

Voluntary Report – Voluntary - Public Distribution

Date: October 05, 2021

Report Number: SP2021-0026

Report Name: Exports Continue to Drive Spanish Livestock Production

Country: Spain

Post: Madrid

Report Category: Livestock and Products

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Report Highlights:

In 2020, Spanish livestock exports continued to reach record levels mainly driven by significant demand in the Middle East for cattle and in Asian markets for pork. This trend may continue in 2021 but at a slower pace due to uncertainties in global markets. The Spanish meat sector is committed to careful production expansion, investment to improve the overall meat sector, and diversification of export markets.

Executive Summary

The Spanish livestock sector's strategy is now focused on a more controlled expansion and diversification of export markets. The overall Spanish meat sector, including cattle and swine, is willing to invest around \$4.2 billion USD, partially through the European Union (EU) Next Generation funds, to improve animal welfare, sustainability, efficiency, and modernize the sector ([see GAIN Report](#)). To reach these goals, the sector will invest in technology and smart farming to increase workers' well-being and add value to the animal production chain from the ranch to the table through promotional campaigns. The Spanish meat sector is committed to sustainability, rural development, and the Spanish economic recovery after the pandemic.

Throughout the country, two million people depend on the livestock-meat industry for their livelihood, mainly in rural areas that are the most affected by depopulation. Spanish livestock production contributes to more than \$17 billion to the country's agricultural production, while Spain's meat industry has a turnover of more than \$30 billion. This represents 22.6 percent of the total Spanish food industry, making it the leading sector with exports of \$10.4 billion.

The increase of Spanish live cattle exports to North Africa and Middle East and the opening of new markets for Spanish beef partly alleviated the difficulties derived from the closure of the hospitality sector during the COVID-19 pandemic. However, Spanish cattle growers are still facing challenges, namely higher feed costs and energy, that are not reflected in the farm-gate prices of their animals.

Regarding pork, Spain continued to hit record levels in production and exports in 2020. According to the industry, the key-factors for the Spanish pork demand in external markets are its efficient pork production, its reliability, and the flexibility of Spanish pork plants to adapt to customers' requirements.

General Overview

Cattle and Beef

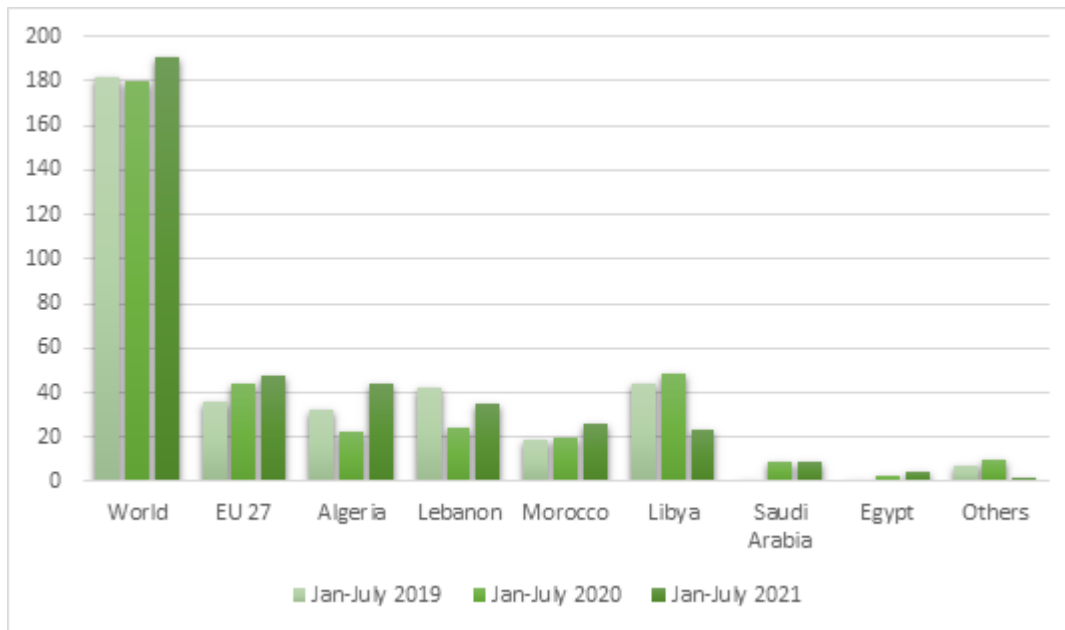
In 2020, Spanish official data for cattle and beef showed a slight decrease in production derived from the COVID-19 pandemic and higher feed prices. In 2020, Spanish cattle slaughter declined 3.5 percent to 2.4 million animals. Spanish beef production also decreased by 2.6 percent to 677,740 tons, while carcass weight rose one percent to 279.5 kg from the delays to slaughtering because of the closure of the hospitality sector.

According to the sector, Spain's cattle slaughter may also decrease 2.4 percent in 2021, mainly due to the reduction of calf slaughter, and 3.5 percent in 2022 due to low economic performance and Spanish cattle growers' intention to reduce production. Similarly, carcass weight may decrease due to higher production costs from high feed prices, which would accelerate slaughter. Since last year, Spanish ranchers' margins are negative, as live cattle prices are below production costs as feed and energy prices skyrocketed, resulting in an expected reduction in cattle production and decreasing live cattle imports to be raised. Thus, in 2022, slaughter may reach 2.3 million animals and the cattle herd may decline one percent due to the lower economic performance for ranchers (less animals to slaughter and in pastures with low feed supply). The fertility rate may also decrease in 2022, due to the reduction of compound feed provided to the animals because of high feed prices. As a result of this economic crisis in the

Spanish cattle sector, Spanish cattle production may decline in 2021 and 2022, also reducing live cattle imports. Spanish cattle herd ending inventories for 2022 may decline 1.1 percent.

In contrast, according to Trade Data Monitor, LLC (TDM), Spanish live cattle exports for slaughter to non-EU destinations increased significantly due to exports not only to Lebanon, Libya, and Morocco, but also to new markets such as Saudi Arabia, Jordan, Tunisia, and Egypt. Competitive prices for Spanish live cattle for slaughter contributed to the rise in exports (see Chart 1). Consequently, the Spanish live cattle trade balance has been positive since 2018, valued at \$80 million in 2020. This positive trend may continue in 2021 and 2022.

Chart 1. Spanish Live Cattle Exports January-July 2019-2021 (Million USD)

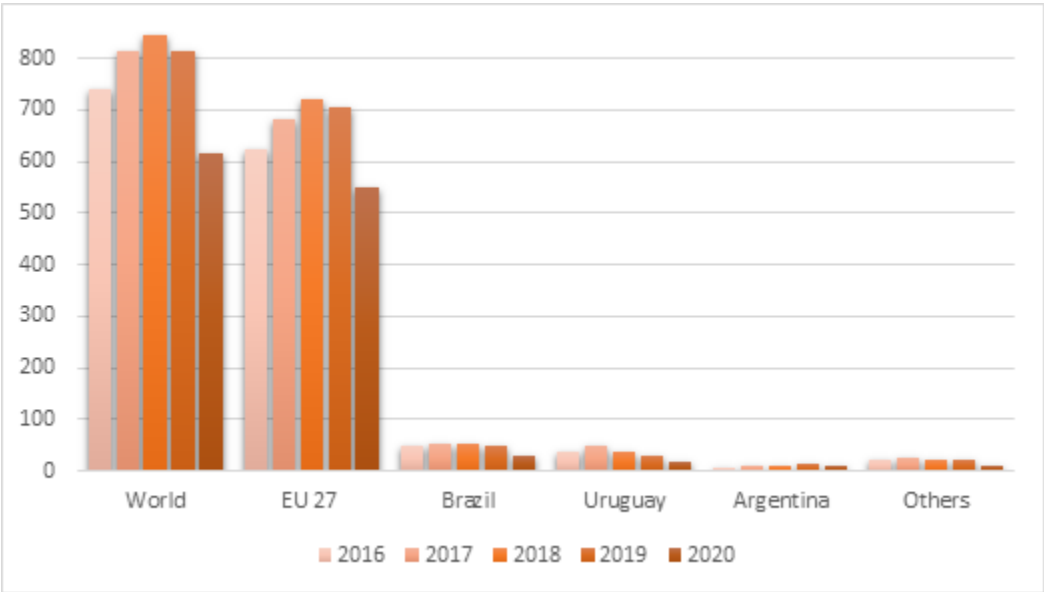


Source: Trade Data Monitor, LLC (TDM)

In 2020, the closure of the hospitality sector and the elimination of celebrations and tourism due to the COVID-19 crisis resulted in lower demand for high-value beef cuts. Although Spanish household consumption of beef strongly increased during the lockdown, this increase did not compensate for the loss of sales to the hospitality sector, both in volume and value. This discouraged imports of Spanish beef in 2020, 90 percent of which are sourced from the EU-27. According to TDM, total Spanish beef imports in 2020 decreased 15 percent compared to 2019 to 138,000 tons, valued at \$614 million (see Chart 2). In 2020, Spanish beef imports from other EU markets (mainly Poland, the Netherlands, and Germany) decreased 12 percent and imports from non-EU markets (mainly Brazil, Uruguay, UK, Argentina, Paraguay, and Chile) dropped 37 percent. This decline continued during the first seven months of 2021. Due to the free trade agreement between the EU and Canada (CETA), Spanish beef imports from Canada experienced significant increases in 2020. It is worth noting that Spanish beef imports are mainly destined for the hospitality sector, which was severely impacted by mandated measures in response to COVID-19.

Spanish imports of U.S. beef mainly enter through northern EU major meat traders and are intended for retail and hospitality sector. Due to the re-opening of the hospitality sector and a return to the “new normal” as a result of the high percentage of vaccination among the Spanish population (almost 80 percent), Spanish imports of beef are expected to recover slightly during the second semester of 2021, although still far from returning to 2019 levels. Due to new consumer preferences toward consuming local production because of the pandemic (i.e., ‘food patriotism’), Spanish beef imports from outside the EU are not expected to reach 2019 volumes.

Chart 2. Spanish Beef Imports 2016-2020 (Million USD)



Source: TDM

In 2020, Spain’s beef exports grew four percent to 231,000 tons and \$903 million, mainly fueled by an eight percent rise in exports to the EU, especially to Italy and Greece. This level of exports and a decrease in imports led to the second positive trade balance since 2000 of \$289 million. This positive trend continued from January to July 2021. In 2020, Spain exported 85 percent of its beef to other EU Member States, mainly to the Mediterranean countries. Over the last five years, Spain’s beef industry has worked to re-orient its exports to new strategic markets. Major non-EU markets used to be Algeria and Morocco, to which Spanish beef exports declined in 2020. However, in 2020, Spanish beef exports experienced significant increases to Canada, Indonesia, Vietnam, and Hong Kong. According to the Spanish beef industry, in 2020 Spanish beef exports experienced a change in trade flow from North Africa to new markets. Additionally, the Spanish beef sector is still working to open China and South Korea. According to industry sources, Spanish beef exports to non-EU markets are expected to rebound to normal levels in 2021, continuing with its positive trend in 2022.

Swine and Pork

Despite the COVID-19 pandemic, Spain overcame disruptions due to increased pandemic-related restrictions and slaughterhouses worked at normal capacity to satisfy domestic and export demand. This contributed to continuous growth of the Spanish swine and pork production despite the pandemic and its

restrictions. In 2020, Spain continued with a high level of hog slaughter and a good rate of pork exports, especially as Spain responded to the Chinese demand for pork and filled the gap left by northern EU suppliers caused by outbreaks of African Swine Fever (ASF). However, implementation of sanitary measures related to COVID-19 and price increases on feed, electricity, and logistics reduced margins to Spanish producers. In 2020, the average price for Spanish live swine stood at 1.32 euro/kg (Mercolleida prices). This price is three percent lower than 2019 but still 17 percent higher than in 2018 (1.13 euro/kg), mainly driven by the strong Spanish pork exports to China. The decline in 2020 prices was due to the oversupply of EU pork meat derived from ASF outbreaks in northern EU. Since June 2021, Spanish hog prices strongly declined, standing at 1.11 euro/kg (as of September 30, 2021), 28 percent lower than the peak reached last June. This drop is mainly due to a reduction in Chinese pork demand.

The Spanish swine sector and the Spanish administration continue to closely monitor and implement prevention measures to avoid the entry of ASF in Spanish territory. The industry reports that ASF continues to remain one of its major priorities in protecting Spanish exports.

According to Spanish official data, in 2020, total swine slaughtered grew 6 percent compared to 2019 to 56 million animals. Average carcass weight in Spain last year stood at 89.1 kg, a 1.7 percent increase compared to 2019 because of the COVID-19 disruptions that especially impacted the Iberian pork production (Iberian pigs are heavier than white hogs and are mainly destined for the hospitality sector). In addition, Spanish pork meat production rose 7.8 percent to 5 million tons, another record level for Spanish pork production. This growth was mainly due to the strong imports of live hogs for slaughter (mainly from the Netherlands, France, Portugal, and Denmark) during the last quarter of 2020, as those countries diverted their live swine exports away from northern EU slaughterhouses because of ASF outbreaks in those areas. The pork from these imported hogs was used by the processing sector for domestic pork consumption. The sector expects to reduce live hog imports in 2021 and 2022, returning to slaughter of only domestic hogs.

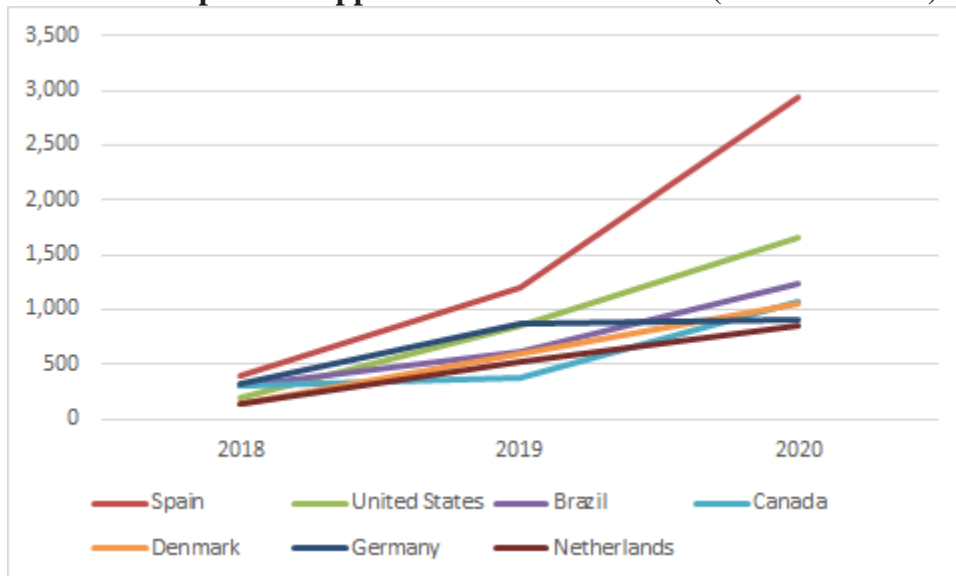
Eurostat data for December 2020 shows the Spanish pig population hit another record level of 32.8 million swine animals, a five percent increase compared to the previous year. The Spanish sow population also grew 2.2 percent to 2.635 million sows and, according to the sector, Spanish sows are also expected to grow slightly in 2022. The piglets/sow ratio stands at around 27 for Spanish white pigs and 13-15 for Iberico sows, giving an average of 21 piglets/sow. According to the industry, Spanish pork production may continue growing in 2021, although at a lower rate because of reduced demand from China. Chinese demand for Spanish pork in the first semester of 2021 continued to be as strong as in 2020, but since mid-June 2021, Spanish pork exports to China experienced a decline as China's demand lessened.

While the Spanish pork sector is still economically profitable, industry contacts remained conservative on forecasts for 2022 as a result of uncertainties in the current pork market. For this reason, Spanish pork production (at around five million tons) and exports may remain flat. Future expansions in pork production will also be limited in order to help current farms reduce the nitrogen and greenhouse gas (GHG) emissions by adapting their installations, feed formulas, and manure management. These actions are meant to improve the Spanish swine sector in sustainability and animal welfare as part of the EU Green Deal strategy (see [EU Livestock and products Annual 2021](#)).

During the pandemic, the strong growth of pork consumption in Spanish households and higher Spanish pork exports offset the loss in pork meat sales through the Spanish hospitality sector. Domestic pork consumption slightly decreased in 2020 due to the closure of HRI but it is expected to recover in 2021, especially during the second semester, as the Spanish population achieves high levels of vaccination and the country reopens to tourism.

Spain is a net exporter of pork, and exports 55 percent of its total pork production. According to TDM, in 2020, total Spanish pork exports increased 21.5 percent to 2.7 million metric tons (MMT) CWE, valued at \$7.2 billion. This increase was primarily driven by a 60 percent jump in exports to non-EU countries (1.6 MMT), shipped mainly to China, which represented 31.5 percent of the total EU pork exports to China. Spanish pork exports to China grew 136 percent to 1.2 MMT and was valued at almost \$3 billion. Spanish share of the Chinese pork market also grew to 44.6 percent and continued to be the major pork supplier to the Chinese market (see Chart 3). In 2020, for the first time Spanish pork exports to non-EU markets surpassed exports to the EU-27, which represented only 40 percent of Spain’s global pork exports.

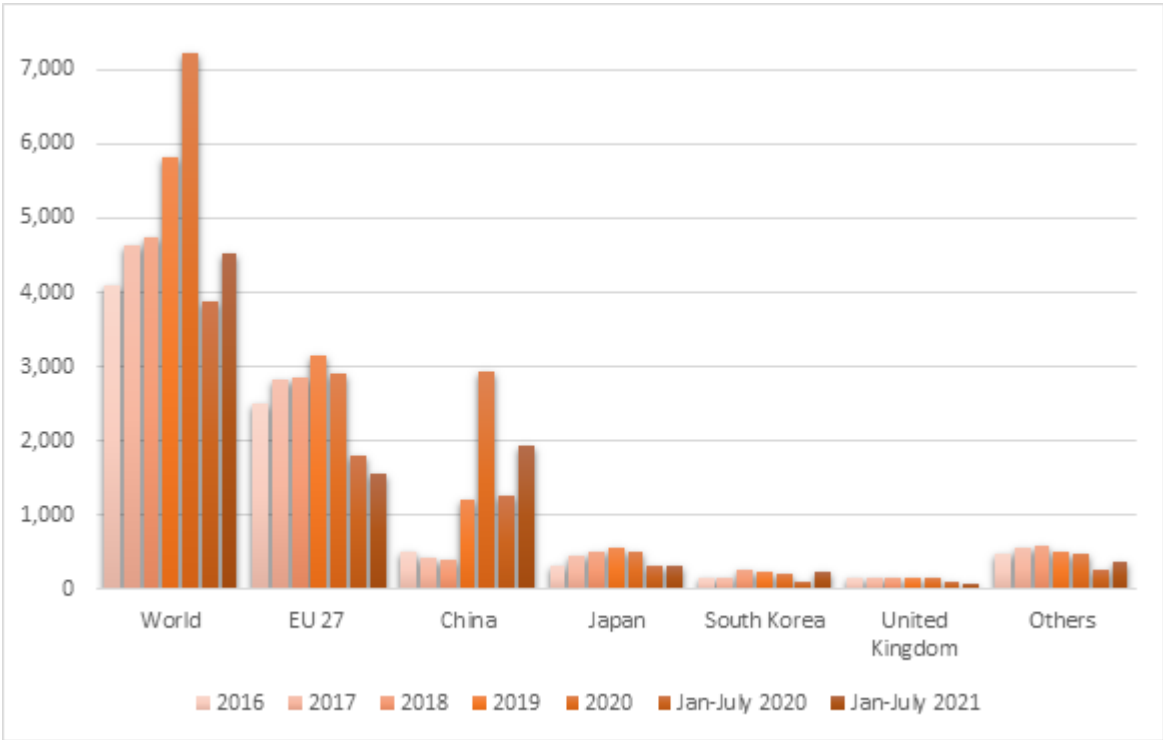
Chart 3. Top Pork Suppliers to China 2018-2020 (in Million USD)



Source: TDM

This means that Spain’s pork exports are fluctuating from the EU to Asia, mainly to China (see Chart 4). In 2020, Spanish pork shipments to Japan, South Korea, the United Kingdom, the Philippines, Hong Kong, Taiwan, and other Asian markets decreased due to the pandemic but recovered during the first seven months of 2021, particularly exports to the Philippines, Taiwan, Vietnam, and Canada. Latin America is also a significant destination for Spanish pork exports. The Spanish pork exporters continue to diversify markets as an alternative to China. In 2021, the Spanish pork industry expects stability in exports to non-EU countries, mainly driven by uncertainties in the Chinese market, as Chinese pork demand may decline.

Chart 4. Spain’s Pork Exports 2016-2020 and January-July 2020/21 (in Million USD)



Source: TDM

Attachments:

No Attachments.