

SPAIN

**Overseas Market Introduction Service
on the Seafish Sector in Spain**

SEA FISH INDUSTRY AUTHORITY

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I. EXECUTIVE SUMMARY

Methodology

UK Trade & Investment team in Madrid have prepared this report using information obtained on a selective basis from the following sources:

- Sea fish industry contacts
- Commercial and customised databases
- Internet research
- Trade associations and other relevant organisations

II. MARKET RESEARCH

1.- THE TRADE ENVIRONMENT

Although Spain is under an economic crunch, with unemployment higher than ever, there are still potential opportunities in the Spanish market. Spain is the 8th largest economy in the world. Spain was the 3rd largest investor in 2011.

Fast Facts

- Population: 46.2 million
- Land area: 499,542 sq km
- Inhabitants per sq km: 92.4
- No. of households: 17.1 Million
- Capital: Madrid
- Other main cities: Barcelona, Valencia, Seville
- Languages: Spanish, Catalan, Basque, Galician
- Religion: Catholic
- Currency: Euro (€)
- Exchange rate (2012 average): €:£ = 1.25,08
- Total GDP (2011): 1 Billion
- Unemployment (2012): 24.4%
- International status: Member of the EU
- Government type: Monarchy
- Total food and drink industry imports: €18.3 billion (2011 data – FIAB)
- Total food and drink industry exports: €19.4 billion (2011 data – FIAB)
- Top import countries (for food and drink industry): 15% EU and USA. Spain has duplicated exports to the BRIC markets. Exports to China have increased by 322% in the last five years and to Russia + 65%.
- Tourism in Spain still plays a major role in the Spanish economy. Spain received a total of 56.7 million tourists during 2011. British tourists were 13.6 million.
- Immigrants in Spain: 6 millions approximately, the majority from Latin America, Romania and China.

2.- GENERAL

The consumption of frozen fish is descending in general in Spain although in 2011 the retail sector generates 40% of the frozen fish market value.

The key word one year again continues being 'price' and in Spain the only channel that continues growing is organised distribution, based upon a policy of low medium price. Although at the closure of the current financial year (2012), the sector would increase its volume.

Frozen fish / seafood showed a price descent higher than the sector average, with a drop of 1.9%, achieving to boost its consumption, which came back to growth after falling in 2009. Frozen fish contributed to the 49.7% of the value of the total market of frozen sea products, with a turnover of 949,39 million Euros, while the frozen seafood sector contributed to nearly 40% of the market, with a drop of its turnover of 6.6%, and cephalopods represent the rest of the pie, after dropping 6.4% in value. By product categories, prawns and langoustines continue leading the frozen sea products market, rising to encompass 30% of the total turnover, followed by hake, that generates nearly 15% of the value, and cephalopods, squid and octopus, get close to 8%. Therefore, these 5 species rise to encompass 53% of the sector total turnover.

Imported molluscs and crustaceans led the upturn of prices, with 19.55% and 17.53% increases respectively. Crustaceans, prawns and langoustines, in spite of the important volumes coming from aquaculture, increased their price by 19.1%. On the contrary, the price of whole fish only progressed 1.22%.

In the case of seafood and cephalopods, performance was slightly more across-the board, precisely due to the 2.62% increase of the product average price.

OWN LABEL – continues growing. Market share at present is 60.1% in ready made meals and 47.6% in raw fish / seafood. Mercadona plays an important role, their brand Mascato has a significant part of the market share.

During the year 2010, the Spanish homes consumed around 1.254 million kg of fish products and spent around 8.759 million Euros in these products. The most significant consumption is associated to fresh fish (12,05 kg per person and year) which represents 44,1% of the total consumption of fish products, followed by shellfish and fresh mollusc (4,52 kg per capita and 16,5 of the total consumption) and of tinned fish and molluscs (4,11 kg per capita and 15,1% of consumption). Furthermore, frozen fish represent less consumption, reaching 3,33 kg per person per year (12,2% of the total consumption of fish products), while frozen and

boiled shellfish, molluscs and crustaceans represent 3,29 kg per capita and 12,1% of the total consumption.

In per capita terms, the consumption of fish products during the year 2010 showed that, for example:

- Upper class and middle upper class homes have a higher consumption, while lower class homes have a smaller consumption.
- Households without children consume more fish products, while the lesser consumption occurs in households with children smaller than 6 years old.
- By regions, Cantabria, Castille-Leon and Asturias have the higher consumption, while the Canary Islands, Balearics and Murcia the less.

Regarding purchasing place, in order to purchase fish in 2010, households mainly turned to the supermarkets (43,9% of market share).

During the year 2010, the total consumption of fish products raised to 1.552, 8 million kg and represented an approximate spending of 10.746,1 million Euros. The highest percentage of consumption concentrates in the households (80,8%), while commercial restaurants represented 15,1% and collective and social restaurants the remaining 4,1%.

3.- THE SEAFOOD SECTOR

Exports of Spanish food products have increased by 12%. 15% of these sales are to the EU and USA. Spain has duplicated exports to the BRIC markets. Exports to China have increased by 322% in the last five years & to Russia + 65%. Some of the big Spanish players such as Calvo or Ebro foods, their exports figures represent more than 80% of the total sales.

In Spain, traditionally sales of fish and seafood increase considerably in Spain during Lent (8 weeks before and during Easter), Christmas and usually in formal celebrations such as weddings, baptisms etc. Due to the current economic circumstances, in Spain the consumption of fish/seafood has gone down by 2.92% in volume (273.277, 6 MT) as well as the value which has gone down by 3.31%. Therefore the quality has also gone down.

Exports of prawns, which have raised 46.87% in volume (10.836,5 MT), while its value only grew 10,4% (47,78M). Regarding imports of this product there has been an increase of 18.13% in volume (44.385,9 MT) and 18.32% in value (206,8 million Euros), having as a result that its price has remained stable. The same has taken place with the imports of prawns, with an increase of volume of 24.4% and 21.2% in value. On the contrary, imports of lobster have suffered a drop in volume of 2.6% due to the increase of tariffs, having increased its value in the market by 15.4%. Regarding exports of prawn and langoustines and lobster they

have collapsed 39.2% and 35.05%, respectively, with a drop in value of 36.7% and 26%.

By subsector, lobster, which represents nearly half of the non prepared frozen seafood commercialised in high consumption, has been the highest punished, with a drop of 19.4% in volume and 13.3% in value. Meanwhile, prawn and scarlet shrimp, with an approximate market share of one third of the non prepared frozen seafood, have slipped from this descending tendency, with increases of 8.6% in volume and 7.7% in value, with a drop of 1% in its price due, in part, to the abundance of Argentinean scarlet shrimp.

PRAWNS & LANGOUSTINES – CONSUMPTION, VOLUME, VALUE ETC.

| | VOLUME MT | | VALUE (m €) | | AVERAGE PRICE (€/KG) | | ANUAL CONSUMPTION (kg per capita) | | ANUAL EXPENDITURE (€ per capita) | |
|---------------|-----------|-----------|-------------|-------|----------------------|------|-----------------------------------|------|----------------------------------|------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Frozen | 70,016.50 | 65,242.80 | 597.6 | 576.5 | 8.5 | 8.8 | 1.6 | 1.4 | 13.3 | 12.6 |
| Boiled | 22,651.20 | 20,365.80 | 159.2 | 159.2 | 7.9 | 8.4 | 0.5 | 0.4 | 4 | 3.5 |
| Fresh | 25,764.90 | 18,926.20 | 269.2 | 225.1 | 10.5 | 11.1 | 0.6 | 0.4 | 6 | 4.9 |

Source: MARM

The seafood market in Spain is going through a difficult time, as a result of the consumption decrease during 2010 and the unceasing increase of the raw material prices, which increasingly obstructs the option for the price factor to reactivate the sales.

According to the ICEX (Spanish Foreign Trade Institute), an increase both in imports and exports has taken place during the first 7 months of 2011, although debit balance has also increased, at least referred to the product market value. Therefore, between January and July of the current financial year, imports haven increased by 17.5% in volume (90.271.1 t) and 15.4% in value (440,4 million Euros). Meanwhile, exports have increased their value 7.7% (95,6 million Euros), but at the expense of a significant price reduction, as the volume has experienced a significant increase of 28.9%.

Italy, Portugal and France remained the main destination of Spain's seafood exports in 2010, while a sales slump to Germany took place (-4.6% in volume and 44.4% in value) and, outside the EU, to Morocco (-73.4% in volume and -70.6% in value). On the contrary, exports to the USA and China shoot up, although the weight of these countries in the

total of seafood sold outside Spain still is not very significant and we will have to wait and see if it continues growing in the forthcoming years.

In the case of imports, Argentina remained as Spain's main seafood supplier in 2010, with a share of 21.1% in volume and 23.4% in value. We will see if this situation continues due to the current relationship between both countries.

4.- DISTRIBUTION CHANNELS

FOOD SERVICE SECTOR - Fish / seafood sales for the (known as "horeca" in Spanish) - 54.4% of it was through distributors; 20.9% through wholesalers (Mercas – details below) and 15.2% traditional stores.

SPECIALISED OUTLETS FOR FROZEN PRODUCTS - These chains are regional, as an example the market leader is La Sirena (sales were +8.4 % in 2011) with outlets mainly in Madrid and Barcelona – www.lasirena.es Bofrost and Eismann are also picking up sales rapidly. Overseas and Iceland British companies are also picking up sales mainly in the Mediterranean area in which there is an important number of British citizens. Between both they amount a dozen selling points and they distribute a wide range of imported frozen products from the UK. Within their range they include a few references with fish based readymade meals.

Break down by products in 2010 (with these outlets are):

Non prepared fish and seafood: 28.8%

Ice cream: 26.3%

Ready-made meals: 20.5%

Frozen vegetables: 11.6%

Fish and seafood: 4.3%

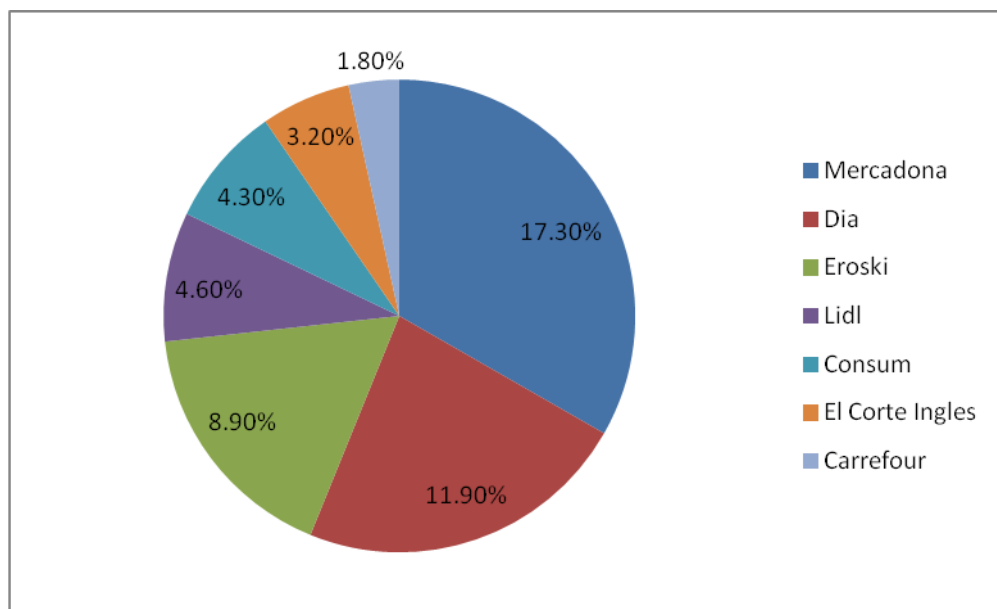
Croquettes and small pies: 2.9%

Other: 5.6%

RETAIL - Fish / seafood is mainly sold in supermarkets (41.3%) or in traditional fish shops (stalls in market) or in fishmongers (39.4 %). Sales of fish in hypermarkets represent only 15.1%, although total retail sales figure is 40% (this figure includes supermarket + hypermarkets) Also incredible low figure home delivery – includes internet sales 3.4%.

A few years ago large hypermarkets were the trend opposite to smaller stores (less than 1000 SQM which now seemed to be the trend). Mercadona, which is the food and drink market leader company now in Spain (selling more than El Corte Ingles) is ahead of the game as their great majority of stores have less than 1000 SQM. This is forcing the large retail groups in Spain such as Carrefour or El Corte Ingles etc to open up stores inside the cities rebranding them such as "Carrefour Express" and "Supercor" to compete with Mercadona

MARKET SHARE BY GROUP (DATA DECEMBER 2011)



MERCADONA

Web: www.mercadona.es

DIA

Web: www.dia.es

EROSKI

Web: www.eroski.es

LIDL

Web: www.lidl.es

CONSUM

Web: www.consum.es

EL CORTE INGLES

Web: www.elcorteingles.es

CARREFOUR

Web: www.carrefour.es

5.- TRENDS

Due to the economic crunch in Spain and the strictest legislation on spirits consumption, consumers expenditure in the food service sector has gone

down dramatically, therefore new trends in home cooking have appeared in the market

1. Ready made meals are growing in Spain in general. Ambient ready made meals show an increase of +6% in 2011. Total tonnes: 64. Of this figure, 2 tonnes are on fish based dishes which are the most expensive range – average 11E / kg against the media which is 5.5 E / kg. Market leader brands are Garavilla (known as “Isabel”) and IAN known as “Carretilla”. Trends are towards more sophisticated dishes, individual format and also extra large format with microwavable packaging. Including low fat content.
2. There are big developments in producing meals suitable for children, i.e. hake meatballs, tuna burgers and sausages. As Spain is a natural springboard to Latin America, Spanish producers are sending these products from Spain into Latin America -including a microwavable option.
3. There is also an increase in fresh readymade meals (on different formats – single, large.
4. Cooking supports: From the old concentrated stock cubes, the market has evolved to complete ‘kits’ for the elaboration of traditional recipes, paellas, etc (Conserves Ferrer, Gallina Blanca, ‘Maggi’, ‘Knorr’, etc, 7% more)

6. - UK SHARE AND EXPORT OPPORTUNITIES

Foreign trade

According to the FAO, Spain appears as the third world importer of fish products, behind Japan and the USA.

Imports of seafood to Spain by country and value (m Euros)*

| | Country | Rank Value |
|--|----------------|------------|
| | Morocco | 101.976 |
| | China | 74.531 |
| | France | 63.166 |
| | Ecuador | 63.074 |
| | Portugal | 55.931 |
| | Namibia | 47.659 |
| | United Kingdom | 39.368 |
| | Netherland | 39.153 |
| | Argentina | 38.465 |
| | Chile | 29.732 |

*Figures for March 2012. Source: Spanish Tax Office and ICEX

According to the volume of fish imported, the main products are those of frozen fish (340.270 tons), molluscs (330.850 tons), fresh and refrigerated fish (222.550 tons) and shellfish (192.860 tons)

7. - WHOLESALE COMMERCIAL DISTRIBUTION OF FRESH FISH AND SEAFOOD

The wholesale distribution in Spain is structured mainly through the Food Units of the Mercas net, being the main ones the following:

| Mercas | Millions of Euros | Tons |
|---------------------|-------------------|---------|
| MERCALGECIRAS | 16.5 | 3,170 |
| MERCALICANTE | 8.4 | 1,416 |
| MERCASTURIAS | 20.8 | 3,493 |
| MERCABADAJEZ | 5.3 | 1.077 |
| MERCABARNA | 1.054,8 | 176,093 |
| MERCABILBAO | 165.0 | 30,499 |
| MERCAGALICIA | 0.9 | 148 |
| MERCAGRANADA | 48.9 | 11,238 |
| MERCALASPALMAS | 29.3 | 5,359 |
| MERCAMADRID | 193.839 | 1,275.5 |
| MERCAMÁLAGA | 44.078 | 271.5 |
| MERCAMURCIA | 60.7 | 11,204 |
| MERCAPALMA (M.PEIX) | 42.4 | 7,116 |
| MERCASEVILLA | 81.1 | 22,622 |
| MERCAVALENCIA | 1.042,7 | 175,543 |

Further information on some of the Mercas can be found through the:

- MERCASA – www.mercasa.es
- MERCAMADRID – www.mercamadrid.es – Mercamadrid is the second largest fish market in the world (after Tokyo), it despatches fish / seafood to all the world (mainly Europe and Latin America). **Mercamadrid would like to become an international fish market and is open to have foreign companies also in their premises.**
- MERCABARNA – www.mercabarna.es

8. - FISH PRODUCTS & AQUACULTURE

The fish catches of Spanish vessels are slightly over the 727.500 tons of fresh and frozen fish. Of the latter, fresh fish represent 73% in volume and 72.7% in value, while the resting 27% and 27.3% correspond to frozen fish. Within fresh fish, the main group is that of fish (478.000 tons and nearly 1m E), followed by mollusc (41.110 tons and 184.1 million Euros) and shellfish (11.040 tons and 130.6 million Euros). In the case of frozen fish, fish are also the most important group (176.030 tons and 458 million Euros), followed by molluscs (18.910 tons and 41.5 million Euros) and shellfish (1.120 tons and 9.6 million Euros).

The income for fishing activity reached 1.846,5 million Euros.

AQUACULTURE production during 2011 was >250,000 MT. Mussels are one of the main catches. There are more than 5000 installations in Spain.

9. - LEGISLATION

It is compulsory that all legislation is published in the Spanish State Gazette which can be accessed through its website www.boe.es:

- Order 25/3/70 establishing the regulations on policy and surveillance of the seafood premises and governs the commercialization and transport of seafood, published in the Spanish State Gazette of 8 April 1970 (Amendment- Order 13/8/73 published in the Spanish State Gazette of 4 September 1973)
- Resolution 27/12/82 establishing the total ban of using boric acid as a preservative agent for crustaceans set out by Resolution 7/7/65. Spanish State Gazette 12 January 1983
- Decree 116/95 of 31 March 1995, establishing the control of the biotoxines in bivalves molluscs and other organisms coming from fish, shell fishing and aquaculture. State Gazette of the Galicia Autonomous Regional Government (autonomous regional legislation of Galicia)
(Amendments- Decree 98/97 of 14 March 1997. Autonomous regional legislation of Galicia.
- EC Regulation 2406/96 of 26 November 1996 establishing the joint regulations of commercialisation for certain fish products. EC State Gazette L 334 of 23 December 1996

(Amendments-EC Regulation 323/97 of 21 February 1997, EC State Gazette L 52 of 22 February 1997.)

- EC Regulation 2065/01 of 22 October 2001, establishing the implementation regulations of the Council's EC Regulation 104/2000 regarding consumer's information in the fish and aquaculture products sector. EC State Gazette L 278 of 23 October 2001.

10. - TRADE FAIRS

CONXEMAR_(International Frozen Seafood Products Exhibition in Vigo, Pontevedra, in Northwest Spain).

Organisers:

CONXEMAR (Spanish association of wholesalers, manufacturers, importers and exporters of fish products and fish farming)

Avenida Beiramar 29

36202 VIGO (Pontevedra)

Tel: +34 986 433 351

Fax: +34 986 221 174

Email: conxemar@conxemar.com

Web: www.conxemar.com

SEAFOOD BARCELONA - It will be held for first time in Spain from 15 to 17 October 2012 in the Fira de Barcelona. This is the result of an agreement between the American group *Diversified Business Communications* and *Alimentaria Exhibitions*. Our colleague in UKTI Barcelona, Aurora Ortega Aurora.Ortega@fco.gov.uk is planning to organise a mission around this trade fair.

The organisers of this trade fair are:

ALIMENTARIA EXHIBITIONS S.A.

Diputación 119,

08015 Barcelona

Tel.: +34 93 553 10 86

Web: www.alimentaria-bcn.com

III. DOING BUSINESS IN SPAIN

Typical Spanish working hours are from 8.30am with lunch taken between 2.00-4.30pm after which work resumes until around 8.00pm or later. Business in Spain is often conducted at lunch or dinner. The latter will normally not start before 9.30-10.00pm. British companies should

therefore be prepared for long working lunches and late dinners when with potential Spanish clients/partners.

From the middle of June until the middle of September, most offices in Spain adopt "summer hours". A normal working day will start at about 8.30am and end at about 3.00pm. In and around the month of August it is common for many businesses to close or operate with a skeleton staff.

An excellent source of information on doing business in Spain "A Guide to Business in Spain", independently researched and written by Garrigues Abogados y Asesores Tributarios and published by the General Directorate for Trade and Investment (Spanish Ministry of Industry, Tourism and Trade). It is specially intended for companies wishing to set up in Spain, and is an invaluable source of information about the Spanish financial and tax system, company and commercial law, labour and Social Security regulations, e-commerce, etc. The Guide can be viewed on the Spanish Ministry of Industry, Tourism and Trade's website: http://www.investinspain.org/icex/cda/controller/interes/0,5464,5322992_6261573_6278938_0,00.html

Full details of the range of services provided by UK Trade & Investment, such as assistance with overseas publicity and foreign languages, are available on the UK Trade & Investment website www.ukti.gov.uk. This website also includes further information on exporting to Spain. The website of the British Embassy in Madrid <http://ukinspain.fco.gov.uk/en/> is also a useful reference, providing Country Information and an outline of our services. Seafish Industry Authority might also be interested to know that the Embassy in Madrid and UKTI office in the Consulate in Barcelona have conference facilities with audio-visual equipment that can be rented by British companies for business meetings, presentations or receptions with external clients.

IV. CONTRIBUTORS AND UKTI IBERIA TEAM CONTACTS

Should Sea Fish Industry Authority wish to discuss any part of this report or explore further opportunities in Iberia (or specific regions thereof), please do not hesitate to contact any of the trade advisers below responsible for your sector. Listed below are the trade officers that have contributed to this report and the contacts from the UKTI Iberia team.

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