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Spain

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Food Service - Hotel Restaurant Institutional

2016

Approved By:

Rachel Bickford, Agricultural Attaché

Prepared By:

Arantxa Medina, Marketing and Management Specialist

Report Highlights:

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. The number of tourists in Spain increased by 16 percent in the first half of 2016. Also, Spain is expected to continue to grow at a moderate pace, continuing the post-crisis expansion, which is taking Spanish consumers back to bars and restaurants. Therefore, the Hotel, Restaurant and Institutional (HRI) sector in Spain offers excellent opportunities for U.S. food-ingredient and food-product exporters. Entry into the Spanish market generally requires that potential U.S. exporters negotiate specific arrangements with established importers.

I. MARKET SUMMARY

Economic Trends

ECONOMIC TRENDS	2012	2013	2014	2015	2016*
Real GDP Growth Rate	-2.6	-1.7	1.4	3.2	2.6
Inflation (%)	2.4	1.5	-0.2	-0.6	-0.4
Unemployment (%)	24.8	26.1	24.5	22.1	20.0
GDP per Capita (€)	22,300	22,100	22,400	23,300	23,600

Source: Eurostat (www.ec.europa.eu/eurostat)
(*) Forecast

In recent years, Spain experienced one of the most important economic recessions in its history, with soaring unemployment rates and decreasing consumers' purchasing power. This situation seriously affected the Hotel, Restaurant and Institutional (HRI) sector, as Spanish consumers tried to avoid unnecessary expenses and reduced their visits to bars and restaurants. The year 2014 marked the first full year of Spanish economic recovery and this trend is expected to consolidate during the coming years.

The Spanish economy is expected to continue to grow at a modest pace in 2016. Both private consumption and government policies drive the economy. The progress in alleviating the unemployment situation and a moderate rebound in exports will likely provide additional economic benefits. The country seems to be on its way out of the economic crisis that severely affected its financial system and consumer income and behavior.

Spain's GDP grew 3.2 percent in 2015 and real GDP is expected to increase by 2.8 percent in 2016. The growth in exports and another record year in tourism provide solid and necessary support to the overall economy. The recovery will continue to be slow: the high levels of public debt the pressure from the European Union to reduce such levels will force the government to make substantial cuts. This, together with the still-too-high level of structural unemployment will continue to slow down the recovery.

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. The number of tourists in Spain increased by 16 percent in the first half of 2016. The Spanish National Statistics Institute informed that a total of 33 million tourists arrived in Spain between January and June. Spanish authorities expect that 2016 will finish with a new visitors record. Tourism is one of the few sectors bringing optimism to the Spanish economy and accounts for 11 percent of the Spanish economy.

According to official statistics, Spain seems to be finally coming out of the economic crisis that affected its financial system and consumer income and behavior. The evolution of economic indicators and, especially, the expected decline in the unemployment rate, linked to the expected growth of the average disposable income, will play a crucial role in the performance of consumer foodservice in general. This will allow consumer foodservice to register positive growth in terms of number of outlets, transactions volume and current value sales. Consumers are slowly going back to the pre-crisis social habits of eating in bars and restaurants during lunch and eating out at least once during the week.

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 – 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, 1.2 percent up compared to 2014. Total food expenditure outside home in 2015 reached $35 billion.

Spain Total Food Expenditure - 2015

Total Food Expenditure 2015 $108 Billion (100%)	**Food Expenditure at Home** $73 Billion (67.7%)	**Supermarkets** (29.4%)
		Hypermarkets (9.7%)
		Hard Discount **(8.3%)**
		Specialized Commerce (13.8%)
		Other (6.5%)
	Food Expenditure Outside Home $35 Billion (32.3%)	**Self-Service, Fast Service and Bars** (10.2%)
		Restaurants with Table Service (15.6%)
		Vending Machines, Transport, Hotels, Convenience, Night Bars (6.5%)

Source: MAGRAMA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS

Advantages	Challenges
Spain’s food industry relies on imported ingredients, many from the U.S.	Spain’s slow recovery and still complicated financial situation.
Tourism is a strong and ever-growing sector that provides sales in the HRI sector, as well as demand for more international foods.	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 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 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.)

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

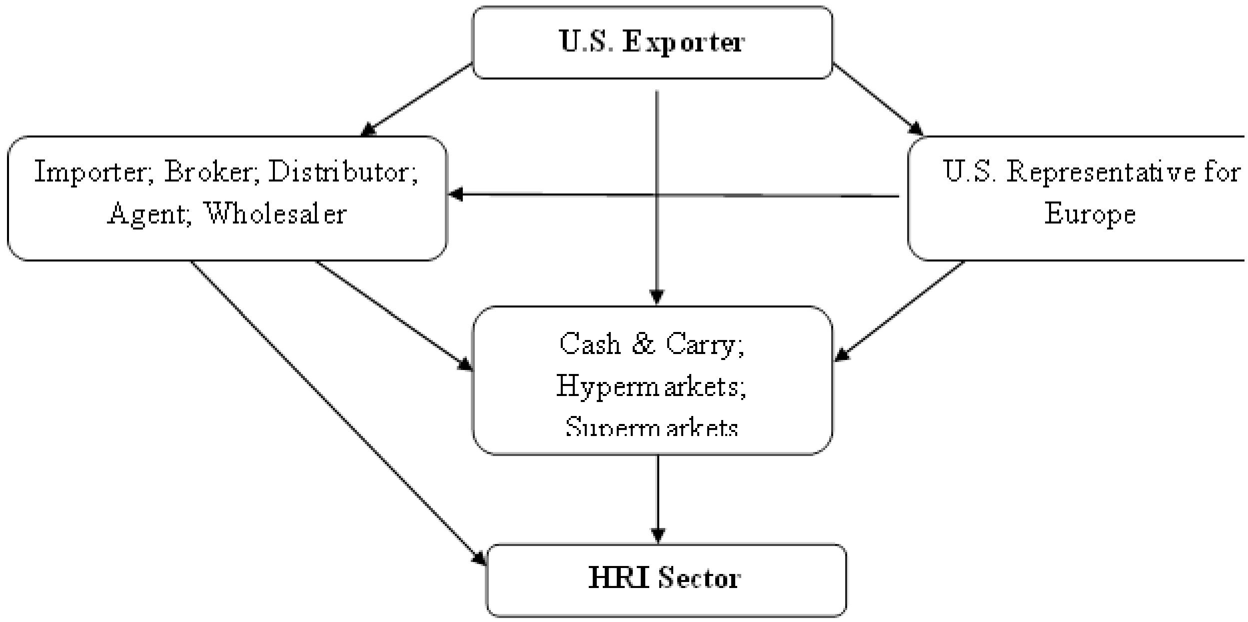
Trade shows in Spain offer excellent opportunities for U.S. exporters to make contact with potential clients or business partners from Spain, other EU countries and other continents.

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

HOREQ
Dates: January 18-20, 2017
Place: IFEMA, Madrid
Frequency: Annual

Hostelco
Dates: October 23-26, 2016
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

Spain is one of the top tourism destinations in Europe, with increasing numbers of tourists every year, 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. In the first half of 2016, Spain set a new record of tourist arrivals. The country saw a record 33 million international tourist arrivals from January to June. Tourism is one of the sectors bringing optimism to the Spanish 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 Turkey, Tunisia or Egypt.

One recent factor of unknown consequences at this point is the Brexit.

The Hotel Sector in Spain -- 2015

	Spain
Total Number of Hotel Units	14,626
Total Number of Beds	1,439,994
Nights Spent (Million)	308

Source: INE

Spain – Main Tourist Areas
2015 Total Number of Nights Spent – 308 Million

Tourist Areas	**No. Nights Spent**	
	Nationals	**Foreigners**
Isla de Mallorca	2,823,464	39,098,061
Isla de Tenerife	3,283,736	20,038,405
Barcelona	3,088,054	16,390,701
Costa del Sol	5,379,982	12,313,664
Isla de Gran Canaria	2,151,823	14,658,333
Palma-Calvià	1,540,256	15,103,143
Costa Blanca	8,129,828	8,026,359
Fuerteventura	751,064	11,515,553
Costa Brava	3,476,872	7,619,328
Isla de Lanzarote	1,302,785	8,970,726

Source: INE

Spain – Main Hotel Chains – 2015

Company Name	Total Sales ($ Million)*	Purchasing Agent
Melia Hotels International, S.A.	3,091	Distributors, Cash-and-Carry, Importers, Wholesalers
RIU Hotels & Resorts-RIUSA II, S.A.	1,820	Distributors, Cash-and-Carry, Importers, Wholesalers
NH Hotel Group, S.A.	1,686	Distributors, Cash-and-Carry, Importers, Wholesalers
Iberostar Management, S.A.	1,461	Distributors, Cash-and-Carry, Importers, Wholesalers
Barcelo Gestión Hotelera, S.L.	1,349	Distributors, Cash-and-Carry, Importers, Wholesalers
Hotusa - División Hotelera	562	Distributors, Cash-and-Carry, Importers, Wholesalers
Palladium Hotel Group - Fiesta Hotels & Resorts, S.L.	482	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Piñero – División Hostelera	472	Distributors, Cash-and-Carry, Importers, Wholesalers
Marriot (España) – Luxury Hot. Intern. Of Spain, S.L.	450	Distributors, Cash-and-Carry, Importers, Wholesalers
Corporación H10 Hotels, S.L.	433	Distributors, Cash-and-Carry, Importers, Wholesalers

*Estimated

2. Restaurants

The food service sector in Spain expanded significantly in the last couple of 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 chained outlets perform a stronger growth. Changes in the eating habits and lifestyles have accelerated the increase of chain restaurants, including 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 the traditional cafeterias.

In the period 2015 - 2019, Spain's GDP is expected to maintain positive growth rates, while the unemployment rate recently fell below 20 percent for the first time since the beginning of the crisis. These improvements in the economic situation are already throwing positive numbers in terms of consumption to bars and restaurants.

Sales in Consumer Foodservice by Eat-in/Home Delivery/Takeaway/Drive-Through: % Foodservice Value 2015

% value analysis	Eat in	Home Delivery	Takeaway	Drive-Through	Total
100% Home Delivery/Takeaway	0	34.3	65.7	-	100
Cafés/Bars	88.2	3.1	8.7	0	100
Full-Service Restaurants	85.3	0.9	13.8	-	100
Fast Food	23.1	2.2	73.6	1.1	100
Self-Service Cafeterias	97.3	-	2.7	-	100
Street Stalls/Kiosks	-	-	100	-	100
Consumer Foodservice	82.3	2.7	14.9	0.1	100

Source: Euromonitor

<u>Restaurants</u>

According to Euromonitor:

- The number of outlets reach 71,501 in 2015, a 1 percent increase
- Full-service restaurants increases by 2 percent in current values to $26.7 billion in 2015, while transactions reaches to 1.6 billion, a 2 percent increase
- North American style full-service restaurants sees the fastest growth in 2015, increasing by 5 percent value terms in 2015
- No major changes in the competitive landscape, still dominated by independent players. New chained players experienced the most dynamic growth
- Full-service restaurants is set to increase in value and in the number are set to increase in the period 2015-2019

<u>Fast Food Restaurants</u>

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

- Fast food grows by 7 percent in current values and transactions volume in 2015, rising to

$4.1 billion and 751 million transactions
- 8,659 fast food outlets are present in Spain in 2015, up 5 percent compared to 2015
- Latin American fast food was a particularly dynamic fast food category in 2015
- Chained fast food accounted for 52 percent of total food outlets in 2015

Spain – Leading Food Chains – 2015

Company Name	Total Sales ($ Million)*	Purchasing Agent
McDonald's España	1,064	Importers, Distributors, Wholesalers
Burguer King General Service Company, S.L.	618	Importers, Distributors, Wholesalers
Telepizza – FoodCo Pastries, S.L.	584	Importers, Distributors, Wholesalers
Areas, S.A.	492	Importers, Distributors, Wholesalers
Grupo Zena – Food Service Project, S.L.	427	Importers, Distributors, Wholesalers
Grupo VIPS-Sigla, S.A.	358	Importers, Distributors, Wholesalers
The Eat Out Group, S.L.	315	Importers, Distributors, Wholesalers
Casual Beer & Food, S.A.	309	Importers, Distributors, Wholesalers
Restalia Grupo de Eurorestauracion, S.L.	247	Importers, Distributors, Wholesalers
Restauravia Grupo Empresarial , S.L. - Grupo	242	Importers, Distributors, Wholesalers

*Estimated

3. Institutional

The institutional food service in Spain is dominated by the big companies, where the top ten companies are responsible for more than 70 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 billion, in almost 10,000 refectories 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 – 2015

Company	Total Sales ($ Million)*	Purchasing Agent	
Serunión, S.A.	461	Direct, Importer, Wholesaler	
Eurest Colectividades, S.L.	354	Direct, Importer, Wholesaler	
Sodexo España, S.A.	246	Direct, Importer, Wholesaler	
Auzo Lagun, S.C.	225	Direct, Importer, Wholesaler	
Aramark Servicios de Catering, S.L.	170	Direct, Importer, Wholesaler	
Mediterránea de Catering, S.L.	139	Direct, Importer, Wholesaler	
Gate Gourmet Spain, S.L.	90	Direct, Importer, Wholesaler	
ISS Soluciones de Catering, S.L.	70	Direct, Importer, Wholesaler	
Newrest Group Holding, S.L.	58	Direct, Importer, Wholesaler	
Serhs Food Area, S.L.	54	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 2015 (in value)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Frozen Fish *Imports: 316* *Value:$701*	1. Portugal - 11% 2. Netherlands - 6% 3. Chile - 5% 6. USA - 5%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers. Spanish domestic consumption and exports surpass local supply.
Almonds *Imports:84* *Value:$727*	1. USA - 84% 2. Australia - 11% 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:24* *Value:$162*	1. USA - 60% 2. France - 19% 3. Chile - 6%	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:8* *Value:$84*	1. Germany - 31% 2. USA - 30% 3. Iran - 25%	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 is growing.
Sunflower seeds *Imports:117* *Value:$97*	1. United States - 34% 2. France - 33% 3. China - 14%	Growing competition from China, Argentina and Israel for confectionary.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.

Pulses *Imports:191* *Value:$181*	1.USA - 24% 2. Argentina - 22% 3. Mexico - 16% 4. Canada - 11%	Strong competition from Argentina, who largely increased their presence in recent years, and Canada, a traditional supplier to Spain.	Spain is a traditional consumer of pulses and its local production is 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
- Sunflower seeds
- Fish and Seafood, fresh and frozen

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

- Functional and 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
- Beverages (wine and beer) and distilled spirits
- Organic Products
- 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: http://madrid.usembassy.gov/about-us/fas.html

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://www.asedas.es
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

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.aesan.msc.es/SIAC-WEB/contacto.do?reqCode=newSearch

Dirección General de Industria y Mercados Alimentarios
Ministerio de Agricultura, Alimentación y Medio Ambiente
(Ministry of Agriculture, Food and Environmental Affairs)
http://www.magrama.gob.es
informac@magrama.es

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