

15

The Spanish Food Sector

*P. de Carlos Villellas, B. Garcia Moraleda, P. Martinez-Noriega
and A. Perez Gamarra
Polytechnic University of Madrid*

■ 15.1 INTRODUCTION

The Food and Beverages Industry has a major importance in the European Union. It is the most important branch of activity within the manufacturing industry in terms of production value and one of the most important in terms of added value.

For the Spanish economy the capital manufacturing activities are firstly Food and Beverages, secondly Fabricated metals and thirdly Chemicals. In order to demonstrate the great importance of the food Industry, it is enough to say that this sector represents the 17.19% of the net sales of the Spanish Industry. However this importance of the Food Industry does not lie completely on the importance of the turnover, which is quite substantial, but the social aspect of the industry. The firms enrolled in this industry generate 20% of industrial employment and 2.62% of the total employment of the Spanish economy.

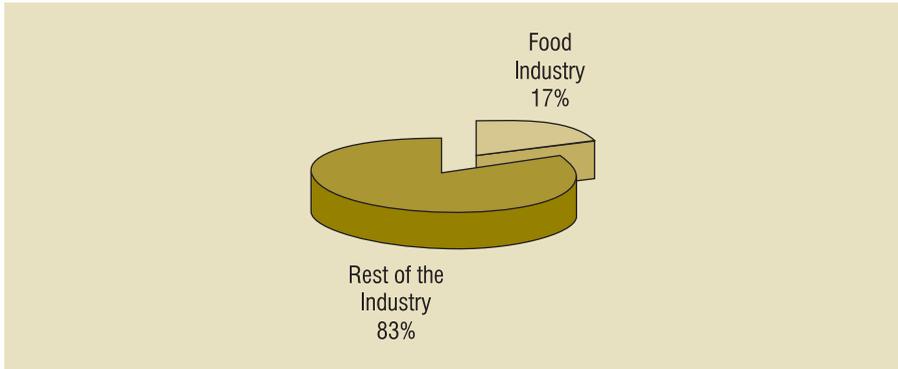


Figure 15.1 Net sales of the food industry compared with total industry

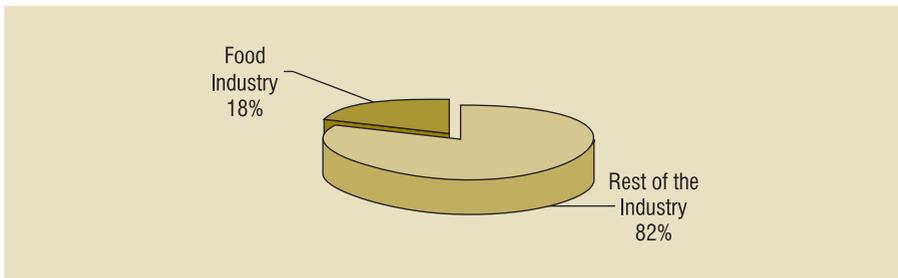


Figure 15.2 Employment in the Food Industry compared with the Total Industry

The Spanish Food Industry is in the fourth position in the ranking of the European Union (15 members) in terms of production, after France, Germany and the United Kingdom. It occupies the fifth place in terms of turnover.

The Spanish production in this sector in 2003 was of 62,512 million euros, which compared with the total amount of the European Union for the same period; is 9.1%, of the total of 732,800 million euros.

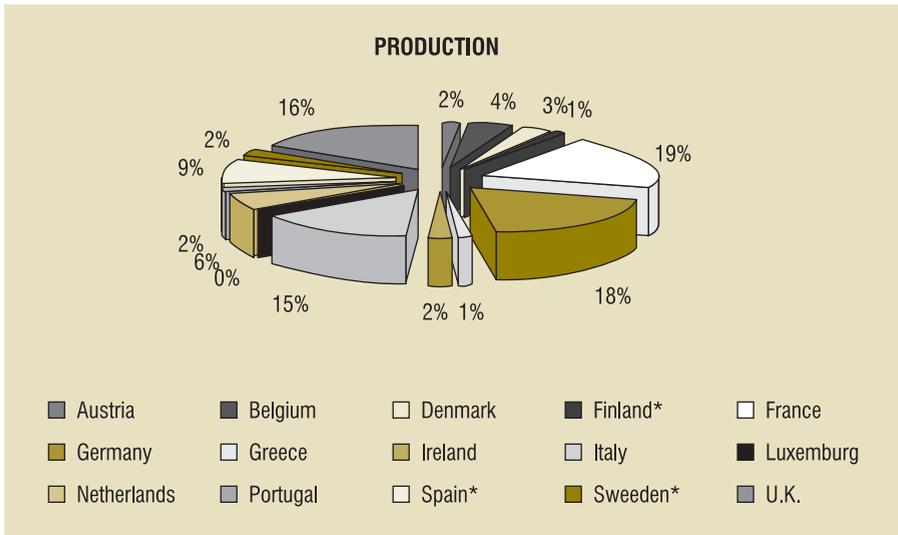


Figure 15.3 Production of the EU Food Sector (2003)

Source: FIAB (2004)

The main feature that explains the Food Industry’s idiosyncrasy is its widespread nature. 33,275 companies compose the sectors’ framework, of which 99.21 % are small and medium companies. These firms employ 437,975 people, which means an average of 13 people per enterprise. However, to illustrate the figures, it is effective to compare them with the total from the European Union. In terms of numbers of firms, the Spanish Food Industry, comprises nearly 12%. In terms of number of employees, it has 15.4% of the employees from the whole European food sector. The data for small and medium sized enterprises and average employees agree with the data from the European Union, which means that the small size of businesses is not an exclusive characteristic of the Spanish sector, but of all the countries generally.

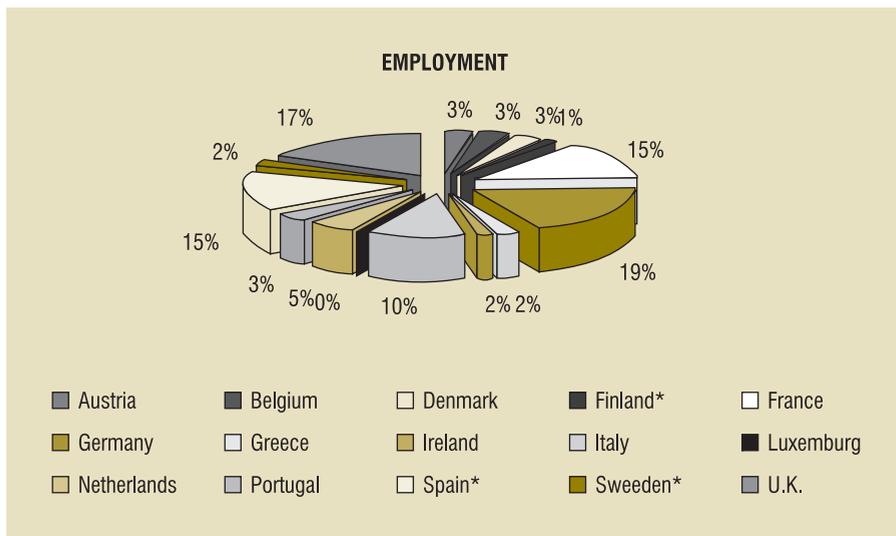


Figure 15.4 Employment in the EU Food Sector

Source: FIAB (2004)

Focusing on foreign trade it is important to emphasize that Spain is a net importer, as a result of the difference between production 62,116 million euros, and the food expenditure 66,242 million euros. However the difference between imports and exports is being reduced yearly. The import figure for the Food Industry reached 15,278 million Euros in 2003, while the exports came to 12,132 million euros. Although imports are increasing at a rate of 1.92%, exports are growing at a rate of 4.92%. The expectations for following years are for exports to overtake imports.

In short, the food industry has managed to overcome the obstacles of the past; it has modernized itself and it has dealt successfully with full integration within the European Single Market.

However it has to go on trying hard to maintain and even increase its market share in global markets.

The main objective of this report is to present an overview of the Spanish Food Industry. In order to achieve this goal, we will present the most significant data of this sector; analyzing the different sub-sectors and its importance within the Food and Beverages Industry; and highlighting the effort made by the Spanish Industry for succeeding in the integration in the European Union, accomplishing a leader position.

15.2 MAIN FOOD SUB-SECTORS IN SPAIN

The Food Industry is of major importance in the Spanish Economy. The main sub-sectors of the Spanish Food Industry are meat products, fish products, processed fruit and vegetables and olive oil.

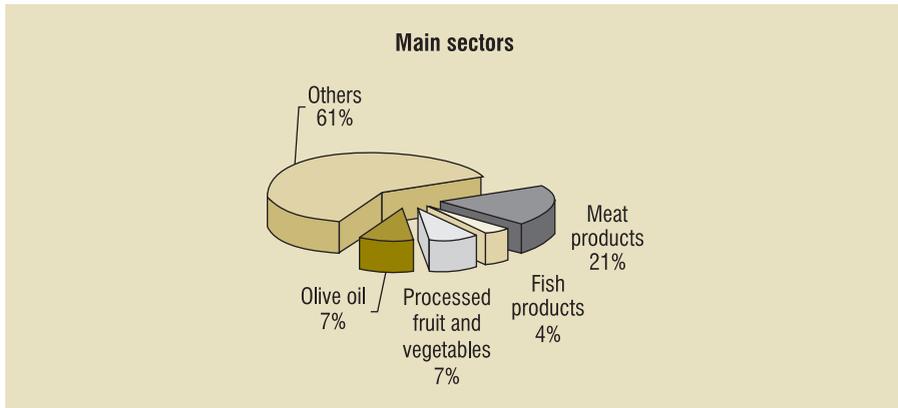


Figure 15.5 Main sub-Sectors in the Spanish food Industry

These sectors have been selected because of their importance within the production in the Spanish Food Industry. However Spain has other important sectors, such as wine, which do not have a relevant importance in the percentage of production, but have a major importance in the European production in general.

Table 15.1 Main factors for the food and drink sectors in Spain (2001)

Subsectors	Turnover (million euros)	Number of employees	Value added (million euros)
Meat products	13,222.332	72,479	2,462.402
Fish products	2,619.316	22,148	589,145
Processed fruit and vegetables	4,339.189	30,861	881,631
Olive oil	4,632.395	12,876	564,148
Total	62,423.455	36,126	14,948.753

Source: MAPA

Table 15.2 Foreign trade (2001)

	Exports (million euros)	Imports (million euros)
Meat products	1,380	668.1
Fish products	1,680.3	4,057.3
Processed fruit and vegetables	1,330.1	489,1
Olive oil	974.5	61.8

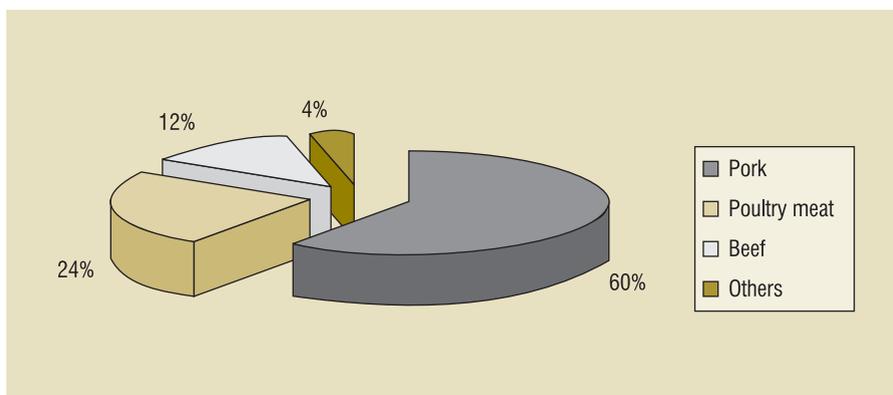
Source: ICEX

15.2.1 Meat products

The meat products sector is of major importance to the Spanish economy. This is proven by the fact that 25% of the food expenditure of Spanish consumers was on meat and meat related products.

As most of the food industries, this sector is characterized by its atomisation. There are a great number of small and medium firms, with small volume of production per company.

Regarding production Spain produces 5 million Tn.; mainly pork, poultry meat and beef in this order, being respectively a 60%, 24% and 12.4% the production share.

**Figure 15.6** Shares (%) of the Spanish Meat Production

Source: MAPA

Following the order of importance at European level, Spain is the second producer of pork and lamb, only behind Germany, and the first in chicken.

Even though lamb is not a very important area in this sub sector, and its production shrinks year after year, we are still in a top position within the European Union.

On turnover Spain produces 13,222.332 million euros in meat products, which means more than a 24% of Spanish Food Industry Production. 72,479 people work on this area, 17% of the total of the industry. This figure illustrates the importance of this sector related to the economy. In order to appreciate fully the importance of the meat sector in the Spanish economy is important to emphasize that around a quarter of expenditure in food and production is related to the meat sector.

The consumption per capita is of around 68 kg. per person per year. This data shows slight decreases per year, but great increases regarding the value, that has grown 4.8% from 2003.

Due to the necessity of increasing value, and especially quality, the Spanish Government has developed the Specific Denominations and Denominations of Origin. Nowadays in Spain the recognised Specific Denominations are Ternera Gallega, Carne de Raza Asturiana and Carne de Morucha de Salamanca. The Denominations of Quality are Beef of Avileña, Beef of Rubia Gallega, Beef of Raza Asturiana, Veal from Navarra, Beef of Vacuno from the Basque Country, Beef from Cantabria, Veal from Girona, Veal from Asturias, Veal from the Catalan Pyrenees and Beef from the Sierra de Guadarrama. This is in fact the result of the sector's interest in maintaining quality, safety, preservation and development policies in order to maintain the quality and characteristics of the products.

The foreign trade for meat is one of the most favorable. The exports sum 674,000 Tn., while imports are 178,000 Tn. As a result of the data, the trade balance shows a positive balance of 496,000 Tn. Spain is a net exporter. The exports have grown yearly since 1998, while the imports are increasing at a lower rate.

Spanish main export destinations are Portugal, France and Germany, in that order. Regarding imports, they come mostly from Germany, followed by Denmark and France.

Table 15.3 Trade Balance Meat sub-sector (data in Tn.)

	EXPORT								IMPORT							
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003				
Beef meat	117,200	139,323	132,682	108,963	122,734	158,217	68,306	72,983	70,915	54,946	84,381	84,308				
Pork meat	208,705	289,318	320,599	353,280	385,341	457,437	58,100	74,930	80,249	69,000	65,577	70,961				
Serrano ham	10,795	14,000	16,243	12,706	13,126	14,852	750	960	1,143	900	2,115	2,023				
Cured sausages	10,146	11,600	15,249	16,984	16,026	16,802	975	925	681	743	616	965				
Cooked ham	6,217	8,612	8,100	6,427	4,635	3,854	2,992	2,030	2,572	2,407	2,245	2,812				
Cooked sausages	13,223	11,120	9,560	10,300	9,097	12,157	9,630	8,946	10,651	10,971	12,212	11,865				
Other products	11,836	12,200	12,258	9,865	9,226	10,610	6,384	6,900	4,793	4,692	4,796	4,812				
Total	378,122	486,173	514,691	518,525	560,185	673,929	147,137	167,674	171,004	143,659	171,942	177,746				

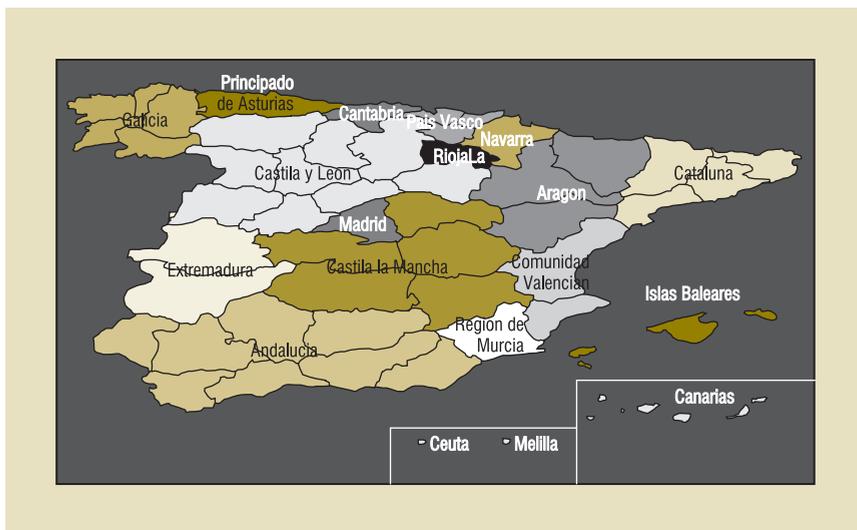
Source: ICEX

We must conclude that the meat sector is of major importance for the Spanish economy. It is a source of vital socio-economic wealth.

15.2.2 Processed and canned Fish:

The sector of fishing and fish farming preserves is of vital socio-economic importance for some Galician coastal areas. It is the most important in the EU and the second most productive region in the world.

Map of Spain



Source MAPA

Even though the main characteristics of the fish sector, as most of Spanish food industry is its atomization, this situation is changing. Larger companies are being developed, absorbing other small traditional ones.

In 2003, the production of fish and seafood preserves, and semipreserves (284,673 Tn.) followed the same trend as in previous years, registering a growth both in volume (4.9%) and value (2.9%). Tuna is the main species produced by the Spanish industry, representing 56.7% of the total volume; sardine is second, followed by mussels, white tuna, cephalopods and mackerel.

Analysing of the trade balance from last year it is important to conclude that the sector has managed to consolidate its growth in exports, the first

conclusion reached is that the fish and seafood preserve sector has managed to consolidate its exports growth. The exports amount to a total of 117,233 Tn. Imports of fish and seafood preserves and semi-preserves have experienced a considerable increase during 2003, reaching 108,438 Tn. However we still have a positive balance of imports against exports.

15.2.3 Processed fruits and vegetables

15.2.3.1 Vegetables preserves

It is a mature market with a production of 13,000,000 tonnes. It is a well-structured sector, which exports around 50% of the volume it produces, and approximately 40% of its total turnover.

The Spanish sector of vegetable preserves is characterised by the stability of its volume and operators, and knowledge. This sector is a pioneer in offering guarantees of quality, and stability in production.

The distribution of production organised by preserve groups is as follows:

Table 15.4 Shares (%) of vegetables preserves

	% of tonnage	% of value
Fruit preserves	35	29
Vegetable preserves	21	32
Jams and marmalades	3	4
Tomato preserves	41	35

Source: FIAB (2004)

15.2.4 Olive Oil

Spain is the world's largest producer of olive oil, even surpassing Italy or Greece. Its average annual production is 700,000-800,000 tonnes.

Referring to national consumption olive oil represents the 59.3% of total consumption of oils and vegetable fats. Spain has traditionally used olive oil, however the consumption has suffered a considerable increase in the last years because of the increasing popularity of the Mediterranean diet. Average annual consumption per person is 12.6 litres.

The consumers are becoming demanders of quality, and as made in the meat sector the government is specially worried about quality. Spanish olive oil is subject to strict quality controls. Producers themselves carry out analysis within their own laboratories. Spanish authorities take samples of each batch and analyse them in order to verify that every one of them follow the quality standards set by the EU.

Presently there are 7 Protected Denominations of Origin (D.O.): 4 in Andalusia, 2 in Catalonia and 1 in Castille-la Mancha.

In Spain there are more than 260 varieties of olive trees used to produce single-variety oils and oil blends. This allows associating the qualities and complementary flavours of the different varieties. The main varieties are Picual, Cornicabra, Hojiblanca, Arbeguina, Lechín de Sevilla, Verdial, Empeltre and Picuda.

Attending to foreign trade, Spain is also the world's top exporter. Spanish Olive Oil is exported to more than 100 countries in 5 continents, increasing its prestige worldwide. Spain still exports a large percentage of its oil in bulk. Oil exports of bottled or canned olive oil have increased dramatically: they have doubled in the past 5 years and the trend is upwards.

15.2.5 Wine

The wine sector has a major importance both for the economic value, the number of people working in it, and the role played on the preservation of the environment. Wine is a very social industry, since many people are needed for harvesting, and processing the grapes.

Spain is the major producer of grape in Europe and worldwide in terms of land used (1.2 million Ha., which means a 33% of the whole extent of EU vineyards), followed by France (25 % of the area) and Italy (25%).

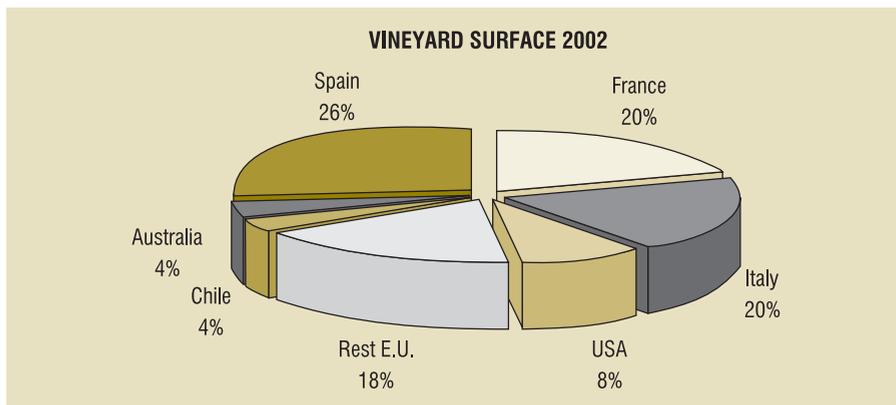


Figure 15.7 World's Vineyard Surface

Source: ICEX

Wine production for 2003/2004 was 46.7 million Hl., which corresponds to a 17% increase from previous year. This data gives Spain the second position in the world ranking, only after France. The third place is occupied by Italy with a production of 44.9 million Hl.

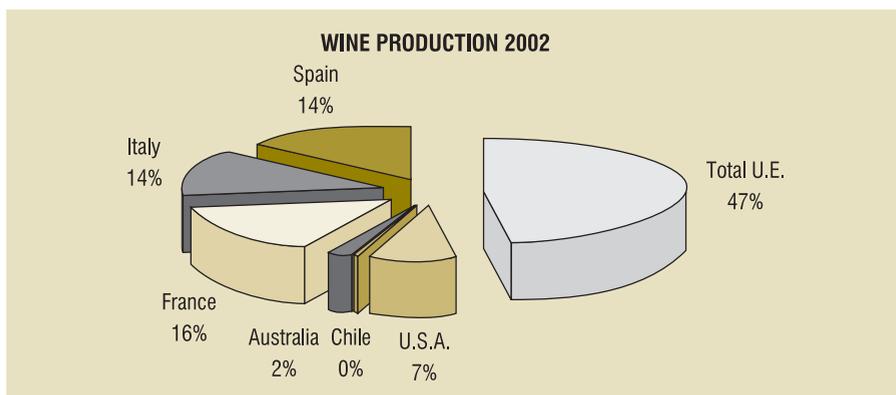


Figure 15.8 Wine production in the EU

Source: ICEX

The consumption of table wines has decreased in 2002/2003 3.7%, while the consumption of wines under a Denomination of origin increased 1.8%. According to the trade balance of 2003, Spains surplus balance was 1498 million euros with a growth of 6% compared to 2002. In export terms, the

value of exportations in 2003 was 1475 million euros, being Germany, UK and USA the first importers.

15.3 THE SPANISH INDUSTRY IN THE EU CONTEXT

Food and Drink is the largest manufacturing sector in the European Union. According to data from the FIAB and Agricultural, Food and Fisheries Ministry (2004) the production of the food sector represented 13.6% (approximately 626 billion euros) of the total EU-15 manufacturing sector in 2002. This sector employs around 3.5 million people. Certainly, we are referring to a relatively low concentrated sector.

Within the European context, the Spanish industry ranks among the first EU-15 producers, together with Germany, France, the UK and Italy (FIAB, 2004)

According to employment, with 14% of Europe's total, Spanish industry ranks among the top five national industries.

Regarding food trade, Spanish industry is among the top five countries in terms of having the most internationalized industries, following Germany, France, the Netherlands and Italy. It exports 9% of all the exports to third countries, which are mainly USA, Japan, Switzerland, Russia and Canada.

15.4 CURRENT PRIORITIES FOR THE SPANISH FOOD INDUSTRY

An important marketing strategy relates to the achievement of quality. Whereas in the decade of the 60s and 70s, the basis of quality policies was the control of the product before arriving at the consumer, the aim of the current policies consists in translating consumer's requirements. Actually, consumer demands products of more quality, that is related to aspects such as product development, convenience aspects, knowledge of origin of production, health and safety issues.

The current question is what quality means to the consumer. According to research carried out by the Spanish consumer association (OCU) in 2003, 32% of the consumers consider 'the expiry date' the most important factor when considering a food product. Secondly, 22% put 'the complete life of

the product' in second place, followed by the 'geographic origin' considered by 18%.

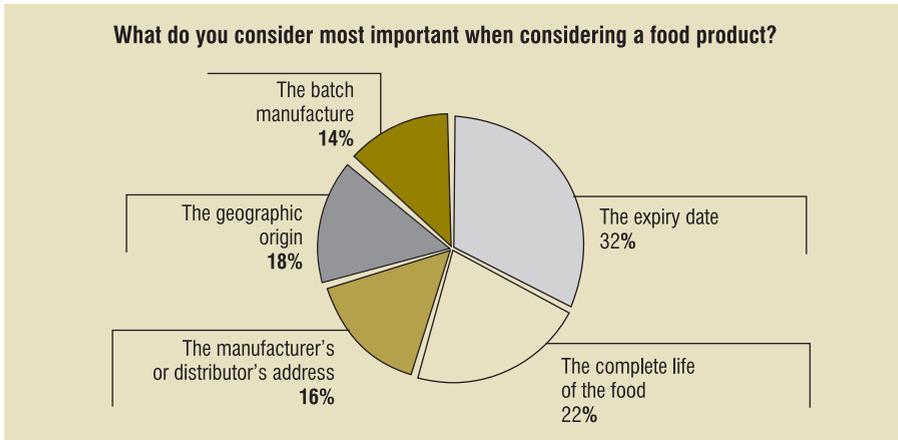


Figure 15.9 Consumer considerations on food products

Source (OCU, 2004)

In relation to the consumers food concerns, their greatest worries about food regards aspects such as Food safety issues, Price, Nutritional value and Hedonic aspects.

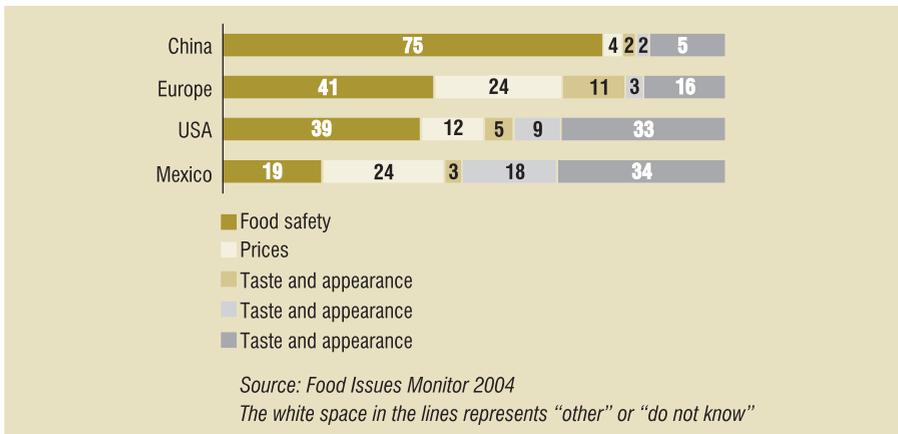


Figure 15.10 Greatest consumers concern about food in different countries

Source (CIAA, 2004)

Nowadays, a key marketing strategy for food companies is to produce high quality products, and thereby the challenge for managers is to implement systems to achieve high quality levels. Thus, the current priority areas for the Spanish Food Industry are those related to the achievement of higher quality products regarding the issues described above.

15.4.1 Safety issues

The Spanish food industries are conscious of the important role that safety plays in production systems in the sector. Therefore, since 1991 they have been implementing self-control prevention systems known as Hazard Analysis and Critical Control Points (HACCP), even before the European Union made it mandatory. According to the Royal Decree 2207, December 28th, 1995, all the Spanish food industries must implement a hygiene assurance system based in HACCP.

In addition in the last decade food companies gradually adopted quality certifications systems, such as ISO 9000. It is remarkable the number of enterprises which have obtained ISO 9000 certifications since 1993, when the first 14 implementations were done, to over 2000 (FIAB, 2004). Within ISO certifications, it is interesting to address the implementation as well the ISO 14000 certifications regarding environmental measures.

The Codex Alimentarius Mundy philosophy of 'Risk Analysis' is also followed by the Spanish Food Industries, which considers three levels of risk: scientific evaluation, risk management and risk communication.

Furthermore, the Spanish Food and Beverage Industries Federation (FIAB) together with the most representative consumer associations created in 1998 a Consortium for Food Safety, which is in charge mainly to carry out many communications and educational activities in this field.

15.4.2 Denominations of Quality

Another basic tool to assess quality in the food sector is known as Denominations of Origin, which identifies quality to the origin, geographical zone and production system of the food product.

Spain was a pioneer in the concept of Denominations of Origin with the creation in 1932 of the Wine Statue. In addition, in 1992, the European Union created systems known as PDO (Protected Designation of Origin),

PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed).

- **PDO, Protected Designation of Origin.** Name of a region or specific place used to designate an agricultural or food product from that particular area which possesses a quality or characteristics owed to the geographical environment where the production, transformation and elaboration are performed.
- **PGI, Protected Geographical Indication.** Name of a region or specific place used to designate an agricultural or food product with such a reputation that can only be attributed to its geographical origin, where either production, transformation or elaboration have been performed.
- **TSG, Traditional Speciality Guaranteed.** Agricultural or food products with specific characteristics, clearly differentiated from similar products that fall within the same category because they have been produced from traditional raw materials, they present traditional ingredients or because they have been produced and/or transformed in a traditional way.

The main aims of the creation of these European denominations are as follows:

- To encourage diverse agricultural production
- To protect product names from misuse and imitation
- To help consumers by giving them information concerning the specific character of the products

The number of the Spanish food products registered under a PDO and a PGI has risen to 92, which are indicated as follows (European Commission, 2005):

Cheeses

- Cabrales
- Idiazábal
- Mahón
- Picón Bejes-Tresviso
- Queso de Cantabria
- Queso de l'Alt Urgell y la Cerdanya
- Queso de La Serena
- Queso de Murcia

- Queso de Murcia al vino
- Queso de Valdeón
- Queso Ibores
- Queso Majorero
- Queso Manchego
- Queso Palmero o Queso de la Palma
- Queso Tetilla
- Queso Zamorano
- Quesucos de Liébana
- Roncal
- Torta del Casar

Meat-based products

- Botillo del Bierzo
- Cecina de León
- Dehesa de Extremadura
- Guijuelo
- Jamón de Huelva
- Jamón de Teruel
- Lacón Gallego
- Salchichón de Vic o Llonganissa de Vic
- Sobrasada de Mallorca

Fruit, vegetables and cereals

- Alcachofa de Benicarló o Carxofa de Benicarló
- Alcachofa de Tudela
- Arroz de Valencia o Arròs de València
- Arroz del Delta del Ebro
- Avellana de Reus
- Berenjena de Almagro
- Calasparra
- Calçot de Valls
- Cerezas de la Montaña de Alicante
- Cítricos Valencianos o Cítrics Valencians
- Chufa de Valencia
- Clementinas de las Tierras del Ebro o Clementines de les Terres de l'Ebre

- Espárrago de Huétor-Tájar
- Espárrago de Navarra
- Faba Asturiana
- Judías de El Barco de Ávila
- Kaki Ribera del Xuquer
- Lenteja de La Armuña
- Manzana de Girona o Poma de Girona
- Manzana Reineta del Bierzo
- Melocotón de Calanda
- Nísperos Callosa d'En Sarriá
- Pera de Jumilla
- Peras de Rincón de Soto
- Pimientos del Piquillo de Lodosa
- Pimiento Riojano
- Uva de mesa embolsada "Vinalopó"

Fresh meat (and offal)

- Carne de Ávila
- Carne de Cantabria
- Carne de la Sierra de Guadarrama
- Carne de Morucha de Salamanca
- Carne de Vacuno del País o Euskal Okela
- Cordero Manchego
- Lechazo de Castilla y León
- Pollo y capón del Prat
- Ternasco de Aragón
- Ternera Asturiana
- Ternera de Extremadura
- Ternera de Navarra/Nafarroaka Aratxea
- Ternera Gallega

Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Ensaimada de Mallorca o Ensaimada mallorquina
- Jijona
- Mantecadas de Astorga
- Pan de Cea
- Turrón de Agramunt o Torró d'Agramunt

- Turrón de Alicante

Other products of animal origin (eggs, honey, milk products excluding butter, etc.)

- Miel de Granada
- Miel de La Alcarria

Oils and fats / Olive oil

- Aceite de Mallorca/Aceite mallorquín/Oli de Mallorca/Oli mallorquí
- Aceite de Terra/Oli de Terra Alta
- Aceite del Bajo Aragón
- Baena
- Les Garrigues
- Mantequilla de l'Alt Urgell y la Cerdanya o Mantega de l'Alt Urgell i la Cerdanya
- Montes de Toledo
- Priego de Córdoba
- Sierra de Cádiz
- Sierra de Cazorla
- Sierra de Segura
- Sierra Mágina
- Siurana

Other Annex I products (spices etc.)

- Azafrán de la Mancha
- Pimentón de Murcia

Since the creation of the Denominations of Origin, the volume of trade has increased in almost all products. According to data of the year 2002 (FIAB, 2004) the stand out food products, that have considerably increased their commercialisation, even maintaining the same amount of denominations since 2001, are:

- Meat products (18.8%)
- Hams (3.4%)
- Rice (17.2%)

Among all the food products groups, it is remarkable the spectacular growth of the commercialisation of Seasonings and Spices:

- Saffron 'La Mancha' (grew by 27%)
- Paprika 'from Murcia' (325.3%)

Among those food group products that have incorporated new denominations of origin, stand out:

- Virgin olive oil (grew by 33.7%)
- Cheese (8.5%)

This table shows the main economic values of the trade of products under PDO and PGI. The total economic value of these food products accounts 542.6 million euros.

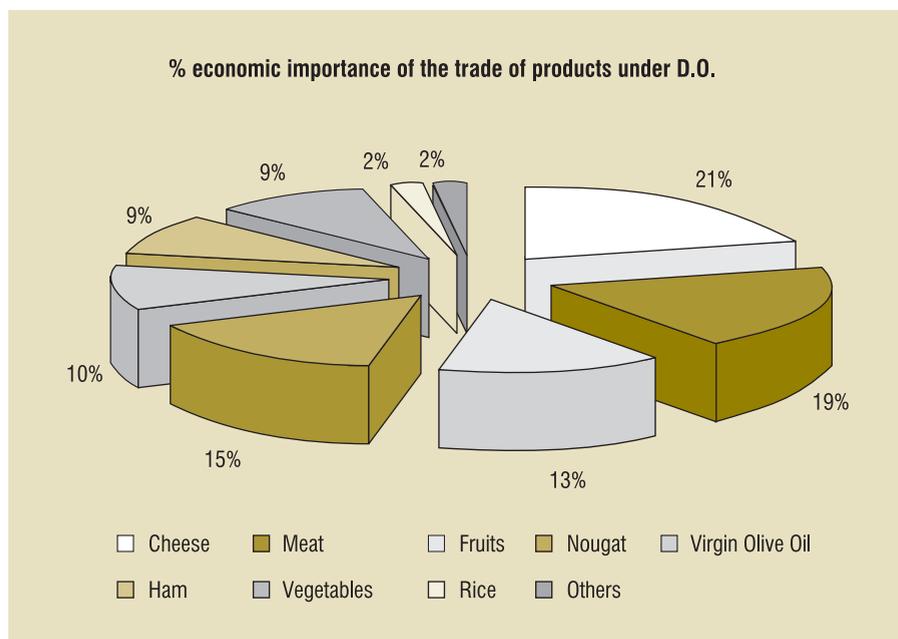


Figure 15.11 Distribution of the economic PDO and PGI food products value by types of products (year 2002)

Source FIAB (2004)

In addition to these food products, those obtained by organic farming methods are also regarded as high quality products (FIAB, 2004). During the last years, they have experienced a fast development in our country and it is expected that their expansion will follow in the future.

On January 19, 2004 Spain launched the Strategic Plan for Organic Production (2004-2006) supported by the public administrations. The basic point of this programme is as follows:

- To recognise the importance of Organic Farming regarding: a) sustainable agriculture for the protection of the countryside and environment; b) a system to produce quality foodstuffs
- To consolidate the development of production and industrialisation as an attractive option for traditional producers and manufacturers
- To grant training on organic production methods as an essential role along the whole chain
- To increase consumer trust in organic products: information, education, promotion and control.
- To help structuring the sector

15.4.3 R&D+I (Research and Development plus Innovation)

The Spanish food industry is one of the most active in new product development (NPD). Industry and Administration has a permanent interest to advance. In 1999, 173 firms of the food sector invested in research and development (R&D). Their expenditures were above 29 billion euros.

According to data in year 2001, 6227.2 million euros were spent in R&D, of which 53% were invested by private companies (FIAB, 2004).

The following figure shows the most innovating categories of food products in Europe in 2004. Dairy products confirm their place as leader in relation to innovation, having a share of 12.4% in 2003 versus 11.6% in 2002.

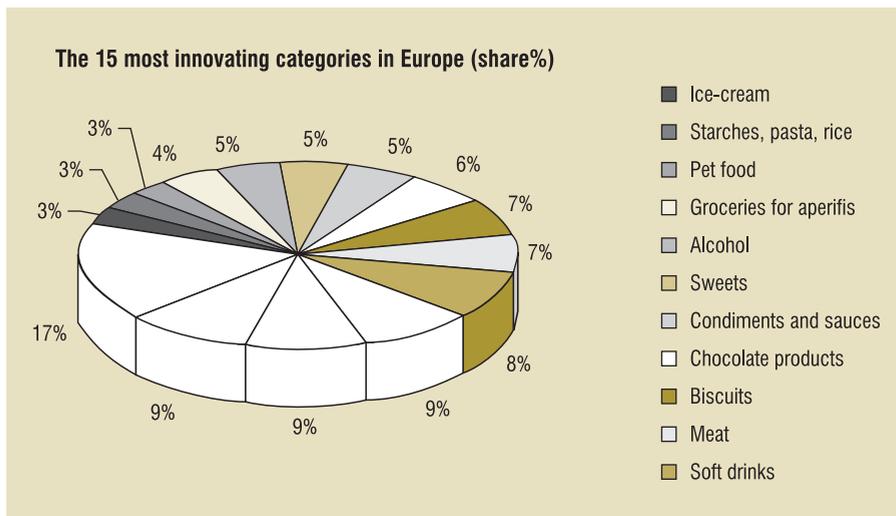


Figure 15.12 The percentage share of the 15 most innovating categories in Europe (2003 data compared to 2002)

Source CIAA (2004)

15.4.4 Communication

Communication to consumers is one of the current priorities of the food industry. The new agricultural production techniques, animal welfare concerns, food scares and crises and their impact in consumer confidence have brought numerous questions about quality and food safety.

New consumer demands for quality and food safety has resulted a necessity for more transparency and more complete and precise information to the consumer about issues regarding food production.

In order to give response to these requirements, the Spanish food industry is carrying out cooperation with Spanish consumers' associations. Furthermore there is a proliferation of labelling regulations that attempt to better inform consumers at the point of purchase.

15.5 THE FOOD TRADE

15.5.1 Domestic Market

15.5.1.1 Food Consumption

The social, political and cultural changes that Spain has experienced in the past twenty years have determined new habits and tastes in its population. Thus, it is logical that these changes have directly influenced the food consumption of the people.

An approximation to the diet of Northern countries has taken place, although Spain still falls mostly within what is known as the Mediterranean Diet, well known for its cultural and nutritional aspects. The largest deviations from this diet have been oriented towards the consumption of larger amounts of proteins and fats and a lower intake of cereals and their by-products.

During 2003, total purchases of food products were 37,434 million kg/ litres/units worth 67,000 million Euros (FIAB, 2004). That is, a 2.2% increase of consumption, and 4.8% in terms of expenditure on the previous year (1% in constant prices).

The products that experienced the highest consumption growth were: beer (13.57 %), mineral water (8.64 %), ready-to-serve meals (7.70%) and sodas and soft drinks (6.06 %). The products that registered the largest falls in terms of quantity purchased by households were: grape juice and must (-15.60 %), honey (-8.23 %) and sparkling wines and cava (-7.38 %).

When comparing 2001 with 2002, Convenience Stores and Hypermarkets have seen their food market share being reduced by 0.4 and 0.8 points respectively. These have gone to Non-conventional trading ways, which have grown by 1.2 points. Supermarkets remain stable.

For fresh foods, Conventional trading methods have been reduced, while Non-conventional methods rose by 1.8 points, especially due to the growth of personal consumption. The highest fall has been for Convenience Stores, followed by Hypermarkets and Supermarkets.

In conclusion, during the year 2002 Non-Conventional ways of distribution experienced the highest market share growth. Convenience Stores are still the most common way of distribution used to purchase Fresh foods, while Supermarkets are so for Dry foodstuffs.

15.5.1.2 Analysis of Retail Trade

The present distribution is marked by a strong process of concentration of large chains, as happens in most modern economies. The retail trade sector has experienced sharp changes in the past twenty years. There has been a significant development both in the most traditional methods – in which retailers and wholesalers sell directly to the public and in other much more sophisticated methods, characterized by an ever larger presence of Spanish companies and multinationals in Hypermarkets (a sector traditionally monopolized by French companies and multinationals), purchase centres and retail chains. Not to mention the important and revolutionary presence of electronic trade through the Internet.

Generally, trade in Spain is characterized by an increasing concentration. The top ten distributors hold nearly 67.5% of the market share.

Table 15.5 The top ten distributors

COMPANY	Country of origin	Sales in million €	Number of employees	Number of Hypermarkets	Number of Supermarkets	Number of Discount stores	Number of Cash & Carry
Carrefour	France	9,857	54,650	123	78	2381	2800
Grupo Eroski	Spain	4,218	23,500	47	1,365		2600
Mercadona	Spain	3,124	27,000		591		
El corte ingles-Hipercor	Spain	3,25	15,500		99		
Auchan/Alcampo	France	3,025	17,650	38	103		
Ahold	Holland	1,853	13,200		574		3500
Caprabo	Spain	1,304	10,500		375		
Gruop El Arbol	Holland	962	9,000		700		6700
Makro	Germany	920	2,215				2300
LIDL	Germany	691	4,650			322	

Source: FIAB (2004)

The largest retailers not only bet on hypermarkets as a way of retailing, but they are also increasing at a fast pace the opening of supermarkets, discount stores, etc. in the city centres. e.g., Carrefour, besides hypermarkets, also owns the Champion chain of supermarkets and Dia discounts stores.

Imports in 2003 reached 15,278 million Euros, i.e., 5.4% of total imports and 52.3% of the total imports of the agricultural and food sector, being also the EU the main supplier (72.6%). The most significant imports were: fish and crustaceans (26.6%), alcoholic beverages (13%), cereals (8,3%) milk and dairy products (7.8%).

15.5.2.2 Investment Abroad

According to data of the FIAB (2004) the net investment abroad by the Food and Beverage Industry amounted to 1,230 millions of Euros in the year 2003. The Food and Beverage Industry represented an average weight of 3.9% (2001-2003) of total Spanish net investment abroad.

15.5.2.3 Promotion

The organizations directly involved in the foreign promotion of food products are:

- **Instituto Español de Comercio Exterior (ICEX) (Spanish Institute for Foreign Trade)** <http://www.icex.es>

This institution is in charge of promoting the internationalization of Spanish businesses. It assists Spanish businesses to foster exports and to establish themselves abroad.

- **Ministerio de Agricultura, Pesca y Alimentación (MAPA) (Ministry of Agriculture, Fisheries and Food)**

<http://www.mapya.es>

- **Chambers of Commerce, Industry and Navigation** <http://www.icex.es>
Together with the State and Regional Administrations, the Chambers of Commerce and Industry have an active role supporting internationalization. They perform promotional activities abroad.

- **Oficinas de Promoción Exterior de las Comunidades Autónomas (Autonomous Regions' Foreign Promotion Offices)**

i.e. IMADE (Institute for Development of the region of Madrid) <http://www.imade.es>

Most Autonomous Regions have created their own foreign promotion organizations in order to develop activities to support the internationalization of their companies, among other activities

– **FIAB (The Spanish Food and Drink Industry Federation) and its Associations** <http://www.fiab.es>

Its main objectives are the promotion of new sectors and companies within the context of exports, the development of horizontal promotional activities for the food and beverage industry and the encouragement of all aspects related to business co-operation among food businesses and sectors.

– **European Commission**

■ 15.6 CONCLUSIONS

The Spanish Food Industry is fourth in the ranking of the European Union (15 members-Europe) in terms of production, after France, Germany and United Kingdom. It occupies the fifth place in terms of turnover.

The F&D Industry structure is characterised by the predominance of SME, that makes it very sensitive to the external competition and it is also a serious handicap for the CIT. Therefore special effort should be made by the Administration and private sector in this field.

Heterogeneity and asymmetry are other characteristics which define the currently Spanish F&D Industry. There are some sub-sectors with positive comparative advantages, regarding quantity and quality, mainly due to their raw materials supply facilities (ie. wine, olive oil, fruit and vegetables). On the other hand, the situation differs in a negative way (ie. cereals, livestock) where prices are higher. Therefore the new proposals for the Common Agricultural Policy (CAP) may be a tool for structural changes, in terms of a decrease in raw materials prices (cereals) versus an increase (beef and dairy cattle). Another effect of the CAP may be a dislocation of the F&D Industry, such as in fruits and vegetables sector.

In relation to the main sub-sectors of the Spanish Food Industry, the meat sector, which represents 61% of the whole Spanish industry, is the most important followed by processed fruit and vegetables (7%), olive oil (7%) and fish (4%). Among different meat products, the production of pork occupies the first ranking place with a share of the 60% of the total Spanish meat production.

In general, marketing in the F&D Industry is one of its traditional weakness, especially in the foreign trade sector. For instance, a new market window has

been opened in the last years in the Iberic Ham (Jamón Iberico), a high quality and traditional product. During last years another key strategy of promotion and improved sanitary conditions has allowed to enter in the US market. In the case of wine sector, it is an example of improvement, in the way that it is transforming the old fashioned production into a new tech-industry, which has increased production and effectiveness. The producers are searching for new markets, therefore are increasing the quality, commercialisation and marketing, in order to improve the foreign trade, exceeding our main competitors, France and Italy.

The efforts that have brought the Spanish Food Industry to a leading position in Europe are its internationalization process, involvement and commitment with the society, aiming to obtain quality and safe food products. One of the tools to provide high quality products is the creation of Denominations of Origin. Spain has a total of 92 Protected Designation of Origin and Protected Geographical Indication food products, whose total economic value accounts to 542.6 million euros. Regarding Research and Development activities, the increase of investments in this issue is remarkable, although it is considered that private companies should develop their participation in terms of research in the future.

In addition, in terms of the importance of the Spanish retail trade, it is observed that an increasing concentration of the currently distributors (67.5% of the market retailer distribution is shared by ten distributors) and the importance of foreign retail companies, especially from France and Holland. Thus, it is considered that some actions or investments should be carried out to promote national retailers and to enlarge the number of distributors.

■ 15.7 REFERENCES

- CIAA (2004). Data and trend of the EU food and drink industry 2004. CIAA (Confederation of the food and drink industries of the EU). 1-20.
- European Commission (2005). Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI). 2005, from http://europa.eu.int/comm/agriculture/foodqual/quali1_en.htm.
- FIAB (2004). Una Aproximación a la Industria Española de la Alimentación y Bebidas y su comercio exterior. Federación de Española de Industrias de la Alimentación y Bebidas. 77.
- ICEX (2005) from www.icex.es
- MAPYA (2005) from www.mapa.es
- OCU (2004). Un detective tras cada ingrediente: La trazabilidad de los alimentos. *OCU-Compra Maestra*, 278,(1): 40-43.

15.8 APPENDIX

*Ranking of food and drink companies***Table A 15.1** Top 20 companies of perishable food

COMPANY	LOCATION	EMPLO- YEES	SALES 03 M. €
1. Ebro Puleva S.A.	Madrid	7135	2161.56
2. Nestlé España S.A. (Grupo)	Esplugues de Llobregat	7300	1683.00
3. Campofrío Alimentacion (Grupo)	Alcobendas	9037	1426.12
4. Nestlé España S.A.	Esplugues de Llobregat	4306	1294.08
5. Unilever España S.A	Madrid	2223	1024.00
6. Danone S.A.	Barcelona	1830	983.00
7. Nutreco España S.A.	Tres Cantos	3097	866.78
8. Pescanova S.A. (Grupo)	Chapela	3379	863.86
9. Grupo Leche Pascual S.A.	Madrid	3700	840.00
10. Coop. Orensanas (Coren)	Ourense	3450	745.00
11. Cargill Espapa S.A.	San Cugat del Valles	531	742.00
12. Corp. Alimentaria Peñasanta	Siero	1429	676.12
13. Campofrío Alimentacion S.A.	Alcobendas	2543	639.28
14. Unilever Foods España S.A.	Leiola	1285	592.56
15. Corp. Alimentaria Guissona	Guissona	2371	553.65
16. Coop. Agropecuaria de Guissona	Granada	1040	502.77
17. Puleva Food S.L.	Madrid	0	500.00
18. Leche Pascual España S.L.	Alhama de Murcia	0	450.00
19. Grupo Corporativo Fuertes S.L.	Madrid	0	443.70
20. Grupo Sada P.A., S.A.	Madrid	494	414.81

Source: FIAB (2004)

Table A 15.2 Top 20 companies of non-perishable food

COMPANY	LOCATION	EMPLO- YEES	SALES 03 M. €
01. Ebro Puleva S.A.	Madrid	7135	2161.56
02. Nestlé España S.A. (Grupo)	Esplugues de Llobregat	7300	1683.00
03. Nestlé España S.A.	Esplugues de Llobregat	4306	1294.08
04. Unilever España S.A. (Grupo)	Madrid	2223	1024.00
05. Agrolimen S.A.	Barcelona	2024	944.52
06. Corp. Agrolimen S.A.	Barcelona	7839	788.65
07. Azucarera Ebro S.L.	Madrid	1727	703.56
08. Moyresa, Molturación y Refino S.A.	Barcelona	334	683.15
09. Unilever Foods España S.A.	Leioa	1285	592.56
10. SOS Cuetara S.A.	Madrid	2451	570.71
11. Panrico S.A.	Barcelona	3413	509.63
12. Corp. Borges S.L.	Reus	1185	471.00
13. Ebro Puleva (Herba Grupo)	San Juan de Aznalfarache	974	443.85
14. Viscofan S.A.	Pamplona	3740	410.77
15. Miguel Gallego S.A. (MIGASA)	Dos Hermanas	102	390.00
16. Grupo Bimbo (Sara Lee Bakery Group)	Barcelona	3635	380.00
17. Nanta S.A.	Tres Cantos	0	354.24
18. Chupa Chups (Grupo)	Cornella de Llobregat	0	343.60
19. Kraft Foods España S.A.	Madrid	0	322.00
20. Quimidroga S.A.	Barcelona	494	310.92

Source: FIAB (2004)

Table A 15.3 Top 20 beverage companies

COMPANY	LOCATION	EMPLOYEES	SALES 03 M. €
01. Coca Cola España	Madrid	-	2515.00
02. Nestlé España S.A.	Esplugues de Llobregat	4306	1294.08
03. Heineken España S.A.	Sevilla	3017	812.00
04. Cobega S.A.	Barcelona	1315	725.00
05. Corp. Alimentaria Peñasanta S.A.	Siero	1429	676.12
06. Mahou S.A. (Grupo Mahou-San Miguel)	Madrid	2013	669.14
07. Cia. Castellana de Bebidas Gaseosas S.A. (Casbega)	Madrid	951	606.84
08. Diageo España S.A.	Pozuelo de Alarcon	443	592.11
09. Allied Domecq España S.A.	Madrid	900	540.00
10. Puleva Food S.L.	Granada	1040	502.77
11. Refrescos Env. Del Sur S.A. (RENDELSUR)	La Rinconada	985	500.00
12. S.A. DAMM (Grupo)	Barcelona	1742	452.57
13. Freixenet S.A. (Grupo)	Sant Sadurni D'Anoia	1258	400.00
14. Cia. Levantina de Bebidas Gaseosas S.A. (COLEBEGA)	Quart de Poblet	644	375.00
15. Cadbury Schweppes Beb. De España S.A.	Madrid	1350	350.00
16. Cia. De Beb. PEPSICO S.A. (Grupo)	Victoria-Gasteiz	1264	340.00
17. Kraft Foods España S.A.	Madrid	894	322.00
18. Bacardi España S.A.	Mollet del Valles	398	321.62
19. J. Garcia Carrion S.A.	Jumilla	512	320.00
20. Larios Pernod Ricard S.A.	Madrid	429	300.00

Source: FIAB (2004)

*Ranking of Retail Trade Firms***Table A 15.4** Top 20 Retail trade Firms

MAIN COMPANIES IN THE FOOD DISTRIBUTION SECTOR IN 2002	NET SALES M. €	EMPLOYEES	OWN STORES
1-CENTROS COM. CARREFOUR S.A.	7,394.46	46,137	115
2-MERCADONA S.A.	5,377.56	34,400	681
3-GRUPO EROSKI	4,680.33	29,013	1378
4-HIPERCOR S.A.	2,901.22	15,300	30
5-DIA S.A.	2,804.64	13,200	1,692
6-ALCAMPO S.A.	2,686.59	14,139	43
7-AHOLD (GRUPO)	2,047.00	14,000	588
8-CAPRABO (GRUPO)	1,835.00	15,000	515
9-LIDL SUPERMERCADOS S.A.	1,050.00	5,000	354
10-MAKRO AUTOSERVICIO MAYORISTA	1,048.00	2,535	-
11-SUPERMERCADOS SABECO S.A.	795.00	6,163	108
12-GRUPO EL ARBOL	785.65	8,100	533
13-AHORRAMAS (GRUPO)	736.00	7,000	152
14-GADISA (GRUPO)	705.10	5,171	202
15-MIQUEL ALIMENTACIO (GRUPO)	632.83	2,800	135
16-EL CORTE INGLES (SUPERMERC.)	600.00	-	39
17-CONDIS SUPERMERCATS (GRUPO)	532.20	3,900	172
18-PLUS SUPERMERCADOS S.A.	478.00	2,000	200
19-UNIDE S. COOP.	429.47	582	744
20-SUPERMERCADOS ALCOSTO S.A.	420.05	3,415	59

Source: FIAB (2004)