

FOOD MILES/SUSTAINABILITY MARKET INTELLIGENCE

April 2009 Quarterly Report

The growing importance of sustainability as a market driver in some of New Zealand's food and beverage export markets has led the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise to prepare a quarterly report for business people highlighting trends and issues in key markets.

SPAIN

IN SUM:

- Supermarket “own brands” account for 38% of F&B sales: Increasingly price-sensitive Spanish consumers embrace supermarket “own brands”, which account for 38% of F&B sales in 2008.
- Packaging and waste: Consumer views on packaging are in line with global averages, as supermarkets agree to reduce plastic bag usage, and Government introduces a new National Waste Plan.
- Public aware of climate change, but 60% have taken no action to address it; documentary to raise public awareness: Report concludes Spanish knowledge about climate change is “superficial” with a majority taking no steps to address the issue. A new National Geographic Channel documentary may have impact here.
- Healthy lifestyle campaign launched in response to poor bone health among children: Healthy lifestyle campaign launched by The Hispanic Foundation for Osteoporosis and Metabolic Bone Disease (Fhoemo) who found Spanish children to be suffering vitamin D and calcium deficiencies affecting bone health.
- “Spanish milk” labels and other initiatives demanded as dairy sector in crisis: Government under pressure from Spanish farming trade unions seeking support in the face of falling milk prices, including a “Spanish milk” label.
- Spain leads Europe for GM crop plantings: Spain continues to produce the largest amount of GM crop in Europe.

CONSUMER TRENDS

Supermarket “own brands” account for 38% of F&B sales

Increasingly price-sensitive Spanish consumers have boosted the development of “own brands” by the main Spanish supermarket chains. These are on average 38% cheaper than name brands and accounted for 32% of total retail food and beverage sector sales in 2008 – higher than in any other European country (cf 31% in Germany, 27% in the UK, 26% in France and 13% in Italy). The main reason behind this trend in Spain is the high level of concentration in the food retail distribution sector. The three main supermarket chains in Spain (Carrefour, Eroski and Mercadona) already represent

around 60% of all canned and packaged food sold in Spain, according to a report published by the Nielsen Company.

Spanish views on packaging in line with global averages

The Nielsen Company recently conducted a global survey on climate change and consumer trends which found that 50% of consumers worldwide would be willing to do without "convenience packaging" to protect the environment, but are more reluctant to give up packaging for hygiene and protective purposes. Spain was found to be in line with global averages - 55% of Spanish respondents were prepared to give up "easy to transport" packaging, 52% were willing to do without packaging designed for stacking and storing at home, and 45% were willing to give up packs that could be cooked in or kept at home as re-sealable containers. However, only 32% were prepared to give up packaging designed to prolong shelf-life or preserve food, 25% were willing to do without packaging which included labelling and cooking information, and 23% were prepared to give up packaging designed to keep products in good condition and hygiene packaging to keep products clean and untouched. Only one out of ten Spaniards said they were not willing to give up any kind of packaging for the sake of the environment.

Public aware of climate change, but 60% have taken no action to address it

A report entitled "Society in the face of climate change. Knowledge, assessment and conduct among the Spanish", recently prepared by the Mapfre Foundation, the University of Santiago de Compostela and the Rural, Marine and Natural Environment Ministry, has found that 6 out of 10 Spaniards feel that too little attention is paid to the climate change issue in Spain, but that about the same number (60% of respondents) have not changed their habits to address this issue. This was attributed to the perception of climate change as a remote risk, and one over which individuals cannot have much influence. The report stated that knowledge on climate change issues among Spaniards is "superficial" and identified a series of "psychosocial" barriers (such as a widespread consumer culture) which hinder individual actions. Global warming was ranked 11th among Spain's most pressing issues, compared to 4th in global terms (after poverty, famine and war).

PRIVATE SECTOR ACTIVITY

Supermarkets agree to reduce plastic bag usage

Supermarkets in Spain generally give free plastic bags (except some like Dia, which charges 3 cents per bag). This is set to change as 7 major supermarkets have agreed to reduce the number of plastic bags by Spring 2009, hoping to see a reduction of approximately 5 million bags. Spain is the leading producer of plastic bags for single use and the third largest consumer in Europe. Each year 10,500 million plastic bags are distributed in Spain, with a total weight of 96,000 tons. 62% of plastic bags are reused as garbage bags and 10% are recycled through yellow containers.

Documentary to raise public awareness of climate change

Spanish energy giant ENDESA and National Geographic Channel recently co-funded a 45 minute documentary titled "Climate change in Spain: A challenge for everyone", hoping to raise public awareness and knowledge of the challenges posed by the

climate change issue. Shot in 10 Spanish regions particularly affected or threatened by global warming, it assesses the impact of climate change in Spain and offers an overview of public-private initiatives to mitigate damage to the environment and guarantee its preservation. The documentary is the first of its kind in Spain, and can currently be seen on the National Geographic Channel.

Carbon Expo 2009 to be held in Barcelona

The "Carbon Expo", jointly organised by the World Bank and the International Emissions Trading Association, will be held in Barcelona from 27-29 May, with the theme "Cities and Carbon Finance". The Carbon Expo is the world's leading trade fair and congress for emissions trading, carbon abatement solutions, and new technologies. Carbon Expo 2009 will attempt to provide participants with an opportunity to explore local governments' responses to the carbon market, as well as responses by the carbon industry, carbon finance agents, clean technology developers and providers, and other relevant stakeholders from around the world.

Healthy lifestyle campaign launched in response to poor bone health among children

According to a report published by The Hispanic Foundation for Osteoporosis and Metabolic Bone Diseases (Fhoemo) in late February, Spanish children's bone health is lagging far behind the European average. Around 60% of Spanish children have Vitamin D shortfalls and only 10% maintain the recommended daily calcium intake needed to develop strong, healthy bones during adulthood. Sedentary lifestyles, poor eating habits and lack of open-air activities are the main causes behind Spanish children's poor bone health compared to their European peers. Fhoemo has launched a campaign recommending a balanced diet (rich in calcium and Vitamin D and low in fat and salt), daily fruit and vegetable consumption, avoidance of alcohol and tobacco, and moderate daily exercise.

"Spanish milk" labels and other initiatives demanded as dairy sector in crisis

EU milk surpluses, falling milk prices, and high production costs in the Spanish dairy sector (with some dairy companies even stopping milk collection) have brought about a crisis for farmers. Farming organisations have made a number of demands, including the abandonment of sectoral adjustment plans, enhanced support for farmers, and "Spanish milk" labels to protect the domestic market. The Natural, Marine and Rural Environment Ministry has been consulting with farming, professional and dairy industry association representatives on a Strategic Plan for the Dairy Sector through to 2015.

GOVERNMENT ACTIVITY

Integral National Waste Plan

An Integral National Waste Plan for the 2008-2015 period was passed by the Spanish Government in early January. The main aim of the Plan is to diminish waste growth, eliminate illegal dumping, promote waste prevention and re-use, and raise and consolidate awareness of recycling. The Plan also aims to complete projects in waste management infrastructure, consolidate waste research and development programmes, and reduce the environmental impact of waste materials. The Plan's scope extends to urban household waste, waste falling under specific legislation (i.e.

hazardous waste, vehicles which are no longer in use, tyres, batteries and storage batteries, among others), non-hazardous industrial waste, and agricultural plastics. Moreover, the existing Biodegradable Waste Dumping Reduction Strategy (2002) has been incorporated into the Plan, in an attempt to reduce the impact of biodegradable waste on the environment and greenhouse gas emissions. The Government has allocated 23 million euros for 2009, and this figure is to be revised annually. Autonomous communities, local entities and economic agents are also expected to contribute funds. The Plan has been criticized by some NGOs on the grounds that it promotes polluting waste management technologies (i.e. incineration), and breaches the obligation for all non-reusable plastic bags to be biodegradable from 2010.

Spain leads Europe for GM crop plantings

The International Service for the Acquisition of Agri-biotech Applications recently revealed that Spain continued to lead the EU in genetically modified crop plantings in 2008, with a total of 79,300 hectares of BT (*Bacillus thuringiensis*) maize (a 5% increase compared to 2007), by far the largest amount of land sown in BT Maize (the only GM crop allowed to be grown in the EU). The Czech Republic was second in the EU with 8,380 hectares. A study published by the U.S. Department of Agriculture expected BT crops to reach 110,000 hectares in Spain in 2009, and also predicted increases in other EU countries such as Germany, the Czech Republic, Portugal and the Slovak Republic. This was despite the fact that in early March, 22 out of 27 EU Environment ministers (the Spanish Minister included) rejected another attempt by the European Commission to require certain EU member countries (namely, Austria and Hungary) to revoke bans on cultivation of BT maize on their territory.

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