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# Sector Report

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## The Spanish Beer Sector

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## SPANISH BEER

### SECTOR REPORT

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## CONTENTS

0	Document Control.....	v
0.1	Document Version History.....	v
0.2	Forecast Changes .....	v
1	Economic background.....	1
1.1	Values and Trend Analysis.....	1
1.2	Commentary .....	1
2	Market Size.....	3
2.1	Apparent Size .....	3
2.1.1	Market Value.....	3
2.1.2	Market Volume.....	3
2.2	Forecasts .....	3
2.3	Commentary .....	4
3	Market Participants.....	6
3.1	Companies.....	6
3.2	Market Dynamics.....	6
4	Ratio Analysis .....	7
4.1	Key Statistics .....	7
4.2	Key ratios .....	7
5	Distribution .....	9
5.1	Principal distribution channels.....	9
6	Financial Information on the Top Companies in the Sector.....	10
7	Key Business Newspapers and magazines.....	12
8	Key Country Data .....	13
8.1	Basic Data.....	13
8.2	Infrastructure Situation.....	14
9	Barriers to entry .....	16
9.1	Tariffs .....	16
9.2	Export Controls .....	17

SPANISH BEER

SECTOR REPORT

---

9.3	Import/Export Documentation.....	17
9.4	Fines and Penalties: .....	17
9.5	Anti-dumping and Countervailing Duties:.....	17
9.6	Labeling, Marking Requirements .....	17
9.7	Standards.....	18
9.8	Free Trade Zones/Warehouses .....	18



SPANISH BEER

SECTOR REPORT

---

## 0 DOCUMENT CONTROL

### 0.1 DOCUMENT VERSION HISTORY

Version	Amendment	Date
1.0	Document first created	17 March 1998
2.0	Document updated	23 June 1998
3.0	Update	03 Jan 1999

### 0.2 FORECAST CHANGES

This report will be updated when necessary.

## 1 ECONOMIC BACKGROUND

### 1.1 VALUES AND TREND ANALYSIS

Parameter	Unit	2000 F	1999 F	1998	1997	1996
GDP	% Change 1 year	3.4%	3.3%	3.8%	3.5%	2.3
Industrial Production	% Change 1 year	3.0%	4.1%	5.9%	6.9%	-1.3%
Consumer Price Inflation	% Change 1 year	2.1%	1.9%	1.5%	1.9%	3.6%
Unemployment	% Change 1 year	15.7%	17.2%	18.9%	20.8%	22.2%
Productivity rate	% Change 1 year	0.8%	0.7%	0.7%	0.8%	0.8%
Trade balance	% GDP	-5.5%	-4.8%	-4.1%	-3.7%	-3.8%

### 1.2 COMMENTARY

*There is a continuing strong growth in GDP started through a competitive export position. The inflationary cycle has been broken and is under control.*

Spain is showing very strong growth. This started in 1996 and continued constantly through 1997 and 1998. The growth was initiated by an export led demand increase that in turn spawned a domestic increase in demand. The essential trigger for the initial export boom was a highly competitive position based on low labor costs and "new" market opportunities with the Economic Union trading partners. This was late in appearing because of a relatively late entry into the club. The growth has not been accompanied by inflation, which has been kept under control through good fiscal management.

*Maastricht has been met through good public sector cost control. Interest rate cuts have helped spur private investment.*

The government policy in recent years has been to meet the criteria for the Maastricht Treaty and as such the Public Sector Borrowing Ratio has reduced to the 3% limit. This has been achieved through the application of cost control in the public administration and some timely privatization.

The domestic demand was helped by rapidly declining interest rates cutting the financial costs of many business enterprises in half in just a few years. In addition disposable income has risen and has led to a rapid and sustained rise in consumer demand. An example is the record number of new cars sold during 1998.

*There is an uncharacteristically high domestic savings rate but this is forecast to reduce with increasing confidence in the labor market.*

The crisis of the early nineties has however left its mark and the household savings rate is at an all time high of 12%. The reduction in unemployment may

help to reduce this back to normal historic levels through additional confidence in the labor market.

The unemployment rate however still remains high compared to other European Union countries and is currently 18%. This is probably the single biggest medium term political challenge that the Popular Party government faces. Tax reforms have meant that the temporary worker contracts which were characteristic of the Spanish labor market have started to decline. The underlying reason for the temporary contracts however has not entirely disappeared as Spain continues to be the country with the highest termination costs for workers.

*Growth prospects remain good with GDP growth likely to be 3.5 – 3.7% for 1999. Inflation will be under control as well at 2.3 - 2.4%. Industrial prices may have to be curbed to maintain a positive competitive position with EU trading partners.*

The forecast growth remains high even in the face of the Asian and Russian crises. Current government forecast for growth in 1998 is 3.8% although the basis for this may be flawed if the export led growth element begins to falter and a more conservative estimate would be between 3.5 - 3.7%.

Consumer inflation is still high compared to other E.U. countries and the forecast is for a slight rise to 2.3 – 2.4% placing it in the upper bracket of the rest of the Euro based countries. Industrial prices which are falling all across Europe are also not falling at the same rate as other Euro countries which may affect the competitiveness of Spanish products with leading trading partners.

## 2 MARKET SIZE

### 2.1 APPARENT SIZE

#### 2.1.1 Market Value

The Spanish beer market grew by 0.2% in 1997, to reach a value of Ptas 288,078 million and a further 0.5% in 1998 to Ptas 289,503 million.

The market has essentially been static during the last 5 years with a small but positive growth - the exception being 1995.

Market Value	Ptas millions	% Growth	US\$ millions
1993	283,000		1,947.0
1994	285,200	0.8%	1,962.2
1995	284,800	-0.1%	1,959.4
1996	287,600	1.0%	1,978.7
1997	288,080	0.2%	1,982.0
1998	289,505	0.5%	1,991.8

#### 2.1.2 Market Volume

In terms of volume the Spanish beer market grew by 0.7% in 1997, and a healthier 1.2% in 1998 to reach a volume of 2,600 Million Liters.

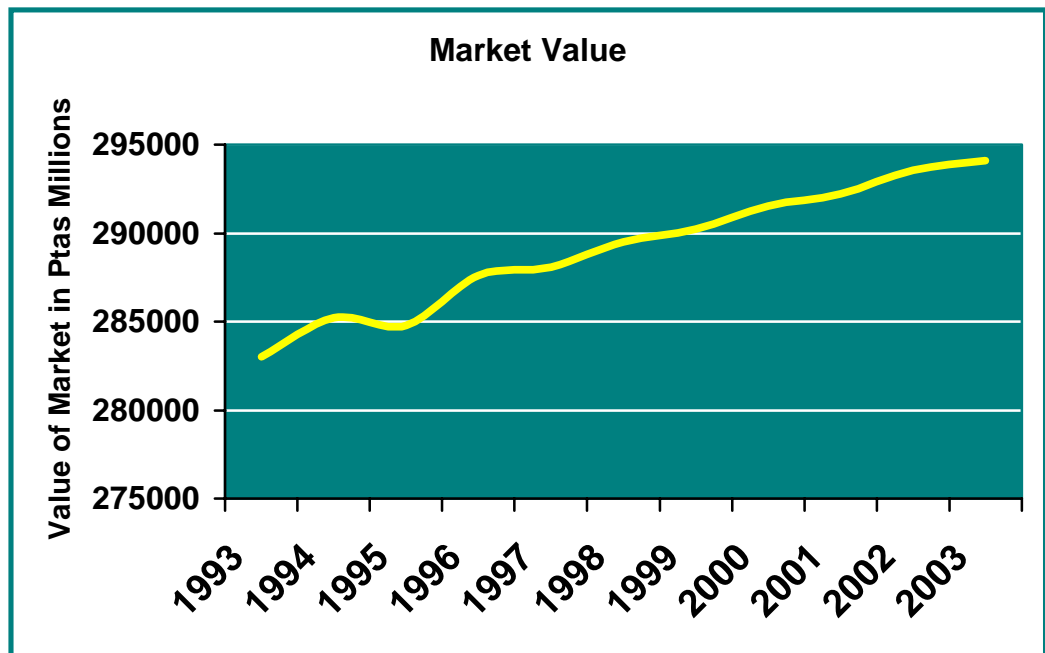
Strongest growth was in 1994 coinciding with the largest growth in value.

Market Volume	Liters millions	% Growth
1993	2,465.	
1994	2,503	1.5%
1995	2,532	1.2%
1996	2,550	0.7%
1997	2,570	0.7%
1998	2,600	1.2%

## 2.2 FORECASTS

In 2003, the Spanish beer market is forecast to reach Ptas 294,115 million, an increase of 1.6% from 1998. The compound annual growth rate of the Spanish beer market over the period 1998-2003 is predicted to be 0.3%.

Market Value	Ptas millions (1997 Prices)	% Growth	US\$ Millions
1998	289,502	0.5%	1,991.8
1999	290,235	0.3%	1,996.8
2000	291,546	0.5%	2,005.8
2001	292,221	0.2%	2,010.5
2002	293,555	0.5%	2,019.7
2003	294,115	0.2%	2,023.5



### 2.3 COMMENTARY

The market is essentially static, as is the norm for mature markets of this nature. Many of the advertising campaigns in all media are aimed at those elements of the population that are growing in an attempt to increase the consumption.

There is strong competition with other products such as spirits and wine products in order to get the best share of throat. Notably the fashion mixer drinks have not been that popular so far.

Beer is drunk as an alternative to soft drinks – a thirst quencher with a kick.

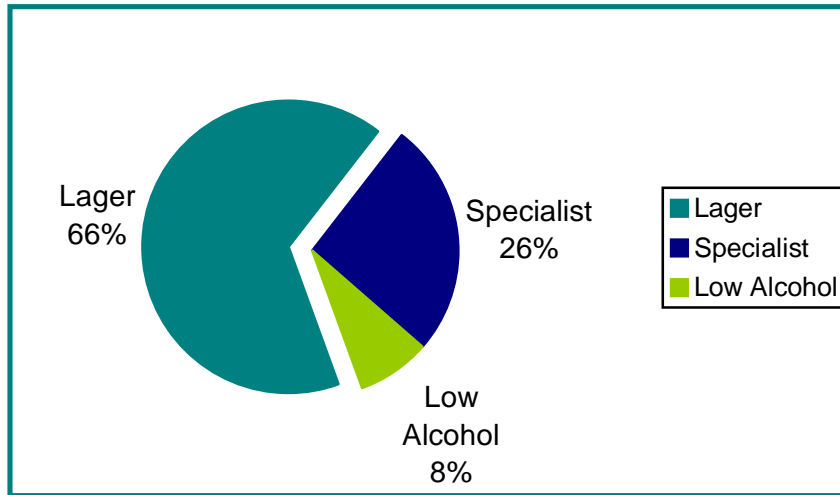
The type of beer that is drunk in Spain is predominantly the so-called lager or blond

## SPANISH BEER

### SECTOR REPORT

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beer. This has been the tradition for many years.



Low alcohol beer is a relative new comer to the market place but because of drinking habits is a small player. Social conventions are changing slowly and so the market is likely to remain similar for the near future.

Specialty beers tend to be dark stout types or imported beers. The most notable of the imported beers are the Mexican brands, these are consumed mostly in the cities.

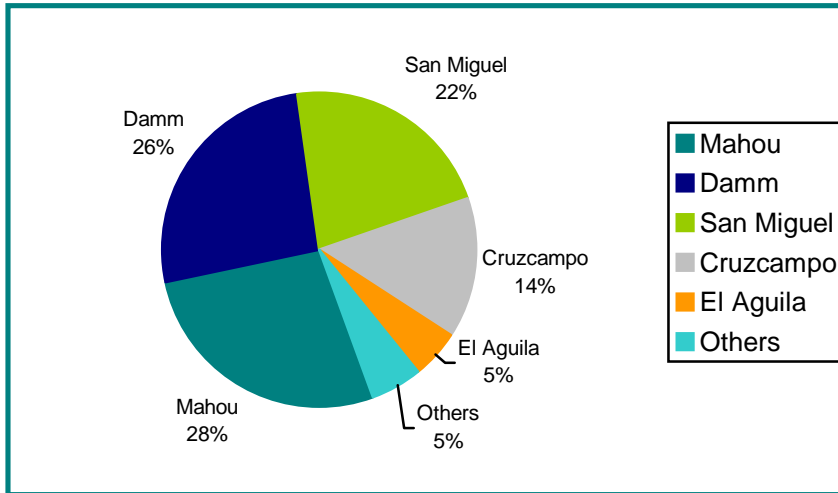
As stated above beer competes with soft drinks but also to a lesser extent cider. The consumption of these is regional – mostly limited to Asturias in the north of the country.

Beer is consumed from bottles, cans and from keg. See the distribution section for the consumption in each channel.

### 3 MARKET PARTICIPANTS

#### 3.1 COMPANIES

The main companies participating in the market are:



Of the brand leaders El Aguila is owned by Heineken who have other brands giving a total market share of close to 112%. The French food giant Danone owns Mahou. Diageo currently owns Cruzcampo.

#### 3.2 MARKET DYNAMICS

Clearly, the participation from abroad is typical of mature markets where major shares are taken by leading world players. In this type of arena, the smallest international player is likely to absorb one of the other local players.

The likelihood is therefore that El Aguila / Heineken will be acquisitive within the next few years. The probable target will be Cruzcampo.

## 4 RATIO ANALYSIS

### 4.1 KEY STATISTICS

The key operating and balance sheet statistics are shown below for the sector:

Area	Item	Value \$ (000) or %
Turnover	Turnover	186,525
	Profit	9,049
Assets	Fixed Assets	138,216
	Current Assets	73,532
	Other Long Term Assets	43,826
	Total Assets	255,575
Liabilities	Current Liabilities	52,408
Other Balance Sheet	Net Working Capital	-1
	Working Capital	21,124
	Net Worth	106,263
Employees	Number of Employees	777

### 4.2 KEY RATIOS

The important ratios for the sector are as follows:

Area	Item	Value \$ (000) or %
Ratios	Profit Margin (%)	5
	Return on Capital [ROCE] (%)	5
	Shareholders Return (%)	28
	Return on Assets (%)	4
	Asset Utilization (%)	161
	Sales/Current Assets (x)	2
	Asset Turnover (x)	1
	Fixed Assets/Net Worth (%)	132
	Sales/Working Capital (x)	-8

SPANISH BEER

SECTOR REPORT

Area	Item	Value \$ (000) or %
	Total Liabs/Net Worth (%)	-58
	Current Liabs/Net Worth (%)	25
	Current Liabs/Stocks (%)	384
	Collection Period (Days)	71
	Creditors/Sales (Days)	45
	Current Ratio (x)	2
	Quick Ratio (x)	2
	Sales per Employee	196
	Profit per Employee	13
	Capital per Employee	147
	Average Wage/Employee	45
Growth Rates	Sales Growth (%)	5
	Profit Growth (%)	45
	Total Asset Growth (%)	4
	Working Cap Growth (%)	-25
	Net Worth Growth (%)	0
	Employee Growth (%)	-6

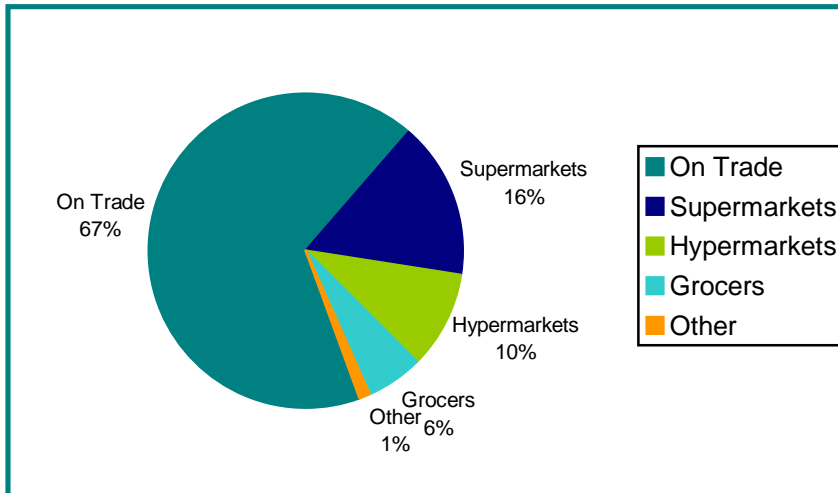


## 5 DISTRIBUTION

### 5.1 PRINCIPAL DISTRIBUTION CHANNELS

The principal distribution channels are as follows:

The On-trade or HORECA (Hotel Restaurant and Catering) is the largest distribution



channel for beer in Spain. A good proportion of this is procured from the retail sector through cash and carry or hypermarkets. This makes the control of promotions and other marketing activity difficult to control.

The principal hypermarkets are predominantly French owned – as is the same in the rest of Southern Europe. The important hypermarkets are:

- Pryca - French
- Al Campo - French
- Eroski – Spanish
- Hipercor - part of the El Corte Ingles empire and often situated within a department store
- Continente - French

The supermarkets chains are dominated by two purchasing groups called Euromadi and IFA. In addition to being suppliers to smaller grocers, they have their own outlets serving, amongst other sectors, HORECA.

These two organizations use their buying power to negotiate both prices and terms with the suppliers. Their growth has been spectacular and for political reasons, they may gain more ground in the future. The main reason for this is that the local governments do not want to have further developments of Hypermarkets as they take trade away from smaller companies and directly and adversely effect the employment in the zone.

# SPANISH BEER

## SECTOR REPORT

### 6 FINANCIAL INFORMATION ON THE TOP COMPANIES IN THE SECTOR

	Cervezas Alhambra	Compania Andaluza De Cervezas	Compania Cervecera De Canarias	Estrella	Grupo Cruzcampo	Hijos De Rivera	La Zaragozana, SA	Mahou, SA	San Miguel	Damm	El Aguila
<b>All figures in 000's US Dollars</b>											
<b>Turnover</b>	21,346	28,583	111,463	30,413	567,542	54,915	35,227	348,081	251,429	274,483	328,290
<b>Profit</b>	729	-11,320	14,732	1,553	2,225	9,446	3,735	40,694	11,826	23,812	2,106
<b>Fixed Assets</b>	29,860	33,318	81,298	49,361	281,545	55,679	32,084	601,549	104,478	84,932	166,267
<b>Current Assets</b>	4,326	22,990	35,749	24,653	126,028	27,573	31,139	241,305	98,043	130,381	66,669
<b>Other Long Term Assests</b>	1,923	2,527	18,199	119	62,214	5,203	3,527	169,353	27,771	161,450	29,804
<b>Total Assets</b>	36,109	58,836	135,246	74,133	469,788	88,455	66,752	1,012,208	230,292	376,765	262,742
<b>Current Liabilities</b>	5,566	14,217	28,455	4,520	153,899	8,901	5,704	91,402	101,777	79,002	83,048
<b>Working Capital</b>	-1,240	8,772	7,294	20,132	-27,870	18,671	25,435	149,902	-3,733	51,378	-16,378
<b>Net Worth</b>	2,355	-3,412	90,165	29,748	111,475	40,288	32,988	479,532	125,749	152,484	107,524
<b>Number of Employees</b>	140	297	650	180	2,450	246	153	1,318	944	800	1,367
<b>Ratios</b>											
Profit Margin (%)	16.10	-59.00	13.20	7.60	0.40	26.20	15.70	17.60	6.70	11.90	0.60
Return on Capital [ROCE] (%)	11.20	-37.80	13.80	3.30	0.70	18.10	9.00	6.80	13.20	10.90	1.20
Shareholders Return (%)	150.80		16.40	7.80	2.10	35.70	16.80	12.90	13.50	21.40	2.00
Return on Assets (%)	9.50	-28.70	10.90	3.10	0.50	16.20	8.30	6.10	7.40	8.60	0.80
Asset Utilization (%)	169.20	205.80	121.30	243.80	82.80	161.10	189.50	290.80	91.60	137.30	80.00
Sales/Current Assets (x)	4.00	1.00	3.00	1.00	4.00	1.00	1.00	1.00	2.00	2.00	4.00
Asset Turnover (x)	0.59	0.49	0.82	0.41	1.21	0.62	0.53	0.34	1.09	0.73	1.25
Fixed Assets/Net Worth (%)	1267.50	-976.50	90.20	165.90	252.60	138.20	97.30	125.40	83.10	55.80	154.60
Sales/Working Capital (x)	-17.20	3.30	15.30	1.50	-20.40	2.90	1.40	2.30	-67.30	5.30	-20.00
Total Liabs/Net Worth (%)	465.70	-1606.30	37.00	15.20	151.70	22.20	19.20	28.70	83.10	68.50	77.20
Current Liabs/Net Worth (%)	236.30	-416.70	31.60	15.20	138.10	22.10	17.30	19.10	80.90	51.90	77.20
Current Liabs/Stocks (%)	283.40	346.60	595.10	56.30	551.80	101.20	113.80	216.30	506.20	1050.30	407.30
<b>Collection Period (Days)</b>	38.50	93.80	53.90	103.30	61.30	39.10	74.90	118.50	80.60		43.00
<b>Creditors/Sales (Days)</b>	41.40	71.50	50.40	23.40	43.30	26.80	26.40	40.00		63.00	64.30
<b>Current Ratio (x)</b>	0.80	1.60	1.30	5.50	0.80	3.10	5.50	2.10	1.00	1.70	0.80
<b>Quick Ratio (x)</b>	0.50	0.50	1.10	4.30	0.60	2.50	4.80	1.90	0.80	1.60	0.60
<b>Sales per Employee</b>	152		171		199				218		240
<b>Profit per Employee</b>	25		23		1				15		2
<b>Capital per Employee</b>	218		164		111				111		131
<b>Average Wage/Employee</b>	40		44		49						49
<b>Growth Rates</b>											
<b>Sales Growth (%)</b>	18.32	-0.96	4.37		-0.41	3.78	12.19	-0.47	5.99	1.58	1.34
<b>Profit Growth (%)</b>	117.37	-68.02	15.13		-90.73	15.13	2.36	-14.51	351.37	7.26	111.99
<b>Total Asset Growth (%)</b>	12.64	27.59	10.12		-51.13	7.19	10.43	17.02	6.26	8.82	-9.95



## SPANISH BEER

### SECTOR REPORT

	Cervezas Alhambra	Compania Andaluza De Cervezas	Compania Cervecera De Canarias	Estrella	Grupo Cruzcampo	Hijos De Rivera	La Zaragozana, SA	Mahou, SA	San Miguel	Damm	El Aguila
<b>Working Cap Growth (%)</b>	-190.69	-1.08	84.43		-256.49	4.45	2.41	10.23	78.66	-58.53	74.85
<b>Net Worth Growth (%)</b>	52.30	-143.15	7.01		-21.10	8.34	6.25	26.51	1.51	4.52	53.24
<b>Employee Growth (%)</b>	-4.76	0.00	0.00		-6.91	-5.02	0.00	-6.13	-18.13	-15.25	0.00



## 7 KEY BUSINESS NEWSPAPERS AND MAGAZINES

The following is a list of the essential periodicals for business purposes:

- Expansión
- Cinco Dias
- La Gaceta de Negocios
- Actualiad Economica
- El Pais
- El Mundo
- ABC
- La Razon
- La Vanguardia
- Alimarket – Specific to the Food and Drinks Industries

## 8 KEY COUNTRY DATA

## 8.1 BASIC DATA

Official Name	Reino de España
Capital	Madrid
Surface Area	504.782 km <sup>2</sup>

Principal Cities	Population
Madrid	2.866.850
Barcelona	1.508.805
Valencia	746.683
Seville	697.487
Zaragoza	601.674
Málaga	549.135
Bilbao	358.875
Las Palmas de Gran Canaria	355.563
Murcia	345.759
Valladolid	319.805
Córdoba	306.248
Palma	304.250
Vigo	286.774
Alicante	274.577
Gijón	264.381
L'Hospitalet de Llobregat	255.050

### Administrative division into Autonomous Communities

Andalucía  
Aragón  
Principado de Asturias  
Islas Baleares  
Canarias  
Cantabria  
Castilla-La Mancha  
Castilla y León  
Cataluña  
Extremadura  
Galicia  
Comunidad de Madrid  
Región de Murcia  
Comunidad Foral de Navarra  
La Rioja  
Comunidad Valenciana  
País Vasco

Autonomous Cities Ceuta & Melilla

### 8.2 INFRASTRUCTURE SITUATION

Following are some facts and figures about infrastructure in Spain:

#### Electricity

46,600,000 kW capacity; 157,000 million kWh produced, 4,000 kWh per capita (1992)

#### Railroads

15,430 km total; Spanish National Railways (RENFE) operates 12,691 km (all 1.668-meter gauge, 6,184 km electrified, and 2,295 km double track); FEVE (government-owned narrow-gauge railways) operates 1,821 km (predominantly 1.000-meter gauge, 441 km electrified); privately owned railways operate 918 km (predominantly 1.000-meter gauge, 512 km electrified, and 56 km double track).

#### Highways

150,839 km total; 82,513 km national (includes 2,433 km limited-access divided highway, 63,042 km bituminous treated, 17,038 km intermediate bituminous, concrete, or stone block) and 68,326 km provincial or local roads (bituminous treated, intermediate bituminous, or stone block).

### **Inland waterways**

1,045 km, but of minor economic importance

### **Pipelines**

Crude oil 265 km, petroleum products 1,794 km, natural gas 1,666 km.

### **Ports**

Algeciras, Alicante, Almeria, Barcelona, Bilbao, Cadiz, Cartagena, Castellon de la Plana, Ceuta, El Ferrol del Caudillo, Puerto de Gijon, Huelva, La Coruna, Las Palmas (Canary Islands), Mahon, Malaga, Melilla, Rota, Santa Cruz de Tenerife, Sagunto, Tarragona, Valencia, Vigo, and 175 minor ports.

### **Merchant navy**

242 ships (1,000 GRT or over) which includes 2 passenger, 8 short-sea passenger, 71 cargo, 12 refrigerated cargo, 12 container, 32 roll-on/roll-off cargo, 4 vehicle carrier, 41 oil tanker, 14 chemical tanker, 7 liquefied gas, 3 specialized tanker, and 36 bulk.

### **Airports**

105 total, usable: 99. Sixty of them have permanent-surface runways. Four of these have runways over 3,659 meters, 22 have runways between 2,440-3,659 meters; and another 26 have smaller runways between 1,220-2,439 meters.

### **Telecommunications**

Generally adequate, modern facilities; 15,350,464 telephones; broadcast stations - 190 AM, 406 (134 repeaters) FM, 100 (1,297 repeaters) TV; 22 coaxial submarine cables; 2 communications satellite earth stations operating in INTELSAT (Atlantic Ocean and Indian Ocean); MARECS, INMARSAT, and EUTELSAT systems; 1 satellite HISPASAT, troposphere links.

## 9 BARRIERS TO ENTRY

This section outlines the barriers to trade that may be found in Spain for companies trying to penetrate the market from outside.

### 9.1 TARIFFS

Spanish tariffs for other EU countries ceased to exist from 1993, while third-country goods, including those from the United States and Japan, receive the EU's Common External Tariff. Spain uses the Harmonized System of tariff nomenclature for applying duties.

Spain has adhered to the GATT code since 1963. In December 1994, Spain ratified adherence to the Marrakech accord, which concluded the Uruguay Round of international trade negotiations and established the World Trade Organization.

For agricultural products, import documentation and tariffs are the same as for other EU countries. While a few agricultural goods are duty free or subject to minimal tariffs (soybeans, sunflower seed, timber) the vast majority of agricultural products (those covered by the Common Agricultural Policy) and other food products are subject to high duties or variable import levies which significantly restrict access into the Spanish market. The case of Latin American bananas exported via the USA is a good case.

#### Customs Valuation

Spanish Customs values shipments at C.I.F. prices. For US products the tariff rate averages 5 percent. A registered customs agent needs to be used. Usually, total costs to clear customs fall in the range of 25% - 30% of the C.I.F. value including any tariff, value added tax (16 percent), custom agent and handling fees. Most times the fees are payable up front.

#### Import Licenses

Under its EU accession agreement, Spain was forced to transform its structure of formal and informal import restrictions for industrial products into a formal system of import licenses and quotas. Spain requires import documents, which are described below. Neither of the following constitutes a trade barrier for goods coming from outside the EU.

Import Authorization, (Autorización Administrativa de Importación, AAI) is used to control imports which are subject to quotas. Essentially the document is used for statistical purposes only or for national security reasons.

Prior notice of imports (Notificación previa de importación) is used for merchandise that circulates in the EU Customs Union Area, but is controlled for statistical purposes only. The importer must obtain the document and present it to the General Register.

Importers should apply for import licenses at the Spanish Department of Commerce or any of its regional offices. The application must have attached a numbered commercial invoice that includes freight and insurance, the C.I.F. price,

and net and gross weight. Customs accepts commercial invoices by fax. Licenses are generally valid for 6 months but may be extended.

## 9.2 EXPORT CONTROLS

Export controls are regulated by Organic Law 3/1992 and Royal Decree 824/1993. The Royal Decree is still in effect and establishes that both the regulations and the COCOM lists are applicable, as well as the procedures that follow.

## 9.3 IMPORT/EXPORT DOCUMENTATION

Several different forms of documentation may be required for shipments to Spain. Exporters are required to present one commercial invoice, one bill of lading, and three copies of a certificate of origin for all shipments.

If you intend to use your own shipping then all sea vessels require a certificate of compliance from the Marine Authority (Ministry of Transport) to bring ships into Spain. In order to acquire this certificate, the manufacturer has to demonstrate the sea-worthiness of the vessels.

## 9.4 FINES AND PENALTIES:

Regulations establish fines for whatever actions delay the normal customs procedure. Fines are not very big, usually around \$30 or 40. These do not include fraudulent actions.

## 9.5 ANTI-DUMPING AND COUNTERVAILING DUTIES:

As a signatory to the Anti-dumping and Countervailing Duty Codes of the GATT, Spain, through the EU Anti-dumping Committee, penalizes products imported at less than their normal value which cause injury to domestic industry. The anti-dumping duty will be the difference between the dumped price and comparable domestic price of the exported product. The duration of the countervailing duty imposition varies from case to case and the duty imposed currently ranges from 5 to 33 percent.

Business people bringing commercial samples require a letter from their company clearly stating they work for the company and identification and valuation of any samples they are carrying. It is important to note that the goods are not for sale. The nearest Spanish Consulate should certify the letter clearly before travel

## 9.6 LABELING, MARKING REQUIREMENTS

In view of the complexity and rapid change in marking, labeling, and testing requirements in Spain, it is always wise to check with the appropriate authorities prior to shipment – often the importer or representative will handle additional packaging requirements. In general, special requirements exist for foodstuffs, beverages, textiles, drugs and pharmaceutical, fertilizers, precious metals, tires, and firearms.

### Foodstuffs

The Directorate General of Health sets human consumption standards for the preparation, residual content, and storage media for virtually all classes of foodstuffs. The labels on the container must include the product designation, list of ingredients, weight or volume, dates (manufacturing, packing, minimum shelf life, and expiration dates), directions for food preservation (if applicable), identification of the firm involved (manufacturer, packer, or importer), and country of origin. If the original label is not in Spanish, a similar one must be prepared in Spanish, firmly affixed to the container. Milk products, margarine, chocolate, and soaps have other, more technical labeling requirements. Wines and other alcoholic beverages must meet Spanish standards.

### Eco-labels

In March of 1992, the EU Council approved law 880/92, establishing a community-wide system for granting Eco-labels (green label) to products that satisfy environmentally conscious standards.

The EU's objectives for setting up a system for issuing green labels are twofold. The labels inform consumers of products that are environmentally safer than others in all aspects of a product's life cycle. Furthermore, they improve the design, production, and marketing as well as increase the use of products that have low or non-adverse effects on the environment, and that use natural resources wisely.

Spain's participation in the EU Eco-labeling program was established by Royal Decree in April 1994.

## 9.7 STANDARDS

At present, there are no requirements for either ISO 9000 certification or its EU equivalent. Nonetheless, demand for products that meet these standards is growing. This is equally true for the food and beverages sector.

The Spanish Standards Certification Association (AENOR - Asociacion Española de Normalizacion y Certificacion) is responsible for developing voluntary standards and certification programs. It represents Spain in international standards institutions. The Spanish government publishes a list of approved laboratories for testing and certification each year.

## 9.8 FREE TRADE ZONES/WAREHOUSES

EU common customs are used on Mainland Spain and Balearic Isles. The Canary Islands, previously a customs free area, is undergoing a transition period until the year 2000 to meet EU customs regulations. There is a customs free trade area in the two northern Africa cities of Ceuta and Melilla.

There are numerous free trade zones (in most of Spanish airports and seaports) where manufacturing, processing, packaging and commercial operations do not attract duties or taxes. The principal free trade zones are in Barcelona, Madrid, Cadiz, and Vigo. Customs law allows companies to have their own free trade areas, which could be simply a warehouse.