

Required Report: Required - Public Distribution

Date: December 18,2020

Report Number: SP2020-0046

Report Name: Exporter Guide

Country: Spain

Post: Madrid

Report Category: Exporter Guide

Prepared By: Arantxa Medina

Approved By: Jennifer Clever

Report Highlights:

Similar to other countries in the region, Spain is ending 2020 fighting to control the second wave of the COVID-19 pandemic. The full impact of the COVID-19 pandemic on the Spanish economy is still uncertain. However, the latest predictions released by the Organization for Economic Co-operation and Development estimated that in 2020, the Spanish economy will shrink 11.6 percent. Lockdown measures and movement restrictions increased cooking and dining at home. This created opportunities for frozen seafood, condiments and sauces, and high-end products traditionally consumed dining out. In 2020, changing consumption habits throughout the pandemic continue to position retail, eCommerce and regional supermarkets as the fastest growing food sales channels. This report provides guidance to U.S. companies interested in exporting food products to Spain including an overview of the country's economic situation, market structure, and export requirements.

Market Fact Sheet: Spain

Spain is a major producer and exporter of food and agricultural products with other EU countries as its primary export destination. Spanish producers, processors, wholesalers, retailers, food service operators, and importers are all part of a well-developed agribusiness sector, contributing to a competitive and dynamic domestic scenario. The full impact of the COVID-19 pandemic on the Spanish economy remains uncertain. The OECD latest estimates predict that the Spanish economy will shrink 11.6 percent in 2020.

GDP / Population 2019

Population: 46.9 million

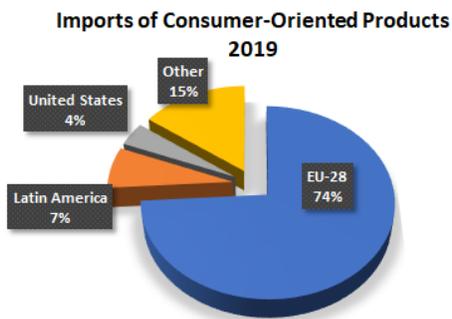
Real GDP Per capita*: \$29,900

*Provisional

<i>SWOT Analysis</i>	
<i>Strengths</i>	<i>Weaknesses</i>
Diversified economic base	High public debt
<i>Opportunities</i>	<i>Threats</i>
Lower tariffs on high-end U.S. products (lobster) Emphasis on health and sustainability	COVID-19's negative impact on the Hospitality Sector and the economy Rise of food patriotism

Imports of Consumer-Oriented Products

Goods imported into Spain must meet the EU sanitary and phytosanitary requirements to protect human and animal health, as well as requirements under the customs union. Hence, U.S. exporters already exporting to other EU member states will likely meet most of the Spanish import requirements. For the export of animal products, the production plant must be approved for export to the EU.



Food Processing Industry

In March 2020, during the COVID-19 outbreak and the following government-mandated lockdown, the Spanish food-processing sector was considered essential and continued to respond to demand, with some initial difficulties and adjustments along the way. Nonetheless, industry's interest in developing new products continue to present opportunities for food ingredients.

Food Processing Industry Facts 2019

Food Processing Industry	\$140 billion
Output Food Exports	\$38.2 billion
Commercial Surplus	\$11 billion
No. of Employees	436,700
No. of Food Processors	30,730
% of total GDP	2 %

Food Retail Industry

The retail competitive landscape in Spain remained highly fragmented in 2019, led by major grocery retailers. Within grocery store-based retailing, the competitive environment is concentrated, with Mercadona retaining its leadership, followed by Carrefour. However, in 2020, Spanish changing consumption habits as a result of the pandemic continue to position eCommerce and regional supermarkets as the fastest growing channels. As internet retailing is expected to continue growing, retailers continue to invest in eCommerce platforms.

Top 10 Spain Country Retailers

Retail Organization	Ownership	Sales 2019 (\$ Million)
MERCADONA	Spanish	26,499
GRUPO CARREFOUR	French	9,988
GRUPO EROSKI	Spanish	5,333
AUCHAN RETAIL	French	5,200
LIDL SUPERMERCADOS	German	5,108
DIA RETAIL	French	4,741
CONSUM, S. COOP.	Spanish	2,856
EL CORTE INGLES ALIMENTACION	Spanish	2,818
AHORRAMAS	Spanish	1,941
MAKRO	German	1,424

Data and Information Sources: Euromonitor, Eurostat, Trade Data Monitor, LLC, FIAB; **Contact:** AgMadrid@fas.usda.gov

SECTION I. MARKET OVERVIEW

In 2019, Spain’s economy grew more modestly compared to previous year at 2 percent. After five consecutive years of growth since the start of the economic recovery in late 2013, the economy slowed but still with positive prospects. This economic growth was strongly fueled by Spain’s robust tourism and hospitality sector. According to official data, in 2019, Spain hosted 83.7 million tourists with expenditure of almost 109 billion euros.

However, positive economic prospects damped on March 14, 2020 when Spain declared a nationwide State of Alarm to stop the expansion of the COVID-19 pandemic. The end of the national lockdown in June 2020, gave hopes for an economic recovery. However, as of this report, the country is facing its second wave of COVID-19 outbreaks. In addition, travel and gathering restrictions currently in place and intended to continue until the end of the year, will continue to temper economic activity, hitting once again the tourism and hospitality industry.

Both the short and medium-term economic outlook continue to be highly dependent on epidemiological developments, around which remains a high degree of uncertainty. The latest predictions released by the Organization for Economic Co-operation and Development (OECD) in early December, estimated that in 2020, the Spanish economy will shrink 11.6 percent. According to the same source, the Spanish economy is expected to subsequently grow 5 percent in 2021 and 4 percent in 2022.

Tourism is a strategic sector for Spain, providing 12.3 percent of GDP and 12.7 percent of employment. After hosting another record-breaking number of foreign visitors in 2019, during the first nine months of 2020, Spain received 75 percent less tourists compared to the previous year. This dramatic drop in tourism arrivals caused the country to lose \$66 billion in revenue. Travel restrictions, the resurgence of cases and fear to travel has made 2020 the worst tourism season in decades.

In terms of population and demographic trends, Spain’s population went from 40.5 million in 2000 to 47.3 million in 2019, partly thanks to the economic growth of the early 2000s. Nevertheless, having one of the lowest fertility rates in the world is causing Spain’s population to age rapidly and this trend is forecasted to continue in the next decade. Correspondingly, the market will have to adapt to this demographic change and the impact on future consumer trends and preferences. This will create opportunities for new formats and products targeting that segment of the population.

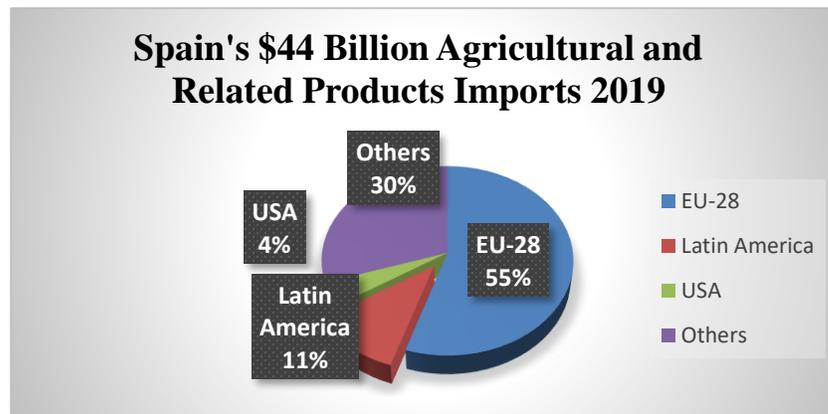
Table 1. Advantages and Challenges Facing U.S. Exporters in Spain

Advantages	Challenges
Spain’s food industry relies on imported ingredients, many from the U.S.	Post coronavirus economic environment; adjustments to the overall economy, and tourism; changes in consumer habits.
Good image and reputation of U.S. products.	Food imported from third countries, including the U.S., must comply with EU food law, labeling, traceability, and packaging laws, which vary from U.S. regulation and practice. Increased consumer preference towards national food products (food patriotism) following the COVID-19 pandemic.

Good network of agents and importers to help get products into the market.	High transportation costs. In addition, small exporters face difficulties in shipping mixed/smaller container loads vs EU competitors or big exporters.
Consumers are increasingly health conscious, demanding new products.	Competition from EU countries, where tastes and traditional products may be better known.
Distribution structure is modern and many companies cover both Spain and Portugal.	Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products.
Diversity of food products available is increasing. Consumers are increasingly open to new products.	High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies.

Competition within Spain’s Food and Agricultural Product Import Market

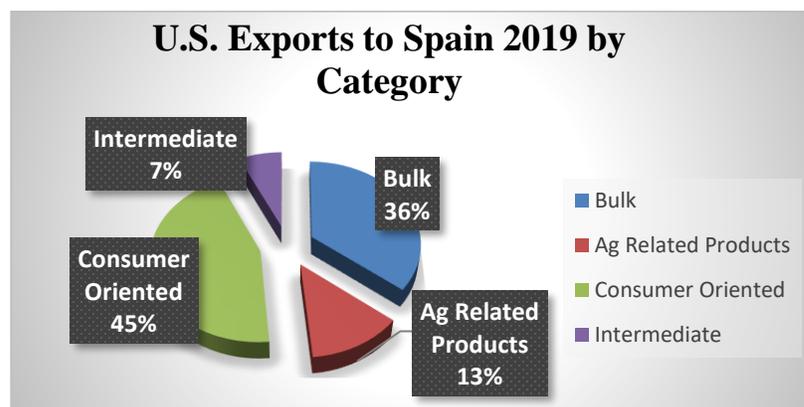
In 2019, Spain imported \$43.9 billion worth of agricultural products from the world. By region, Spain’s main trading partners are other EU member states, as shown in the chart below:



SOURCE: Trade Data Monitor, LLC

Spanish Market for U.S. Food and Agricultural Products

By category, the distribution of U.S. food and agricultural exports to Spain has stayed consistent over the last decade.



SOURCE: Trade Data Monitor, LLC

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs

Success in introducing products in the Spanish market requires local representation and personal contact. With the current pandemic restrictions and gathering limitations, as well as the cancelation and postponement of trade shows and other large meetings, Spanish companies have adapted and are increasingly willing to engage through online interactions. 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.

Spain has sales channels ranging from traditional distribution methods - whereby wholesalers sell to small retailers 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 signed, the Spanish company will likely expect the U.S. firm to translate into Spanish commercial brochures, technical specifications, and other marketing materials. Decision makers at Spanish firms may speak English, but paperwork should be in Spanish.

The Spanish market is composed of regional markets serviced by two major hubs: Madrid and Barcelona. Most 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 U.S. products intending to enter the Spanish market should include:

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

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

Food Standards and Regulations

For detailed 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](#).

In addition, please check the U.S. Mission to the European Union ([USEU Mission](#)) web page 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 [EU 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, [negotiations and trade agreements](#) in place between the EU and other countries provide for advantageous access to the European market.

Currently, the EU and the US have the following agreements and arrangement in place:

- [US-EU Organic Equivalency Arrangement](#)
- [US-EU Wine Agreement](#)
- [Veterinary Equivalency Agreement](#)

The local importer has primary responsibility with the Spanish Government for imported food products once they enter Spain. 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.

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

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

The Standard U.S. label does not comply with the EU’s labeling requirements. For all the details, visit the [EU labeling requirements](#) section of the [USEU Mission](#) webpage.

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.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Table 2. Best Consumer-Oriented Product Prospects Based on Growth Trends

Product Category (TMT; million USD)	Major Supply Sources 2019 (value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Fish Imports:347 Value: \$844	1. Portugal - 12% 2. France – 6% 3. Seychelles – 4%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local producers. Domestic consumption and exports largely exceed local supply.

Almonds Imports:93 Value: \$542	1. USA - 87% 2. Australia - 3% 3. Germany - 2%	Limited competition from other countries. Spanish demand is high, and production is insufficient to satisfy demand.	Spain produces almonds, mostly used roasted as a snack. U.S. almonds are processed, both used domestically and exported.
Rice Imports:202 Value: \$128	1.Pakistan - 16% 2.Myanmar - 13% 3.Thailand - 13%	Strong competition from main world suppliers with large productions and competitive prices.	Limited local supply. Consumers are looking for new varieties.
Pulses Imports: 385 Value: \$213	1. USA - 22% 2.Argentina – 19% 3. Mexico – 11%	Strong competition from Argentina, who largely increased their presence in recent years.	Spain is a traditional consumer of pulses and its local production is not sufficient to fulfill domestic demand.
Pistachios Imports: 14 Value: \$134	1. USA - 69% 2.Germany – 10% 3. Iran – 10%	Germany is the main entry point for U.S. and Iranian pistachios to the EU and exported to other MSs.	Local pistachio production is growing, but still very limited. Demand continues to grow significantly.
Sunflower Seeds Imports: 243 Value: \$140	1. France - 47% 2.China – 21% 3.USA – 14%	Growing competition from China, Argentina and Israel for confectionery.	Traditional snack. Local production is insufficient to meet demand.

Source: Trade Data Monitor, LLC

Food Retail Sector

In early 2020, during the lockdown measures in response to COVID-19 outbreak, the Spanish food retail and distribution sector were considered an essential activity and continued to function. Despite facing some initial difficulties and adjustments, Spain was one of the countries with the fewest stock shortages compared to other neighboring countries. The sector currently faces the challenges of the “new normal” and continues to adjust to the short and long-term changes and uncertainties brought on by the pandemic.

Changing consumer habits and the development of new technologies are leading the sector to develop new commercial formats and greater diversification. According to Euromonitor, the digitization progress is leading to a reinvention of commercial formats, which is translating into greater diversification. The omnichannel strategy has been identified by retailers as the most desired, especially in food. Omnichannel places focus on the customer not the product, removing boundaries between the different channels. This omnichannel includes formats such as online shopping, telephone, delivery services, or click & collect. The pandemic has brought a whole new meaning and value to proximity shopping. With the initial saturation of online channels and the government-mandated movement restrictions, proximity shopping has become key for many Spanish consumers. Hence, so far in 2020, regional supermarket chains have increased their market share and relevance.

Breaking many barriers in recent months, another key channel during the pandemic has been eCommerce, particularly in urban areas. During the COVID-19 crisis, many shoppers used online supermarkets for the first time to fill their pantries. Kantar estimates that currently one million households use this channel to

purchase food, doubling its share to 3.6 percent compared to last year. The growth in the number of online orders is positive in terms of volume, as well as market and customer share. However, under the current model, profitability is lower than in-person sales. Supermarket online sales are expected to continue increasing in the medium term, calling for the structural reforms to expand and improve their online channel services and profitability.

In addition, the COVID-19 crisis revitalized consumer preferences for domestic foods (or food patriotism) around the world. In Spain, this trend is expected to continue beyond the pandemic. Spanish consumers indicate that they are now paying more attention to the origin of products. The Spanish Ministry of Agriculture is also encouraging consumers and retailers to purchase local products.

Top 10 Spain Country Retailers

Retail Organization	Ownership	Sales 2019 (\$ Million)
<u>MERCADONA</u>	Spanish	26,499
<u>GRUPO CARREFOUR</u>	French	9,988
<u>GRUPO EROSKI</u>	Spanish	5,333
<u>AUCHAN RETAIL*</u>	French	5,200
<u>LIDL SUPERMERCADOS*</u>	German	5,108
<u>DIA RETAIL</u>	French	4,741
<u>CONSUM, S. COOP.*</u>	Spanish	2,856
<u>EL CORTE INGLES ALIMENT.*</u>	Spanish	2,818
<u>AHORRAMAS</u>	Spanish	1,941
<u>MAKRO</u>	German	1,424

Source: [Alimarket](#)

Market Structure:



For more information, please see the [Spanish Retail Food Sector](#) report.

Hotel, Restaurant and Institutional (HRI) Sector

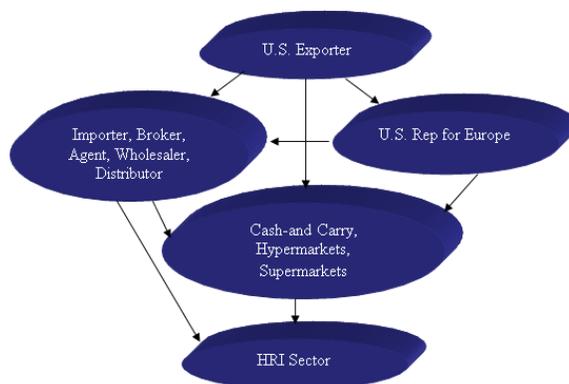
The impact of the COVID-19 health crisis on the Spanish Hotel, Restaurant and Institutional (HRI) sector has been devastating. After hosting another record number of foreign visitors in 2019, Spain received 15.7 million tourists from January to September 2020, 74.9 percent less tourists compared to the same period in 2019. The COVID-19 pandemic marked an abrupt stop to ten years of constant growth in the Spanish hotel industry. In 2019, according to Alimarket, the main companies and groups in the sector generated \$33 billion, a 6 percent increase compared to previous year. There is no doubt

that the pandemic continues to severely discourage tourism, the continuous changes in travel restrictions are also delaying economic recovery.

Despite the briefly improved health situation during the summer, Spain is already immersed in a second wave of infections. Some regions have restaurants and bars shutdown, others have different restriction levels on public and private gatherings, and capacity limits inside restaurants. The Spanish hospitality sector estimates that about 40,000 businesses have already closed. Under the current scenario, the sector expects a total of 65,000 establishments will disappear by the end of the year. Meanwhile, over half of the catering and institutional operations working force is currently unemployed.

While Spain is still trying to evaluate the impact of the first wave of COVID-19, the second wave of infections brings another wave of uncertainty on top of the already gloomy economic prospects.

Market Structure:



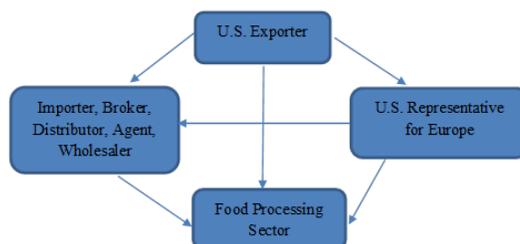
For more information on the [Spanish HRI Sector](#) report.

Food Processing Sector

In 2019, this sector provided 436,700 jobs, representing more than 20.2 percent of the total industrial workforce. The food industry in Spain consists of mostly small and medium sized companies— in 2019, there were 30,730 food processors throughout the country. The industry produced \$140 billion worth of product in 2019. Exports continue to be critical for the development of the industry and, in 2019, were valued at \$38.2 billion. Spain has some of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food ingredient exporters.

In the current global economic environment marked by the uncertainty brought on by the COVID-19 pandemic, the Spanish Food and Beverage Federation (FIAB) expects that the sector will be greatly impacted by the global crisis caused by the pandemic. In 2020, the sector expects a great impact in employment, production, and exports. After creating employment for six consecutive years, the food processing sector could lose between 4,000 and 11,000 jobs, and 800 companies could be forced to shut down. The ongoing closures of the HRI channel and the limited number of tourists visiting the country will impact those companies highly dependent on the hospitality channel. On export capacity, the economic crisis of the export markets is expected to drop global demand for Spanish products between 6-11 percent.

Market Structure:



For more information on the Spanish food processing sector, visit [FAS GAIN Home](#).

SECTION V. AGRICULTURAL and FOOD IMPORTS

Table 3. Agricultural and Food Import Statistics

AGRICULTURAL PRODUCTS IMPORTS (\$	2016	2017	2018	2019	2020*
Total Agricultural and Related Products	38,002	41,993	45,223	43,859	40,000
Total U.S. Agricultural and Related Products	1,857	1,643	2,188	1,858	1,700
Total Agricultural Products	28,067	30,987	32,656	31,813	31,500
Total U.S. Agricultural Products	1,487	1,319	1,868	1,610	1,500
Total Fish Products	7,024	7,922	8,465	7,972	7,000
Total U.S. Fish Products	134	103	101	94	100

Source: Trade Data Monitor LLC; (*) Estimate

Best High-Value, Consumer-Oriented Product Prospects Category

Products Present in the Market with Good Sales Potential

Tree nuts, particularly almonds, walnuts and pistachios; Peanuts -- Pulses -- Rice -- Sunflower seeds -- Fish and Seafood (frozen)

Products Not Present in Significant Quantities with Good Sales Potential

Condiments and Sauces -- Functional and innovative health food -- Free-from products (lactose-free, gluten-free) -- Specialty foods, snack foods -- Nuts, pecans and hazelnuts

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)

SECTION VI. KEY CONTACTS 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](#). The [FAS website](#) offers recent reports of interest to U.S. exporters interested in the Spanish market. Additionally, please see below useful contacts:

Trade Associations: [Spanish Federation of Food and Beverage Industries](#); [Spanish Federation for HRI Sector](#); [Spanish Association for Distributors and Supermarkets](#); [Spanish Restaurant Chain Association](#)

Government Agencies: [Ministry of Health](#); [Spanish Consumption, Food Safety and Nutrition Agency](#); [Ministry of Agriculture, Fisheries and Food](#)

Attachments:

No Attachments