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International
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MARKET ANALYSIS REPORT | NOVEMBER 2012

The Spanish Consumer

Behaviour, Attitudes and Perceptions Toward Food Products

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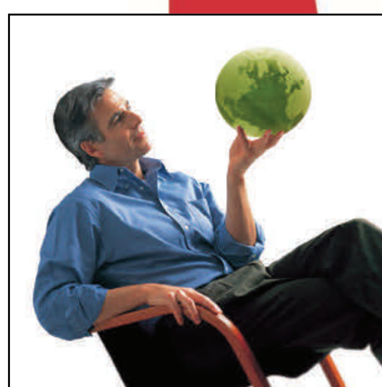


Growing Forward

Canada

EXECUTIVE SUMMARY

As Spain joined the European Union (E.U.) in 1986, it has access to its own large, consumer population, and to the surrounding European market as well (Central Intelligence Agency [CIA], 2012). In 2012, Spain's gross domestic product (GDP) is expected to total around US$1,360 billion (Economic Intelligence Unit [EIU], 2012c). `

Canada and Spain share strong bilateral relations, reflected in the high level of trade that exists between the two nations. In 2011, trade between Canada and Spain totalled US$2.7 billion (Global Trade Atlas [GTA], 2012). Agri-food and seafood exports and imports between the two countries totalled around C$449.1 million (Statistics Canada, 2012).

Spain currently faces economic challenges that influence consumer behaviour. However, as basic necessities, food and non-alcoholic beverages will continue to represent a significant portion of consumer expenditure. In 2011, 13% of total consumer expenditure was on food and non-alcoholic beverages (Euromonitor International, January 2012). Despite forecast declines in consumer expenditure until 2014, many food and beverage categories are expected to see growth throughout the next five years.

Similar to Canada and many other developed countries, consumption patterns in Spain are affected by a number of trends. An aging population and increasing health consciousness has increased the demand for healthy, fresh, and organic foods and beverages. The growing urban population and busy lifestyles have also influenced demand for convenience products. At the same time, the current state of the Spanish economy has made Spanish consumers price-conscious, fuelling the sale of private label brands in a number of food and beverage categories.

This report is intended to provide a portrait of the Spanish consumer and some consumer market trends in Spain to support export and marketing strategies for Canadian businesses.

INSIDE THIS ISSUE

Trade of agri-food and seafood products between Canada and Spain totaled C$449.1 million in 2011.

(***Source:*** *Statistics Canada*)

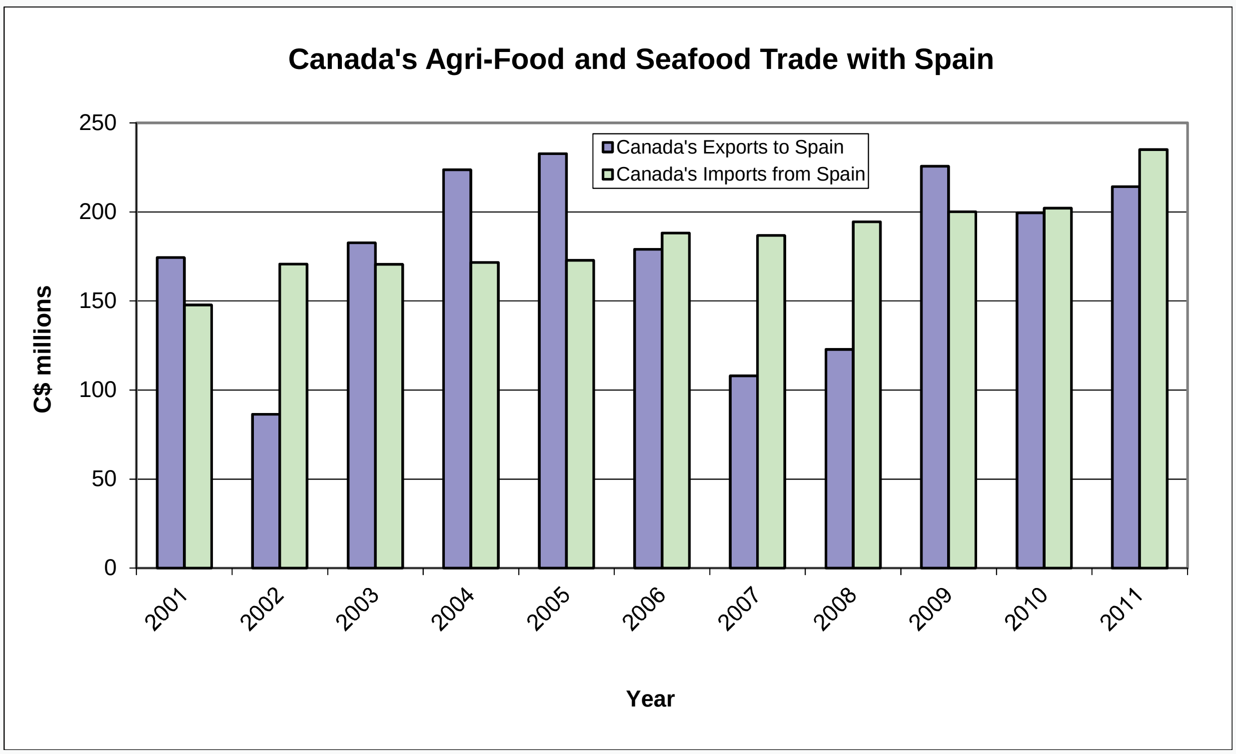
GLOBAL TRADE POSITION

As an E.U. member, Spain relies heavily on its E.U. neighbours for imported goods, making this a more challenging market for Canadian companies to penetrate. Nevertheless, Spain is an important trading partner for Canada.

The E.U. is the largest agri-food importer in the world, and Spain is a leading market. In 2011, Spain imported a total of US$38.7 billion in agri-food and seafood, and exported US$42.6 billion, maintaining a positive trade balance of US$3.9 billion (GTA, 2012).

In 2011, Canada's agri-food and fish and seafood exports to Spain totalled approximately C$214.2 million, up from C$199.5 million the previous year. Leading agri-food exports included corn (maize, excluding seed corn), soya beans, dried shelled lentils, dried shelled peas, and rapeseed/colza oil. Canada's top fish and seafood export to Spain was frozen lobster, which totalled C$8.6 million in 2011 (Statistics Canada, 2012).

Agri-food and fish and seafood imports from Spain totalled C$234.9 million in 2011, up from C$202.1 million the previous year. The top five imports were grape wines, olives (prepared or preserved), peppers (fresh or chilled Capsicum or Pimenta), mandarins and similar citrus hybrids, and grape juice (Statistics Canada, 2012).



Source: *Statistics Canada, 2012.*

Population

With an estimated population of 47 million in 2012, Spain is the fifth-largest country in the E.U., accounting for approximately 9.2% of the total population (CIA, 2012; Eurostat, 2012). Between 2001 and 2011, Spain's population grew by 14% (Eurostat 2012). It is expected to grow by 0.6% in 2012, reaching 50 million by 2035 (CIA, 2012; Eurostat, 2012).

Spain's population growth forecast varies by region. By 2020, the population of Northern Spain is expected to decline, while Southern Spain is expected to see population growth of more than 10% (Commission of the European Communities, 2008).

Several factors have influenced population growth in Spain. The fertility rate in the country is 1.38 children per woman of childbearing age. This is down from the decade high of 1.46 in 2008, but has overall increased over the course of the decade. Natural population change of 2.3/1000 inhabitants (the difference between the number of births and deaths in the country), and a net migration rate of 1.3/1000 inhabitants in 2010 have also contributed to population growth in Spain (Eurostat, 2012).

In 2012, 17.1% of the Spanish population was aged 65 and over. In 2010, the old age dependency ratio was 24.7%. This means that the population over 65 equates to 24.7% of the total number of people aged 15-64 who make up the majority of the labour force. This ratio is projected to increase steadily as Spain's population ages, reaching 53.3% by 2035. This will have significant consequences, as it means that there will be fewer than two members of the labour force per person over 65 (Eurostat, 2012).

In 2010, there were approximately 91.8 inhabitants per square kilometre in Spain; this population density is below the E.U. average of 116.6 (Eurostat, 2012). The urban population represented 77% of the total population (CIA, 2012). This urban population is expected to grow by 3.5% between 2010 and 2020 (Euromonitor International, January 2011).

Population Demographics – 2012 Estimates	
Population	47,042,984
Population growth	0.6%
Age (% of population) 2011 estimates	
0-14 years	15.1%
15-64 years	67.7%
65 years and over	17.1%
Median age	40.5 years
Sex ratio	0.97 male(s)/female
Life expectancy	81.3 years
Total fertility rate	1.4 children born/woman
Urban population 2010 estimate	77% of total pop.

Source: *CIA World FactBook, 2012.*

DEMOGRAPHICS (continued)

Ethnicity

The main ethnic groups in Spain are the Castilians, Catalans, Galicians, and Basques (U.S. Department of State, January 2012). The Catalan and Basque regions are very active politically, with nationalist movements seeking independence from Spain (Euromonitor International, January 2011).

According to the World Factbook, the main languages spoken in Spain are Castilian Spanish (74%), Catalan (17%), Galician (7%), and Basque (2%). Roman Catholicism is the dominant religion, associated with approximately 94% of the Spanish population (CIA, 2012).

As of January 1, 2011, there were 6.5 million people living in Spain who were born outside the country (Eurostat, 2012). In 2009, there were 5.6 million—2.5 million from other parts of Europe, 1 million from Africa (over 700,000 of these from Morocco), 1.8 million from America (especially Mexico, Central, and South America), and the rest from Asia and Oceania. These foreign-born inhabitants made up over 12% of the Spanish population (National Statistics Institute [NSI], 2011c), with Romania, Morocco, and Ecuador as the top three countries of origin (Euromonitor International, January 2011).

Education

Like other demographic factors, educational attainment also has an impact upon consumer choice. In 2009, there were approximately 7.7 million students in Spain; this includes students in primary education through to post-graduate studies (Eurostat, 2012). School is mandatory for children and teenagers between the ages of six and sixteen (Euromonitor International, January 2011).

Primary school education begins at the age of six, although 99.3% of children aged 4-5 participated in pre-primary education in 2009. Spain has the third-highest pre-primary rate in the E.U., along with Belgium, topped only by France (100%) and the Netherlands (99.5%) (Eurostat, 2012). The net enrollment rate for primary school was 100% for both girls and boys from 2007 to 2010 (United Nations Children's Fund (UNICEF), 2012).

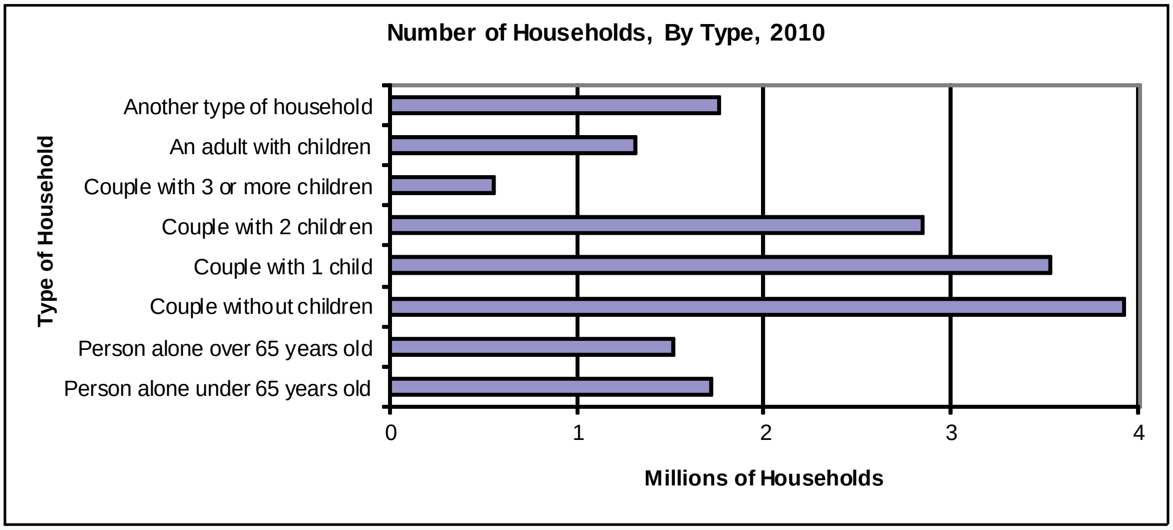
Compulsory secondary school is four years, divided into two stages, one for students aged 12-13 and one for students aged 14-15 (Euromonitor International, January 2011). The net enrolment rate for boys was 94% from 2007 to 2010, while for girls it was 97% (UNISEF, 2012). In 2010, around 47.4% of the population aged 25-65 had an education at or below this compulsory secondary school level. This level of education was more prevalent for older age groups; however, in all age groups, over one third of the population has what is reported by Eurostat as low educational attainment. Furthermore, in 2009, 19.6% of 15-year olds in Spain exhibited low proficiency in reading literacy, according to standardized testing (Eurostat, 2012).

After secondary school, students have the option to continue studying for the *Bachillerato*, to pursue vocational training, or to enter the workforce (Euromonitor International, January 2011). In 2010, 52.6% of the population aged 25-64 had completed at least this upper level of secondary school, below the E.U. average of 72.7%. As young people (aged 20-24) have a much higher completion rate for this level (61.2%), upper secondary school completion may be becoming more prevalent. Interestingly, the completion rate is much higher for females than males in this age group (Eurostat 2012).

To be admitted to university, students must pass the *Bachillerato*, as well as an entrance exam (Euromonitor International, January 2011). In 2009, women made up 54.1% of the number of students in tertiary education as a whole, but have significantly lower numbers in subjects such as science, math, and computing, engineering, manufacturing, and construction (Eurostat, 2012).

Households

There were an estimated 17.1 million households in Spain in 2010, an increase from 15.8 million in 2006. Close to 30% of these households consisted of two members, followed by 26% with three members, 20% with four members, 5% with five members, and 2% with six members or more. Single-person households accounted for 19% of total households in Spain (NSI, 2011b).



Source: *National Statistics Institute (NSI), 2011b.*

While the types of households in Spain vary, the largest household type is couples without children (22% of households). A large number of households are couples with one child (21% of households), and couples with two children (17%). Of the 19% of single-person households, more than 9.7% are under 65 years of age, while around 8.8% are over 65 (NSI, 2011b).

From 2005 to 2009 about half the Spanish population was married (Euromonitor International, January 2011). While 53% of the population is expected to be married by 2020, on the whole, marriages have been decreasing and divorces increasing in Spain (Euromonitor International, January 2011). In 2000, there were almost 5.4 marriages and 0.9 divorces per 1000 people, whereas in 2010 there were 3.6 marriages and 2.2 divorces per 1000 persons (Eurostat, 2012).

Marriage is occurring later in life. In 2005, the average age to first get married was 29.4 years for women and 31.5 for men. By 2009 this had risen to 30 for women and 32.3 for men. Women are also giving birth later in life, with the average age for having their first child rising from 26.8 in 1990 to 29.5 in 2009. This means that couples are usually financially stable and have higher disposable income by the time they get married and have children (Euromonitor International, January 2011). Indeed, according to data from the National Statistics Institute, while there is some variation in lower income brackets, average household size in 2010 corresponded positively with net regular monthly household income (2011b).

Net Regular Monthly Household Income in Euros (2010)	Average Size of Household, Number of Persons (2010)
Up to 499 euros	2.02
From 500 to 999 euros	1.94
From 1,000 to 1,499 euros	2.47
From 1,500 to 1,999 euros	2.75
From 2,000 to 2,499 euros	2.98
From 2,500 to 2,999 euros	3.06
From 3,000 to 4,999 euros	3.31
5,000 euros and more	3.46
Total	2.67

Source: *National Statistics Institute (NSI), 2011b.*

Many factors influence these trends. The prevalence of Catholicism in Spain has traditionally meant that marriage within the Church was valued and divorce not widely accepted. However, there is evidence that social perceptions are changing, as same-sex marriage, living with a partner without being married, and divorce have become more socially acceptable. Pragmatic reasons often influence an individual's choice to marry, including tax breaks and mortgages. The growing divorce rate has also been fuelled by a judicial reform in 2005, which made divorces faster and easier to obtain financially. Same-sex marriage was legalized in 2005 (Euromonitor International, January 2011).

This household profile shows that there is a significant market in Spain for products that appeal to couples without children and couples with one or two children. These households are also more likely to have higher disposable income. Rising divorce rates and the significant number of single-person households overall mean that there is expected demand for household goods, household appliances, and food and beverage products geared towards individual consumption (Euromonitor International, January 2011). With 8.8% of households consisting of an individual over 65 living alone, companies should be aware of this niche market with specific needs and desires (NSI, 2011b).

Lifestyle and Health

In 2009, the Spanish consumer typically worked 8 hours a day, totalling 40 hours per week, which is slightly above the E.U. average. Commuting to work for many took around 45 minutes. Overtime was often required or encouraged and working arrangements were not very flexible. According to Euromonitor, this is changing and more flexible and alternative working arrangements will become more popular as employers increasingly recognize the pressures of their employees' busy urban lifestyles (Euromonitor International, January 2011).

The rising unemployment rate has changed many Spanish consumer's lifestyles. It has become increasingly common for Spanish consumers to undertake their leisure activities alone or in the home. Indeed, Spanish consumers in 2009 spent an average of one hour a day on social activities, twenty minutes less than in 2003. Popular leisure activities include sports (including soccer, basketball, tennis, volleyball, and Formula 1 racing), reading, watching television, playing video games, listening to the radio, surfing the Internet, and engaging in social media. Gardening and do-it-yourself (DIY) projects have been less popular, but interest is expected to increase slowly as consumers continue to live frugally. Some adult consumers are using their leisure time to boost their skills and qualifications in the workplace by enrolling in adult education (Euromonitor International, January 2011).

As in other Western countries, the inhabitants of Spain are living longer. Life expectancy at birth in 2010 was 79.1 years for a male and 85.3 for a female. This has increased in the past decade. In 2000, at birth a male could expect to live until 75.8 years of age and a female could expect to live until 82.9 years of age (Eurostat, 2012).

The most prominent causes of death in 2009 were circulatory system diseases (including heart disease, hypertension, and heart failure), tumours, and respiratory system diseases (including flu, pneumonia, respiratory failure, and asthma) (NSI, 2011a). These causes of death are significantly influenced by diet and lifestyle. In 2003, approximately 28.1% of the Spanish population smoked daily. This was higher for the male population, of whom 34.2% smoked daily, compared to 22.4% of the female population (Eurostat, 2012). Around 17.1% of the population over 18 years of age was classified as obese and 36.7% was classified as overweight in 2009. This is up from the 15.4% classified as obese in 2008 and down from the 37.1% classified as overweight that year. For the population aged 2-17 years, 9.4% were classified as obese and 19.2% were classified as overweight. The tendency to be obese increases with age and it is more of a problem for Spanish males than females. While obesity has increased in recent years, the proportion of people who do not participate in physical exercise is declining (Euromonitor International, January 2011).

Economy

Since Spain joined the E.U. in 1986, it has greatly enhanced infrastructure, increased GDP growth, and reduced public debt, unemployment, and inflation. Adoption of the euro in 1999 also helped to quickly modernize the country's economy.

As a result, Spain saw strong economic growth in that period. Today, the country's mixed capitalist economy supports a per capita income that is about the same as France and Germany (CIA, 2012).

Spain, Economic Indicators as Compared to France and Canada

	Spain	France	Canada
GDP (official exchange rate)	US$1,493.8 billion (2011)	US$2,777billion (2011 est.)	US$1,737 billion (2011)
GDP real growth rate	0.7% (2011) -0.1% (2010) -3.7% (2009)	1.7% (2011) 1.4% (2010) -2.6% (2009)	2.5% (2011) 3.2% (2010) -2.8% (2009)
Unemployment rate	21.7% (2011)	9.3%(2011)	7.5% (2011)
Inflation rate (consumer prices)	3.1% (2011) 2% (2010)	2.3% (2011 est.) 1.7% (2010)	2.9% (2011) 1.8% (2010)

Source: *EIU, 2012a; EIU, 2012b; EIU, 2012c.*

This above average economic growth slowed in 2007 and, like other countries, Spain entered into a recession in 2008. Spain's sixteen-year growth period came to an end in 2009 as GDP decreased by 3.7%, followed by another decrease of 0.1% in 2010 (EIU, 2012c). This downturn most affected the country's domestic construction and real estate markets, leading to an oversupply of housing. Consumer spending also fell during this time. In 2010, the Spanish government budget deficit was three-times higher than the Euro-zone limit, at 9.2% of the GDP. Consequently, Spain was the last major economy to exit the global recession in 2010 (CIA, 2012).

By late 2011, Spain entered into another recession. Key challenges include the volatile domestic construction and real estate markets, the weak banking sector, the large government budget deficit, rising unemployment, and consumer debt. Spain remains susceptible to financial contagion, particularly from other Euro-zone members (2012b, March 9). According to the Economist Intelligence Unit, Spain's GDP is expected to decrease by 2.2% in 2012 and by 0.7% in 2013, before experiencing slow positive growth from 2014 onwards (EIU, 2012c).

The Spanish government was forced to seek a bail-out package of around €100 billion from its Euro-zone partners in order to stabilize its banking sector. Other planned austerity measures to improve economic conditions include privatization of ports and airports, labour market reforms, and public spending cuts in education, healthcare, unemployment benefits, industry subsidies, and civil service pay. In addition, the Value Added Tax on goods and services will be increased by 3%, totalling 21% (EIU, 2012c; Toyer & González, 2012). While the aim is to reduce the government budget deficit to below 3% of GDP by 2014, the EIU predicts that the budget deficit will be reduced from 8.9% of GDP in 2011 to just above 3% of GDP by 2016 (EIU, 2012c).

In Spain, agriculture has accounted for 3.2% of GDP since 2010 and this is expected to continue until 2015 (EIU, 2012c). Employment in the agriculture sector was 4.2% of total employment in 2009. Of total land area in 2009, 55.4% was agricultural land and 9.4% was permanent cropland (World Bank, 2012).

Common Agricultural Policy of the European Union

As part of the E.U., Spain implements the common agricultural policy (CAP). The CAP aims to ensure food production in the E.U. promotes the development of economically sustainable rural communities, and that it adequately responds to environmental challenges. Environmental and animal welfare standards are set for EU food producers and general food safety for European consumers is valued. Innovation and global market competitiveness are also policy objectives (European Commission Agriculture and Rural Development, October 2011a).

The CAP is currently undergoing a reformation process, which is expected to be completed by the end of 2013 and implemented as of January 1, 2014. The reforms are expected to simplify the CAP; for example, the 21 common market organizations (CMO) that existed for individual agricultural products were recently replaced by a single CMO. In addition, license requirements for imports and exports have also been reduced to 65 for imports and to 43 for exports (European Commission Agriculture and Rural Development, October 2011b).

CONSUMPTION AND EXPENDITURES

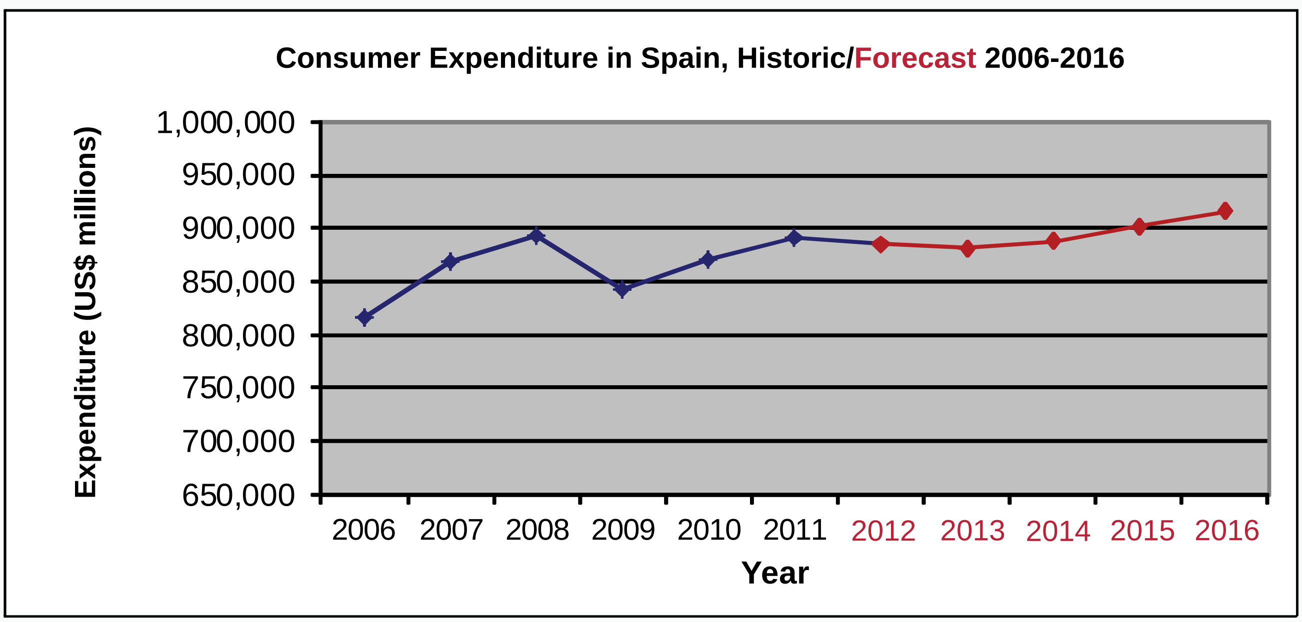
Overview

The recent economic downturn has shifted many aspects of consumer lifestyles in Spain, affecting consumer confidence and consumer expenditure overall. Consumers have increased their savings rates from 10.7% of disposable income in 2007 to 12.6% in 2010. Savings are expected to increase to 14.7% of disposable income in future years (Euromonitor International, January 2011).

Since 2009, when consumer expenditure dropped to US$843.0 billion, consumer expenditure has seen positive growth, totalling US$891.8 billion in 2011. However, expenditure is not expected to return to 2008 levels, when consumers spent over $894 billion, until 2015. This consumer expenditure forecast will be sensitive to future economic challenges, which continues to contribute to low consumer confidence (Euromonitor International, January 2012).

Nonetheless, as basic consumer goods, the proportion of consumer expenditure on food and non-alcoholic beverages remains high compared to other major sectors. In 2011, consumer expenditure in food and non-alcoholic beverages totalled US$126.6 billion. This is expected to decrease to a low of US$121.6 billion in 2013, before experiencing slow positive growth until 2016 (Euromonitor International, January 2012).

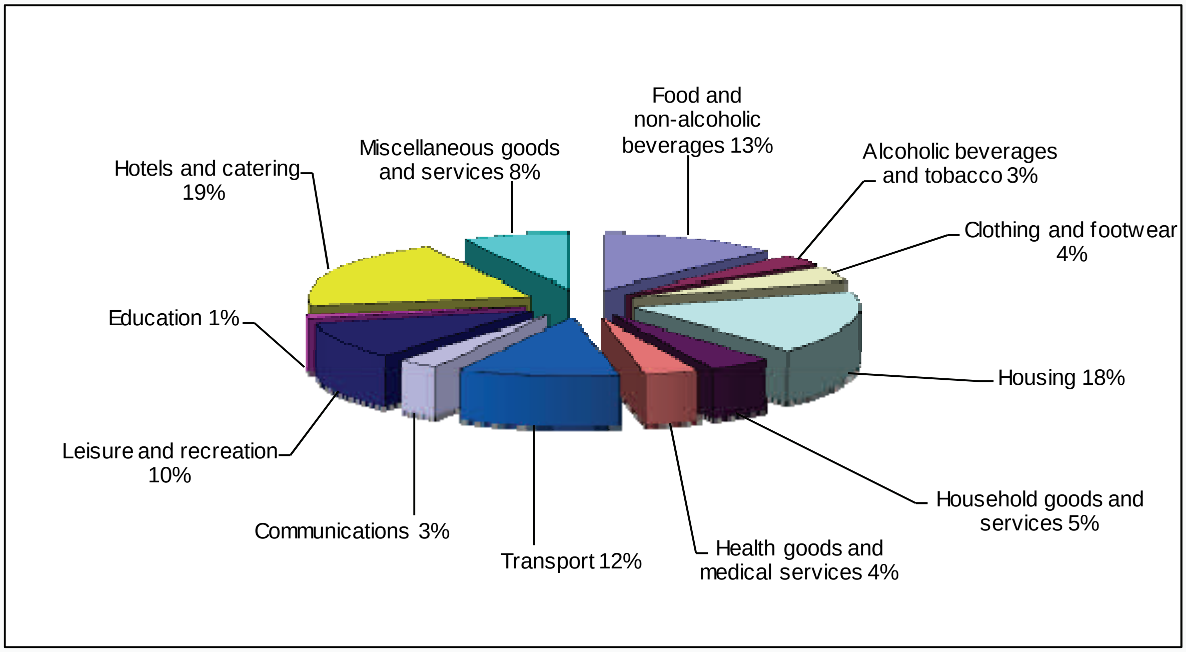
According to 2010 data from the National Statistics Institute, average expenditure per household was around US$39,510, with approximately US$5,675[1] spent on food and non-alcoholic beverages. Overall, average household expenditure has been decreasing since 2007 and average expenditure per household on food and non-alcoholic beverages has been decreasing since 2008 (NSI, 2011b).



Constant 2011 prices. Fixed 2011 exchange rate.
***Source**: Euromonitor International, January 2012.*

[1]Calculated by the Bank of Canada average exchange rate for 2010.

Consumer Expenditure in Spain by Major Sectors, 2011



Source: *Euromonitor International, January 2012.*

Grocery Shopping

According to Euromonitor International, the following three factors (in order of importance) influence where Spanish consumers choose to shop: quality, price, and distance (Euromonitor International, January 2011).

In 2011, store-based retailing amounted to US$262.8 billion and store-based grocery retailing amounted to US$128.6 billion. While the market size of store-based retailing as a whole has been declining in the past five years, grocery store-based retailing has remained more stable. The market size of Internet retailing, which totalled US$2.1 billion in 2011, has seen positive growth in the past five years (Euromonitor International, November 2011d). The Internet as a sales channel is increasing in popularity, especially in urban centres, with 26% of supermarket chains utilizing it in 2010 (Euromonitor International, January 2011).

Carrefour supermarket in Madrid.
Source: *Planet Retail 2011.*

Supermarkets are the most popular retail channel in Spain. They appeal to Spanish consumers because of their ability to offer value-oriented prices and other types of discounts. Their wide range of products and convenient locations also suit the needs and desires of consumers. Interestingly, while the number of visits to supermarkets increased by 1% in 2009, average expenditure per visit decreased. Overall sales decreased by slightly less than 1% in 2010. Sales by volume saw positive growth, yet value sales did not reflect this as price competition forced retailers to be more value-oriented and offer discounted prices in order to retain their share of the market (Euromonitor International, January 2011).

The downturn has negatively affected hypermarkets, although in 2010 they saw a decrease of 2%, which is slightly less than in previous years. Only two new locations were opened in 2010. As hypermarkets are located outside of city centres, they are not as conveniently located, so consumers were less likely to travel there for their basic consumer goods (Euromonitor International, January 2011).

Discounters have seen the most growth in recent years and this is expected to continue in the future with a compound annual growth rate (CAGR) of 4% until 2015 (Euromonitor International, January 2011).

Traditional fresh produce markets, both open air periodical markets and enclosed daily markets, remain popular in Spain, including in urban areas. While fresh food is purchased primarily from hyper/supermarkets and smaller supermarkets, neighbourhood markets are also extremely prominent retail channels for these products (Euromonitor International, January 2011).

Alcoholic beverages are mostly purchased from supermarkets and hypermarkets; however, small wine producers are popular in rural areas. Supermarkets and hypermarkets have benefitted from consumers drinking more at home, accounting for 72.5% of value sales in 2009 (Euromonitor International, January 2011).

Telepizza foodservice location in Bilbao.
Source: *Planet Retail, 2011.*

Foodservice

Dining out is a long-standing social tradition in Spain, providing a milieu for business and pleasure: meetings or business dinners are often scheduled outside of working hours (Euromonitor International, January 2011). As urbanization increases and Spanish lifestyles become busier, foodservice has wide appeal for consumers looking for convenience.

According to the National Statistics Institute, total household expenditure in the Hotels, Cafés, and Restaurant category was around US$61.8 billion[2] in 2010. Average household expenditure in this category has been decreasing since 2008, totaling around US$3,601[3] in 2010, lower than in any of the previous five years (NSI 2011b). Overall, in 2010, sales in this industry fell by 3% (Euromonitor International, January 2011).

[2, 3] Calculated by the Bank of Canada average exchange rate for 2010.

While a trend toward dining out continues, especially for employed Spanish consumers during the lunch break, it has started to decrease due to current economic challenges. The foodservice industry has been negatively affected by government measures to reduce the pubic deficit (such as tax increases) which have reduced disposable income. Price-conscious consumers bring their own home-cooked meals for lunch at work. In addition, focus on health and wellness has also affected this industry, as home-cooked meals are considered healthier and more nutritious. The high unemployment rate means that more consumers have time to make meals from scratch. As the unemployment rate is expected to rise further, these trends in foodservice are expected to continue (Euromonitor International, January 2011).

Price and convenience are the most important factors influencing dining out. As such, fast-food chains benefitted from the economic downturn as consumers sought quick and cheap meal options. The foodservice category that was hardest hit by the downturn was 100% home delivery/take-away, with a 5% decrease in value sales in 2010. This is likely because this industry mainly caters to young professionals, yet the unemployment rate for 35-year olds and under that year came close to 45% (Euromonitor International, January 2011).

Consumers living on a pension also decreased their foodservice expenditure (especially in cafés/bars) in 2010, as the Spanish government declared that monthly pensions would not be updated to reflect the inflation rate. A new law banning smoking in public places is also expected to have some effect upon the consumer foodservice market, especially cafés/bars. However, socializing in cafés/bars and other restaurants is part of the Spanish tradition, so the new law is not likely going to have a major impact upon consumer foodservice sales for these types of foodservice (Euromonitor International, January 2011).

Overall, according to Euromonitor International, consumer foodservice in Spain had a market size of around US$113.1 billion in 2011. The types of consumer foodservice with the largest market sizes were cafés/bars, with US$75.4 billion in value sales, and full-service restaurants, with US$31.8 billion in value sales. Fast food had the third-largest market size with around US$4.3 billion in value sales. Independent consumer foodservice, at US$106.2 billion, had a larger market size than chained consumer foodservice, at US$6.9 billion (Euromonitor International, May 2011).

Consumer Foodservice in Spain, 2011		
Type	**Market Size (US$ million)**	**Number of Units/ Outlets**
Home delivery/takeaway	1,082.4	1,125
Cafés/bars	75,352.7	229,042
Full-service restaurants	31,833.9	65,010
Fast food	4,270.9	4,948
Self-service cafeterias	217.7	291
Street stalls/kiosks	375.4	1,487
Pizza consumer foodservice	1,105.6	1,262

Source: *Euromonitor International, May 2011.*

Consumer Tastes and Preferences

Spanish cuisine has been shaped by the rich history of the region. Many different groups have conquered and ruled over this area, bringing new flavors and cooking traditions. Food and beverages in Spain today reflect this diverse history as well as new domestic and international trends (Kwintessential Ltd, March 2010).

Meal Style and Traditional Staples

Mealtimes are an important part of Spanish culture. The Spanish typically eat meals spread throughout the day, including *tapas,* which are sweet or savoury dishes usually consumed between main meal times (Kwintessential Ltd, March 2010a). Traditional staples in the Spanish diet include olive oil, fish and seafood, and fruits and vegetables (Euromonitor International, January 2011).

The first meal, breakfast, is relatively small and consists of *café con leche* (strong coffee made with hot milk) and some type of small homemade food, such as *bollos*, buns with jam inside, and *churros*, a sugary fried dough (Kwintessential Ltd, March 2010a). Breakfast cereals have become more popular in recent years for younger generations. Toast with butter or cheese has also increased in popularity. Children generally drink milk or chocolate milk (Kwintessential Ltd, March 2010c).

As breakfast has not traditionally been popular, this meal often took place outside the home, as consumers purchased small items on their way to work. However, breakfast has gained importance due to current economic conditions and consumer focus on savings, as it is thought to be better to prepare oneself for the day to reduce lunchtime expenditure. As a consequence, consumption has increased for products such as milk, cereal, yogurt, and margarine/butter (Euromonitor International, January 2011).

Source: *Shutterstock.*

Lunch occurs at around 1:30 p.m. and consists of several courses, usually beginning with a seafood or vegetable soup, followed by a main meat dish, salad, and dessert. Fish and seafood, chicken, and lamb are the most popular foods for main dishes. Potatoes and bread also often accompany the meal. *Tapas* items consumed around lunch time include a Spanish omelet made with potatoes known as *Tortilla Espanola,* shrimp dipped in garlic, and spicy potatoes (Kwintessential Ltd, March 2010a). Other typical *tapas* are olives, cheese, and cold cuts (Euromonitor International, January 2011).

For many Spanish consumers, tapas, such as cold cuts (salami and chorizo are popular) or chocolate consumed on bread, often make up the evening snack before dinner. Dinner takes place late at night and consists of main dishes prepared with ingredients such as fish and seafood, chicken, lamb, rice, fried egg, or tomato sauce (Kwintessential Ltd, March 2010a). Popular bedtime snack foods and beverages include *churros* and hot chocolate (Kwintessential Ltd, March 2010a).

Many of these meals are home-cooked, although busy lifestyles have increased the purchase of ready-meals, processed or prepared food, and expenditure at foodservice locations (Euromonitor International, January 2011). However, these particular categories have been especially susceptible to changes in consumer confidence and expenditure as a result of the recent economic downturn, encouraging consumers to eat traditional and home-cooked meals such as the ones described above.

Regional Foods

The unique history and geographical conditions of Spain's different regions have influenced food and beverages across the country.

To the north, in Galicia and the Basque Country, proximity to the North Atlantic Ocean and the Bay of Biscay offers access to a wide variety of fish and seafood. As this region receives a significant amount of rainfall, fresh vegetables and quality dairy products, including cheese, are in abundance. Many cold meats are produced in Galicia and, in the Basque Country, cod is particularly popular. Popular dishes in the region include fish pie, soups, and stews (Kwintessential Ltd, March 2010b).

Source: *Shutterstock.*

In the east, including regions such as Catalonia and Valencia, the dominant geographical characteristics include the Pyrenees and the Balearic Sea. Commonly used ingredients in these regions include tomatoes, chilies, and peppers. Sausages and mato cheese are famous in this region, which is highly engaged in the Spanish food and beverage sector (Kwintessential Ltd, March 2010b). Catalonia, for instance, is home to one fifth of the workers in this sector and accounts for 22% of production (Government of Spain, 2011). Spanish dishes that originate from this region are *paella*, a dish made with rice, chicken, and seafood; cream *catalana*, an egg custard; and *amanida*, a local salad (Kwintessential Ltd, March 2010b).

Food in central Spain has been influenced by the historical presence of the Moors, resulting in the production of large quantities of saffron which are characteristic of local dishes in the region. Central regions including Castilla-La Mancha and Castilla and Leon are thus highly engaged in the agri-food industry (Government of Spain, 2011). Popular dishes include fried lamb and a type of ratatouille, while popular ingredients include chicken and zucchini. This region is famous for buns and cakes (Kwintessential Ltd, March 2010b).

Proximity to Africa and a historical Arabic influence have left a mark upon Spanish food in the south, particularly with respect to pastries and other sweet desserts (Kwintessential Ltd, March 2010d). Close to the Mediterranean Sea, fish and seafood are prolific in this region. Ham, grilled fish, winter stews, and casserole made from bull's tail are popular. Particular dishes that originated from the Andalucia region are *gazpacho*, a cold soup, and *frituras*, a local dish made with small fish (Kwintessential Ltd, March 2010b, 2010d).

Cuisine in the southern islands, including the Canary Islands, is unique compared to cuisine elsewhere in Spain. Legumes, tropical fruit, and spices such as coriander and paprika particularly characterize food in this region (Kwintessential Ltd, March 2010d).

Private Label

Mercadona supermarket in Madrid.
Source: *Planet Retail 2011.*

The economic conditions described in the previous sections of this report have affected all food and beverage sectors and produced a shift in many consumer market trends, which are expected to continue in the future. Overall, Spanish consumers are exhibiting more caution with their purchases and are turning towards value-oriented food and beverage products. Consumers are less likely to make impulse buys, as disposable income has decreased and consumer confidence is low (Euromonitor International, January 2011).

Private label and store brands have increased in popularity as they are thought to deliver better value for money. This is true in many categories. In health and wellness, for instance, private label brands in 2010 accounted for 30% of all market sales in this category and 33% of value sales in health and wellness packaged food (Euromonitor International, November 2011). In response to this trend, one major supermarket chain in Spain, Mercadona, reduced the number of brands it carried. Most of its remaining offerings were private label products, increasing focus on its own brand (Euromonitor International, January 2011).

Although it is not the case for all industries in Spain, for some, private label retailers have largely been responsible for recent market growth. This includes both the gluten-free industry, where market growth is attributed to Mercadona's private label Hacendado brand, and the organic packaged food industry, where market growth is attributed to Carrefour España SA's private label Carrefour Eco brand (Euromonitor International, November 2011).

This consumer trend toward private label brands is expected to continue in the future, as the Spanish economy recovers. As private labels launch more product lines in new or niche markets, such as fortified/ functional foods and beverages, they are able to appeal to a wide range of price-conscious consumers seeking added value and high quality (Euromonitor International, January 2011).

Health and Wellness

The aging Spanish population is contributing to consumer demand for healthy food products, as the benefits of living a healthier lifestyle become increasingly attractive in light of rising obesity rates, diet-related diseases, and concerns about future stress on the Spanish healthcare system as it addresses a greater number of dependants.

According to Euromonitor International, the consumer market is dominated by parents seeking healthy options, not only for themselves as they age, but also for their children. In 2009, 62.8% of those surveyed who were over sixteen years of age ate fruit at least once a day, while 71.6% ate vegetables at least once a day. The amount of fruit and vegetables consumed was higher for those over 64 than those 16-24 years of age (Euromonitor International, January 2012).

TRENDS (continued)

During the economic downturn, fruit experienced the most positive growth in terms of consumer expenditure. In 2011, Spanish consumers spent US$17.2 billion on fruit and US$11.8 billion on vegetables, compared to US$15.9 billion and US$12.3 billion in 2008. Meat expenditure, while totalling US$27.0 billion in 2011, has declined overall from US$28.8 billion in 2008. Dairy, sugar and confectionery, and bread and cereals also experienced lower expenditures in 2011 than in 2008, although they have rebounded from 2009 and 2010 levels. (Euromonitor International, January 2012).

An awareness of the benefits of leading a healthy lifestyle has also influenced the Spanish beverage market. Fresh coffee beans and fresh ground coffee, as well as decaffeinated coffee, are expected to benefit from the health and wellness trend. Tea has also grown in popularity, as it is more frequently perceived as a trendy and healthy drink (Euromonitor International, January 2011). Consumer expenditure on alcohol has been in decline since 2008, totalling US$6.4 billion in 2011. This is likely not just a result of price-consciousness and health awareness, but also the introduction of new road safety legislation.

Some consumers looking for value-oriented products that satisfy their specific health and wellness concerns are turning toward fortified/functional products which offer increased or enhanced health benefits to the consumer at competitive prices.

The fortified/functional category as a whole has maintained stable levels of consumer demand, experiencing 1% value sales growth in 2010. This category includes products which have been actively fortified or enhanced with the addition of health ingredients, to provide health benefits or nutritional value beyond what is normally found in the product. From 2010 to 2015, fortified/functional packaged food and beverages are expected to have a compound annual growth rate of 0.8%, likely due to market maturation. By 2015, this market is expected to reach US$4.9 billion (Euromonitor International, April 2011). However, some fortified/functional products that directly address specific health and wellness concerns have experienced significant market growth. For instance, fortified/functional biscuits experienced 13% growth in volume and value sales in 2010, mainly because of their benefits for digestive health (Euromonitor International, November 2011a).

Multivitamin Soy Biscuits with Dark Chocolate.
Repackaged and launched in Spain in November 2011, this product claims to be sugar free, gluten free, cholesterol free, and low in calories. The antioxidants from soya found in this product are supposed to prevent osteoporosis, enhance bone health, and decrease symptoms of menopause.
Source: *Mintel, 2012.*

Spanish consumers are very engaged in self-medication; indeed, the vast array of over-the-counter drugs even includes antibiotics. This combined with long wait lists to see a physician and doctor recommendations to improve health, fosters a mindset of self-treatment and prevention that likely contributes to consumer demand for health and wellness foods and beverages, in addition to consumer health products.

The shift toward convenient but healthy products is evident in the types of new products that entered the Spanish market in 2011. Over 4,000 food products were launched in Spain from January to December in 2011. Of these products, the top three claims were “Low/No/Reduced Allergen,” “Gluten Free,” and “No Additives/Preservatives” (Mintel 2012).

Forecast Market Sizes: Health and Wellness in Spain (US$ millions)						
	2010*	**2011**	**2012**	**2013**	**2014**	**2015**
Better for you (BFY)	4,436.6	4,365.5	4,334.6	4,311.3	4,303.9	4,303.7
Food intolerance	114.1	117.1	119.6	121.8	123.7	125.5
Fortified/functional (FF)	4,737.8	4,782.5	4,833.6	4,875.0	4,906.7	4,925.6
Naturally healthy (NH)	7,109.9	7,108.3	7,149.4	7,199.8	7,245.3	7,274.0
Organic	157.9	164.9	175.7	186.9	197.2	204.9
Health and wellness total	16,556.3	16,538.4	16,613.0	16,694.8	16,776.8	16,833.8

*****Actual market size as reported by Euromonitor International, April 2011.
Source: *Euromonitor International, April 2011.*

Traditional Diet

Another trend influencing Spanish food consumption is consumer demand for traditional Mediterranean cuisine. This trend satisfies consumer demand for cheaper, healthier, and home-cooked meals. As the traditional Mediterranean/Spanish diet makes extensive use of fresh produce, this trend is expected to drive the growth of the fresh food sector. In 2011, the market size of fresh food in Spain had a total volume of 14.3 million tonnes. After a small decline in 2012, to 14.2 million tonnes, it is expected to increase to 14.6 million tonnes by 2016 (Euromonitor International, February 2012).

Spaniards eat 38 kg/year per person of fish and seafood, which is, on average, twice as much as other Europeans. There is high demand for these products in Spain, with consumer expenditure totalling US$16.4 billion. Reduced catches and other resource access problems in European waters are expected to increase demand for imported fish and seafood products from outside the E.U.

The origin of food and beverage products has also become a concern for Spanish consumers. Spanish consumers, particularly when shopping in traditional fresh produce markets, are interested in purchasing products that are produced locally and that are native to the region. The regional identity of a product is valued, as is its authenticity (Euromonitor International, January 2011).

This trend has been encouraged by the Spanish government, which has developed legislation to promote healthier lifestyles and enhance consumption of the traditional Spanish diet among its population (Euromonitor International, November 2011b).

TRENDS (continued)

Organics

Spain is a significant producer of organic food products in Europe; however, domestic consumption is low compared to other European countries. Nevertheless, in recent years, health and wellness awareness and the appeal of traditional Spanish foods have increased demand for organic food and beverage products (Euromonitor International, November 2011c).

The Spanish consumers most interested in organic foods and beverages are young professionals who have middle to high levels of income. Aside from environmental sustainability and perceived health and wellness benefits, these young consumers view consumption of organic foods as a trendy way to demonstrate their identity and lifestyle. While more than half of Spanish consumers have tried organic food at some point, the recent downturn has inhibited sustained broader consumption of organic food, as organic products generally cost more than regular products. The average unit price of various organic packaged foods has also declined as a result (Euromonitor International, November 2011c).

However, despite this situation, both organic food and organic beverages have experienced steady positive growth from 2005 to 2010. Overall, this market has grown from US$84.9 million in 2006 to US$157.9 million in 2010. This market is expected to reach US$204.9 million by 2015 (Euromonitor International, April 2011).

Specifically, organic packaged food value sales increased 3% in 2010 alone. The category that experienced the most growth that year was organic breakfast cereals, increasing 30% in value sales and volume. From 2010 to 2015, it is predicted that organic packaged food will have a CAGR of 8% in volume and 6% in constant value sales (Euromonitor International, November 2011c).

This significant market growth shows the potential of this industry once it grows beyond its limited niche market. As the Spanish economy recovers, greater disposable incomes and lower unemployment, as well as greater awareness in older consumer groups concerned with health and wellness, is expected to further increase the popularity of organic food for all consumer groups (Euromonitor International, November 2011c).

Changes in the regulations for organic food in Spain have made it difficult for some manufacturers to enter this market. Some manufacturers have even pulled some of their organic products off the market, as they do not meet the requirements to use the organic label. While fewer products and brands may be available, the Spanish organic market is of very high quality and has a reputation for upholding the true values associated with organic foods (Euromonitor International, November 2011c).

Extra Organic Salami launched by Carnipor in March 2012.
Source: *Mintel, 2012.*

Organic Fair Trade 100% Natural Decaffeinated Coffee launched by Alternativa 3 in June 2011.
Source: Mintel, 2012.

CONCLUSION

With 47 million consumers, Spain is a significant market. Its ties to the surrounding E.U. region, the largest agri-food importer in the world, makes it an important market strategically (CIA, 2012). Spain is also an important trading partner for Canada in the agri-food and seafood sector. In 2011, bilateral agri-food and seafood trade between Canada and Spain reached C$449.1 million, with Canadian exports to Spain totalling C$214.2 million (Statistics Canada, 2012).

Consumer trends in Spain are greatly influenced by a number of economic and demographic factors. High unemployment has led Spanish consumers to become more price-conscious and interested in savings. This has negatively affected the consumer foodservice industry as a whole, although some foodservice outlets, including fast food, have benefitted from this. Demand for private label has also increased, as consumers seek value-oriented products.

Spanish consumers, a significant number of whom are immigrants from a wide variety of countries, are living increasingly busy lifestyles. Convenience is a significant factor in purchasing decisions for these time-pressed consumers, both for the types of products chosen and the choice of retail channel. Supermarkets remain the most popular retail channel in Spain, although demand for online grocery retailing is expected to increase as well.

A considerable number of Spanish households consist of couples without children. With a large adult population and increasing life expectancy, Spain's consumer market is affected by an aging population with increasing health consciousness as a result of rising obesity rates, among other factors. Increased focus on health and wellness is expected to increase demand for fresh foods and health and wellness products, including fortified/functional foods and beverages. In addition to increased health and wellness awareness, trendy young professionals interested in environmental sustainability are contributing to growth in organic foods and beverages sales.

Despite some economic challenges, Spanish consumers have a considerable level of disposable income and are willing to spend it on food and beverage products, provided they meet certain standards with respect to quality, value, and convenience. As Spain experiences slow economic recovery in the next few years, these trends are expected to continue.

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