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Retail Foods

2010

Approved By:
Robert Hanson
Agricultural Attaché

Prepared By:
Arantxa Medina
Agricultural Assistant

Report Highlights:
Spain's retail food sector has not escaped the difficult economic situation in the country, and will likely experience negative sales growth in 2010. High unemployment, falling wages and rising taxes are putting pressure on consumption and making consumers more price sensitive. However, the consolidation of the retail food industry and the relatively weak dollar against the Euro creates opportunities for U.S. exporters, as supermarkets are searching for private label products at more competitive prices. Furthermore, the economic recovery expected for 2011 and beyond will offer long-term opportunities to new products, due to the consolidation and the maturity of the sector.

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SECTION I. MARKET SUMMARY

Economic Trends

The economy in Spain grew steadily in the last ten years before the recession hit the country hard in 2009. This economic downturn, mainly generated by the housing bubble, quickly worsened with the collapse of the building sector and led to high levels of unemployment, a large public debt and high levels of uncertainty.

Recession in Spain is likely to continue through at least part of 2011, due to the austerity measures taken by the Government of Spain. After an estimated -0.3 % GDP growth in 2010, the government forecast is for 1.3% GDP growth in 2011. Spain's recovery has been so far one of the weakest in the European Union and the mid-term situation remains uncertain, due to the shrinking demand and the unstable conditions of the financial markets.

	2006	**2007**	**2008**	**2009**	**2010***
ECONOMIC TRENDS					
Inflation (%) (1)	3.5	2.8	4.1	-0.3	2.0
Unemployment (%) (1)	8.6	8.3	11.4	18.8	20
GDP per Capita (USD$) (2)	27,987	32,207	35,162	32,029	32,000

(1) Spanish National Statistics Institute (www.ine.es)
(2) CIA World Factbook
(*) Estimates

Retail Trends

	2007	**2008**	**2009**	**2010***	**2011****
RETAIL FOOD SECTOR					
Hypermarkets	15,730.20	16,472.70	16,385.40	16,434.60	16,566.00
Supermarkets	44,215.90	45,011.80	44,966.80	45,236.60	45,915.10
Discounters	5,696.60	6,020.20	6,188.10	6,349.00	6,495.10
Small Food Retailers	4,383.80	4,690.50	4,534.50	4,459.90	4,442.80
Food/Drink/Tobacco Specialists	21,482.60	21,486.90	21,551.40	21,659.10	21,919.00
Other Food Retailers	2,397.90	2,374.90	2,303.60	2,250.60	2,203.40
Total Food Retail Sales ($ Million)	**93,907.00**	**96,057.00**	**95,929.80**	**96,389.80**	**97,541.40**
Retail Sales Share by Type of Store (%)					
Hypermarkets	16.8	17.1	17.1	17.1	17.0
Supermarkets	47.1	46.9	46.9	46.9	47.1
Discounters	6.1	6.3	6.5	6.6	6.7
Others	30.1	29.7	29.6	29.4	29.3

Source: Euromonitor
* Estimates
** Forecasts

The unfavorable economic situation is speeding up the consolidation process of the retail food sector in Spain. Medium-sized supermarkets located in city centers are taking market share both from traditional shops and out-of-town hypermarkets. The main three retail groups (Mercadona, Carrefour and Eroski) now account for just under half of total sales. This competitive environment, along with the weaker dollar against the euro, is likely to create good opportunities for U.S. food exporters. Supermarkets are searching for new sources for their private label brands and, in this sense, U.S. products might be more competitive due to the favorable exchange rate.

Spain's retail food market is, however, still very diversified. Hypermarkets/supermarkets (more than 60 percent of total food sales), convenience stores, major discount stores and specialized stores coexist with the traditional corner grocery stores and open-air markets, even though the total number of retail outlets has decreased significantly in the last decade. 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.

Spanish consumers are willing to experiment with new tastes and products even though the Mediterranean Diet remains the traditional diet. Consumers are constantly presented new food product choices that trend towards more novelties and specialties, more "natural" and delicatessen foods, more prepared and ready to eat products favoring convenience. Consumers are also increasingly responding to high-quality foods in attractive packaging.

Advertising, personal foreign travel, foreign visitors, and immigrants are important factors that expose consumers to fashionable trends, new products, and new consumption habits. Ethnic foods, in particular, from Latin American and Eastern European sources, continue to do well with consumers.

In addition, consumers are health conscious. Problems or potential problems concerning food safety are widely publicized and usually receive immediate attention from government agencies.

Consumers purchase the traditional and new-to-market foods at neighborhood supermarkets and traditional fresh product outlets, particularly bread, fruit, seafood or meat products. They generally venture to hypermarkets weekly or monthly to buy non-perishable products.   Bulk shopping at hypermarkets does not provide consumers the same level of discounts as is experienced in the United States. As a result of this purchase pattern, the number of medium-sized supermarkets is growing. Large food distribution groups continue to open more medium-sized supermarkets. However, the main factors affecting consumer decision to elect where to purchase food products are:

- Proximity;
- Quality;
- Price (excluding sale promotions);
- Variety of products offered;
- Attention given to the client (including through loyalty programs);
- Sale promotions;
- Variety of brands;
- Quick purchasing;
- Parking;

- Operating hours.

U.S. processed food exporters now face even greater challenges in the Spanish market, because of the EU labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Due to the bad reputation of genetically modified products, retailers are reluctant to purchase these processed products or food ingredients for processing.

In addition, acceptable colorings and additives may differ from those used to produce product for the U.S. market. For more information on food additives regulation please see: http://www.fas.usda.gov/posthome/useu/additive.html

Spain generally applies EU rules and regulations. However, there are subtleties that exporters should learn about before exporting to the Spanish market. For more information, we invite potential U.S. exporters to contact the Office of Agricultural Affairs in Madrid at agmadrid@fas.usda.gov for additional sector-specific information.

In general terms, U.S. exporters already exporting to other EU Members will likely be meeting most of the requirements for exporting into the Spanish market. The U.S. exporter needs to make contact with an importer and/or distributor for his product. Typically, food products are imported by an importer, broker and/or wholesaler or distributor.

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 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 either the Spanish importer and/or the agent involved in the business and is intended for tariff classification purposes.

For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standard Report for Spain and the EU-27 available at: http://www.fas.usda.gov/posthome/useu/fairs.html.

Also, please check the U.S. Mission to the European Union webpage at http://www.fas.usda.gov/posthome/useu , which will guide you on exporting into the EU.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN SPAIN

Advantages	Challenges
Access to the Spanish market through multinational chains like Carrefour, Auchan and El Corte Ingles.	EU labeling, traceability, and packaging laws.
Food products in the market are becoming more diversified.	Importers still have limited knowledge regarding the quality and supplies of U.S. food and agricultural products.
Spanish consumers view U.S. products as high quality.	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 more health conscious, demanding products not sufficiently present in the market.	Supermarkets and hypermarkets shelf space is extremely expensive.
Relative weakness of U.S. dollar	High marketing costs (advertising, discounts, etc.)
Distribution structure is modern and many companies cover both Spain and Portugal.	EU competitors do not pay import duty on goods to Spain. U.S. products generally pay 0-25 percent import duty, depending on the product.
Tastes are becoming more diversified, creating opportunities for new and foreign products.	Importers prefer to take delivery on short notice to avoid storage charges.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. SUPERSTORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

Retail Outlets – Company Profiles

Retail Organizations and Outlet Types	Ownership (Local or Foreign)	Sales 2009 $ Million	Number of Outlets	Location	Type of Purchasing Agent
MERCADONA, S.A. Supermarket	Spanish	14,402	1,264	Nationwide	Importer, Direct
GRUPO CARREFOUR, S.A. Supermarkets, Hypermarkets	French	8,850	272	Nationwide	Importer, Direct
GRUPO EROSKI Supermarket	Spanish	6,754	1,216	Nationwide	Importer, Direct
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION, S.A. (DIA) Hard Discount	French	4,120	1,929	Nationwide	Importer, Direct
ALCAMPO, S.A. - GRUPO Hypermarkets	French	3,700	50	Nationwide	Importer, Direct
HIPERCOR, S.A. Supermarket	Spanish	3,180	37	Nationwide	Importer, Direct
LIDL SUPERMERCADOS, S.A.U. Hard Discount	German	2,400	509	Nationwide	Importer, Direct
CONSUM, S. COOP. Supermarket	Spanish	1,584	422	Nationwide	Importer, Direct
DINOSOL SUPERMERCADOS, S.L. Supermarket	Spanish	1,494	412	Nationwide	Importer, Direct
AHORRAMAS, S.A. - GRUPO Supermarket	Spanish	1,264	202	Madrid, Castilla La Mancha	Importer, Direct

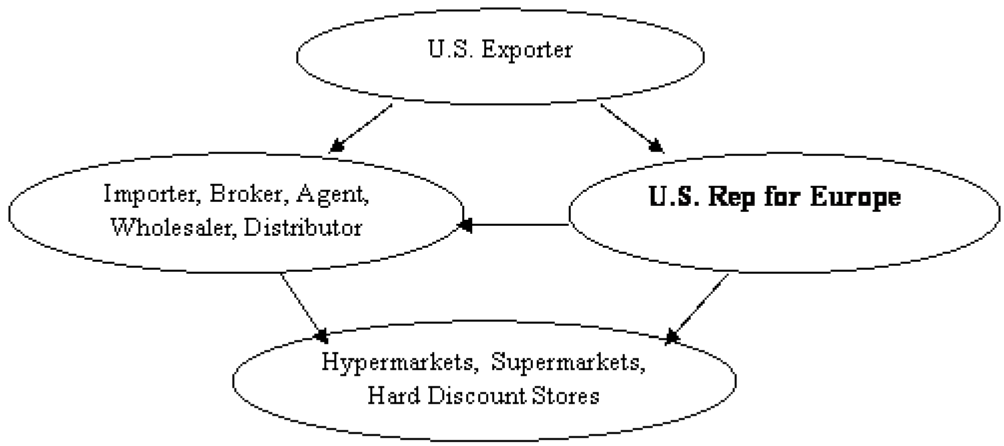
Source: Alimarket

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 is developing sector-specific information to help you introduce your product in Spain.

A directory of European importers is available online at: http://www.american-foods.org European importers of U.S. food and beverages are listed by product categories and company/country index.

Market Structure



In the supermarket sector, products are imported either by an importer, broker or agent, a wholesaler and/or distributor. Some products enter via other European Union ports either through a European importer or through the U.S. representative for Europe for that particular product.

Product representatives are better positioned to promote to retailers and consumers since retailers, as a general rule, do not promote specific products within their facilities. Retailers will, however, sell shelf-space, which is very expensive in the Spanish market. In order to cut costs, some retailers are importing directly from the supplier. In the case of retailers whose ownership is primarily foreign (foreign partnership) such us Carrefour (French), Auchan (French) and Lidl (German) many of the products, in particular specialty products for sale, are from their respective home country. It is important to note that Spanish distributors have nationwide distribution in Spain and, in many cases, in Portugal.

While hypermarkets and larger sized supermarkets control a majority of sales, small sized supermarkets are becoming evermore popular due to their proximity to the consumer (generally located within walking distance of residential and/or business areas). The costumer fidelity concept has been introduced by hyper and supermarkets, shopping centers and department stores as, well as very specialized outlets in an attempt to make a visit worthwhile for the potential consumer. Direct marketing by mail order, telephone, TV or e-commerce is growing considerably.

Major discount chain stores have expanded considerably in Spain, with a steady flow of DIA and Lidl openings, particularly since the financial crisis started with more consumers more sensitive to price. These outlets are much smaller than hypermarkets and only sell food and cleaning products. This type of store provides little service to the consumer, which is reflected in the lower final product prices.

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

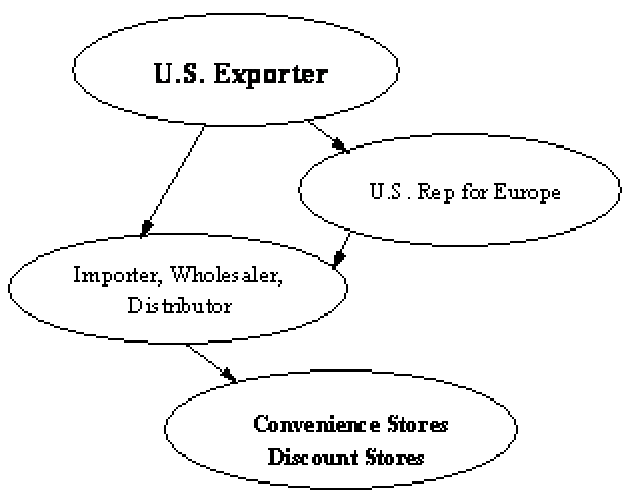
Retail Outlets – Company Profiles

Retail Organizations and Outlet Types	**Ownership (Local or Foreign)**	**Sales 2009 $ Million**	**Number of Outlets**	**Location**	**Type of Purchasing Agent**
TIENDAS DE CONVENIENCIA, S.A (Opencore) Urban Convenience Store, Gas Station	Spanish	544	182	Nationwide	Importer, Direct
DISA PENINSULA, S.L.U. Gas station	Spanish	477	320	Nationwide	Importer, Direct
REPSOL-CAMPSA Gas station	Spanish	344	947	Nationwide	Importer, Direct
PROMOTORA DE MINIMERCADO Gas station - CEPSA	Spanish	225	854	Nationwide	Importer, Direct
AREAS, S.A. Highways	Spanish	153	179	Nationwide	Importer, Direct
BP OIL ESPANA, S.A. Gas station	UK	113	179	Nationwide	Importer, Direct
GESPEVESA Gas station	Spanish	83	39	Nationwide	Importer, Direct
GRUPO VIPS, S.A. Urban Convenience Store	Spanish	75	30	Nationwide	Importer, Direct
GALP ENERGIA ESPANA, S.A. Gas station	Portuguese	37	471	Nationwide	Importer, Direct
ESSO ESPANOLA, S.L Gas station	Spanish	28	64	Nationwide	Importer, Direct

Source: Alimarket

*This figure includes own outlets, franchises and associated outlets.

Market Structure



Convenience Stores

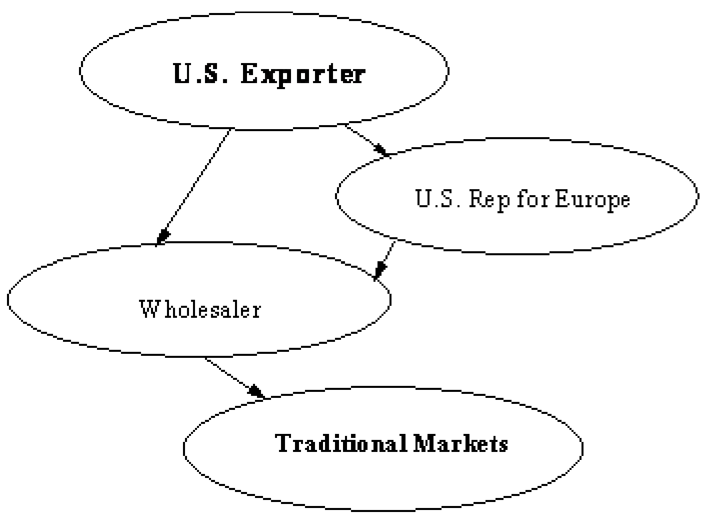
In Spain, convenience stores are usually associated with a gas station (90 percent of the total market share). However, "urban" convenience stores are popping up in Spain (10 percent of the total market share).

Convenience stores are very popular for last minute purchases. The sales through this kind of stores have largely benefited from the increasingly busy lifestyle. The advantages pointed out by convenience store consumers include their opening hours (open 24 hours). However, price is noted as the main disadvantage, and this factor, due to the high levels of unemployment, consumers are more sensitive to price. Furthermore, with more unemployed people, the time constraints drops, and so convenient stores become less relevant. The convenience stores environment is expected to see a substantial slowdown in the coming years, likely until the economic indicators show recovery signs.

In many cases, suppliers to convenience stores also supply hyper and supermarkets. As convenience stores generally have insufficient storage space to import directly, they almost always buy their products from importers, wholesaler and/or distributors.

C. TRADITIONAL MARKETS

Market Structure



Traditional corner grocery stores are composed of corner grocery stores, fresh and regional markets. Wholesalers are the main suppliers for traditional markets. In this sense, large wholesalers do import directly but smaller wholesalers, whose main customer is the traditional market, do not import and get the product through other local importers and/or larger wholesalers.

Usually, these type of stores are traditional family owned and located within residential and/or neighborhood areas. Although they are small in size, they usually carry a diversified range of food and cleaning products. Sanitary conditions are good and all of them have a small refrigeration area. Although their prices are usually higher than in any other type of outlet, they are quite popular for their high quality fresh produce and their proximity. Because these stores are part of the neighborhood, some of them deliver products ordered by telephone. Their main suppliers are the cash-and-carries, which are warehouse type supermarkets and/or small wholesalers who visit once a month to take inventory and restock.

Open-air markets are also very popular. They sell mostly fresh produce, edible dry beans, meat and fish and are only open in the mornings. Their suppliers are the wholesale markets for fresh produce.

Regional open-air markets are also very popular. They take place either once a week, once a month or, in some particular cases, once a year, and usually run on weekends. Because they are so popular and traditional, they are located in the vicinity of major cities and throughout rural areas. Fresh produce and regional foods such as cheese, cookies, etc. are the most common products marketed at these fairs. They also sell clothes, audio and videotapes, portable radios and many other products that are usually found at a flea market.

Of additional interest are some "specialized food stores" – gourmet type stores - which are located in the major cities. These stores specialize in particular food products such as cheese, diversified types of bread, wines, regional products, etc. These stores may be compared to Deli stores and sell not only delicatessen food products but also import some of the products, mainly cheeses and wine. These stores are usually expensive due to the diversity and type of products presented.

SECTION III. COMPETITION

Product Category (thousand metric tons; million USD)	Major Supply Sources in 2009 (in value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Fish *Imports: 339.48* *Value:$787.4*	1. Portugal-9% 2. Netherlands-9% 3. Chile-7% 5. USA-5%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers.
Almonds *Imports:71.4* *Value:$237.2*	1.USA-92% 2.Australia-3% 3.France-1%	Competition of other supply 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:22.4* *Value:$90.7*	1.USA-59% 2.France-24% 3.Chile-24%	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:11.2* *Value:$84.7*	1.Germany-54% 2.USA-27% 3.UK-7% 4. Iran – 5%	Germany is the main entry point for U.S. and Iranian pistachios. Pistachios are then re-exported to other EU countries.	Pistachio production in Spain is very limited.
Sunflower seeds *Imports:400.9* *Value:$210.7*	1.France-42% 2.USA-15% 3.Ukraine- 8%	Growing competition from China, Argentina and Israel for confectionary.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.
Pulses *Imports:267.1* *Value:$178.9*	1.USA-19% 2.Argentina-18% 3.Mexico-16% 4. Canada-9%	Canada is a traditional supplier to Spain. Argentina is increasingly present in the Spanish market, becoming a strong competitor for US pulses.	Spain is a traditional consumer of pulses and its local production is not sufficient to fulfill internal demand. Imports have decreased considerably in the last three years.
Hardwood *Value:$70*	1.France-16% 2.Germany-16% 3.Luxemburg-13% USA – 1%	Increasing competition from China. Portugal and France are traditional suppliers to Spain. American hardwoods are very well considered in the Spanish market for its high quality.	Spain is not a significant producer of quality hardwoods. The crisis in the housing sector significantly affected imports.

Source: www.gtis.com

SECTION IV. BEST PRODUCT PROSPECTS

Products Present In The Market That Have Good Sales Potential

- Tree nuts, particularly almonds, walnuts and pecans
- Peanuts
- Pulses
- Sunflower seeds
- Fish and Seafood, fresh and frozen
- Hardwood

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

- Functional and health food
- Food ingredients
- High Value beef meat (only Non-Hormone Treated Cattle)
- Specialty foods, sauces and beverages (wine and beer)

Products Not Present Because They Face Significant Barriers

- Red meat and meat preparations (hormone ban)
- Poultry (sanitary procedures – pathogen reduction treatment)
- Processed food (with GMO ingredient)

SECTION 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
http://www.embusa.es/fas/index.html

Please email the Office of Agricultural Affairs in Madrid for more information, or visit www.fas.usda.gov to access current market and sector reports.

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:

Trade Associations

FIAB- Federación de Industrias de Alimentación y Bebidas
(Spanish Federation of Food and Beverage Industries)
C/ Diego de León, 44
28006 Madrid
Tel: +34–91 411 7211
Fax: +34–91 411 7344
www.fiab.es
fiab@fiab.es

FEHR – Federación Española de Hostelería
(Spanish Federation for HRI Sector)
Camino de las Huertas, 18, 1ª planta
28223 Pozuelo de Alarcón
Tel: +34-91 352 9156
Fax: +34-91 352 9026
www.fehr.es
fehr@fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)
C/ Cedaceros, 11, 2º Despacho G.

28014 Madrid
Tel: +34-91 429 8956
Fax: +34-91 429 4581
www.asedas.es
direc.general@asedas.org

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución
(National Association of Midsize and Large Distributors)
C/ Velazquez, 24, 5º dcha.
28001 Madrid
Tel: +34-91 522 3004
Fax: +34–91 522 6125
www.anged.es
anged@anged.es

Government Agencies

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

Agencia Española de Seguridad Alimentaria y Nutrición (AESAN)
(Spanish Food Safety and Nutrition Agency)
http://www.aesa.msc.es/aesa/web/AESA.jsp
informacionaesan@msc.es

Dirección General de Industria y Mercados Alimentarios
Ministerio de Medio Ambiente, Medio Rural y Marino
(Ministry of the Environment, and Rural and Marine Affairs)
http://www.mapa.es/es/alimentacion/alimentacion.htm
informac@mapa.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