

Required Report: Required - Public Distribution

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Report Name: Retail Foods

Country: Spain

Post: Madrid

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Report Highlights:

After an exceptional year in sales in 2020, mainly due to demand from local supermarkets and the online channels, the Spanish retail sector expects to return to normality as domestic consumption recovers in 2021. The challenge will be to maintain the increased market share taken from the hospitality industry and adapt to the accelerated transformation of consumer habits, responding to a more price conscious consumer, who prefers local, healthy, and sustainable products (and who is more digital savvy and less loyal). In general terms, for retailers like Mercadona, DIA, Eroski, and Alcampo, 2020 was a year of maximizing profitability, while Lidl, Aldi, Consum, Condis, and Carrefour continued their expansion plans.

Market Fact Sheet: Spain

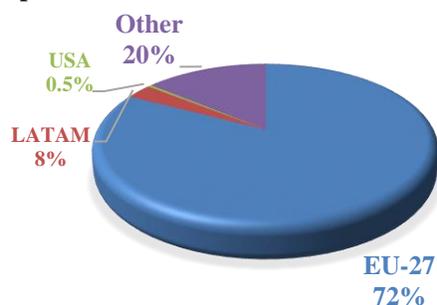
Executive Summary

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 European Union 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 continued 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, as a result of the pandemic, continued to advance 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) Pistachio | 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) EGrupo 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

Market Fact Sheet: Spain

Data and Information Sources: Euromonitor, Eurostat, Trade Data Monitor LLC

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SECTION I. MARKET SUMMARY

In 2020, because of confinement measures and movement restrictions in response to the coronavirus (COVID-19) pandemic, Spanish consumers spent \$3.7 billion more at the supermarket than in 2019, according to recent data published by Nielsen. The closure and gathering restrictions in bars and restaurants transferred more spending on food and beverages to the home. As a result, total expenditures on food and beverages grew 6.4 percent in 2020, to roughly \$115 billion -- a notable increase for a traditionally stable sector.

Mercadona continues to be the dominant retailer in Spain, accounting for 24.5 percent of total sales, far outperforming others. Despite this, it lost ground to its competitors in 2020, for the first time in twenty years, and realized the largest loss in market share among all of the major chains (losing 1.1 percent of the market). Carrefour remained the second largest player, accounting for 8.4 percent of the market, but down 0.3 percent from 2019. Despite recovering buyers, Carrefour was impacted by the poor performance of its hypermarket channel as consumers faced significant mobility limitations.

Spanish retailers with an aggressive price strategy are winning ground, particularly Lidl, who began 2020 as the third largest retailer, holding 6.1 percent of the market, up 0.5 percent from the previous year. As a result, retailer DIA fell to the 4th position, with 5.8 percent of the market, losing 0.6 percent from 2019.



Source: Kantar

*Note: Regional chains do not include Eroski/El Arbol

DIA, which benefited greatly during the first wave of the pandemic thanks to its wide network of proximity stores, plans to regain ground, although it may take some years. The company has the highest number of stores - exceeding 3,000 - but has continued to close physical establishments. As part of its strategy, it reinforced its e-commerce efforts during the pandemic.

With government-mandated movement restrictions for much of the year, regional supermarket chains were well-positioned and multiplied their sales, reinforcing their market share in a sector that is typically dominated by large operators. Regional chains increased their market share by 0.5 percent in 2020, to account for 14.2 percent. The increased role of regional chains in the Spanish market because of the pandemic was a unique phenomenon in the European region.

In addition, according to Kantar, traditional markets and specialized traders (e.g., fruit, fish and meat) retained 19 percent of the market and halted their progressive market share decline of the last five years. Furthermore, two new players entered the market: Mere and Amazon Fresh. The Russian and U.S. giants landed in Spain with two very different models. Mere does not have shelves, counters or clerks. Everything is sold from pallets or boxes in a format known as 'no-frills,' which focuses on austerity, discounts, and bargains. On the other hand, Amazon Fresh's strong points are know-how and network, offering luxury, speed, and convenience as world leaders in home delivery -- a sector clearly expanding in Spain.

Spanish consumers adapted to the changing COVID-related restrictions throughout the year (resulting in significant fluctuations in retail market share in 2020). For example, 2020 reinforced the market position of limited-assortment formats (i.e., stores that are generally smaller than average-sized supermarkets and offer a limited number of products) – known as ‘short assorted’ stores. These 'short assorted' stores, accounted for 37.6 percent of the market in pre-COVID times. However, as a result of COVID-related confinement measures instituted in 2020, Spanish consumers increasingly valued proximity, and the market share of regional supermarkets rose to 26.2 percent (with ecommerce sales rising to account for 3.1 percent of the market). During the first de-escalation of COVID-related restrictions (i.e., from May to July 2020), traditional markets and the specialized channels recovered to account for 20.1 percent of the market. During the 2020 Christmas season, however, hypermarkets and cash-and-carry stores showed the best performance, reaching 15.4 percent of the market during the holiday season.

Spain's third wave of the pandemic broke out after the Christmas holiday, making January and February 2021 the worst months for the pandemic in the country. This situation once again intensified restrictions on consumer consumption away from home.

Thus, at least for the first half of 2021, the growth trend in retail is expected to continue building on the trend which began in late 2020. The frequent changes in restrictions and the uncertainty of the pandemic's evolution, the consecutive waves, and delays in vaccination will demand retailers and manufacturers increase their efforts to continually adapt to these changes in consumer behavior.

At this moment, the winning formulas are those that not only appeal to physical proximity and price, but also create a bond with the consumer. This balance between good prices and consumer fidelity is expected to mark the strategies and successes for retailers in 2021.

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	The economic environment post-pandemic; adjustments to the overall economy, tourism and consumer habits.

products.	
U.S. products have a good reputation with importers and retailers. U.S. suppliers are known for being serious business partners. The quality, consistency, and the 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.	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.

SECTION II. ROAD MAP FOR MARKET ENTRY

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

Spain's sales channels range from traditional distribution methods – wholesalers that sell to small retail shops that, in turn, sell to the public -- to large multinational supermarkets and retail stores. However, personal relationships are still important, especially within smaller organizations. While the pandemic increased the level of tolerance for virtual meetings and discussions, culturally, there is still no substitute for face-to-face meetings with business representatives in order to enter the market. The decision-making process within a company may differ 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 company will likely expect the U.S. firm to translate commercial brochures, technical specifications, and other relevant materials into Spanish. Decision makers at Spanish firms may speak English, but paperwork is normally completed in Spanish.

Most agents, distributors, foreign subsidiaries, and government-controlled entities that make up the economic power block of the country operate in two hubs: Madrid and Barcelona. Companies 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:

- Market research to assess product opportunities;
- Advanced calculations of the cost of introducing the product in the Spanish market, in order to prove its competitiveness in the local market;
- Identify an experienced distributor or independent reliable agent to advise on adequate distribution channels, import duties, sanitary regulations and labeling requirements; and,
- Explore the purchasing arrangements of the larger retail channels.

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](#). Also, 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 to 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 United States have the following agreements and arrangement in place:

- [US-EU Organic Equivalency Arrangement;](#)
- [US-EU Wine Agreement; and the](#)
- [Veterinary Equivalency Agreement.](#)

The local importer has primary responsibility with the Spanish Government for imported food products once they enter Spanish territory. Therefore, the Spanish agent/importer should guide the U.S. exporter through the entire process of marketing a 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/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; and,
- Import Certificate.

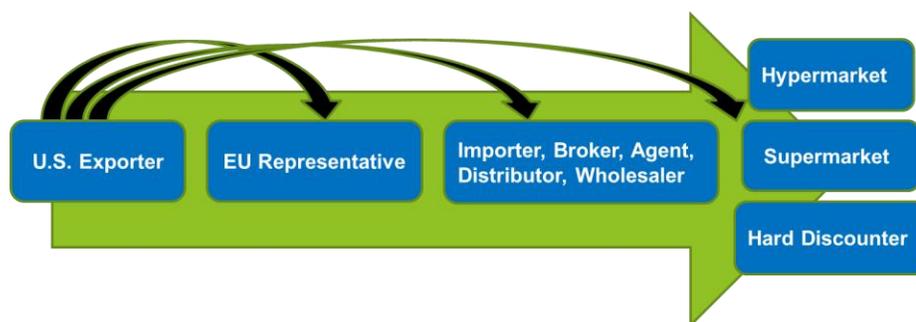
The Standard U.S. label does not comply with the EU’s labeling requirements. For additional information, visit the [EU labeling requirements](#) section of the [USEU Mission](#) webpage.

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.

Trade Shows

Trade shows in Spain offer excellent opportunities for U.S. exporters to make contact with potential clients, both domestic and international. The most important trade show related to the food processing sector is [Alimentaria](#), the International Food and Beverages Exhibition that will take place in Barcelona on April 4-7, 2022. Other specialized shows include [Salon de Gourmets](#), that will take place in Madrid on October 18-21, 2021.

Market Structure:



For more information on the Spanish Retail Food Sector, please consult the retail sector reports for Spain at [FAS GAIN Home](#).

Spain’s Top Retailers

Retail Organization	Ownership	Sales 2020 (\$ Million)
MERCADONA	Spanish	29,140
GRUPO CARREFOUR	French	10,749
LIDL SUPERMERCADOS	German	5,726
GRUPO EROSKI	Spanish	5,460
DIA RETAIL ESPANA, S.A.	French	5,349
ALCAMPO, S.A.	French	4,027
CONSUM, S. COOP.	Spanish	3,678
EL CORTE INGLES ALIMENTACION	Spanish	3,303
AHORRAMAS	Spanish	2,214
BON PREU, S.A.	Spanish	1,928

Source: Alimarket

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 and its 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 MSs.	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, please visit [Foreign Agricultural Service](#).

Attachments:

No Attachments