

PLANT-BASED DAIRY IN SPAIN - ANALYSIS

Country Report | Sep 2022

KEY DATA FINDINGS

- Retail value sales grow by 8% in current terms in 2022 to EUR641 million
- Plant-based cheese is the best performing category in 2022, with retail value sales increasing by 44% in current terms to EUR12 million
- Mercadona SA is the leading player in 2022, with a retail value share of 22%
- Retail sales are set to grow at a current value CAGR of 8% (2022 constant value CAGR of 5%) over the forecast period to EUR927 million

2022 DEVELOPMENTS

Inflation squeezes sales growth

The rate of growth in plant-based dairy slowed significantly during 2022, partly due to the maturation of demand for plant-based milk. Elevated inflationary pressure played a key role in this, by driving a spike in unit pricing and, more generally, making local consumers more price sensitive.

Plant-based milk continued to account for the bulk of retail value sales in plant-based dairy. Retail constant value sales of soy drinks declined at a double-digit rate during the year, largely due to increased competition from other types of plant-based milk, particularly almond and oat milk. Other types of plant-based milk, such as potato milk (from Dug Drinks) and pea milk (Isola Bio), are also increasingly available in local stores. There is a long tradition of drinking chufa, which is made from tiger nuts, in Spain—particularly in the east of the country.

Branding remains key in plant-based yoghurt, but the private label threat is growing

Plant-based yoghurt and plant-based cheese both continued to see robust growth in retail constant value sales during 2022 (albeit from a very low base in the latter case). Plant-based yoghurt is characterised by a high degree of brand loyalty, with taste key to this. Leader Danone's Alpro and Savia brands are particularly popular. In contrast to plant-based drinks, private label remains relatively weak in plant-based yoghurt, but it is gradually growing in popularity as the product offer widens.

Brands struggle to compete with private label in plant-based milk

Private label has long been a very strong presence in plant-based milk, with Mercadona's Hacendado the leading brand, well ahead of Danone's Alpro. Private label accounted for more than a third of retail value sales in plant-based dairy during 2022. During the latter part of the review period, supermarket chain DIA launched six plant-based drinks under the private label VegeDia brand. Meanwhile, Danone has launched Alpro Barista, a range of oat, almond and soy milks. Initially targeted at Horeca, it has also gained a foothold in retail. Dutch company Abbot Kinney's has launched coconut rice and soya milk in three editions: Unsweetened, Chocolate and Barista.

Danone is taking plant-based drinks increasingly seriously. In 2022, it took the marketing and distribution of its Alpro plant-based drinks in house. Meanwhile, a collaboration between Capsa Food, the parent company of Central Lechera Asturiana, and Liquats Vegetals lasted a mere two months. As a result, Capsa Food is expected to launch its own brands in plant-based drinks during the early part of the forecast period.

PROSPECTS AND OPPORTUNITIES

Foodservice will be an increasingly important source of demand

The rate of growth in retail constant value sales of plant-based dairy will accelerate sharply in 2023 and remain robust during the remainder of the forecast period. Easing inflationary pressure is likely to play an important role in this by slowing unit price growth, as will a widening product offer in plant-based drinks.

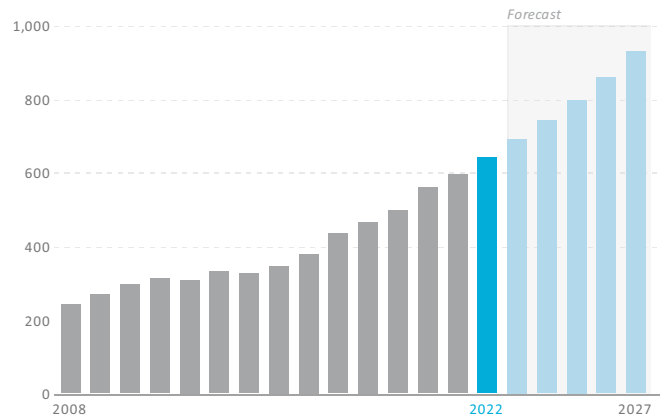
Foodservice will grow in importance as a source of demand for plant-based dairy during the forecast period, as hotels and restaurants respond to increased consumer demand for vegan meals. A growing number of product launches will target Horeca. For example, Flax & Kale has launched a vegan liquid mozzarella and a manchego-style vegan semi-cured cheese. Danone is also targeting Horeca with such offerings as plant-

Market Sizes

Sales of Plant-based Dairy

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

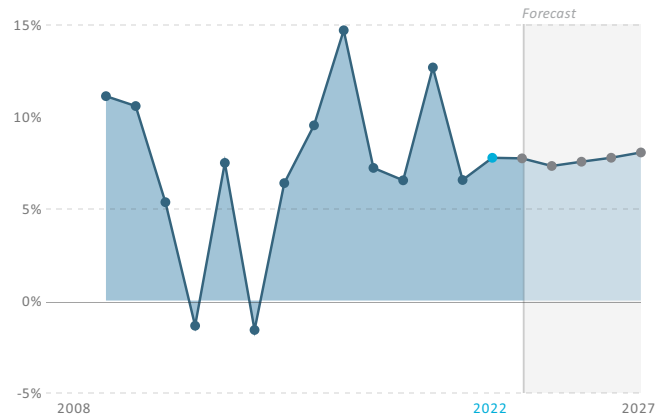
640



Sales Performance of Plant-based Dairy

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

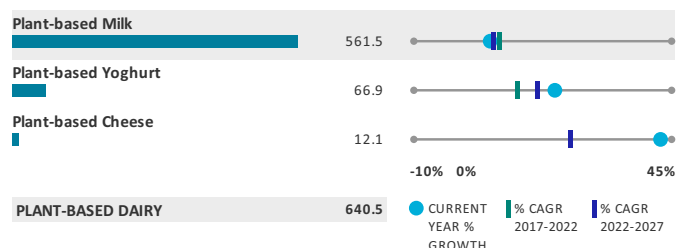
7.8%



Sales of Plant-based Dairy by Category

Retail Value RSP - EUR million - Current - 2022

Growth Performance



based milk (soya, almond and oat) under its Alpro Hosteleria Especial brand, in addition to Alpro Absolutely Coconut in a 120g takeaway format. The latter is available in two flavours—pineapple and stracciatella. Meanwhile, Alpro Postre Chocolate Especial Hosteleria is a chocolate-flavoured, plant-based dessert. Pascual has launched Vivesoy oat milk for the Horeca channel. It is positioned as an oat drink for professional coffee preparation.

Plant-based cheese will continue to exhibit dynamic growth, as both the product offer and distribution widen

The emerging plant-based cheese category will continue to see double-digit growth throughout the forecast period, as both the product offer and distribution widen and consumer awareness grows. To date, category sales have mainly been generated by two brands: Violife (Upfield) and Vegan Feel (Garcia Vaquero), which were both launched in 2020. In 2021 Grupo Bel launched Nurishh, which is available sliced (Original and Cheddar), grated (Mozzarella and Tex Mex) and in blocks, in addition to a Camembert-like offering. Flax & Kale has launched 31 references of vegan cheese, targeting both retail and Horeca. These include gouda, cheddar and mozzarella, in sliced, diced and grated formats, creamy spreadable cheese, a Roquefort-like offering and mozzarella fingers.

Manufacturers will seek to burnish their sustainability credentials

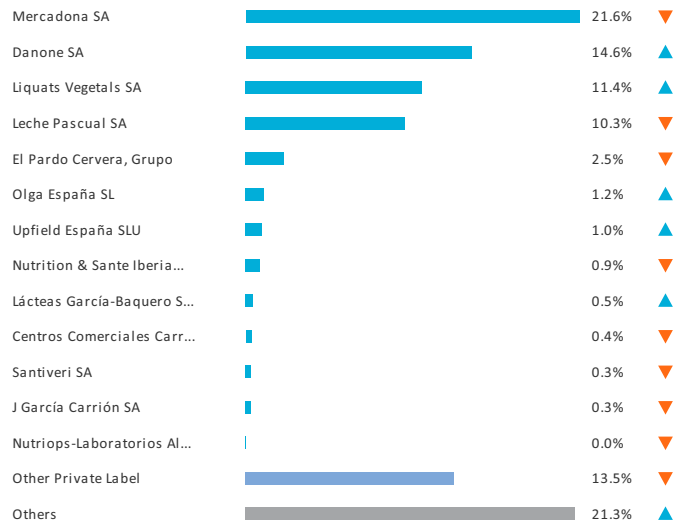
Sustainability will continue to rise up the agenda of consumers, with a heightened focus on using local ingredients, which lowers food miles and thus carbon footprint, and manufacturers will seek to leverage this in their brand positioning. This is true of packaged food in general, but it is particularly the case in plant-based dairy, as sustainability can be a key reason for consumers switching from traditional dairy products.

Vivesoy has obtained the 'guaranteed origin' seal for the Spanish origin of its raw materials (soybeans, oats, almonds, hazelnuts and walnuts) from AENOR (the Spanish Association for Standardisation). Meanwhile, Danone has become the first FMCG company in Spain to receive B-Corp certification. B Corp is a private certification for-profit companies of their social and environmental performance.

Competitive Landscape

Company Shares of Plant-based Dairy

% Share (NBO) - Retail Value RSP - 2022



Brand Shares of Plant-based Dairy

% Share (LBN) - Retail Value RSP - 2022

