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Food Service - Hotel Restaurant Institutional

2017

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Report Highlights:
Spain continues to break tourist records with the number of tourists visiting the country. From January through August, 57.3 million tourists arrived in Spain, 10 percent higher than previous year. Also, the Spanish economy is expected to grow at a moderate pace, continuing the post-crisis expansion, which is taking Spanish consumers back to bars and restaurants. These facts boost demand for meals in the HRI sector and thus, the Hotel, Restaurant and Institutional (HRI) sector in Spain offers excellent opportunities for U.S. food-ingredient and food-product exporters.

Executive Summary:

I. MARKET SUMMARY

Economic Trends

ECONOMIC TRENDS	2013	2014	2015	2016	2017*
Real GDP Growth Rate	-1.7	1.4	3.2	3.3	2.9
Inflation (%)	1.5	-0.2	-0.6	-0.3	2.0
Unemployment (%)	26.1	24.5	22.1	19.6	17.1
GDP per Capita (USD)	29,200	29,600	25,600	26,500	26,600

Source: Eurostat and World Bank
(*) Forecast

The Spanish economy is expected to continue to expand at a slightly slower pace in 2017. The progress in alleviating the unemployment situation, the growth in exports and the improvement in private consumption and supporting the economy is leading the way out of the recession. The country seems to continue on the right path out of the economic crisis that severely affected its financial system and consumer income and behavior.

Spain's GDP grew 3.3 percent in 2016 and it is estimated to grow 3.1 percent in 2017. Thus, Spain's post-crisis recovery consolidates and continues at a slower pace. The growth in exports and another record year in tourism provide solid and necessary support to the overall economy. Unemployment numbers, though still among the highest in the EU, continue to shrink. This has a positive impact on the recovery of consumer spending. In general, experts anticipate that the economy is likely to perform solidly in the medium term.

Spain continues to break tourism records with the number of tourists visiting the country. This breaks Spain's own record, as it has happened every year for the last four years, as economic and security concerns occur in other competitor Mediterranean destinations. The Spanish National Statistics Institute indicated that 57.3 million tourists arrived in Spain from January through August, up10 percent compared to the same period in 2016. In July alone Spain received 10.5 million tourists, absolute record of visitors in a single month.

These impressive numbers are boosting demand for meals in the HRI sector. Tourism is one of the sectors bringing optimism to the Spanish economy and supporting the recovery. Tourism accounts for 16 percent of the Spanish economy.

Synopsis of the HRI sector:

- Spain is one of the top tourism destinations in Europe with the number of tourists increasing every year, boosting demand for meals in the HRI sector.
- In Spain, the HRI sector accounts for about one third of all food consumed.
- Restaurant chains, including ethnic and fast food, are gaining market share and are expected to continue growing.

Some key factors of Spanish changing demography and consumer habits affecting the HRI sector:

- Smaller households – The number of households without children is increasing. The average family has one or two children per household. Also, single person households are increasing.
- Increasing number of women in the workforce – The percentage of women in the workforce is bolstering the demand for more ready-to-eat foods, as well as eating-out frequency.
- Change in eating patterns and consumer habits are changing consumers' lifestyles – The increased presence and success of ethnic foods from all over the world has been particularly popular among the younger population.
- Aging population – The increasing percentage of the Spanish population over 65 years old, increases the demand for senior citizens centers and/or facilities.

In Spain, the HRI sector currently accounts for 32.3 percent of all food consumed. Total food expenditure outside home in 2016 reached $37.6 billion.

Spain Total Food Expenditure - 2016

Total Food Expenditure 2016 $117 billion (100%)	**Food Expenditure at Home** $79 Billion (67.7%)	
	Food Expenditure Outside Home $38 Billion (32.3%)	

Source: MAPAMA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS

Advantages	**Challenges**
Tourism is a strong and ever-growing sector that stokes HRI sales, as well as demand for	Food imported from third countries, including the U.S., must comply with EU food law, which

international foods.	varies considerably from U.S. regulation and practice.
Spain’s food industry relies on imported ingredients, many from the U.S.	Lack of consumer awareness of U.S. brands and varieties of U.S. products.
Good image and reputation of U.S. products.	Competition from neighboring EU countries, where tastes and traditional products may be well known.
Good network of agents and importers to help get product into the market.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads versus EU competitors.
Consumers are increasingly health conscious, demanding on trend products not present in the market.	EU labeling, traceability, and packaging laws.
Distribution structure is modern and many companies cover both Spain and Portugal.	High import tariffs and import regulations impose a price disadvantage on non-EU based companies.
Food products in the market are becoming more diversified. Consumers are becoming more open, creating opportunities for new and foreign products.	High marketing costs (advertising, discounts, etc.) are necessary.

II. ROAD MAP FOR MARKET ENTRY

A. 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.

Furthermore, a directory of European importers (many of them HRI suppliers) is available online at: American Foods in Europe Directory. European importers of U.S. products are listed by product category and company/country index.

Customs are involved in the implementation and enforcement of Community 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 EU sanitary and phytosanitary requirements to protect human and animal health and as part of the custom union, Spain implements EU rules and regulations. However, there are subtleties that you should learn about if you are thinking of exporting to Spain. For more information, we invite potential U.S. exporters to contact us for additional, unpublished sector-specific information. Generally speaking, U.S. exporters already exporting to other EU 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. Around 20 percent of the Spanish food production is sold to export markets, 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 logistics infrastructure. However, their customers will vary from wholesalers to buying groups and retailers. Companies producing for the export market may have their own marketing office overseas, local agents or may work with local importers.

U.S. exporters now face even greater challenges, because of the new EC labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled for consumer information. 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
- 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. Also, if you are exporting animal products, your production plant has to be approved to export into the EU.

- Import Certificate

Most food products require an Import Certificate issued by the competent Spanish authority. However, the Import Certificate is obtained by the Spanish importer and/or the agent involved in the business and is intended for tariff classification purposes.

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 in Spain 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:

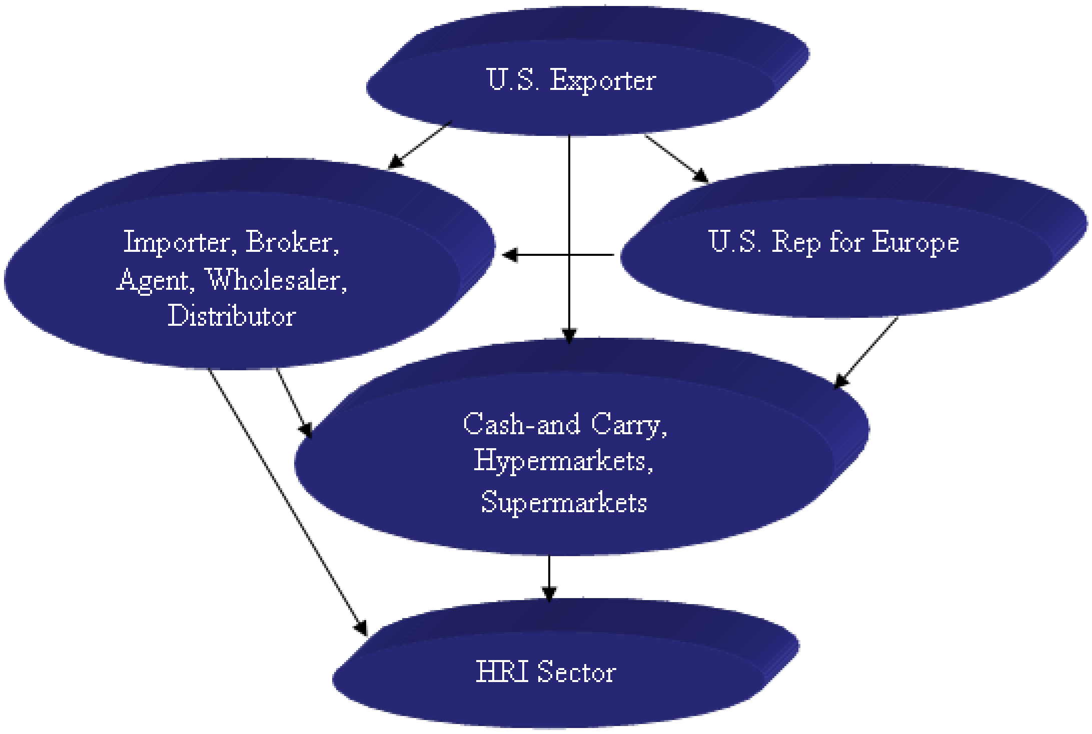
HIP – Hospitality Innovation Planet HRI Professional Expo

Dates: February 19-21, 2018
Place: IFEMA, Madrid
Frequency: Annual

Hostelco

Dates: April 16-19, 2018
Place: Fira Barcelona, Barcelona
Frequency: Bi-Annual

B. Market Structure



The HRI sector's 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--Most perishable products are purchased 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.

C. Sub-Sector Profiles

1. Hotels

As previously mentioned, Spain continues to break tourism records with the number of tourists visiting the country. Spain received 57.3 million tourists from January through August 2017, boosting demand for meals in the HRI sector. The tourism infrastructure is well developed throughout the country since this sector proved to be crucial for the economy.

Domestic tourism is growing gradually as macroeconomic numbers improve, but it is also fair to say that Spain is benefiting from the uncertain political situation of some traditional competitors, such as other Mediterranean countries. Recent factors that may affect tourism in the short and medium term are the still unknown consequences of the departure of the United Kingdom from the European Union (Brexit) and the appreciation of the Euro, making the country more expensive.

The Hotel Sector in Spain -- 2016

	Spain
Total Number of Hotel Units	14,759
Total Number of Beds	1,4363,893
Nights Spent (Million)	331

Source: INE

Spain – Main Tourist Areas
2016 Total Number of Nights Spent – 331 Million

Tourist Areas	**No. Nights Spent**	
	Nationals	**Foreigners**
Isla de Mallorca	2,694,835	42,321,868
Isla de Tenerife	3,405,790	21,694,895
Barcelona	3,247,322	17,263,704
Costa del Sol	5,115,433	13,800,524
Isla de Gran Canaria	2,130,450	16,561,057
Palma-Calvià	1,480,020	16,253,403
Costa Blanca	8,448,987	8,932,305
Fuerteventura	860,671	12,819,094
Costa Brava	3,690,858	8,115,216
Isla de Lanzarote	1,181,807	9,493,636

Source: INE

Spain – Main Hotel Chains – 2016

Company Name	Total Sales ($ Million)*	Purchasing Agent
Melia Hotels International, S.A.	3,557	Distributors, Cash-and-Carry, Importers, Wholesalers
RIU Hotels & Resorts-RIUSA II, S.A.	2,191	Distributors, Cash-and-Carry, Importers, Wholesalers
NH Hotel Group, S.A.	1,897	Distributors, Cash-and-Carry, Importers, Wholesalers
Barcelo Gestión Hotelera, S.L.	1,779	Distributors, Cash-and-Carry, Importers, Wholesalers
Iberostar Management, S.A.	1,449	Distributors, Cash-and-Carry, Importers, Wholesalers
Eurostars Hotel Company	711	Distributors, Cash-and-Carry, Importers, Wholesalers
Palladium Hotel Group - Fiesta Hotels & Resorts, S.L.	593	Distributors, Cash-and-Carry, Importers, Wholesalers
Marriot (España)	557	Distributors, Cash-and-Carry, Importers, Wholesalers
Corporación H10 Hotels, S.L.	522	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Piñero – División Hostelera	474	Distributors, Cash-and-Carry, Importers, Wholesalers

*****Estimated

2. Restaurants

The food service sector in Spain expanded significantly in previous decades as noted previously. Independent restaurants still dominate the market, accounting for more than 90 percent of consumer foodservice value sales. Both chain and independent grow on sales, but outlet chains saw stronger growth. Changes in eating habits and lifestyles have accelerated the increase of chain restaurants, including but not limited to fast-food and ethnic restaurants. Consumers are looking for healthier and higher quality options in fast food, which is bringing new players to the market.

Under the specialty food sector, specialist coffee shops have the best results, led by international chains. Young professionals and students like a modern and cozy atmosphere accompanied by free Wi-Fi. Bakery cafés are also a new trend and a strong competition for traditional cafeterias.

The record numbers in the tourism industry in 2016 and 2017 was one of the key drivers supporting the recovery of consumer foodservice. As Spain's GDP is expected to maintain positive growth rates, while the unemployment rate continues shrinking, consumer foodservice performance is expected to remain positive crisis.

Sales in Consumer Foodservice by Eat-in/Home Delivery/Takeaway/Drive-Through: % Foodservice Value 2016

% value analysis	Eat in	Home Delivery	Takeaway	Drive- Through	Total
100% Home Delivery/Takeaway	0	34.3	65.7	-	100
Cafés/Bars	88	3.2	8.8	0	100
Full-Service Restaurants	84.3	1.8	13.9	-	100
Fast Food	73.4	2.2	23.3	1.1	100
Self-Service Cafeterias	97.3	-	2.8	-	100
Street Stalls/Kiosks	-	-	100	-	100
Consumer Foodservice by Type	84.4	3.1	12.4	0.1	100

Source: Euromonitor

<u>Full-Service Restaurants</u>

According to Euromonitor:

- The number of outlets reach 71,501 in 2015, a 1 percent increase
- Full-service restaurants increase by 2 percent in current values to $29.2 billion in 2016, while transactions reach to 1.63 billion, a 2 percent increase.
- North American style full-service restaurants are the most important trend in full-service restaurants in 2016, both independent and chained.
- No major changes in the competitive landscape, still dominated by independent players. Independent operators account for 98 percent of the market share in terms of outlets and 96 percent in terms of sales in full-service restaurants.
- Chained Asian restaurants also performed well in Spain, driven by both Chinese and Japanese.
- Increasing popularity of websites and apps for online ordering and delivery is gaining

ground among full-service restaurants.

Fast Food Restaurants

Some relevant numbers on this sub-sector, as stated by Euromonitor:

- Fast food continues to be a popular choice among Spanish consumers. Fast food grows by 7 percent in current values, reaching $4.7 billion. The number of outlets increased 5 percent in outlets, reaching 7,162 outlets.
- The largest players continue to be McDonald's and Burger King.
- Bakery products fast food expanded quickly in 2016 and grew 8 percent in value and reached 2,023 outlets in 2016.

Spain – Leading Food Chains – 2016

Company Name	Total Sales ($ Million)*	Purchasing Agent
McDonald's España	1,162	Importers, Distributors, Wholesalers
Burger King General Service Company, S.L.	700	Importers, Distributors, Wholesalers
Telepizza – FoodCo Pastries, S.L.	583	Importers, Distributors, Wholesalers
Areas, S.A.	522	Importers, Distributors, Wholesalers
Grupo Zena – Food Service Project, S.L.	466	Importers, Distributors, Wholesalers
Grupo VIPS-Sigla, S.A.	400	Importers, Distributors, Wholesalers
Casual Beer & Food, S.A.	347	Importers, Distributors, Wholesalers
Restalia Grupo de Eurorestauracion, S.L.	308	Importers, Distributors, Wholesalers
The Eat Out Group, S.L.	296	Importers, Distributors, Wholesalers
Restauravia Grupo Empresarial , S.L. - Grupo	273	Importers, Distributors, Wholesalers

* Estimated

3. Institutional

The institutional food service in Spain is dominated by the big companies, where the top five companies are responsible for more than 40 percent of total sales. In addition there are hundreds of local small companies providing catering and events services, but are difficult to account for in term of units and sales. In general terms, Spanish total sales of the institutional food sector are estimated at $3.8 billion, employing 80,000 people all over the country. Large institutional food service companies are price sensitive, importing directly, and/or buying products, particularly fresh produce, from local suppliers.

Spain – Leading Institutional Food Sector Companies – 2016

Company	**Total Sales ($ Million)**	**Purchasing Agent**
Serunión, S.A.	518	Direct, Importer, Wholesaler
Eurest Colectividades, S.L.	405	Direct, Importer, Wholesaler
Sodexo España, S.A.	260	Direct, Importer, Wholesaler
Auzo Lagun, S.C.	231	Direct, Importer, Wholesaler
Aramark Servicios de Catering, S.L.	187	Direct, Importer, Wholesaler
Mediterránea de Catering, S.L.	167	Direct, Importer, Wholesaler
Gate Gourmet Spain, S.L.	94	Direct, Importer, Wholesaler
ISS Soluciones de Catering, S.L.	74	Direct, Importer, Wholesaler
Clece, S.A. – División Restauración	56	Direct, Importer, Wholesaler
Serhs Food Area, S.L.	53	Direct, Importer, Wholesaler

* Estimated

III. COMPETITION

Competitive Situation Facing U.S. Suppliers from Domestically Produces Goods and Imported Goods			
Product Category (thousand metric tons; million USD)	**Major Supply Sources in 2016 (in value)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Frozen Fish *Imports: 354* *Value:$817*	1. Portugal - 10% 2. France – 10% 3. Netherlands – 9% 21. USA - 2%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers. Spanish domestic consumption and exports largely surpass local supply.
Almonds *Imports:101* *Value:$675*	1. USA - 85% 2. Australia - 8% 3. Germany - 1%	Competition from other supplying countries is limited, as Spanish demand for almonds is very high and production in other EU countries is not enough to satisfy demand.	Spain produces almonds, mostly used roasted as a snack, due to its organoleptic properties. U.S. almonds are processed, both to be used by the domestic industry or re-exported.
Walnuts *Imports:27* *Value:$132*	1. USA - 87% 2. France - 13% 3. Chile - 13%	France is a traditional supplier of walnuts. Chile is increasing its presence in the Spanish market.	Spain has a significant production of high quality walnuts.
Pistachios *Imports:9* *Value:$88*	1. Iran - 34% 2. Germany - 30% 3. USA - 23%	Germany is the main entry point for U.S. and Iranian pistachios to the EU. Pistachios are then re-exported to other member states.	Pistachio production in Spain is very limited and demand keeps growing.
Sunflower seeds *Imports:135* *Value:$99*	1. France - 37% 2. USA - 27% 3. China - 16%	Growing competition from China, Argentina and Israel for confectionary.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.
Pulses Imports:189	1. USA –	Strong competition from Argentina, who largely increased	Spain is a traditional consumer of pulses and its local production is

Value:$180	27% 2. Argentina - 20% 3. Mexico – 15%	their presence in recent years, and Canada, a traditional supplier to Spain.	not sufficient to fulfill internal demand.

Source: www.gtis.com

IV.BEST PRODUCTS PROSPECTS

Products Present In The Market That Have Good Sales Potential

- Tree nuts, particularly almonds, walnuts and pistachios
- Peanuts
- Pulses
- Rice
- Sunflower seeds
- Fish and Seafood, fresh and frozen
- Beverages (wine and beer) and distilled spirits

Products Not Present In Significant Quantities But Which Have Good Sales Potential

- Functional and innovative health food
- Free-from products (lactose-free, gluten-free)
- Food ingredients
- High value beef meat (only Non-Hormone Treated Cattle)
- Specialty foods, snack foods and sauces
- Condiments and Sauces
- 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)

V. POST CONTACT 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 at the following address:

Foreign Agricultural Service
American Embassy, Madrid C/Serrano, 75
28006 Madrid Spain
Tel.: +34-91 587 2555
Fax: +34-91 587 2556
Email: AgMadrid@fas.usda.gov
Web: https://es.usembassy.gov/business/

Please email the Office of Agricultural Affairs in Madrid for more information. Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S. ingredients. Recent reports of interest to U.S. exporters interested in the Spanish market can be accessed through the FAS website.

Additionally, a list of trade associations and useful government agencies is provided below:

Trade Associations

FIAB- Federación de Industrias de Alimentación y Bebidas
(Spanish Federation of Food and Beverage Industries)
http://www.fiab.es
fiab@fiab.es

FEHR – Federación Española de Hostelería (Spanish Federation for HRI Sector) http://www.fehr.es
fehr@fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)
http://asedas.chil.org
direc.general@asedas.org

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución
(National Association of Midsize and Large Distributors)
http://www.anged.es
anged@anged.es

Asociación de Cadenas de Restauración Moderna
(Spanish Restaurant Chain Association)
http://marcasderestauracion.es
info@marcasderestauracion.es

Government Agencies

Subdirección General de Sanidad Exterior Ministerio de Sanidad, Servicios Sociales e Igualdad
(Ministry of Health, Social Services and Equality)
(Responsible for: Imported Foodstuffs, Contaminants and Compound Residues, Health Certification, Port Inspection and EU Alerts)
http://www.msssi.gob.es/profesionales/saludPublica/sanidadExterior/home.htm
saniext@msssi.es

Agencia Española de Consumo, Seguridad Alimentaria y Nutrición (AECOSAN)

(Spanish Consumption, Food Safety and Nutrition Agency)
http://www.aecosan.msssi.gob.es
http://www.aecosan.msssi.gob.es/SIAC-WEB/contacto.do?reqCode=newSearch

Dirección General de Industria Alimentaria
Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente
(Ministry of Agriculture and Fisheries, Food and Environment)
http://www.mapama.gob.es
informac@mapama.es

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