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Food Service - Hotel Restaurant Institutional

2013

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Report Highlights:
The Spanish tourist sector continues to benefit from political unrest in nearby competing tourist destinations in North Africa and the Middle East. In 2013, the tourism industry in Spain is on track for another good year with a record number of overseas visitors in August and higher average spending. However, domestic tourism (of Spaniards) is down. Still, 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.

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Author Defined:

Exchange rates:
Average exchange rate used in this report, unless otherwise specified:
Calendar Year 2009: US Dollar 1 = 0.72 Euros
Calendar Year 2010: US Dollar 1 = 0.75 Euros
Calendar Year 2011: US Dollar 1 = 0.72 Euros
Calendar Year 2012: US Dollar 1 = 0.78 Euros
(Source: The Federal Bank of New York and/or the International Monetary Fund)

I. MARKET SUMMARY

Economic Trends

ECONOMIC TRENDS	2009	2010	2011	2012	2013*
Real GDP Growth Rate	-3.8	-0.2	0.1	-1.6	-1.3
Inflation (%)	-0.2	2.0	3.1	2.4	2.0
Unemployment (%)	18.0	20.1	21.7	25.0	27.3
GDP per Capita (€)	24,200	24,200	24,300	24,400	24,500

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

The financial crisis continues to determine many aspects of the life of Spanish consumers and to influence their habits. With unemployment surpassing 27 percent, many families have drastically reduced their spending and altered their consumption habits. Many of those who are still working have seen their salaries cut. These circumstances have reduced the amount of domestic tourism and affected consumers' decisions (frequency) and habits when eating out. As a result, new strategies have emerged in the HRI sector.

The Spanish Hotel, Restaurant and Institutional (HRI) sector has been through some difficult years which have formed a new changing and challenging environment, to which the whole sector must adapt to survive.

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. Domestic travel by Spaniards, however, is in decline.
- 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 particularly among the younger population.

- Aging population – Around 17 percent of the Spanish population is now over 65 years old, increasing the demand for senior citizens centers and/or facilities.

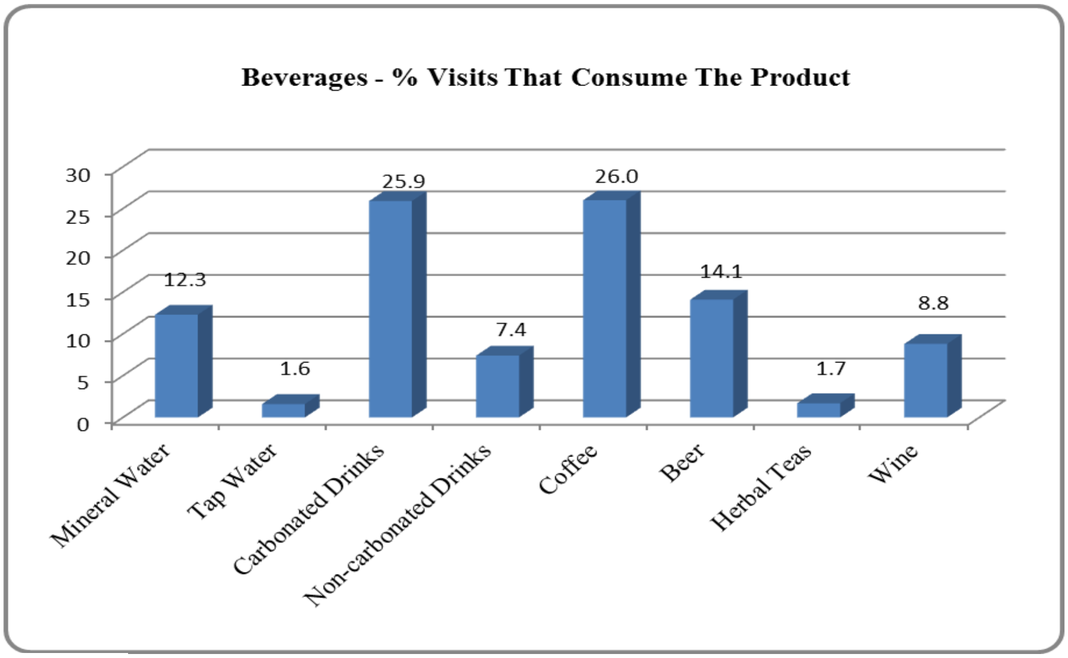
In Spain, the HRI sector currently accounts for 32.8 percent of all food consumed by value. 4.1 percent down compared to 2011. Total food expenditure outside home in 2012 reached $42.03 billion.

Spain Total Food Expenditure - 2012

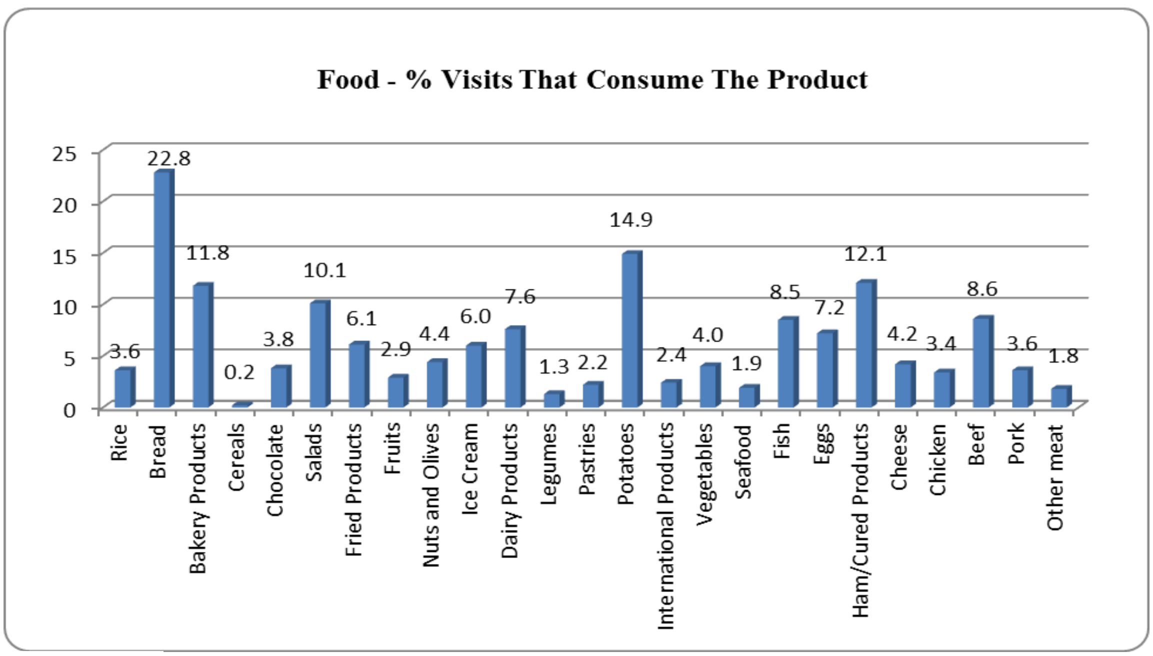
<table>
<tr><td rowspan="4">Total Food Expenditure 2012
$129 Billion
(100%)</td><td>Food Expenditure at Home
$86.7 Billion
(67.2%)</td><td></td></tr>
<tr><td rowspan="3">Food Expenditure Outside Home
$42.3 Billion
(32.8%)</td><td>Self-Service, Fast Service and Bars
$13.1 Billion
(10.1%)</td></tr>
<tr><td>Restaurants with Table Service
$20.8 Billion
(16.2%)</td></tr>
<tr><td>Vending Machines, Transport, Hotels, Convenience, Night Bars
$8.4 Billion
(6.5%)</td></tr>
</table>

Source: MERCASA

Extra Domestic Consumption by Product in 2012



Source: MERCASA



Source: MERCASA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS

Advantages	Challenges

Spain's food industry relies on imported ingredients, many from the U.S.	Spain's financial situation has had two main effects on retail: sinking domestic demand, lack of credit for companies.
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 that are in the market.	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 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.

Spain generally applies EU rules and regulations. However, there are subtleties that you should learn about if you are thinking of exporting to Spain. For more information, potential U.S. exporters can contact FAS Madrid for additional sector-specific information.

In general terms, U.S. exporters already exporting to other EU member states will likely be meeting most of the requirements for exporting to Spain. The U.S. exporter needs to contact a Spanish importer and/or distributor for his product.

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 sell 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 so that the consumer can distinguish the product. 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 to 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.

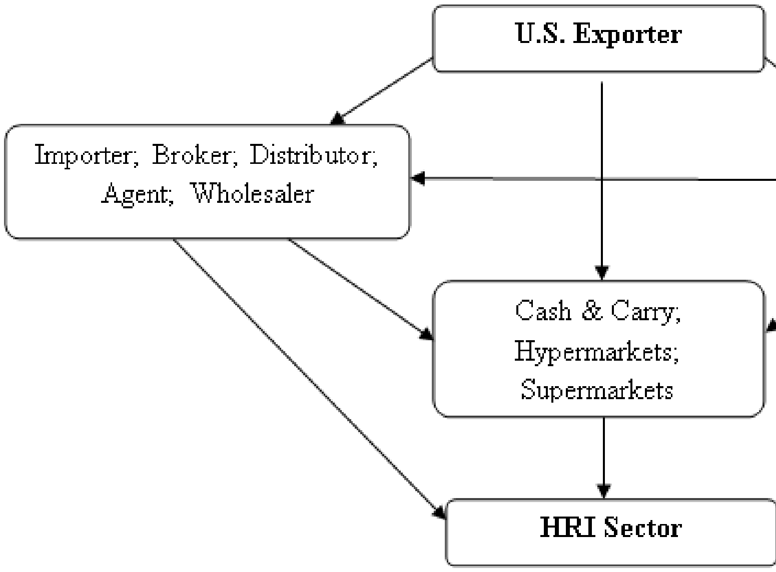
The most important trade shows related to the HRI sector are:

Expo-Food Service
Dates: June 4-5, 2014.
Place: IFEMA, Madrid
Web: http://www.expofoodservice.com/

HOREQ
Dates: November 20-22, 2014.
Place: IFEMA, Madrid
Web: http://www.ifema.es/web/ferias/horeq/default_i.html

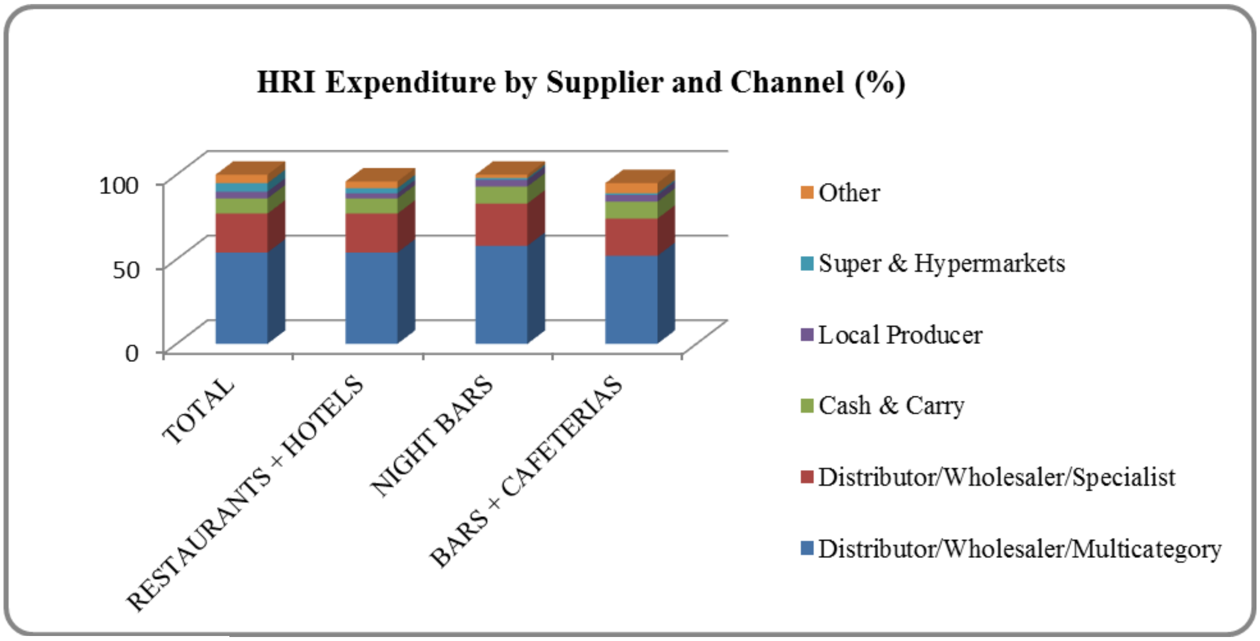
Hostelco
Dates: October 20-23, 2014.
Place: Fira Barcelona, Barcelona
Web: http://www.hostelco.com/

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.



Source: MERCASA

C. Sub-Sector Profiles

1. Hotels

Spain is one of the top tourism destinations in Europe. The tourism infrastructure is well developed throughout the country since this is a strategic sector for Spain. Tourism, particularly foreign tourism, is one of the few sectors bringing optimism to the Spanish economy. According to the latest statistics published by the Ministry of Industry, Energy and Tourism, Spain received 8.3 million foreign visitors in August alone in 2013, or 7.1 percent more than the same month in 2012. From January to August 2013, the number of visitors reached 42.3 million, a year-on-year increase of 4.5 percent. In the month of August 2013, foreign tourists spent $11.4 billion, a 12.2 percent increase compared to August 2012.

The average expenditure per tourist year-on-year rose by 4.7 percent, to $1,366; average daily expenditure was $138, up 2.8 percent. The increase in tourism expenditure from January to August 2013 stands at 7.2 percent, reaching $55.5 billion for the first time ever.

The markets that saw the main growth were the Nordic countries, Russia, the United Kingdom, France and Germany. Catalonia, the Balearic Islands, the Canary Islands and Andalucia were the leading tourist destinations in the first eight months of the current year.

This is good news for the HRI sector, since foreign demand compensates for the decline in national demand, due to the macroeconomic uncertainty and the high unemployment rate. National tourism demand has decreased both expenditure and demand of touristic services, including food and drinks. The number of trips by residents went down 11.2 percent year-on-year according to the estimated data for May 2013.

The Hotel Sector in Spain -- 2012

	Spain
Total Number of Hotel Units	14,995
Total Number of Beds	1,432,582
Nights Spent (Million)	281

Source: INE

Spain – Main Tourist Areas
2012 Total Number of Nights Spent – 281 Million

Tourist Areas	No. Nights Spent	
	Nationals	Foreigners
Isla de Mallorca	2,901,829	39,524,692
Isla de Tenerife	3,992,922	18,524,686
Palma-Calviá	1,914,159	15,296,711
Barcelona	2,975,128	13,880,705
Costa del Sol	15	10,314,000
Isla de Gran Canaria	2,228,143	12,879,325
Costa Blanca	7,858,960	6,701,213
Fuerteventura	656,340	9,538,311
Costa Brava	2,735,246	7,451,931
Costa Daurada	3,224,833	5,916,631

Source: INE

Main Hotel Chains - 2012

Company Name	Sales $ Million	Ownership	No. of Hotels	Purchasing Agent
RIU Hotels & Resorts	1,810	50% Spanish/German	107	Distributors, Cash-and-Carry, Importers, Wholesalers
Melia Hotels International, S.A.	1,746	Spanish	287	Distributors, Cash-and-Carry, Importers, Wholesalers
NH Hoteles, S.A.	1,649	Spanish	401	Distributors, Cash-and-Carry, Importers, Wholesalers
Iberostar Hotels & Resorts	1,342	Spanish	86	Distributors, Cash-and-Carry, Importers, Wholesalers
Barcelo Gestión Hotelera, S.L.	819	Spanish	149	Distributors, Cash-and-Carry, Importers, Wholesalers
Marriot Hotels, S.L.	474	U.S.	93	Distributors, Cash-and-Carry, Importers, Wholesalers
Palladium Hotel Group - Fiesta Hotels & Resorts, S.L.	423	Spanish	47	Distributors, Cash-and-Carry, Importers, Wholesalers
Corporación H10 Hotels, S.L.	400	Spanish	44	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Piñero – División Hostelera	359	Spanish	20	Distributors, Cash-and-Carry, Importers, Wholesalers
Hotusa Div. Hotelera – Agincourt 2008, S.L.	356	Spanish	116	Distributors, Cash-and-Carry, Importers, Wholesalers

Source: Hostelmarket

2. Restaurants

The food service sector in Spain expanded significantly in the last couple of decades as noted previously. Although traditional restaurants still dominate, changes in the eating habits and lifestyles have accelerated the increase of chain restaurants, including fast-food and ethnic restaurants. New types of "healthy" fast food restaurants have emerged, as have salad and gourmet bars or vegetarian restaurants. Under the specialty food sector, coffee shops and ice-cream shops are also growing very rapidly. Food Courts and other types of food service establishments, located in modern shopping and entertainment centres are very popular and attract a continuously growing number of customers. Fast food chains, restaurants and coffee shops consider such places as key locations for their business. Restaurant chains buy their food products from either local or larger EU-based suppliers in some cases consolidating purchases for the entire chain. Food sales in restaurants and food places reached $31.8 billion in 2012.

Restaurants

According to Euromonitor:

- In 2012, value sales decline by 6 percent to reach $27.6 billion in full-service restaurants.
- The number of outlets reach 61,458 in 2012, a 5 percent decrease
- Spanish customers more conscious way of spending their disposable income shapes performance of full-service restaurants
- North American style full-service restaurants foodservice value sales grew 1 percent
- In 2012, independent outlets far outnumber chained full-service restaurants, accounting for 98 percent of all outlets
- Despite the expected slow recovery of the Spanish economy in 2013, the high unemployment rate will limit performance of full-service restaurants

Fast Food Restaurants

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

- Fast food value sales up by 1 percent to reach $3.8 billion in 2012
- 4,857 fast food outlets are present in Spain in 2012, down by 2 percent compared to previous year
- Spain's poor economy benefits sales of fast food outlets in the country
- Latin American fast food records the fastest current foodservice value growth with sales up by 43 percent

According to Euromonitor, cheaper options like fast food have held up much better than other options present in the market. Fast service chains like McDonald's and Burger King, local chains like 100 Montaditos and La Sureña found success by selling at very low prices. Annual per capita sales of fast food declined by only by 4 percent between 2007 and 2012 to $85. Fast food tends to be particularly popular amongst the younger population (the first McDonald's in Spain opened in Madrid in 1981). Home delivery/takeaway has also been fairly stable, with annual per capita sales dipping by just 5 percent between 2007 and 2012, to $22. Pizza is particularly popular in this segment.

Spain – Leading Food Chains – 2012

Company Name	Sales $ Million	No. Of Outlets Own/Franchise/Total	Purchasing Agent
McDonald's España	1,219	92/352/444	Importers, Distributors, Wholesalers
Telepizza – FoodCo Pastries, S.L.	641	563/692/1,255	Importers, Distributors, Wholesalers
Burguer King España, S.L.U.	641	41/479/520	Importers, Distributors, Wholesalers
Grupo Zena – Food Service Project, S.L.	513	303/173/476	Importers, Distributors, Wholesalers
Areas, S.A.	499	-/-/666	Importers, Distributors, Wholesalers
Grupo VIPS-Sigla, S.A.	407	285/18/303	Importers, Distributors, Wholesalers
Casual Beer & Food, S.A.	385	0/455/455	Importers, Distributors, Wholesalers
The Eat Out Group, S.L.	385	330/220/550	Importers, Distributors, Wholesalers
El Corte Inglés, S.A.-División Restauración	256	123/0/123	Importers, Distributors, Wholesalers
Comess Group de Restauración, S.L.	244	15/253/268	Importers, Distributors, Wholesalers

Source: Hostelmarket

3. Institutional

The institutional food service in Spain is dominated by large 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 – 2012

Company	Total Sales ($ Million)	No. Of Refectories	Purchasing Agent
Serunión, S.A.	500	2,800	Direct, Importer, Wholesaler
Eurest Colectividades, S.L.	433	2,300	Direct, Importer, Wholesaler
Sodexo España, S.A.	281	393	Direct, Importer, Wholesaler
Auzo Lagun, S.C.	221	N/A	Direct, Importer, Wholesaler
Aramark Servicios de Catering, S.L.	187	700	Direct, Importer, Wholesaler
Cremonini Rail Iberica, S.A.	141	16	Direct, Importer, Wholesaler
Grupo Arturo Cantoblanco	122	180	Direct, Importer, Wholesaler
Mediterránea de Catering, S.L.	114	315	Direct, Importer, Wholesaler
Gate Gourmet Spain, S.L.	113	N/A	Direct, Importer, Wholesaler
ISS Soluciones de Catering, S.L.	85	310	Direct, Importer, Wholesaler

Source: Hostelmarket

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 2012 (in value)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Frozen Fish *Imports: 284,000MT* *Value:$814 Mln*	1. Mexico - 8% 2. Portugal - 8% 3. Netherlands Antilles - 6% 12. USA-3%	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:64,000 MT* *Value:$296 Mln*	1. USA - 91% 2. Australia - 3% 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 used in the confection industry, mainly for Christmas traditional nougat.
Walnuts *Imports:22,000 MT* *Value:$146 Mln*	1. USA - 59% 2. France - 19% 3. Chile - 8%	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:8,000 MT* *Value:$68 Mln*	1. USA - 31% 2. Germany - 29% 3. Iran - 17%	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.
Sunflower seeds *Imports:476,000 MT* *Value:$361 Mln*	1. France - 43% 2. Portugal - 15% 3. Romania - 12%	Growing competition from China, Argentina and Israel for confectionary.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.

	5. USA – 7%		
Pulses *Imports:371,000 MT* *Value:$282 Mln*	1. Argentina - 24% 2. Mexico - 17% 3. USA - 15% 4. Canada - 14%	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. Imports continue to rise after significantly decreasing in 2009.

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)
www.fiab.es
fiab@fiab.es

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

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

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

Government Agencies

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

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

Dirección General de la Industria Alimentaria
Ministerio de Agricultura, Alimentación y Medio Ambiente
(Ministry of Agriculture, Food and Environmental Affairs)
http://www.magrama.gob.es/es/alimentacion/temas/default.aspx
informac@magrama.es

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