

PROCESSED FRUIT AND VEGETABLES IN SPAIN - ANALYSIS

Country Report | Dec 2022

KEY DATA FINDINGS

- Retail value sales rise by 17% in current terms in 2022 to EUR1.5 billion
- Shelf stable fruit and vegetables is the best performing category in 2022, with retail value sales increasing by 20% in current terms to EUR1.2 billion
- Mercadona SA is the leading player in 2022, with a retail value share of 16%
- Retail sales are set to grow at a current value CAGR of 2% (2022 constant value CAGR of -0.4%) over the forecast period to EUR1.7 billion

2022 DEVELOPMENTS

Sharp rise in unit pricing drives marginal decline in retail volume sales

The review period has been a rollercoaster for processed fruit and vegetables. Prior to the onset of COVID-19 in 2020, retail constant value sales appeared to be in long-term decline, as increasingly health-conscious local consumers turned to fresh vegetables in growing numbers. But the lockdown drove a spike in demand, as local consumers rushed to stockpile products with a long shelf life. The fact that they were spending more time at home (and thus eating more meals there) also played a role in supporting growth. This resulted in a double-digit rise in retail constant value sales of processed fruit and vegetables during the year. 2021 brought the inevitable hangover, with retail constant value sales declining, as daily life and consumer habits began to normalise. Nonetheless, demand remained well above its pre-pandemic level.

The surge in inflation that occurred in 2022 drove a significant rise in unit pricing. While this supported a strong rebound in retail constant value sales of processed fruit and vegetables, retail volume sales continued the decline that began in 2021—albeit at a much slower rate.

Shelf stable fruit and vegetables account for the bulk of retail volume sales of processed fruit and vegetables. Manufacturers of shelf stable fruit and vegetables are seeking to add value with organic and premium offerings that are positioned as healthy options or exclusive flavours. In 2022, Conservas Danza expands its eponymous premium line with shelf stable red peppers in a glass jar. Meanwhile, Emperatriz launched a new line of sun-dried tomatoes for salads.

Demand for processed fruit and vegetables is being supported by the growing number of vegans and vegetarians in Spain. A study conducted by consultancy Lantern in Spain during the review period found that 10% of adults were following vegan, vegetarian or flexitarian diets. The "veggie" movement is growing rapidly as a result of the search for a healthier lifestyle, in addition to a desire to consume more sustainable products and a greater awareness of animal welfare. Largely as a result of this, shelf stable beans, which are frequently consumed as an alternative to meat or fish, performed relatively strongly during the review period as a whole.

Revival in international tourism drives strong rebound in foodservice demand

Having plunged by almost half in 2020, as international arrivals dried up, foodservice volume sales of processed fruit and vegetables began to rebound in 2021, as restrictions on international travel began to ease, and this trend accelerated in 2022. Indeed, foodservice volume sales of processed fruit and vegetables exceeded their pre-pandemic level during the latter year. In contrast to retail, frozen processed fruit and vegetables account for the bulk of volume sales in processed fruit and vegetables.

Frozen processed potatoes are the most popular category in terms of foodservice volume sales in processed fruit and vegetables. Popular with locals and international visitors alike, Patatas Bravas (cubed potatoes) are a staple of restaurants and cafés in Spain.

New product launches in foodservice during the latter part of the review period included McCain Crunchy Petals, potato slices with skin that are irregular and wavy in shape and covered in an 'invisible' crunchy batter with a touch of salt. Meanwhile, Vicky Foods, better known for baked goods, is preparing to launch Fit'z in frozen processed potatoes for the foodservice channel.

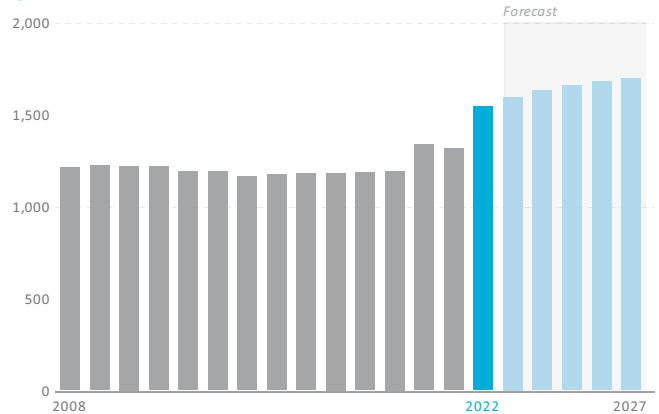
Private label dominates, with Mercadona strengthening its leadership

Market Sizes

Sales of Processed Fruit and Vegetables

Retail Value RSP - EUR million - Current - 2008-2027

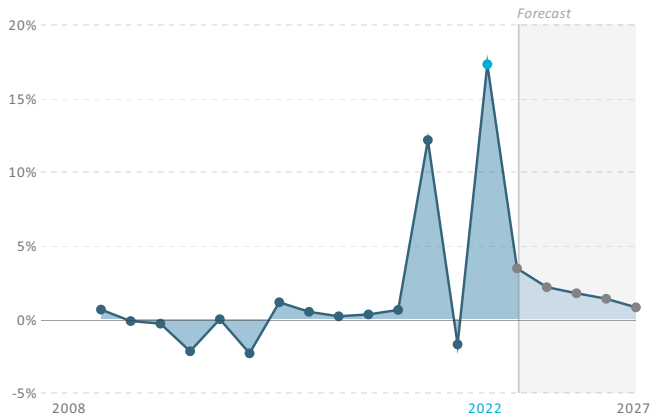
1,539



Sales Performance of Processed Fruit and Vegetables

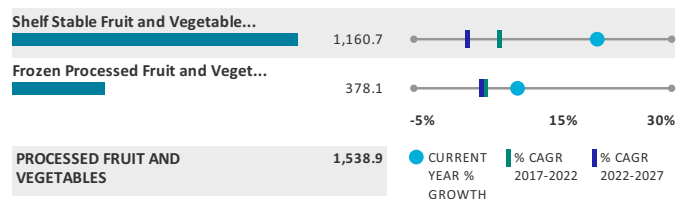
% Y-O-Y Retail Value RSP Growth 2008-2027

17.3%



Sales of Processed Fruit and Vegetables by Category

Retail Value RSP - EUR million - Current - 2022 Growth Performance



position

Private label dominates processed fruit and vegetables, with Mercadona SA and Centros Comerciales Carrefour SA the leading players. Between them, these two players accounted for more than a quarter of retail value sales in 2022, with Mercadona widening its lead over the course of the forecast period. It is closing some stores with relatively low foot traffic and seeking to open larger outlets in more popular locations.

While supermarkets dominate the distribution of processed fruit and vegetables, discounters are growing in importance, as Aldi and Lidl rapidly expand their presence nationwide. For example, Aldi opened its first outlets in the Canary Islands in 2022.

Players like Grupo IAN, Grupo Riberebro, Bonduelle, Conservas Dantza, Marín Montejano and Golden Foods are focused on developing new references beyond traditional canned foods. For example, IAN has developed 100% Veggie Bites with tomato and peppers, a recipe that has a high content of vegetable proteins and a texture and taste similar to meat snacks. In 2020, Bonduelle launched the Your Recipes brand, which consists of mixtures of cooked vegetables in a can. It offers three varieties – Mediterranean, Rustic and Country. In an effort to tap into the health and wellness and sustainability trends, Bonduelle has also launched sweetcorn that is free of pesticide residues, peas without added sugar, raw vegetables without artificial flavours and organic and unsalted green beans.

PROSPECTS AND OPPORTUNITIES

Deepening health and wellness trend will undermine demand

Both retail constant value sales and retail volume sales of processed fruit and vegetables will decline over the forecast period as a whole. The deepening health and wellness trend will continue to boost demand for fresh fruit and vegetables at the expense of processed offerings, with a steadily ageing population a factor in this.

With a very low fertility rate and rising life expectancy, the median age of population in Spain is rising steadily, with close to half of the population set to be aged 50 or older by the end of the forecast period (this is already the case in many rural areas and some provincial cities). Easy-open can ends are already the de facto standard in fruit and vegetable cans, and manufacturers will step up their efforts to cater to the needs of older consumers. Manufacturers will also seek to target workers with healthy lunches and snacks that can be sold from vending machines.

However, frozen fruit, such as blueberries, strawberries and pineapple, will buck the downward trend and continue to deliver double-digit growth in retail volume sales during the forecast period as a whole. These are significantly cheaper than their fresh equivalents (particularly out of season) and are very convenient: For example, local consumers can add a handful of frozen strawberries or blueberries to their breakfast cereal every morning without worrying that the fruit will rot before they use it.

Shelf stable beans will also continue to see growth in retail volume sales, although it will be much more modest. Legumes, particularly lentils, are an essential part of the Mediterranean diet and are frequently consumed as an alternative to meat or fish. Accelerating consumer lifestyles will continue to drive a shift from dry beans to cooked shelf-stable ones that are more convenient (as they do not have to be soaked or cooked) and can be easily added to dishes or salads.

Frozen offerings will continue to outperform shelf stable products

The health and wellness trend will impact shelf stable fruit and vegetables more than frozen ones—continuing a trend that was already evident in the review period. Most local consumers perceive frozen products as healthier than shelf stable ones, as the former are regarded as less 'processed' and thus closer to fresh fruit and vegetables. Frozen vegetables are also easier to portion out—once shelf stable vegetables are opened, they need to be consumed within a few days.

Players are responding by increasing their investment in frozen fruit and vegetable manufacturing. In 2021, La Unión Nice opened a EUR21 million frozen food manufacturing facility in the southern province of Almería. This followed a decade of work by researchers at the Polytechnic University of Catalonia to improve the freezing and thawing process. As a result, La Unión Nice claims that its frozen food is now 100% natural and without chemicals or additives, thus maintaining all of the organoleptic properties of fruits and vegetables—nutrients, texture, water and flavour are all preserved.

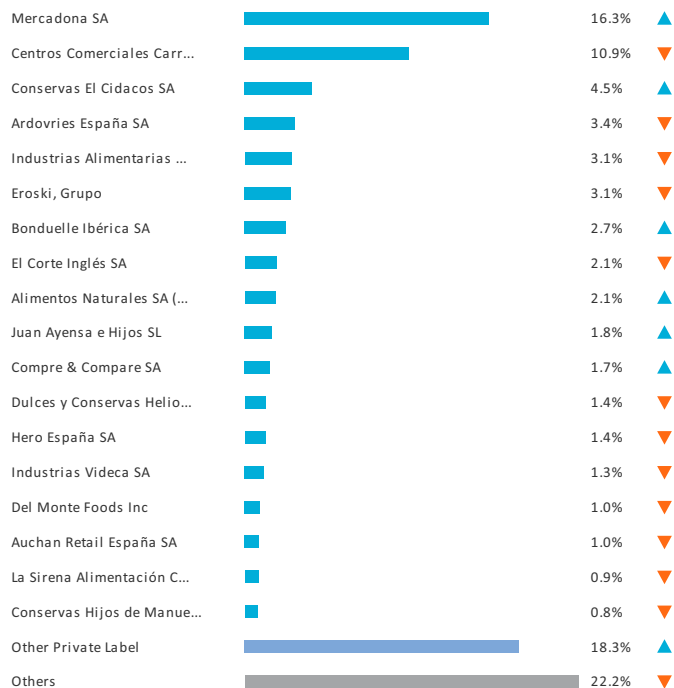
Inflation will continue to favour private label, putting pressure on brands to innovate

As it is typically significantly cheaper than branded offerings (typically 30%), private label is likely to remain dominant in processed fruit and vegetables throughout the forecast period. Inflationary pressure is likely to remain elevated during at least the early part of the forecast period, which will help to make local consumers even more disposed towards the offerings of Mercadona, Carrefour and their peers. The strength of private label will be reinforced by the continued expansion of discounters Aldi and Lidl.

Competitive Landscape

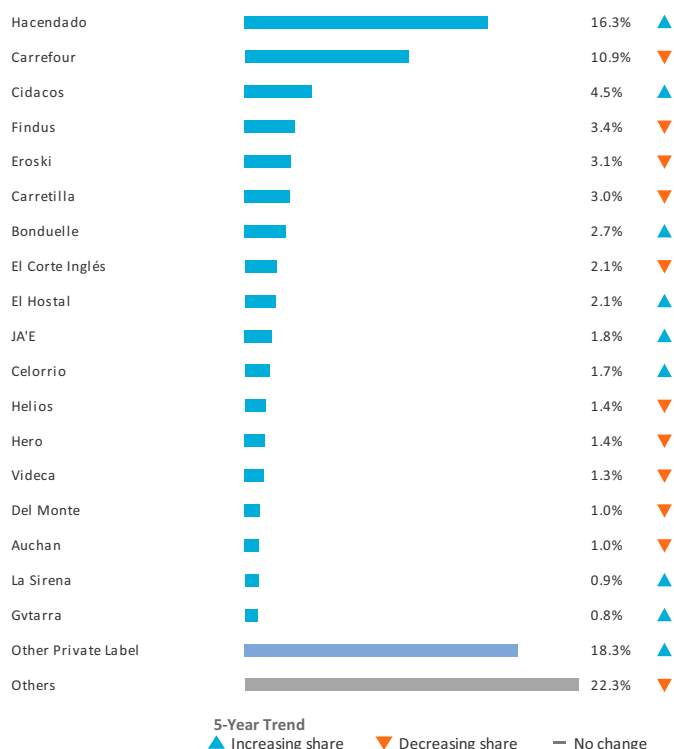
Company Shares of Processed Fruit and Vegetables

% Share (NBO) - Retail Value RSP - 2022



Brand Shares of Processed Fruit and Vegetables

% Share (LBN) - Retail Value RSP - 2022



As a result, manufacturers of branded offerings in processed fruit and vegetables will continue to launch value-added products to differentiate their products from private label. Some will even shift their focus from processed fruit and vegetables to such categories as ready meals, where there is more scope for premiumisation. Organic and premium offerings will also proliferate. IAN Group's Carretilla brand, which offers such brands as Listos Para Gustar and Viuda de Cayo, is among the manufacturers already pursuing this strategy.