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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 welcomed 18.9 million foreign tourists in 2020, a 77.3 percent decrease. As vaccination advances and restrictions are progressively lifted, Spain's economy is projected to grow 6.2 percent in 2021 and 5.8 percent in 2022. As a result, Spain's GDP is expected to return to its pre-pandemic level by the end of 2022. Though still far from the pre-pandemic scenarios, the recovery seems to be aided by the increase in domestic tourism, since many Spanish travelers opted to stay in Spain. The hospitality sector now hopes that international tourism will steadily recover.

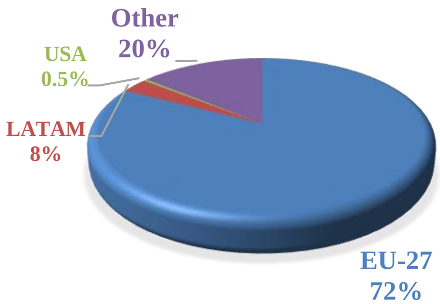
Executive Summary

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 2020, Spain's total imports of agricultural and related products reached $44.3 billion, down 4 percent compared to 2019. More than 50 percent of these imports originated from EU Member States.

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 facility must be approved for export to the EU.

Total Imports of Consumer-Oriented Products 2020



Food Processing Industry

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

Food Retail Industry

The competitive retail landscape remained highly fragmented in 2020, led by major grocery retailers. Within grocery store-based retailing, the market remains concentrated, with Mercadona retaining its leading position, followed by Carrefour. In 2021, changing consumption habits because of the pandemic continued to position e-commerce and pushed retailers to adjust prices. As internet retailing is expected to continue to grow, retailers continue to invest in e-commerce platforms.

Quick Facts CY2020

World Imports of Consumer-Oriented Products
$16.6 billion

List of Top 10 U.S. Growth Products

1) Pistachios	2) Whiskey, Bourbon
3) Gin	4) Chickpeas
5) Food Preparations	6) Surimi/Pollock
7) Hake	8) Frozen Fish Fillets
9) Sweet Potatoes	10) Cranberries

Food Processing Industry Facts 2020

Food Industry Output	$157 bn
Food Exports	$41 bn
Trade Surplus	$15 bn
No. of Employees	431,800
No. of Food Processors	30,573
% of total GDP	2%

Top Country Retailers	Sales 2020* ($ Million)
1) Mercadona	29,140
2) Grupo Carrefour	10,749
3) Lidl	5,726
4) Grupo Eroski	5,460
5) DIA	5,349
6) Alcampo, S A.	4,027
7) Consum, S. Coop	3,678
8) El Corte Ingles	3,303
9) Ahorramas	2,214
10) Bon Preu	1,928

GDP / Population 2020
Population: 47.3 million* (Provisional)
GDP: $13,08 trillion (-11%)
GDP Per capita: $26,500
Sources: FIAB, Alimarket, TDM, GATS, Eurostat

Strengths/Weaknesses/Opportunities/Challenges

SWOT ANALYSIS	
Strengths	**Weaknesses**
Diversified economic base	Highly vulnerable to pandemic-sensitive sectors (tourism)
Opportunities	**Threats**
Lower tariffs on high-end U.S. products (lobster); emphasis on health & sustainability	COVID-19's negative impact on the Hospitality Sector and the economy; rise of food nationalism

Data and Information Sources: Euromonitor, Eurostat, TDM LLC **Contact:** AgMadrid@fas.usda.gov

SECTION I. MARKET SUMMARY

Economic Trends

In their latest World Economic Outlook report for 2021 and 2022, the International Monetary Fund (IMF) forecasts a 6.2 percent growth for the Spanish economy in 2021. For 2022, the forecast is now 5.8 percent. These projections are in line with the European Commission's forecast. Even though the estimated growth for Spain in 2022 is significantly higher than other EU member states (such as Germany, France, or Italy), it is expected to take longer to return to pre-pandemic levels since Spain experienced the biggest setback in 2020, when output fell by a record 10.8 percent, the biggest decline since the Spanish Civil War.

Currently, almost 80 percent of the Spanish population has received at least one shot of the COVID-19 vaccine; 76.8 percent received two shots. As vaccination advances among the younger generations and restrictions are progressively lifted, economic activity is picking up. The projected economic growth will be supported by gradual increased demand, due greatly to the national recovery plan and the absorption of EU pandemic recovery funds, as well as a gradual recovery of tourism. According to the Bank of Spain, tourism will not recuperate to normal levels until 2022.

Despite the improvement in the epidemiological developments, the potential incidence of new variants and the vaccine situation in the world continue to bring a certain degree of uncertainty both to the short and medium-term economic outlook.

Table 1. Advantages and Challenges of the Spanish Food Retail Market

Advantages	Challenges
Spanish consumers are increasingly open to new products. The United States is among the favorite destination for Spanish travelers outside the EU, increasing the popularity and interest in U.S. food products.	High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies. Competitive disadvantage with direct competitors with signed Free Trade Agreements, such as Canada.
U.S. products have a good reputation with importers and retailers. U.S. suppliers are known for being serious business partners. Consistent quality and supply reliability are highly appreciated.	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 demand in retail channel for innovative and sustainable products and packaging. The U.S. is a market where importers look at when looking for novelties and new trends.	High transportation costs. In addition, small exporters face difficulties in shipping mixed/smaller container loads vs EU competitors or big exporters.
Good network of agents and importers to help get products into the market and consequently, into the retail chain.	Competition from EU countries, where tastes and traditional products may be better known.
Consumers are increasingly health conscious, demanding new products. U.S. suppliers are known for offering a wide variety for this type of products.	Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products. Despite interest, introducing new-to-market brands and products is not easy.
Distribution structure is modern and many companies cover both Spain and Portugal.	The economic environment post-pandemic; adjustments to the overall economy, tourism, and consumer habits

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

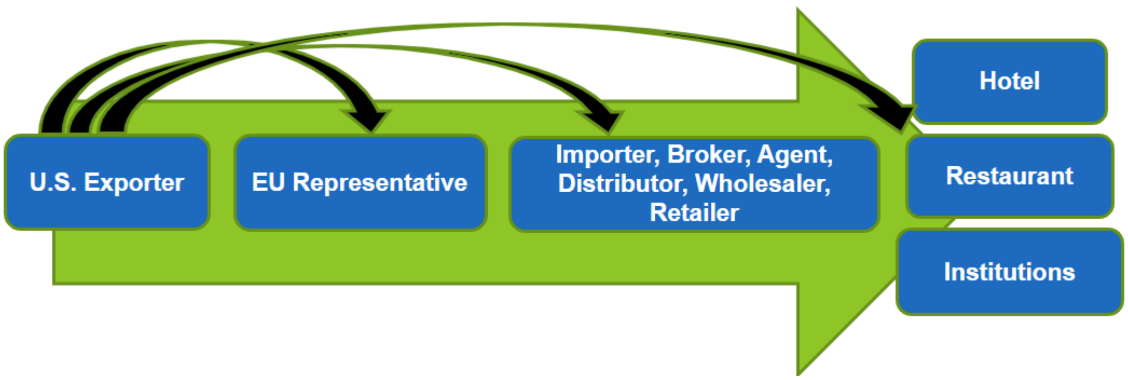
The COVID-19 crisis has had a tremendous impact on trade shows, forcing organizers to cancel or postpone in-person events, organizing them virtually. In 2021, the situation is slowly improving, and trade shows are starting to happen again in-person. Trade shows offer excellent opportunities for U.S. exporters to make contact with potential clients or business partners from Spain, other EU countries, and other continents.

The most important trade shows related to the HRI sector are:

[HIP – Hospitality Innovation Planet HRI Professional Expo] Madrid, March 7-9, 2022

[Hostelco] Barcelona, April 4-7, 2022

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 – 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-Sector Profiles

Hotels

Spain welcomed 18.9 million foreign tourists in 2020, down from the record of 83.5 million in 2019. This was a decrease of 77.3 percent in the number of foreign tourists visiting the country in 2020 because of the coronavirus pandemic, according to data published by the Spanish Statistical Office (INE).

This was the first time the number of foreign visitors has fallen below the 20 million since 1969, when Spain was just starting to promote as a tourist destination.

Similarly, the figures for overnight stays and international tourist arrivals showed similar or even greater decreases. Overnight stays fell from 234 million in 2019 to 56 million in 2020. Although foreign tourism to Spain begun to rebound in 2021 after plummeting 80 percent in 2020, arrivals remain at a fraction of 2019 level. Though still far from the pre-pandemic scenarios, the recovery seems to be aided by the increase in domestic tourism, since Spanish travelers opted to travel within Spain. Now, the hospitality sector hopes that international tourism will slowly recover and foreign tourists come back to visit Spain.

Spain – Main Hotel Chains – 2020

Company	Total Sales ($ Million)*
Barcelo Gestión Hotelera, S.L.	$757
NH Hotel Group, S.A.	$628
Melia Hotels International, S.A.	$619
Iberostar Management, S.A.	$469
RIU Hotels & Resorts-RIUSA II, S.A.	$450

Source: Alimarket; * Estimate

Restaurants

According to Euromonitor, restaurants felt a considerable negative impact from COVID-19 and the subsequent measures introduced to contain the spread of the disease, including a two-month lockdown in the spring of 2020 and a partial lockdown in the autumn. It is estimated that in 2020, about 85,000 bars and restaurants closed. Even when open, restaurants had to operate at significantly reduced capacities to maintain social distancing, as well as limiting the number of customers per table. With group sizes limited to six people, many Christmas parties and personal celebrations were cancelled during the year, further undermining sales. Moreover, many restaurants suffered from the lack of adjacent open-air spaces, as many consumers preferred to sit outside because of the reduced risk of transmission.

On a positive note, the continued growth in food delivery services offered some restaurants a silver lining. Even before the COVID-19 pandemic, it was becoming increasingly important for operators to have a digital presence, but the unexpected health crisis accelerated this prominent trend towards digitalization in full-service restaurants. Many restaurants introduced digital menus accessible via apps or a QR code, while some restaurants went further with apps designed to facilitate ordering and provide contactless payment opportunities, as well as allowing consumers to consult menus. The range of food options is broadening and not only the typical fast food is ordered. The delivery method spread among restaurants of more premium segments, reaching a more heterogeneous type of customers.

The restaurants category was already moving in this direction, which provided a significant platform for adaptation during the pandemic. Changing consumer habits, the penetration of social networks into consumers' lifestyles, and new technologies were already providing opportunities to expand potential consumption opportunities to reach a larger potential client base before the outbreak of COVID-19. The increase in online ordering and home delivery services is expected to continue in the medium term, with delivery accounting for a growing proportion of the restaurant sales.

Spain – Leading Food Chains – 2020

Company	Total Sales ($ Million)*
Restaurant Brands Iberia, S.L.	$593
Alsea Iberia-Food Service Project, S.L.	$500
Food Delivery Brands Group, S.A.	$416
McDonald's España	$328
Areas, S.A. - Grupo	$250

Source: Alimarket; * Estimate

Institutional

Larger companies dominate 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.

According to recent data published by Informa DBK Sectorial Observatory, the institutional catering sector closed 2020 with a drop in sales of 32.5 percent, reaching $2.9 billion due to the strong impact caused by the measures implemented during the coronavirus health crisis. The gathering limitations affected professional and private events, the mobility limitations caused an intense deterioration in passenger air traffic, and school closures and online classes, as well as telework, contributed to the steep decrease in annual turnover. The report indicates that for the whole of 2021, a partial recovery in the demand for catering is expected in all activity segments, although the business will still be well below the figures reached in 2019.

Spain – Leading Institutional Food Sector Companies – 2020

Company	Total Sales ($ Million)*
Serunión, S.A.	$445
Eurest Colectividades, S.L.	$340
Sodexo Iberia– Division de Restauracion	$234
Auzo Lagun, S.C.	$223
Aramark Servicios de Catering, S.L.	$204

Source: Alimarket; * Estimate

SECTION III. COMPETITION

Spain's main trading partner is the EU-27. The lack of trade tariffs, trade barriers, and other restrictions often make European goods more attractive and competitive, particularly to price sensitive goods.

Product Category (USD million)	Major Supply Sources in 2020 (in value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Fish Value:$798	1.Netherlands-9% 2.Portugal-8% 3.S. Africa–7%	Other major suppliers offer high quality fish products at competitive prices.	Significant competition from local producers. Domestic consumption and exports largely exceed local supply.
Almonds Value:$547	1.USA-91% 2.Australia-3% 3.Portugal-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 or exported.
Pulses Value:$227	1.Argentina-23% 2.USA-21% 3.Canada-10%	Strong competition from Argentina which increased its presence in recent years, and Canada, a traditional supplier.	Spain is a traditional consumer of pulses. Local production is not sufficient to fulfill internal demand.
Pistachios Value: $135	1.USA-79% 2.Iran-8% 3.Germany-7%	Germany is the main entry point for U.S. and Iranian pistachios to the EU which are re-exported to other Member States.	Local pistachio production is growing, but still very limited. Demand continues to grow significantly.
Sunflower Seeds Value: $164	1.China-34% 2.France-32% 3.Argentina-11%	Growing competition from China, Argentina, and Israel for confectionery.	Traditional snack. Local production is insufficient to meet demand.
Sweet Potatoes Value: $12	1.USA-57% 2.Netherlands-21% 3.Portugal–20%	The main origin of Dutch sweet potatoes is the United States, many of which are re-exported to other countries like Spain.	Imports from the world and the U.S. have increased considerably in the last five years. Demand and consumption continue to be strong.
Condiments & Sauces Value: $223	1.Netherlands-17% 2.Italy-16% 3.Germany-15%	Main competitors are other EU countries.	The U.K. is facing export challenges due to Brexit that could benefit U.S. suppliers

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 3. Agricultural and Food Import Statistics

AGRICULTURAL PRODUCTS IMPORTS ($ Million)	2017	2018	2019	2020	2021*
Total Agricultural and Related Products	**41,993**	**45,223**	**43,927**	**42,433**	**43,000**
Total U.S. Agricultural and Related Products	1,643	2,188	1,859	1,669	1,700
Total Agricultural Related Products	**11,006**	**12,567**	**12,058**	**10,584**	**11,000**
Total U.S. Agricultural Related Products	343	320	248	236	240
Total Consumer-Oriented Products	**15,603**	**16,788**	**16,753**	**16,564**	**16,800**
Total U.S. Consumer-Oriented Products	648	714	744	761	770
Total Fish Products	**7,922**	**8,465**	**7,951**	**7,177**	**7,200**
Total U.S. Fish Products	103	101	94	86	90

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) -- Peanuts -- Pulses -- Sunflower seeds -- Fish and Seafood (frozen) -- Surimi -- Spirits

Products Not Present in Significant Quantities with Good Sales Potential
Functional and innovative health food -- Free-from products (lactose-free, gluten-free) -- Specialty and snack foods -- Nuts e.g., pecans, hazelnuts; Sweet potatoes -- Pet foods

Products Not Present Because They Face Significant Barriers
Red meat and meat preparations (hormone ban) -- Poultry (sanitary procedures – pathogen reduction treatments) -- Processed food (with GMO ingredients)

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions, please contact the OAA in Madrid. The FAS website also offers recent reports of interest to U.S. exporters interested in the Spanish market. Additionally, useful contacts include:

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

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at the FAS website.

Attachments:

No Attachments