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Spanish Consumers Grow Interest in Free From Functional Foods

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Product Brief

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Report Highlights:

The increased incidence of dietary intolerances, allergies, related conditions, and new eating habits (vegetarian, vegan, flexitarians) are increasing the sales opportunities for free from functional products in Spain. Free from retail sales in Spain reached \$1.2 billion in 2018, 12 percent higher than previous year. Industry observers qualify this new consumer preference as more than a trend and here to stay as more and more consumers want to eat and live healthier.

General Overview

The free from movement originated as a response to consumers with food intolerances, allergies and related conditions. The higher incidence of these intolerances pushed consumers to remove certain allergens from their diets, such as gluten or lactose. Free from products started off as a niche market, purely consumed by those with medical conditions. It has now become a way of life for many consumers who prefer vegan, organic and natural products as well and thus, this category finds itself at the center of a wider consumer movement. This movement includes consumers concerned about health, ethic issues, such as fair trade and animal cruelty, and sustainability and environmental issues.

Traditionally, the free from categories were gluten-free, lactose-free and dairy-free. Nowadays, the free-from movement is in constant evolution and comprises new areas including vegan, allergen free, vegetarian, organic, natural, etc.

According to "[The Green Revolution](#)", the annual report prepared by [Lantern](#) consultancy based on more than 2,000 interviews, the combined number of Spanish vegans -people who do not eat any animal origin products-, vegetarians -who do not eat meat or fish but do eat products such as milk or eggs-, and flexitarians -whose diet is fundamentally vegetable, although sporadically they eat meat or fish- has grown from 7.8 to 9.9% in the period 2017-2019. In this same period, the number of Spanish vegans grew from 0.2 percent of consumers to 0.5 percent; vegetarians from 1.3 to 1.5 percent, and flexitarians from 6.3 to 7.9 percent.

According to the results of the surveys, 35 percent of Spaniards "have reduced or eliminated red meat" from their diet in the last year and yet the consumption of fruits and vegetables "has not increased." Another interesting result is that 58 percent of consumers already tried vegan food and 28 percent "like it despite not being vegan." This shows an increasing openness in Spanish consumers to try new products. During the 2018 Free From Food Expo held in Barcelona, several industry observers qualified this increase in consumer preference towards free from foods as more than trend and more as a long-term change in consumer behavior. Outside of dietary restrictions, European consumers are increasingly concerned with issues such as animal welfare, sustainable production, and reducing their consumption footprint. Whatever their previous eating preferences, more and more people are encouraged to try vegetable origin products.

Free From Foods in the European and the Spanish market

In Europe, the U.K., Germany, and the Nordic countries are leading the way in purchases of free from products. By comparison, the Spanish market for this product category is slowly developing and hence provides opportunities for U.S. exporters of free from products to position themselves as this new consumer preference takes hold.

According to Euromonitor, the free from retail sales in Spain reached \$1.2 billion in 2018, a 12 percent increase compared to the previous year. Within the free from category, free from dairy retail value sales increased 17 percent in 2018. Mercadona (one of Spain's largest retailers) leads with a 14 percent retail value share. In addition, sales are expected to reach \$2.7 billion in 2023.

Table 1. Spain - Sales of Free From by Category: Value 2013-2018

Spanish Consumers Grow Interest in Free From Functional Foods

	2013	2014	2015	2016	2017	2018
Free From Allergens	14.1	14.2	14.3	14.4	14.2	14.0
Free From Dairy	381.6	376.2	400.3	437.9	500.9	584.9
Free From Gluten	106.8	123.3	138.6	155.7	178.3	205.5
Free From Lactose	174.8	216.0	290.1	383.9	398.2	418.0
Free From Meat	4.1	4.9	5.6	6.3	7.0	7.7
Free From Total	681.4	734.6	848.9	998.2	1,098.6	1,230.1

Source: Euromonitor International

Unit: USD million

Companies are targeting non-intolerant consumers that look for healthy and nutritious alternatives. Processors aim at expanding the general healthy perception to increase demand from non-intolerant consumers, by widening for example the offer of gluten free products.

Table 2. Spain - Distribution of Free From by Format: % Value 2013-2018

	2013	2014	2015	2016	2017	2018
Store-Based Retailing	91.6	91.6	91.6	91.6	91.5	91.5
- Grocery Retailers	86.4	86.4	86.1	86.2	86.1	86.2
-- Modern Grocery Retailers	61.7	61.7	61.4	61.4	61.4	61.6
--- Convenience Stores	2.5	2.6	2.6	2.6	2.6	2.6
--- Discounters	2.3	2.3	2.2	2.2	2.2	2.2
--- Hypermarkets	14.8	14.8	14.8	14.7	14.6	14.5
--- Supermarkets	42.1	42.0	41.8	41.9	42.0	42.2
-- Traditional Grocery Retailers	24.7	24.8	24.7	24.8	24.7	24.6
--- Independent Small Grocers	13.1	13.0	12.9	12.9	12.9	12.8
-- Other Grocery Retailers	11.6	11.7	11.8	11.9	11.8	11.8
- Non-Grocery Specialists	4.6	4.7	4.7	4.7	4.8	4.8
Non-Store Retailing	8.4	8.4	8.4	8.4	8.5	8.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

Industry sources indicate that nowadays, in Spain, one can find the highest ever availability of free from gluten products through modern grocery retailers. Furthermore, free from lactose product share of total milk sales has grown significantly in the last year. These new trends are attracting non-intolerant consumers to these health-positioned products. Thus, in the medium term, this food category is set to see further strong sales growth. In addition, some well-known Spanish retailers, such as El Corte Ingles, are now creating special sections dedicated to wellness foods and free from products.

Market Constraints and Opportunities:

Constrains:

- Prices of free from products are higher compared to their conventional counterparts in general; this is more so for U.S. products compared to other EU countries origin.
- Strong promotional efforts and activities from European and other world competitors.

Opportunities:

- Strong trend, with impressive growth numbers that are expected to continue in the medium term.
- The fact that the Spanish market for free from foods is still developing creates opportunities for newcomers.
- Consumers are increasingly more willing to pay a higher price for free from and healthy foods.
- The good image of U.S. products is a strong advantage in the Spanish market as well as the United States reputation as a reliable supplier of agrifood products.
- Shorter cooking times, on-the-go foods, quick-cook recipes, contemporary fast food – the combination of convenience and healthy are areas that offer new opportunities.
- Retailer premium lines – as free from products are widely available, new opportunities arises from premium lines. As with conventional products, some consumers look for higher quality and innovative products.

Trends

- Free From – according to Euromonitor, manufacturers continue to launch free from products, although the pace of new releases has slowed compared with the high level of reformulation and new product development observed in 2016/2017. Manufacturers will continue to focus their efforts on supplying consumers suffering from a food intolerance with products they can eat.
- Clean eating /Clean Label – this trend represents consumers looking to avoid refined and processed foods and artificial ingredients, such as preservatives and additives. That is, more natural recipes with fewer ingredients. It does not necessarily refer to free from products, but these two trends are often interrelated.
- Sugar and salt reduction – the food industry is reducing the level of sugar and salt, both due to consumer demand and new legislation coming in force.
- Innovation and exotic ingredients - innovation is expected to continue to flood the market with various references. More sophisticated consumers demand new products and flavors.
- Fitness, wellbeing, health – shoppers concerned with health and wellness are driving this trends.

Increased availability of health information, scientific advances and increasing life expectancy are some of the factors pushing consumers to look into healthier options.

Possible Venues to Showcase Free From Functional Foods

[Free From Functional Food Expo](#) (FFFF) Trade Show

The seventh annual [Free From Functional Food Expo](#) (FFFF), Europe's largest event focusing specifically on free-from food products, took place on May 28-29, 2019 at Fira Barcelona. The FFFF expo is the only specialized trade show in Europe that specifically targets this segment of the food industry. This sector is trendy and offers new opportunities in very mature markets, such as Western Europe, though there was also international presence with country pavilions, such as South Korea and Canada. The majority of the exhibitors were from Europe (Sweden, Germany, the UK, Spain, Italy, etc.). This last edition of the show attracted 225 exhibitors, mainly from Europe.

The majority of exhibitors seem to be small and medium sized companies. These companies offered food products and food ingredients with a free-from, vegan and organic claim. One could find products such as gluten-free biscuits and pasta, lactose free ice cream, yoghurt and cheese, and a wide range of vegan, vegetarian, healthy and organic food products.

Exhibitors presented innovative products covering mainly gluten free and lactose free, organic, vegetarian and vegan food ingredients and finished food products. The trend for allergen free products continues to grow with more consumers than ever before in developed countries demanding food stuffs which are free of gluten, lactose, etc.

The show has tremendous potential as these products are experiencing significant growth in mature markets in the developed world. This is an interesting activity for companies that have products with free-from claims and are interested in expanding within Europe.

[Alimentaria 2020](#) Trade Show

Alimentaria is the leading trade show for food, drinks and gastronomy in Spain and the second largest in the EU. This show takes place biannually in Barcelona. The show's next edition will take place on April 20-23, 2020.

Responding to the rising demand for organic and functional foods and drinks, the Multiple Foods Pavilion at Alimentaria now features a specific "Organic & Functional Foods" section. This section showcases lactose free, gluten free, functional foods, etc. In this space, trade professionals learn about the latest market trends and the latest launches in the food industry to satisfy the demand from consumers increasingly concerned about health, animal welfare, and the environment. The Multiple Foods Pavilion offers another location to introduce and position free from products in Spain and the European market.