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# Spain

## Livestock and Products

### Semi-Annual

### 2001

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**Report Highlights:**

**The first seven cases of BSE have resulted in a dramatic decline in beef consumption ending CY 2000 and beginning 2001. The forecast indicates lower production, consumption and trade of beef during CY 2001 due to BSE concerns. The Swine sector had a profitable year in CY 2000 and the forecast indicates another profitable year for CY 2001 due to higher pork consumption and lower production of pork in other EU countries. The ban of bone and meat meal increased the cost of the pig feed formula by about two percent.**

Includes PSD changes: Yes  
Includes Trade Matrix: No  
Semi-Annual Report  
Madrid [SP1], SP

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## **Executive Summary**

**LIVE CATTLE AND BEEF:** The first two cases of BSE in Spain in late November /early December resulted in a dramatic decline in beef consumption during December 2000 and January 2001 (As of January 16, 2001, there have been seven cases identified). A dramatic decline in incomes of beef producers is expected for the CY 2001, however generous producer payments will deter losses in beef production. Thus, beef production could decline due to in a moderate decline in the average carcasses weight. Beef exports will remain confined primarily to other EU destinations. According to trade sources, a drop in the demand for live animals for feeding purposes will result in a dramatic decline in imports of live cattle from the EU countries. The forecast indicates an increase in the intervention stocks for the year 2001. Abundant rains during from November, December 2000 and January 2001 resulted in good pastures conditions.

**PORK AND SWINE:** The first cases of BSE in Spain resulted in an increase of pork consumption. During most of CY 2000, prices for pork have been above the break even point. The forecast indicates another profitable year for CY 2001. Pork consumption is expected to rise partially replacing the drop in beef consumption. The ban of bone and meat meal is resulting in increases in the cost of the swine feed formula by about two percent. The new regulation for the Spanish swine sector is not a constraint for the expansion of production in most of the swine areas.

**Live Cattle PSD**

PSD Table						
Country	Spain					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	5966	5966	6204	6204	6350	6516
Dairy Cows Beg. Stocks	1308	1308	1236	1236	1235	1235
Beef Cows Beg. Stocks	1640	1640	1811	1811	1900	1900
Production (Calf Crop)	2356	2356	2425	2425	2495	2495
Intra EC Imports	641	641	650	625	680	300
Other Imports	4	4	4	4	4	4
TOTAL Imports	645	645	654	629	684	304
TOTAL SUPPLY	8967	8967	9283	9258	9529	9315
Intra EC Exports	126	126	158	140	160	120
Other Exports	0	0	1	1	1	1
TOTAL Exports	126	126	159	141	161	121
Cow Slaughter	625	625	630	600	650	500
Calf Slaughter	1482	1483	1603	1500	1716	1750
Other Slaughter	480	480	490	450	520	320
Total Slaughter	2587	2588	2723	2550	2886	2570
Loss	50	50	51	51	52	150
Ending Inventories	6204	6204	6350	6516	6430	6524
TOTAL DISTRIBUTION	8967	8968	9283	9258	9529	9365
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Production****Animal Numbers**

The number of cows older than 30 months that are usually slaughtered annually in Spain is about 500,000 head. According to trade sources the slaughter of cattle older than 30 months declined dramatically during December 2000 and January 2001. The slaughter number of these animals could decline in CY 2001 if the payments, which have yet to be determined, are not profitable enough. The total population of cows older than 30 months is about 3,050,000

head, of which 1.23 million are dairy cows. On the other hand, the slaughter number for young cattle is expected to increase due to the fact that the BSE test is not mandatory for animals younger than 24 months. The forecast indicates a probable decline in the average carcass weight because the market is demanding young animals.

Since November 2000, abundant precipitation resulted in good pasture condition in extensive livestock areas. The good crop of hay and feed grains resulted in lower prices for these ingredients. On the other hand, the strength of the U.S. dollar and the ban on the use of meat and bone meal increased soybean meal, grain by-products and protein meal prices. Taking into account both, the impact of higher prices for protein and lower prices for grains, production costs declined marginally in CY 2000.

## **Policy**

### **BSE Testing Plan**

The tentative plan of the Spanish Minister of Agriculture to test the domestic cattle older than 30 months that must be slaughtered and all cattle imported from EU countries, older than 24 months prior to entering the food chain has been postponed several weeks due to the fact that the test kits are not available in all Spanish regions. After July 1, 2001 all domestic cattle older than 30 months and the cattle imported from EU countries, older than 24 months will be tested prior to entering the food chain. The testing plan has begun in Galicia, the region where the first two cases of BSE were detected. The Government of Spain (GOS) expects to carry out 350,000 tests, on cattle older than 24 months in calendar year 2001. The GOS has approved a budget of 2.5 billion pesetas (\$13.4 million) to finance the testing plan. The Spanish Congress has urged the Government to carry out the tests on all the cattle older than 24 months. However, it is not yet clear if EU-level funds would be available for testing and/or destruction of animals between 24-30 months of age as the Spanish intention goes beyond the EU mandate.

### **BSE Purchase for Destruction Scheme**

The Spanish plan to eradicate BSE mentions that all animals older than 24 months which are slaughtered and un-tested will be incinerated. However in some autonomous regions, the capacity to incinerate carcasses or animals is very limited and the plan is not yet implemented. The plan mentions that if an animal tests positive to the BSE test the entire herd will be destroyed. According to trade sources the capacity of storage facilities in the slaughterhouses is limited in order to store carcasses awaiting test results. The same sources indicate that due to this fact, about 100,000 carcasses could be destroyed during the year 2001. These carcasses are classified as losses in the PS&D table for "Animal Numbers, Cattle". The GOS expects to maintain the program until the BSE is eradicated.

In addition, the GOS will pay for the removal of SRM from slaughterhouses at a cost of about 4 billion pesetas (\$21.3 million), and the purchase of about 60,000 tons of meat by the Spanish intervention during the next few months. The total budget to carry out the plan to eradicate the BSE is estimated to about 60 billion pesetas (\$319 million).

### **BSE Rendered products**

Spanish production of meat and bone meal (MBM) is about 450,000 Metric tons a year and the MBM that has been used in the swine and poultry industries amounted to about 350,000 Metric tons. According to the feed compounder

association, the cost of the feed formula for swine could be increased by about two percent.

Beside the protein feed aspect, our industry sources also noted that France has been a major supplier of animal fat (tallow, yellow grease, and lard) to the Spanish market. The French ban on animal fat for feeding and export is resulting in a large increase in the prices for animal fat in the Spanish market. The prices for animal fat rose from 52,000 pesetas (\$279) per mt to about 65,000 pesetas (\$349) per mt, over the last few weeks. According to poultry and swine producers, a ban on animal fat in the Spanish market could have more impact on production and costs than the ban on meat meal. Same sources indicated that the replacement of meat meal is easier than the replacement of animal fats by vegetable fats.

The French ban on export of animal fat is resulting in a larger consumption of vegetable oils and could result in larger U.S. exports of tallow and yellow grease to the Spanish market in CY 2001. During the last few weeks, the French animal fat has been replaced mainly with vegetable oils.

## Trade

The Ministry of Agriculture is going to maintain the ban on the French and Irish cattle *for breeding purposes* which was adopted in November 2000.

At this point, imports of live cattle *for feeding purposes* are expected to be allowed to continue. However, imports of cattle for feeding purposes from France and Ireland could decline dramatically in the CY 2001, by as much as 50 percent, according to trade sources, mostly due to market reasons, i.e., not regulatory requirements.

Spanish imports of cattle for breeding purposes from Ireland and France were as follows

	France (head)	Ireland (head)	Total (head)
<b>1999</b>	56,610	15,701	92,170
<b>2000 (Estimate)</b>	55,000	15,000	90,000

Total imports of live cattle for feeding were as follows

	France (head)	Ireland (head)	Total (head)
<b>1999</b>	280,958	105,267	528,228
<b>2000 (Estimate)</b>	300,000	130,000	550,000

**Beef**

PSD Table						
Country	Spain					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	2587	2588	2723	2550	2886	2570
Beginning Stocks	30	30	0	0	0	0
Production	677	677	712	667	760	650
Intra EC Imports	53	53	53	53	45	40
Other Imports	16	16	15	15	15	15
TOTAL Imports	69	69	68	68	60	55
TOTAL SUPPLY	776	776	780	735	820	705
Intra EC Exports	108	108	110	100	135	100
Other Exports	25	25	25	23	25	23
TOTAL Exports	133	133	135	123	160	123
Human Dom. Consumption	633	633	635	602	650	520
Other Use, Losses	10	10	10	10	10	12
TOTAL Dom. Consumption	643	643	645	612	660	532
Ending Stocks	0	0	0	0	0	50
TOTAL DISTRIBUTION	776	776	780	735	820	705
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Consumption**

Beef consumption declined dramatically by about 30 percent after the first case was confirmed by the Spanish Minister of Agriculture on November 22, 2000. A second case was confirmed by the Spanish Minister of Agriculture on December 7, 2000 and resulted in an additional drop in consumption. Five new cases have been confirmed in CY 2001. According to trade sources, new cases are expected for the year 2001. For Calendar year 2001, the forecast indicates a decline of about 20 percent in beef consumption in comparison with expected consumption with no cases of BSE.

The price also declined dramatically after the first cases were confirmed on November 22 and December 24, 2000 by about 95,000 pesetas (\$540) per Metric ton of carcasses. According to trade sources, 2001 consumption could decline to about 532,000 Metric tons, about 15 percent less than consumption in CY 2000. Additional drops in beef

prices are expected for CY 2001. The decline in beef consumption will be compensated for by increases in pork, poultry, lamb and seafood consumption.

## **Stocks**

According to trade sources the GOS expects to purchase about 60,000 tons of beef for intervention during the next few months.

**Live Hog PSD**

PSD Table						
Country	Spain					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Beginning Stocks	21715	21715	22597	22597	22700	22700
Sow Beginning Stocks	2020	2020	2030	2030	2060	2060
Production (Pig Crop)	36360	36360	36540	36540	37080	37180
Intra EC Imports	1536	1526	1525	1500	1500	1800
Other Imports	8	8	8	8	8	8
TOTAL Imports	1544	1534	1533	1508	1508	1808
TOTAL SUPPLY	59619	59609	60670	60645	61288	61688
Intra EC Exports	930	942	940	1000	950	950
Other Exports	0	0	0	0	0	0
TOTAL Exports	930	942	940	1000	950	950
Sow Slaughter	810	810	810	810	810	800
OTHER SLAUGHTER	34860	34860	35736	35736	36260	36728
Total Slaughter	35670	35670	36546	36546	37070	37528
Loss	422	400	484	400	468	410
Ending Inventories	22597	22597	22700	22700	22800	22800
TOTAL DISTRIBUTION	59619	59609	60670	60646	61288	61688
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Pork PSD**

PSD Table						
Country	Spain					
Commodity	Meat, Swine					
	(1000 MT CWE)(1000 HEAD)					
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	35670	35670	36546	36546	37070	37528
Beginning Stocks	133	133	210	210	240	210
Production	2892	2892	2963	2963	3005	3042
Intra EC Imports	65	65	55	55	50	53
Other Imports	17	17	17	17	17	17
TOTAL Imports	82	82	72	72	67	70
TOTAL SUPPLY	3107	3107	3245	3245	3312	3322
Intra EC Exports	346	346	426	426	447	450
Other Exports	39	39	45	45	50	55
TOTAL Exports	385	385	471	471	497	505
Human Dom. Consumption	2502	2502	2520	2550	2530	2582
Other Use, Losses	10	10	14	14	15	15
TOTAL Dom. Consumption	2512	2512	2534	2564	2545	2597
Ending Stocks	210	210	240	210	270	220
TOTAL DISTRIBUTION	3107	3107	3245	3245	3312	3322
Calendar Yr. Imp. from U.S.	1	1	1	1	1	1
Calendar Yr. Exp. to U.S.	1	1	1	1	1	1

**Production**

The swine sector had profitable prices during CY 2000. The price for pork rose dramatically after the first case of BSE was confirmed on November 22, 2000. Between November 22 and December 21, 2000, the price rose from 174 (\$1) to 194 pesetas (\$ 1.11) per kilogram of fed live pig. The ban on the use of meat meal is expected to had a significant impact on the Spanish swine sector. According to the feed compounders, the cost of the feed formula for swine was increased by about two percent due to the ban. Lower prices for grain in the Spanish market partially compensated for the higher price for soybean meal due to appreciation of the dollar .

Spain's potential for future growth will continue to depend fundamentally on supply and demand conditions providing the incentives for producers to expand, as the pressing structural problems that exist in other EU countries (limited land, waste disposal problems etc.) have not yet developed in Spain.

While the Ministry of Agriculture published a regulation in February 2000 that would require a minimum distance between new intensive production facilities, the requirements established in these regulation can be met by producers without special problems due to adequate land availability which still exists in most of the Spanish swine areas.

Slaughter, processing and curing facilities are still not operating at full capacity. During the last year new plants were brought on line. Operators are able to construct new plants with the assistance of EU (structural and/or adhesion funds) and local funds.

On other hand, the extensive pork sector (Iberian swine) increased the census from 1.7 million head in December, 1999 to about to about 2.1 million head in December, 2000. The extremely good prices have led to a near doubling of the number of Iberian hogs in the last three year. The prices for this type of swine remained profitable despite a decline in CY 2000. The meat of this native breed is used to make high quality pork products, mainly Iberian hams for the domestic market. For the next few year the Iberian swine census will be increasing.

Fueled by the profitable prices in CY 2000 and larger expected consumption and exports, the forecast indicates a new expansion in Spanish swine sector during CY 2001 and 2002.

### **Consumption**

Pork consumption rose ending CY 2000 due to the drop in the beef consumption as a result of the Spanish cases of BSE. For the year 2001, a higher consumption is expected due to lower consumption of beef.

### **Trade**

Pork exports are forecast to continue growing in 2001 and 2002 due to the expected lower pork production in Germany, Holland and France. Due to Spain's relatively competitive prices, exports grew significantly again in CY 2000. Led by exports of carcasses and cuts, total exports are estimated to have grown about 20 percent. Spanish export of cured products, mainly serrano hams rose again in 2000. According to trade sources, Spain exported about 640 tons of cured ham to the United States in 2000, up 20 percent from the previous year.