

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 1/28/2019

GAIN Report Number: SP1908

Spain

Post: Madrid

Diversifying Export Destinations Ignite Growth in Spain's Pork and Beef Sectors

Report Categories:

Livestock and Products

Approved By:

Jennifer Clever, Agricultural Attaché

Prepared By:

Carmen Valverde, Agricultural Specialist

Report Highlights:

Spain's production of swine and pork continue to grow, reaching new record levels in 2017. In 2018, Spain will continue to be the second largest EU pork producer with Spanish production likely to reach 4.350 million MT. In 2017, Spain's record level pork exports, valued at \$4.6 billion, turned Spain into the third largest pork exporter in the world. This growing trend is expected to continue in 2018 as Spain diversifies its exports to markets outside the EU, primarily Asia. In late 2018, Spain and China signed a bilateral protocol expanding the range of authorized Spanish products for export to the Chinese market. Spain's cattle and beef production are also following an upward trend in response to increasing international demand in Middle East and Asia, and major domestic demand for high quality beef.

Executive Summary

In Spain, the swine and pork sectors continue to be very important to the Spanish agricultural industry, playing a key-role in the global pork market. As Spanish meat consumption has declined over the last 15 years, Spanish pork producers have been driven to export around 50 percent of their pork production.

In 2017, Spain was the fourth largest pork producer in the world and the second in the European Union (EU) with 4.250 million MT. This growing trend is likely to continue in 2018 and 2019. In 2017, Spain was the third largest global pork exporter shipping \$4.6 billion worth of trade and following Germany and the United States. Main export destinations in value terms are France, Japan, China, Italy, and Portugal. Spanish total swine production is around \$8.1 billion and represents 36.8 percent of the Spanish total livestock production and 14.4 percent of total Spanish agricultural production.

Spain is a net exporter of pork. In the first semester of 2018, Spanish pork exports rose six percent in volume terms increasing pork exports to both the EU and third countries in response to greater demand. During this period, Spanish pork exports to Japan, South Korea, Philippines, Taiwan and Hong-Kong have also grown significantly, as the Spanish pork industry focusses on diversifying its export markets. In addition, New Zealand, Serbia, Mexico, Chile, Brazil, North America, and Africa continue to emerge as growing markets. Of these growing markets, Mexico is the main destination for Spanish pork products. Specifically, in 2017, Spanish shipments of *Serrano* ham and *Ibérico* ham to Mexico were 2,500 tons and valued at \$21 million. During the first half of 2018, Spanish shipments to Mexico grew by 26 percent.

In addition, in late November 2018, Spain and China concluded the signature of a protocol allowing Spain to export fresh pork, and value-added pork products to China. (See related GAIN report SP1906). Recent outbreaks of African swine fever in China and increasing Chinese demand for meat will likely increase Spanish pork exports to China.

Regarding Spanish pork imports, during 2017 Spain imported 144,012 tons of pork valued at \$358 million, a 20 percent increase from previous year. Ninety nine percent of Spanish pork imports come from other EU countries. Outside the EU, main Spain's pork suppliers in 2017 were Norway, Switzerland, and Canada.

In 2017, Spain's cattle production continued to grow in response to higher demand from third countries for Spanish live cattle for slaughter, mainly from the Middle East. Spanish experts predict that Spanish cattle production will likely continue increasing through 2018 and 2019 to meet this external demand.

While Spanish beef production has experienced continuous growth in recent years, Spain remains a net importer of beef. EU countries supply almost 90 percent of Spanish beef imports. Outside the EU, Spain sources beef from Brazil, Uruguay Paraguay, Argentina, Chile and New Zealand. The majority of Spanish beef exports go to other markets within the EU. Other export destination for Spanish beef

exports are mainly North Africa, Hong-Kong, Indonesia, and Middle East.

General Information

Swine and Pork

According to Eurostat official data in December 2017, Spanish total swine beginning stocks increased by 2.5 percent, with 29,971 thousand heads. This growth is consistent with the upward trend followed over the last years and Spain's position as the first hog producer in the EU. Breeding sow numbers in December 2017 reached 2,454 thousand heads, a 1.6 percent increase, and are expected to raise total slaughter numbers in 2018. Spanish swine production may continue growing in 2018 due to high global competition. In the intensive swine sector, around 90 percent of the total swine herd, the average Spanish productivity ratio is 25-27 piglets/sow. By comparison, the productivity ratio in the Iberian pig sector (around 10 percent) is much lower at 13-15 piglets per sow. Spanish swine performance continues to rise because of the growth of highly technified farms.

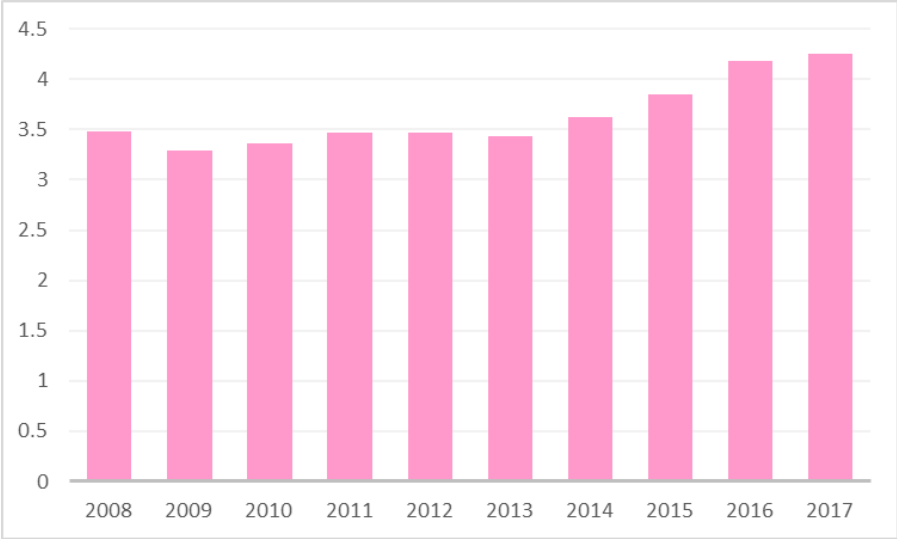
According to the Spanish Ministry of Agriculture, Fisheries and Food (MAPA) official data, in 2017, total swine slaughter increased one percent compared to last year reaching new record levels at 49,659 thousand heads of total swine slaughtered. According to the Spanish swine producers, this upward trend may continue in 2018, reaching 51,000 thousand heads slaughtered. Official data for the first half of 2018 shows total swine slaughter continued growing compared to the same period of last year, due to the growing demand in Asian markets. However, Spanish industry sources report that in 2019 the Spanish hog production may start stabilizing in response to price pressures and competition in Asia.

Currently, the main concern of Spanish swine producers is the animal health status related to African Swine Fever (ASF) as it continues to spread in the EU. As of the date of this report, the disease has not been found in Spain. During 2018, Spain imported live swine mainly from Netherlands and France, but the number of imported animals is insignificant compared to other member states. Increasing biosecurity measures and monitoring animal health status in Spain is a major goal for the Spanish Ministry of Agriculture to maintain export markets. The Ministry is concerned as Spanish total pig production is around \$8.1 billion (€7,000 million) and represents 36.8 percent of Spain's total livestock production and 14.4 percent of Spain's total agricultural production.

According to MAPA in 2017, Spanish pork production increased slightly by 1.6 percent compared to the previous year, with 4.250 million MT. Spain also contributed 18 percent of the total EU pork production and was the second largest EU pork producer after Germany. In the first semester of 2018, Spanish pork production increased seven percent compared to the same period in 2017. For 2018, the Spanish pork industry anticipates another growth in production to 4.350 million MT due to rising global pork demand. Industry expects the Spanish pork production to remain stable into 2019 supported by higher competition within China.

During the first half of 2018 Catalonia continued to be Spain main pork producing region but production in other regions has grown significantly with production in Castile Leon rising by 14 percent and by 12 percent in Aragon.

Chart 1. Pork Production in Spain (million MT)



Source: Eurostat

In 2017, domestic pork consumption has stabilized as higher demand from tourism and dining out could not offset the continuous decline in household pork consumption. In the coming years, change in consumer habits following the economic crisis and social attitude towards animal welfare, Spanish pork consumption may decline further. Spanish per capita consumption of pork is around 50 kg/person/year. While pork is still the most consumed meat in Spain, this figure represents a continuous 15-year decline. The Spanish swine and pork industry continues to promote the consumption of pork among consumers, doctors, media, etc.

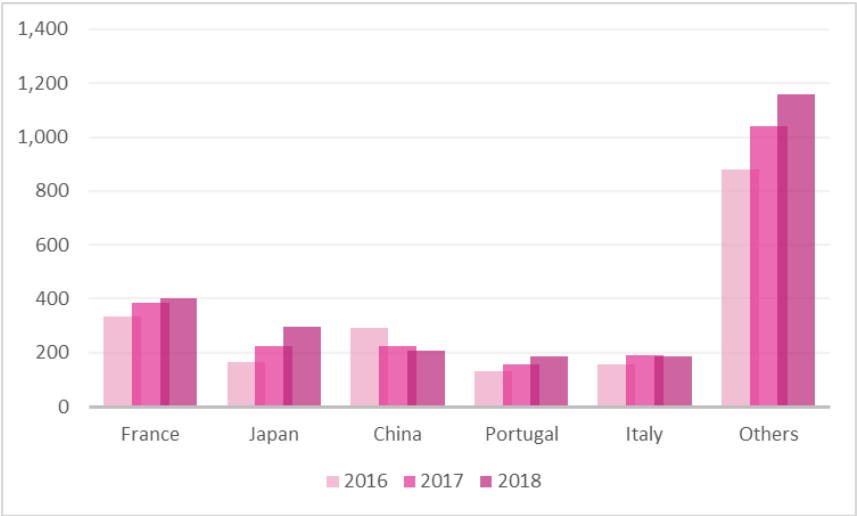
As domestic pork consumption has declined over the last 15 years, Spanish pork exports are the driving force behind the increase in domestic production seen over the past four years. Spain now exports around 50 percent of its pork production. Spain is a net exporter of pork to more than 130 destinations. In 2017, according to Global Trade Atlas (GTA) data, Spain exported 3.5 percent more pork with 2.1 million tons, a 12 percent increase in value to \$4.6 billion. Seventy percent of total Spanish pork exports comprise fresh, chilled or frozen meats. Sixty-five percent of Spanish pork exports were shipped to other EU markets and 35 percent to non-EU destinations, mainly to Asia.

In 2017, Spain was the third largest pork supplier to Mexico but represented only 0.23 percent of the total Mexico’s pork imports, shipping around 2,500 tons. Valued at \$22 million, Spanish pork exports to Mexico were mainly comprised of salted, dried, and smoked pork. Mexico is Spain’s main export

destination outside the EU for *Serrano* ham. In 2017, Spain’s pork exports to the United States, primarily frozen pork meat, were valued \$55 million.

During the first semester of 2018, total Spanish pork exports rose 6 percent by volume. Spanish exports to the EU grew 6.9 percent due to increased exports to Eastern Europe. Similarly, Spanish exports to non-EU countries also grew by 5 percent. Spanish pork exports to Japan, South Korea, Philippines, Taiwan and Hong-Kong continue experiencing significant growth as exports to New Zealand, Serbia, Mexico, Chile and North America. By value, during the first semester of 2018 main export destinations for Spanish pork were France, Japan, China, Portugal, and Italy. (See Chart 2).

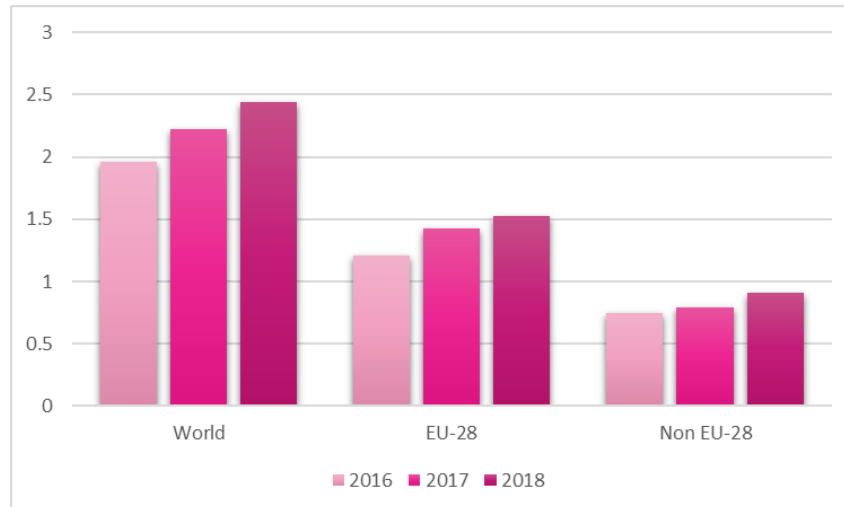
Chart 2. Spain’s Pork Exports by Main Destinations January-June, (million USD)



Source: GTA

The Spanish pork industry expects that in 2018, Spanish pork exports to non-EU countries will continue to grow, as during the first half of 2018 Spanish pork exports to non-EU destination rose 14 percent by value (see Chart 3). Similarly, for 2019 important destinations for growing Spanish pork exports will continue to be Asian markets, particularly China. As China deals with the presence of ASF and continues to impose additional duties on U.S. pork, Spanish pork remains best positioned to continue filling that market gap. However, the new focus will be in increasing Spanish pork exports to Mexico and South America.

Chart 3. Total Spain’s Pork Exports January-June, (billion USD)



Source: GTA

Regarding Spain's pork imports, other EU countries supply 99 percent of pork to Spain. In 2017, according to GTA Spain imported 187,215 tons of pork valued \$358 million with only \$28,033 of pork coming from the United States. In 2017, main Spain's pork imports outside the EU valued \$3 million with Norway, Switzerland, Mexico and Canada as main countries of origin.

Spanish Live Cattle

In 2017, Spain's cattle production continued on an upward trend that began in 2014 fueled by higher demand for Spanish live cattle in non-EU countries. Spanish experts predict that cattle production will likely continue increasing for the next two years.

According to Eurostat, Spain's total cattle beginning stocks increased 2.3 percent in December 2017, reaching 6,465,750 heads. Dairy cows declined 1.3 percent continuing the downward trend at a slower rate. Beef cattle enjoyed a 2.4 percent increase in beginning stocks with 1,998,240 beef cows. Industry observers foresee that Spain will reach maximum cattle levels in 2019. Also, fertility may increase in 2018 due to rainier weather in Spain and higher efficiency feed. In addition, Spanish ranchers have taken a more business-oriented approach to growing cattle, improving agronomic practices and focusing on increasing exports to non-EU markets.

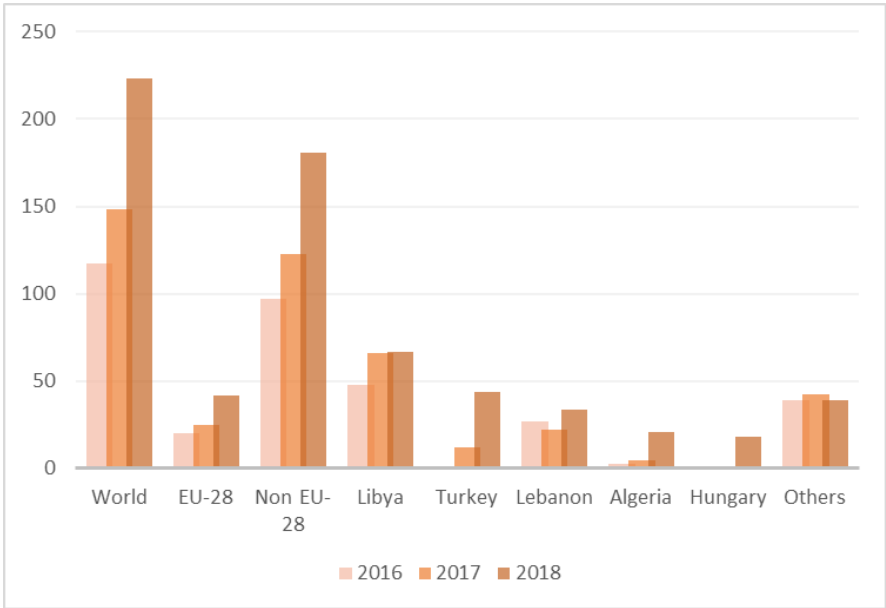
Slaughter rose 0.7 percent in 2017 with almost 2.4 thousand animals slaughtered. According to MAPA, during the first quarter of 2018, the number of cattle slaughtered reached another 5.5 percent increase compared to the same period in 2017. Continuous strong demand from third countries supported the increase. According to the industry, slaughter may grow by another 1 percent in 2019.

Spain is a net importer of live cattle, importing only from other European member states to satisfy its strong domestic demand. In 2017, Spanish live cattle imports increased 10 percent with 700,000 heads

coming mainly from France and valued at \$311 million. During the first semester of 2018, Spanish imports of live cattle rose 55 percent by volume compared to the same period of previous year.

Exports of Spanish live cattle were re-oriented to the Middle East and to North Africa due to these regions’ increasing demand for Spanish live cattle for slaughter. In 2017, Spain’s total exports jumped 30 percent by value to \$302 million compared to the previous year. Exporting a total of 212,150 heads, Spain shipped 20 percent of its exports to other EU countries and 80 percent to third countries. Main export destinations continue to be Libya, Turkey, Lebanon and Egypt. During the first semester of 2018, Spanish live cattle exports increased 50 percent by value compared to the same period in 2017 resulting in a positive trade balance of \$40 million. Increased exports to Hungary contributed to the rise in Spanish exports to other EU countries, while increased exports to Libya, Turkey, Lebanon Algeria, and Morocco contributed to the rise in exports to third countries. (See Chart 4).

Chart 4. Spain’s Live Cattle Exports January-June, (million USD)



Source: GTA

According to industry sources, Spanish live cattle exports balance the Spanish cattle industry, stabilize prices and ensure a predictable supply to Spanish slaughterhouses. The Spanish cattle industry expects to maintain Spain’s live cattle exports to third countries in 2018 and 2019, reaching 200,000 live cattle or 25 percent more than in 2016.

The Spanish cattle sector points out that the subsidies they have received since 2015 have remained virtually unchanged. However, the number of animals has increased significantly resulting in a lower subsidized unit price for 2017 compared to previous years. For example, the unit price received for a nursing cow from 2015 to 2017 declined 5.5 percent in the Spanish Peninsula, as shown in Table 1 below.

Table 1. Unit price received in Spanish cattle and beef production, 2015-2017

	2015	2016	2017
Nursing cow, Spanish Peninsula			
Amount, \$	213,362,648	211,334,972	211,454,142
Number of animals	1,926,978	1,969,827	2,021,213
Unit price, \$/ animal	111	107	105
Nursing cow, Spanish Islands			
Amount, \$	513,773	511,931	511,931
Number of animals	2,195	2,547	2,829
Unit price, \$/ animal	234	200	181
Calves from the same ranch	2015	2016	2017
Fattening Calves, Spanish Peninsula			
Amount, \$	14,226,151	14,116,384	14,226,151
Number of animals	381,843	403,835	396,041
Unit price, \$/ animal	37.25	34.95	35.92
Fattening Calves, Spanish Islands			
Amount, \$		105,944	105,944
Number of animals		1,263	1,507
Unit price, \$/ animal		83.88	70.30
Calves from a different ranch	2015	2016	2017
Fattening Calves, Spanish Peninsula			
Amount, \$	29,519,719	29,510,756	29,519,719
Number of animals	1,323,737	1,388,003	1,522,841
Unit price, \$/ animal	22.30	21.26	19.38
Fattening Calves, Spanish Islands			
Amount, \$		219,863	219,863
Number of animals		4,638	5,764
Unit price, \$/ animal		47.40	38.14

Source: FAS Madrid with data from the Spanish Agriculture Guarantee Fund ([FEAGA](#)), MAPA

Spanish Beef

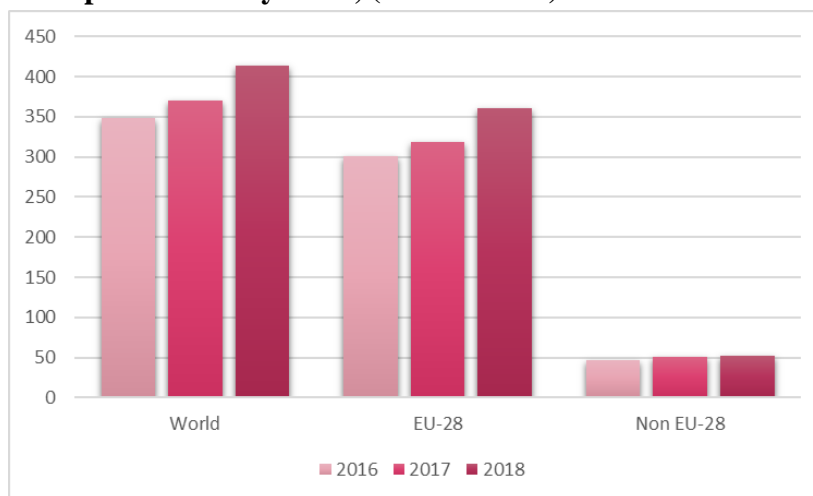
Spanish official data shows that in 2017, Spanish beef production increased 1 percent year-on-year producing 644,000 tons. According to the latest official data, during the first half of 2018 production continued to grow by 2 percent. For 2018, the Spanish beef industry forecasts beef production will continue to grow following the recovery started in 2014/2015 supported by the increase in cattle production for export markets. Industry sources expect Spanish beef production will peak in 2019.

In 2017, Spanish beef domestic consumption grew and will likely continue to slightly increase over the next two years. Continued consumption growth is supported by the increased demand in restaurants, increased tourism, and moderate economic growth. The Spanish beef industry continues to promote the healthy aspects of beef consumption to doctors, media and consumers.

According to the industry, the current Spanish consumer seeks new culinary experiences and is willing to pay for high quality beef certified to country of origin and quality.

Regarding Spanish beef trade, almost 90 percent of Spain's beef imports come from other EU countries. Outside the EU, Spain imports beef mainly from Brazil, Uruguay, Paraguay, and Argentina. According to GTA data, in 2017, Spain imported a total of 184,571 tons valued \$814 million. Spain's beef imports from the United States were valued at \$13,576 as the main point of entrance to Spain is via Netherlands or Germany. During the first semester of 2018, the total value of Spanish beef imports rose 10 percent. (See Chart 5).

Chart 5. Spain's Beef Imports January-June, (million USD)



Source: GTA

Over the last four years, global Spanish exports of beef have followed an upward trend. In 2017, Spain's total beef exports reached 251,435 tons and valued at \$753 million. Spain shipped 86 percent of its beef exports to other EU countries and 14 percent to non-EU destinations, mainly to Algeria, Hong-Kong, Morocco, and Indonesia. Exports to Southern Africa also increased. During the first half of 2018, Spanish beef exports continued to grow, mainly to European destinations (See Chart 6). The Spanish beef industry is also focused on new strategic markets. According to the Spanish beef industry, priority markets for 2018 and 2019 will be Asia. In particular, opening the Chinese market and building the recently opened markets in Vietnam, Hong-Kong, Saudi Arabia, and United Arab Emirates.

Chart 6. Spain's Beef Exports January-June, (million USD)

