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Global Agricultural Information Network

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Approved By:
Robert Hanson
Agricultural Counselor

Prepared By:
Arantxa Medina
Marketing and Management Specialist

Report Highlights:
Spain’s economy remains characterized by soaring unemployment rate and virtually zero GDP growth. In fiscal year (FY) 2012, Spain imported $1.1 billion of agricultural, fish and forest products from the United States, 32 percent down compared to the previous year, although trade did rebound in the last quarter of calendar year 2012. Despite the apparent negative prospects, the dynamic Spanish market still offers opportunities for certain consumer-oriented food items, as well as long-term prospects for other products. This report provides guidance to U.S. companies interested in exporting high-value consumer-ready food products to Spain and includes an overview of the country's economic situation, market structure, and export requirements.

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APPENDIX – STATISTICS

SECTION I. MARKET OVERVIEW

ECONOMIC TRENDS

AGRICULTURAL PRODUCTS IMPORTS ($ Million) (1)	2008	2009	2010	2011	2012*	2013**
Total Agricultural, Fish and Forestry Products	40,500	33,005	34,218	39,917	36,700	36,500
Total U.S. Agricultural, Fish and Forestry Products	1,882	952	1,318	1,525	1,100	1,400
Total Food Products	37,101	31,887	32,559	38,017	35,400	35,000
Total U.S. Food Products	1,730	911	1,322	1,535	1,000	1,300
Total Fish and Seafood Products	7,041	5,837	6,412	7,174	7,000	6,500
Total U.S. Fish and Seafood Products	127	104	114	122	113	110

(1) Global Trade Atlas (www.gtis.com)
(*) Estimate
(**) Forecast

Unemployment in Spain is the highest in the European Union, reaching 25.02 percent in late 2012 and topping 26 percent by the end of the year. The Spanish economy's excessive reliance on the construction sector along with the global economic crisis severely hit the country, causing unemployment to rise from 8.3 percent in 2007 to 20.1 percent by the end of 2010. This situation has negatively affected retail food sales, consumer confidence and overall retail sales performance.

Discount retailers and other lower-price outlets are making the most of the recession as a growing number of consumers become increasingly price-sensitive. Changes in Spain's domestic market regulations, including more liberal Sunday shopping laws, are expected to give a boost to slow retail sales.

Spain has a diversified distribution structure for food products, ranging from traditional distribution methods -- whereby wholesalers sell to small shops that cater directly to the public -- to large multinational supermarkets and retail stores. Department stores, hypermarkets, shopping centers and very specialized outlets are introducing the customer fidelity concept, which usually involves issuing client cards, cumulative discounts and special offers for frequent customers. Innovative sales techniques are becoming increasingly popular. Vending machines have spread throughout Spain over the past decade. Direct marketing by mail order, telephone, TV or e-commerce is growing considerably.

The European Union (EU) establishes the rules and regulations governing acceptable sanitary, phytosanitary, general trade, and labeling practices in Spain. As a result, U.S. exporters already exporting to other EU countries most likely already know and can meet most of the requirements for exporting to Spain. The key for a U.S. exporter wishing to enter this market is to find an agent or distributor, or to establish a subsidiary. An experienced representative in Spain will likely be familiar with all the different consumption patterns and preferences in each of the country's 17 autonomous regions.

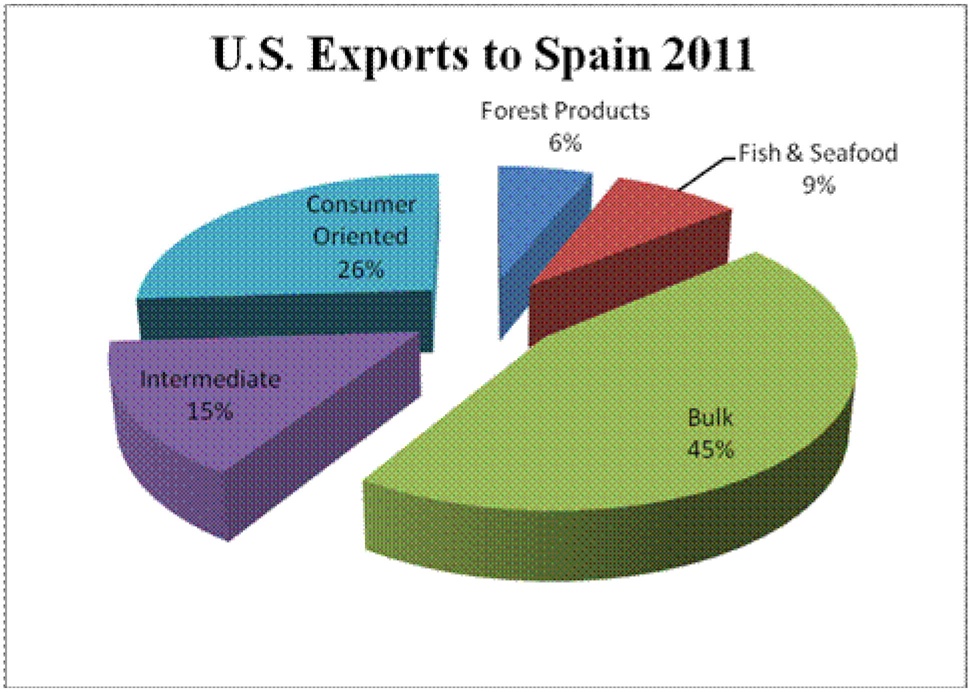
The Office of Agricultural Affairs in Madrid is dedicated to helping U.S. food and agricultural product exporters access the Spanish market. Please contact us at:

Foreign Agricultural Service
Office of Agricultural Affairs
U.S. Embassy Madrid
Serrano, 75 – Box 2000
APO AE 09642
28006 Madrid
Spain
Tel.: +34-91-587 2555
Fax: +34-91-587 2556
Email: AgMadrid@fas.usda.gov; Web: http://madrid.usembassy.gov/about-us/fas.html

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN SPAIN

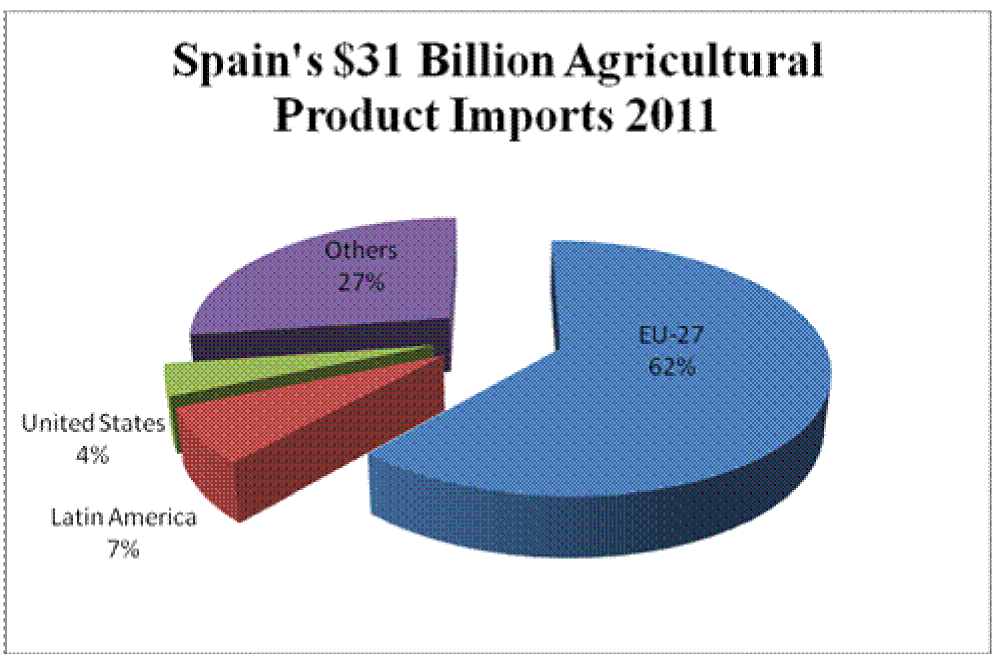
Advantages	Challenges
Spain's food industry relies on imported ingredients, many from the U.S.	Spain's financial situation, two main effects on retail: sinking domestic demand, lack of credit for companies.
Tourism is a strong and ever-growing sector that provides retail, food and drink sales.	Lack of 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.
Consumers are increasingly health conscious, demanding products not sufficiently 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 impose a price disadvantage on non-EU based companies.

Spanish Market for U.S. Agricultural Products



SOURCE: Global Trade Atlas

Competition within Spain's Food and Agricultural Product Import Market



SOURCE: Global Trade Atlas

SECTION II. BUSINESS TIPS FOR EXPORTERS

Local Business Customs

Success in introducing your product to the Spanish market depends on acquiring local representation and personal contact. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade law, sales contacts, and market development expertise.

Spain has a number of sales channels ranging from traditional distribution methods – whereby wholesalers sell to small retail shops that sell to the public -- to large multinational supermarkets and retail stores. However, personal relationships are still very important, especially within smaller organizations. There is no substitute for face-to-face meetings with Spanish business representatives in order to break into this market.

The decision-making process within a Spanish company may be different 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 struck, the Spanish company will likely expect the U.S. firm to translate into Spanish all commercial brochures, technical specifications and other relevant marketing materials. Decision makers at Spanish firms may speak English, but paperwork should be in Spanish.

The Spanish market is composed of a number of regional markets serviced by two major hubs, Madrid and Barcelona. The vast majority of agents, distributors, foreign subsidiaries and government-controlled entities that make up the economic power block of the country operate in these two hubs. Dealers, branch offices, and government offices found 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 US products intending to enter the Spanish market should include:

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

General Consumer Tastes and Preferences

According to Euromonitor, the recession is expected to shift some consumer habits. The economic downturn had a significant impact on Spanish consumers, with most consumers trading down on their shopping habits.

Consumer confidence continued to fall in 2012. According to the Consumer Confidence Index (CCI) published in October 2012 by the Centre for Sociological Research (CIS), consumer confidence is at its lowest historical levels. The CCI is monthly assessment of recent developments and expectations of Spanish consumers related to family finances and employment used to anticipate their consumption decisions. The negative economic expectations, high unemployment, shrinking family incomes, the continued increases in prices are important factor affecting this index and affecting consumer spending.

In order to change this tendency, some leading retail chains offer an increasing number of new and innovative services intending to soften the impact of recession. As consumers are more price-sensitive, store brands are becoming more popular, offering better value than branded products.

Food Standards and Regulations

For more 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 at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

Also, please check the U.S. Mission to the European Union web page at http://www.usda-eu.org for helpful information on exporting U.S. food and agricultural products into the EU.

General Import and Inspection Procedures

Spain follows the Harmonized Nomenclature and Classification System (HS) and applies 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, Free Trade Agreements negotiated between the EU and other countries provide for tariff-free access to the European market – leaving U.S. exporters at a disadvantage.

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 U.S. food or agricultural product in Spain.

The following documents are required for ocean or 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
Import Certificate

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

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.

For more information on import and inspection procedures in Spain, please see *Food Standards and Regulations* within this report.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Food Retail Sector

The Spanish retail food market is highly diversified. Hypermarkets/supermarkets, convenience stores, major discount stores and specialized stores coexist with traditional corner grocery stores and open-air markets. Yet, the total number of retail outlets decreased over the past decade and the consolidation of the retail food industry continues.

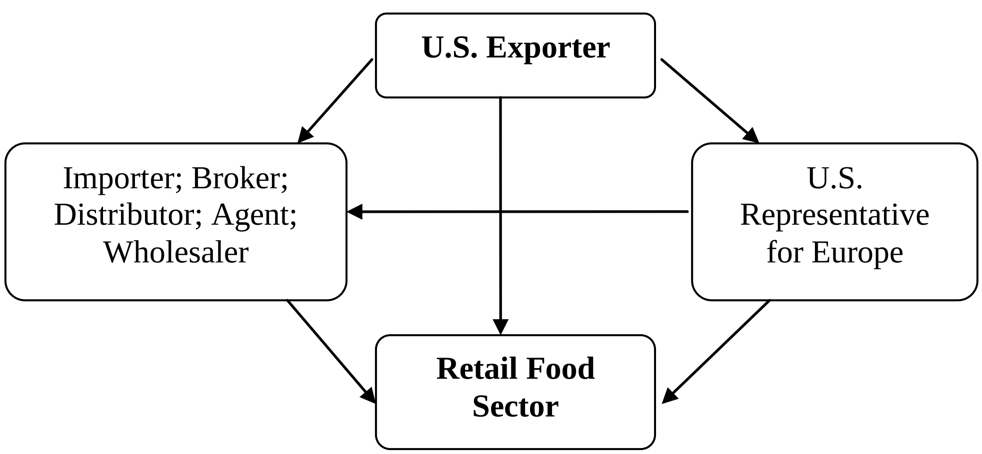
In Spain, hyper and supermarkets account for more than 70 percent of total food sales.

- There is increasing competition in the scope and range of product offerings, including ready-to-eat and/or ready-to-cook foods, take away meals, and home delivery - and the prices and services retailers offer consumers.

- An increasing supply of imported products has intensified competition among suppliers and retailers.

- EU Member States are the major suppliers of consumer-ready products to other EU countries.

Market Structure:



For more information on the Spanish Retail Food Sector, please consult the retail sector reports for Spain at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

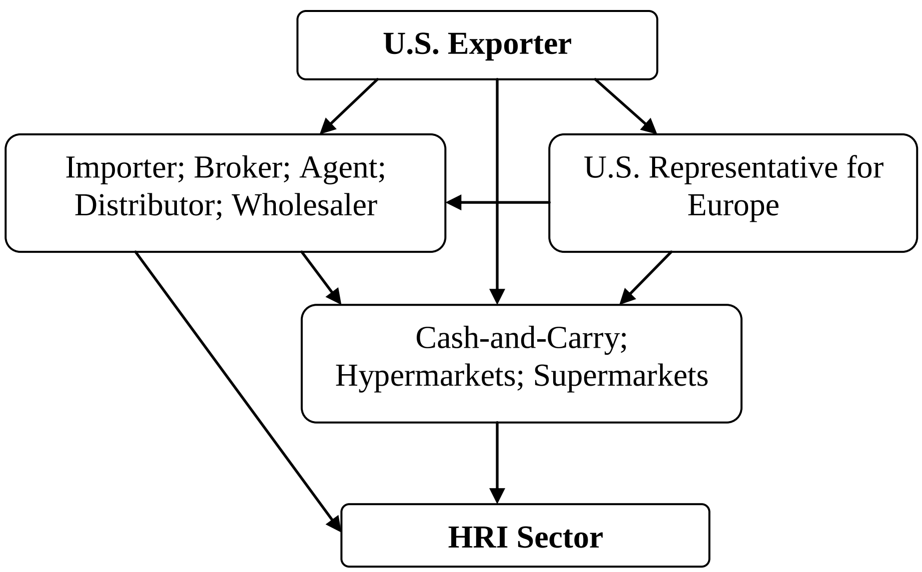
HRI Sector

The HRI sector expanded significantly during the mid 80's and 90's and into 2008, as a result of the profound social and economic changes unleashed upon Spain's accession to the EU in 1986. In 2007, HRI expansion was hard hit by the economic, real estate and financial crises. As Spain is expected to be one of the last EU countries to recover from the current recession, the HRI downturn is expected to continue throughout well into 2013. A figure to illustrate this fact: in the last 5 years, 12,000 bars and restaurants closed down due to the economic crisis.

Spain is one of the top tourism destinations in the world, with increasing numbers of tourists every year, boosting demand for meals in the HRI sector. Tourism, particularly foreign tourism, is one of the few sectors bringing optimism to the Spanish economy. From January to October 2012, Spain received 52.1 million international tourists, up 3.1 percent over the same period of 2011, according to the survey conducted by the Ministry of Industry, Energy and Tourism. The main origins were the United Kingdom, Germany and France. Outside the EU, Russian tourists increased by 41 percent when compared to the same period in the previous year. This is good news for the HRI sector, since foreign demand compensates for the decline in national demand, due to the economic downturn and uncertainty and the high unemployment. National tourism demand has decreased by 25 percent in the first half of the year.

Due to Spain's high unemployment rate, it is expected that less people will be dining outside of their homes, and those who go out, will look for cheaper establishments. Thus, fast food chains have benefited from the financial crisis, taking up consumers looking for cheaper food prices but reluctant to stop eating out.

Market Structure:



For more information on the Spanish HRI Sector, please consult the HRI sector reports for Spain at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

Food Processing Sector

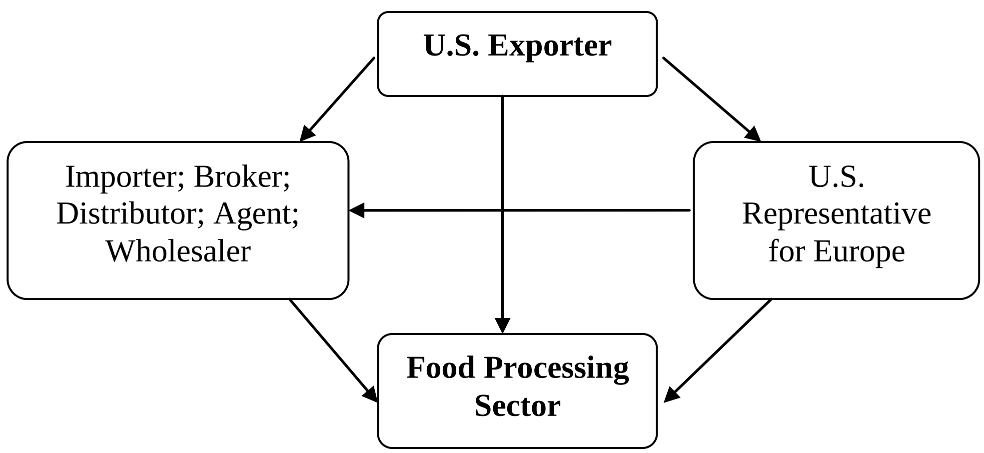
Spain boasts a highly sophisticated food processing sector. Although the situation of the Spanish economy is affecting demand and investment, the food processing industry has managed to offset this by achieving excellent performance in exports. Food industry sources point out that throughout 2012, household consumption of food and beverages will continue to show signs of weakness due to the loss of purchasing power and falling disposable income. Also, the VAT increase beginning in September 1, 2012 will contribute to consolidate the ongoing decline of food expenditure.

Statistics on Spain's food processing sector indicate that gross production in 2011 increased by 3 percent compared to 2010 to € 83.77 billion. As a reference, sector data for 2011 are as follows:

- The Spanish food processing sector generated 16 percent of Spain's total industrial sales, accounting for about 7.6 percent of the national gross domestic product.

- The sector is comprised primarily of small companies--about 96 percent of the 30,000 food processors are small and medium-size companies, employing a total of 446,300 workers, which accounts for 17 percent of all industrial employment.

Market Structure:



For more information on the Spanish food processing sector, please consult the food processing sector report for Spain at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

HS Code	Product Category	2011 Market Size (Volume)*	2011 Spanish Imports ($ Million)*	5 Year Average Import Growth (% Volume)	Key Constraints	Attraction for U.S. Exporters
0303	Frozen Fish	178 TMT	$850	1.4%	Heavy competition from other EU Member States and domestic suppliers. Spanish economic situation.	Good reputation and reliability of U.S. producers. High per capita consumption of fish.
0304	Fish Fillets and Other Fish Meat (Minced, Fresh, Chilled or Frozen)	849 TMT	$839	2.6%	Heavy competition from other EU Member States and domestic suppliers. Spanish economic situation.	Good reputation and reliability of U.S. producers. High per capita consumption of fish.
080212	Almonds	73TMT	$283	4.7%	Aflatoxin requirements. Spanish economic situation.	Domestic consumption of tree nuts is increasing due to their utilization in the confectionary industry.
080231 080232	Walnuts	34 TMT	$144	3%	Competition from other EU countries, mainly France.	US walnuts, both shelled and in-shell, are making inroads in Spain due to increased awareness of the health benefits of tree nuts.
080250	Pistachios	7 TMT	$68	-8%	Competition from Iran and EU importers, such as Germany, who re-export this product to Spain.	Domestic consumption of tree nuts continues to increase. U.S. pistachios have a higher quality image than Iranian, the major competitor. Despite the total negative growth figure, imports from the US have increased in the last 5 years (average growth for the US was 6 percent).
120100	Soybeans	3,175 TMT	$1,762	9%	Price sensitivity and volatility. Competition from Brazil.	Spain is a net importer of grains and oilseeds for feed consumption.

Source: Global Trade Atlas (GTA)

SECTION V. KEY CONTACTS AND ADDITIONAL INFORMATION

If you have any questions or comments regarding this report or need assistance in exporting to Spain, please contact the Office of Agricultural Affairs in Madrid:

Local Address:
Foreign Agricultural Service
Office of Agricultural Affairs
U.S. Embassy Madrid
Serrano, 75 – Box 2000
28006 Madrid
Spain

U.S. Mailing Address:
Office of Agricultural Affairs
U.S. Embassy Madrid
Unit 8500, Box 2000
APO, AE 09642

Tel.: +34-91-587 2555
Fax: +34-91-587 2556
Website: http://madrid.usembassy.gov/about-us/fas.html
Email: AgMadrid@fas.usda.gov

Please consult our home page for more information on exporting U.S. food products to Spain. Importer lists are also available from our office to exporters of U.S. food products. A list of trade associations and useful government agencies is provided below:

Spanish Trade Associations

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

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

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)
Website: www.asedas.org
Email: info@asedas.org

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

Spanish Government Agencies

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)
Website: http://www.msc.es/profesionales/saludPublica/sanidadExterior/home.htm
Email: saniext@msssi.es

Agencia Española de Seguridad Alimentaria y Nutrición (AESAN)
(Spanish Food Safety and Nutrition Agency)
Website: www.aesan.msssi.gob.es
Email: http://www.aesan.msssi.gob.es/SIAC-WEB/contacto.do?reqCode=newSearch

Ministerio de Agricultura, Alimentación y Medio Ambiente
(Ministry of Agriculture, Food, and Environment)
Website: www.magrama.gob.es
Email: informac@magrama.es

APPENDIX I. STATISTICS

A. Spain's Key Trade and Demographic Information

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) 2012 [1] *****	**$29,000/3.1%**
Consumer Oriented Agricultural Imports From All Countries($Mil)/U.S. Market Share (%) 2012 [1] *****	**$13,900/3.2%**
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1] **-***	**$6,100/1.9%**
Total Population (Millions) / Annual Growth Rate (%) **- 2011**	**47.2/0.4%**
Number of Major Metropolitan Areas (over 800,000 population)	**7**
Per Capita Gross Domestic Product 2011	**$34,300**
Unemployment Rate (%) – October 2012	**25.02%**
Per Capita Food Expenditures - 2011	**$2,027**
Labor force (million) - 2011	**23.1**
Exchange Rate (US$1 = 1 Euro) – Nov 2012	**€0.78**

(1) Source: Global Trade Atlas (GTA)

*Estimate

B. Spain's Food Imports (US$ Millions)

Commodity	Total Imports Worldwide			Imports from the U.S.			U.S Market Share (%)		
	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
CONSUMER-ORIENTED	13,815	15,168	13,900	327	411	440	2.4	2.7	3.2
Snack Foods (Excluding Nuts)	955	980	920	0.8	0.7	1.3	0.1	0.1	0.1
Breakfast Cereals and Pancake Mix	209	221	200	0	0	0	0.0	0.0	0.0
Red Meats Fresh/Chilled/Frozen	1,054	1,161	1,020	0.6	1.4	0.6	0.1	0.1	0.1
Red Meats Prepared/Preserved	363	428	394	0.1	0	0	0.0	0.0	0.0
Poultry Meat	350	385	345	0	0	0	0.0	0.0	0.0
Dairy Products (Excluding Cheese)	1,392	1,493	1,350	0.1	3.0	6.0	0.0	0.2	0.4
Cheese	1,103	1,205	1,050	0.2	0.6	0.7	0.0	0.0	0.1
Eggs & Products	75	88	100	0.2	1.3	1.6	0.3	1.5	1.6
Fresh Fruit	1,247	1,280	1,150	0.9	1.5	0.6	0.1	0.1	0.1
Fresh Vegetables	684	698	488	0.7	1.1	1.2	0.1	0.2	0.2
Processed Fruit and Vegetables	1,215	1,398	1,340	8.6	6.9	5.5	0.7	0.5	0.4
Fruit and Vegetable Juices	280	314	267	0.3	0.3	0.9	0.1	0.1	0.3
Tree Nuts	554	660	660	296	371	393	53.4	56.2	59.5
Wine and Beer	401	553	600	1.0	0.7	1.4	0.2	0.1	0.2
Nursery Products & Cut Flowers	222	239	215	4.2	7.5	7.0	1.9	3.1	3.3
Pet Foods (Dog and Cat Food)	236	247	230	1.1	1.4	1.6	0.5	0.6	0.7
Other Consumer-Oriented Products	3,472	3,819	3,500	12	14	15	0.3	0.4	0.4
FISH & SEAFOOD PRODUCTS	6,412	7,174	6,100	114	122	113	1.8	1.7	1.9
Salmon	280	269	200	12	6	0.1	4.3	2.2	0.1
Crustaceans	1,620	1,778	1,350	48	53	39	3.0	3.0	2.9
Groundfish and Flatfish	545	570	570	0.6	0.5	0.6	0.1	0.1	0.1
Molluscs	1,329	1,590	1,350	9	17	22	0.7	1.1	1.6
Other Fishery Products	2,639	2,965	2,670	44	45	46	1.7	1.5	1.7
AGRICULTURAL PRODUCTS TOTAL	25,996	31,033	29,000	1,108	1,318	900	4.3	4.2	3.1
AGRICULTURAL FISH & FORESTRY	34,218	39,917	36,300	1,318	1,525	1,000	3.9	3.8	2.8

TOTAL			

Source: GTA
* Estimates

C. Spain's Top 15 Food Import Suppliers

SPANISH IMPORTS OF CONSUMER-ORIENTED AGRIC. PRODUCTS (US$ 1,000)			
	2010	2011	2012*
France	3,236,872	3,621,247	3,310,000
Germany	1,865,119	2,026,913	1,850,000
Netherlands	1,501,397	1,648,855	1,450,000
Italy	905,020	1,117,955	1,150,000
Portugal	1,069,843	889,401	860,000
Belgium	717,815	776,539	650,000
Ireland	630,226	717,081	650,000
UK	416,209	460,452	439,000
United States	327,168	411,158	410,000
Denmark	345,225	370,396	310,000
Peru	240,568	306,491	280,000
Brazil	217,063	254,165	270,000
Morocco	228,240	239,410	216,000
China	202,379	220,854	185,000
Poland	195,090	206,349	220,000
Other	1,717,419	1,901,008	1,750,000
World	13,815,653	15,168,274	14,000,000

SPANISH IMPORTS OF FISH AND SEAFOOD PRODUCTS (US$ 1,000)			
	2010	2011	2012*
Morocco	490,923	600,024	500,000
Argentina	500,331	483,653	390,000
China	398,756	448,269	360,000
Ecuador	326,573	388,255	400,000
France	328,432	372,087	370,000
Portugal	324,760	367,973	320,000
Netherlands	339,060	362,073	290,000
UK	304,551	315,216	255,000
Namibia	206,045	252,848	255,000
Denmark	265,413	232,535	160,000
Chile	187,801	225,427	175,000
Italy	210,648	197,910	130,000
India	191,111	194,127	215,000
Sweden	151,332	191,556	150,000
Vietnam	162,100	171,454	135,000
Other	2,024,305	2,370,309	1,995,000
World	6,412,141	7,173,716	6,100,000

Source: GTA
* Estimates