 16 to May 10), food delivery services attracted 2.2 million new customers and has held 15 percent above its usual size prior to the crisis, according to Kantar consultancy.

This growth only accelerated during the de-escalation. For example, from May 18 to 24, the increase was 96 percent. From June 29 to July 5, the most recent data, the rebound was of 55 percent. The first two weeks of the confinement were a complicated because consumers were not accustomed to utilizing these services and many of the main players had to reorganize in order to respond to the growing demand. Once the parties overcame initial issues, this channel began to grow steadily.

In addition, Spanish consumers habits changed in recent months. With millions of professionals teleworking, the range of food options is broadening and not only the typical fast food is ordered, but also a full menu for Thursday lunchtime, for example, which translates into a higher average ticket. Although the target population with higher penetration is with consumers between 25-35 years old, the group over 50-60 years old has had exponential growth as a result of confinement. During the confinement, the delivery method spread among restaurants of more premium segments, reaching a more heterogeneous type of customers. Part of this new demand has become structural.

Spain – Leading Food Chains – 2019

| Company | Total Sales (\$ Million)* |
|---|---------------------------|
| Telepizza Group, S.A. | \$1,478 |
| Restaurant Brands Iberia, S.L. | \$1,357 |
| McDonald's España | \$1,297 |
| Grupo Zena – Alsea - Food Service Project, S.L. | \$893 |
| Areas, S.A. | \$559 |

* Estimated

Institutional

Larger companies dominate the institutional food service in Spain with the top five companies accounting for more than 40 percent of total sales. In addition, there are hundreds of local small companies providing catering and events services. Large institutional food service companies are price sensitive, importing directly, and/or buying products, particularly fresh produce, from local suppliers.

The Spanish Federation of Collective Catering, which groups 140 companies in the sector, recently warned of the potential disappearance of a good number of companies in the sector this year. The association estimates that the impact of COVID-19 will reduce the entire sector by practically half in terms of turnover. During the first nine months of 2020, the estimated decrease in turnover is already at 43 percent. The sector is virtually paralyzed, which keeps 53 percent of its more than 90,000 employees temporary unemployed.

Spain – Leading Institutional Food Sector Companies – 2019

| Company | Total Sales (\$ Million) |
|---|--------------------------|
| Seruni3n, S.A. | \$579 |
| Eurest Colectividades, S.L. | \$464 |
| Sodexo Iberia– Division de Restauracion | \$321 |
| Auzo Lagun, S.C. | \$302 |
| Serhs Food – Division de Restauracion | \$321 |

SECTION III. COMPETITION

| Product Category (TMT; million USD) | Major Supply Sources 2019 (in value) | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|--|--|---|--|
| Frozen Fish Imports:347 Value: \$844 | 1. Portugal - 12% 2. France – 6% 3. Seychelles – 4% | Other major suppliers offer high quality fish products at competitive prices. | Large competition from local producers. Domestic consumption and exports largely exceed local supply. |
| Almonds Imports:93 Value: \$542 | 1. USA - 87% 2. Australia - 3% 3. Germany - 2% | Limited competition from other countries. Spanish demand is high, and production is insufficient to satisfy demand. | Spain produces almonds, mostly used roasted as a snack. U.S. almonds are processed, both used domestically and exported. |
| Rice Imports:202 Value: \$128 | 1.Pakistan - 16% 2.Myanmar - 13% 3.Thailand - 13% | Strong competition from main world suppliers with very competitive prices. | Limited local supply. Consumers are looking for new varieties. |
| Pulses Imports: 385 Value: \$213 | 1. USA - 22% 2.Argentina – 19% 3. Mexico – 11% | Strong competition from Argentina, who largely increased their presence in recent years. | Spain is a traditional consumer of pulses and its local production is not sufficient to fulfill domestic demand. |
| Pistachios Imports: 14 Value: \$134 | 1. USA - 69% 2.Germany – 10% 3. Iran – 10% | Germany is the main entry point for U.S. and Iranian pistachios to the EU and re-exported to MSs. | Local pistachio production is growing, but still very limited. Demand continues to grow significantly. |
| Sweet Potatoes Imports: 9 Value: \$7.3 | 1. Netherlands-20% 2.United States – 16% 3. Honduras – 14% | The main origin of Dutch sweet potatoes is the U.S., then reexported to Spain. | Imports from the world and the U.S. has considerably increased in the last five years. Demand continues to be strong. |
| Sunflower Seeds Imports: 243 Value: \$140 | 1. France - 47% 2.China – 21% 3.USA – 14% | Growing competition from China, Argentina and Israel. | Traditional snack. Local production is insufficient to meet demand. |

SECTION VI. BEST PRODUCT PROSPECTS

Products Present in the Market with Good Sales Potential

Tree nuts, particularly almonds, walnuts and pistachios; Peanuts -- Pulses -- Rice -- Sunflower seeds -- Fish and Seafood (frozen) -- Sweet potatoes

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 and sauces -- Nuts, pecans and hazelnuts -- 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, find below a list of useful contacts:

Trade Associations: [FIAB](#)-Spanish Federation of Food and Beverage Industries; [CEHE](#)-Spanish Federation for HRI Sector; [ASEDAS](#)-Spanish Association for Distributors and Supermarkets; [ANGED](#) - National Association of Midsize and Large Distributors; [Marcas de Restauracion](#)-Spanish Restaurant Chain Association.

Government Agencies: [MSSSI](#)-Ministry of Health, Consumption and Social Welfare; [AECOSAN](#) - Spanish Consumption, Food Safety and Nutrition Agency; [MAPA](#) - Ministry of Agriculture, Fisheries and Food.

Attachments:

No Attachments