

Voluntary Report – Voluntary - Public Distribution

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Report Name: Spanish Cattle Production May Decline Driven by Reduction of Exports and Drought

Country: Spain

Post: Madrid

Report Category: Livestock and Products

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Report Highlights:

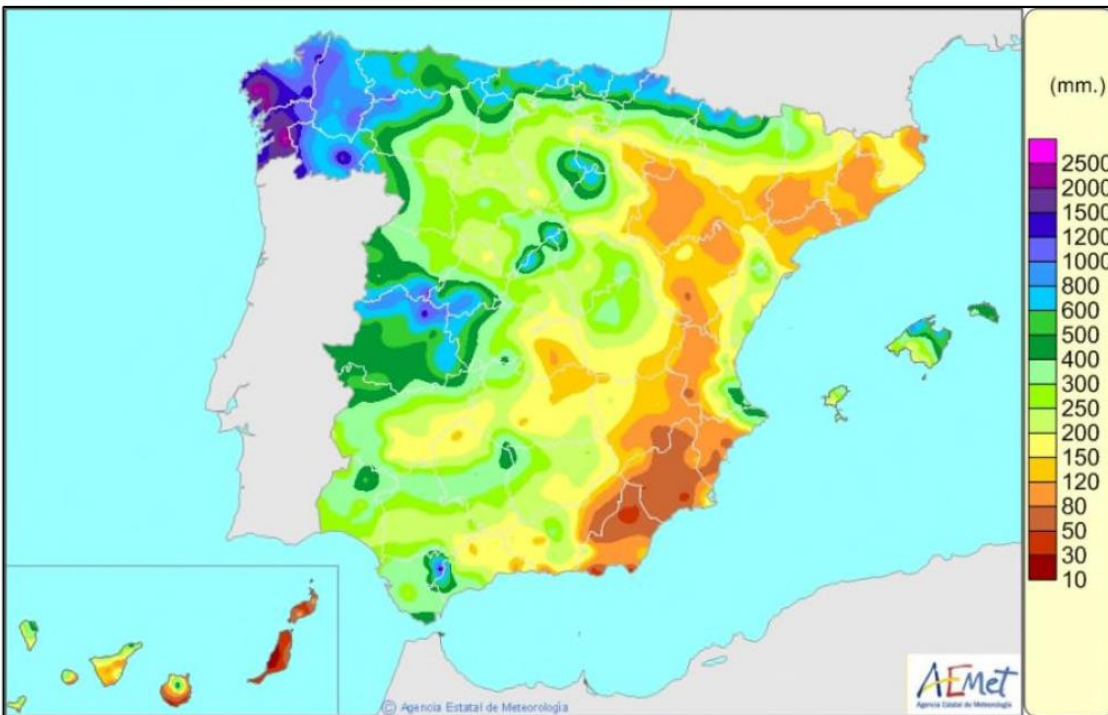
Spanish cattle production may continue to decrease in 2023 due to high production costs, expected reduction of Spanish live cattle exports to non-EU markets, and the severe drought experienced in Spain since fall 2022 that has impacted cattle feed. In the last years, Spanish cattle exports were the major driver to cattle production. However, new geopolitical situations, strong cattle price competition, and an upcoming EU regulation on live cattle transport may continue to impact Spanish cattle shipments outside the EU. Despite the decrease in domestic beef consumption in Spanish households, beef consumption may continue to trend upward in 2023 due to recovering HRI and tourism, resulting in a continued increase in Spanish beef imports.

General Information

According to the Spanish cattle sector, cattle production is expected to continue contracting in 2023, following the 2022 trend, as a result of high production costs derived from increased input costs (see [High Input Prices Limit Expansion of Spanish Meat Production](#)). The high input price situation began in 2021 and was worsened by the Russian invasion of Ukraine in 2022. In addition, the decline in production is also driven by expected lower cattle exports to non-European Union (EU) countries. According to industry sources, cattle herd, total slaughtering, and beef production are expected to decrease in 2023. Additionally, the number of Spanish cattle farms continued a downward trend to 115,558 cattle farms in 2022, resulting in a 10 percent decrease in the last decade. This situation may be aggravated by the strong drought experienced in Spain since fall 2022, reducing grains' production (see [EU Grain and Feed Annual 2023](#)), pastures, and fodders, and consequently increasing feed costs in cattle operations. The severe drought together with the unusual rise in temperatures are negatively affecting the vegetative development of crops, especially in cereals and fodder intended for cattle. According to the sector, straw and forage stocks are insufficient to supply the cattle herd and farmers are also facing strong competition with biofuel producers utilizing cereals.

The strong drought occurring in Spain through May 2023 is largely affecting outdoor animal farming, mainly cattle, sheep, and goat. This situation is particularly severe in Southern Spain, the Guadalquivir and Guadiana valleys, and in Catalonia, Northeastern Spain. According to the [Spanish Ministry of Ecological Transition \(MITECO\)](#), the average value of accumulated rainfall since the beginning of the hydrological year (October 1, 2022) is 23.5 percent lower than the normal value (Map 1).

Map 1. Spain's Accumulated Rainfall (mm) October 1, 2022, to March 31, 2023



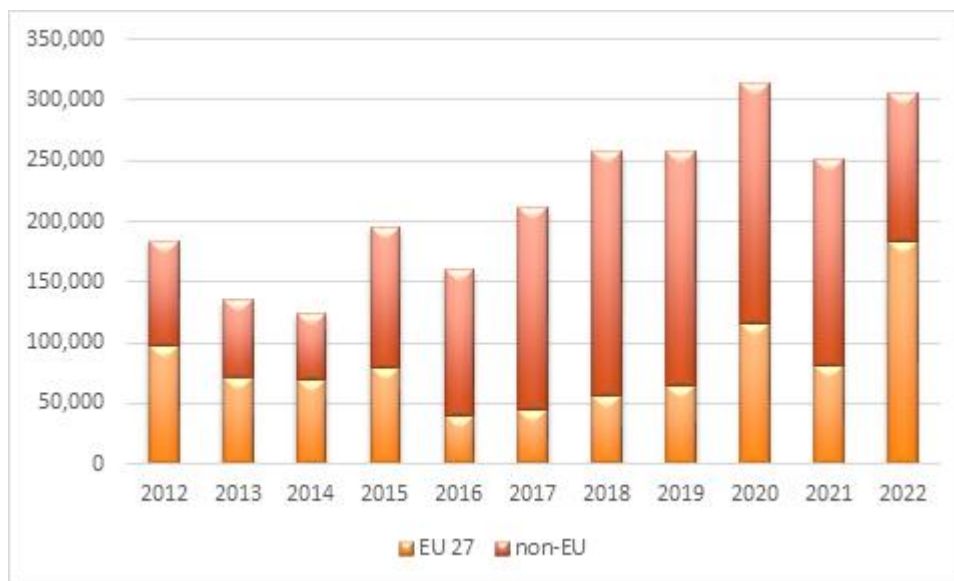
Source: Spanish Ministry of Ecological Transition (MITECO)

Major concerns for Spanish cattle producers include the new [EU deforestation-free regulation](#) that may increase feed prices in the coming years; the new Common Agricultural Policy (CAP) that may negatively impact beef cattle feedlot farmers, as the sector expects a reduction of EU CAP aid to many beef growers; and a lack of new workers in the sector. Due to these issues, a restructuring of the sector is expected in the coming years to overcome the impact of these changes.

Sustainability, reduction of Greenhouse Gas (GHG) emissions, the circular economy, and renewable energy, along with animal welfare and animal health, are strategic pillars of the Spanish cattle sector ([Life Beef Carbon](#)) in line with the EU Green Deal strategy.

In 2022, Spanish cattle prices were up and higher than competitors in non-EU markets. According to Trade Data Monitor (TDM), 60 percent of live cattle exports in 2022 went to the EU and 40 percent went to non-EU markets (see Chart 1), with a loss of relevant market share in North Africa and Middle East. Spanish live cattle exports to Algeria last year were negligible, due to geopolitical factors and lower price competitiveness. The increase experienced in Egypt compensated for the loss to Algeria. Spanish live cattle exports to Saudi Arabia and Jordan developed well, while exports to Lebanon, Morocco, and Libya strongly declined. In 2023, the sector expects a continued decline of cattle exports. In addition, the new EU Animal Welfare legislation in animal transport expected for the end of 2023 may also influence the decline of Spanish live cattle exports ([see EU Livestock Semi-Annual 2023](#)).

Chart 1. Spanish Live Cattle Exports (number of animals)



Source: Trade Data Monitor, TDM

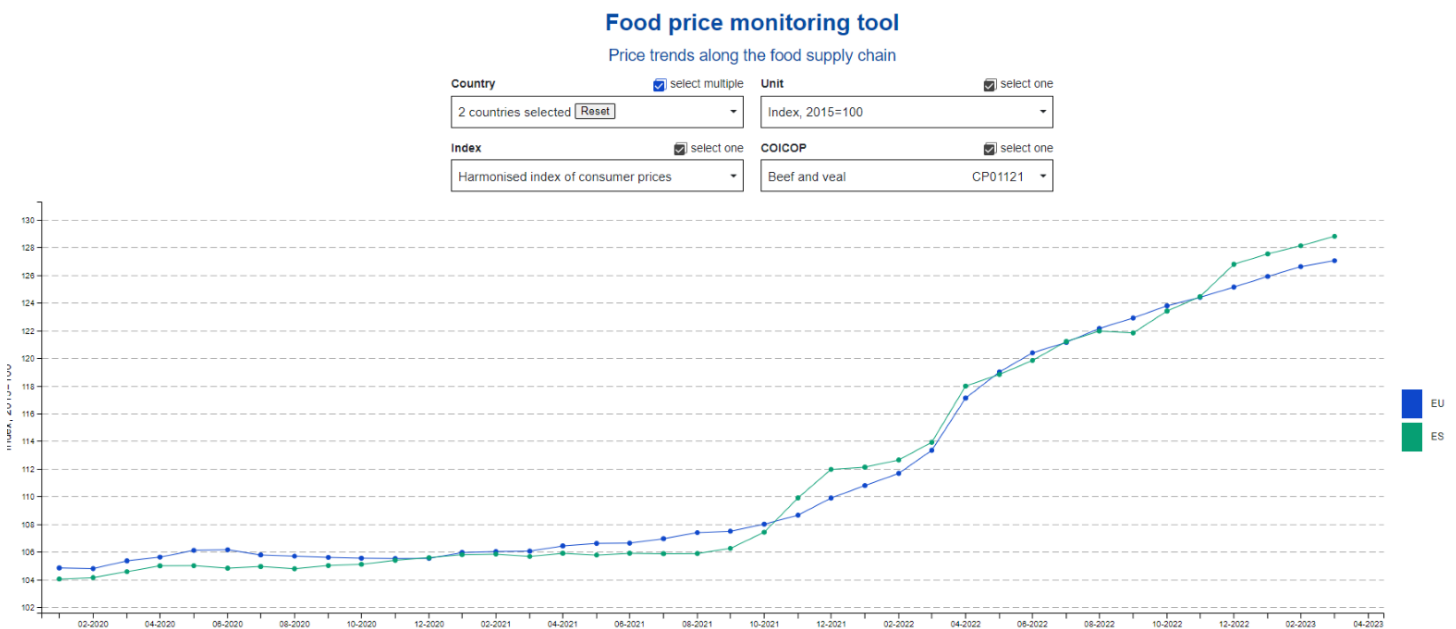
In 2022, according to the [Spanish Ministry of Agriculture, Fisheries, and Food \(MAPA\)](#), total slaughter increased due to strong production cost increases in both beef and dairy cattle. To keep economic margins profitable, Spanish cattle farmers sped up the animals to slaughtering. This is also in line with the decline in carcass weight to 280 kg in 2022. However, according to the sector, cattle slaughter has trended down since September 2022, confirming the decline in cattle production. According to the

sector, Spanish cattle and beef production are expected to decline in 2023, to about 2.5 million animals slaughter and 700 MT of beef.

In 2022, Spanish beef prices to consumers remained high and in line with EU prices (see Chart 2), reducing beef consumption in Spanish households as published by MAPA (see Chart 3). Beef imports from non-EU markets increased in 2022 and may continue in 2023. Imported beef is generally cheaper than domestic beef prices and mainly destined to the Hotel, Restaurant, and Institutional (HRI) sector, which experienced strong demand in 2022 as tourism returned to pre-pandemic levels. Due to the HRI sector, Spanish beef consumption is trending up in 2022 and 2023, compensating for consumer price sensitivity.

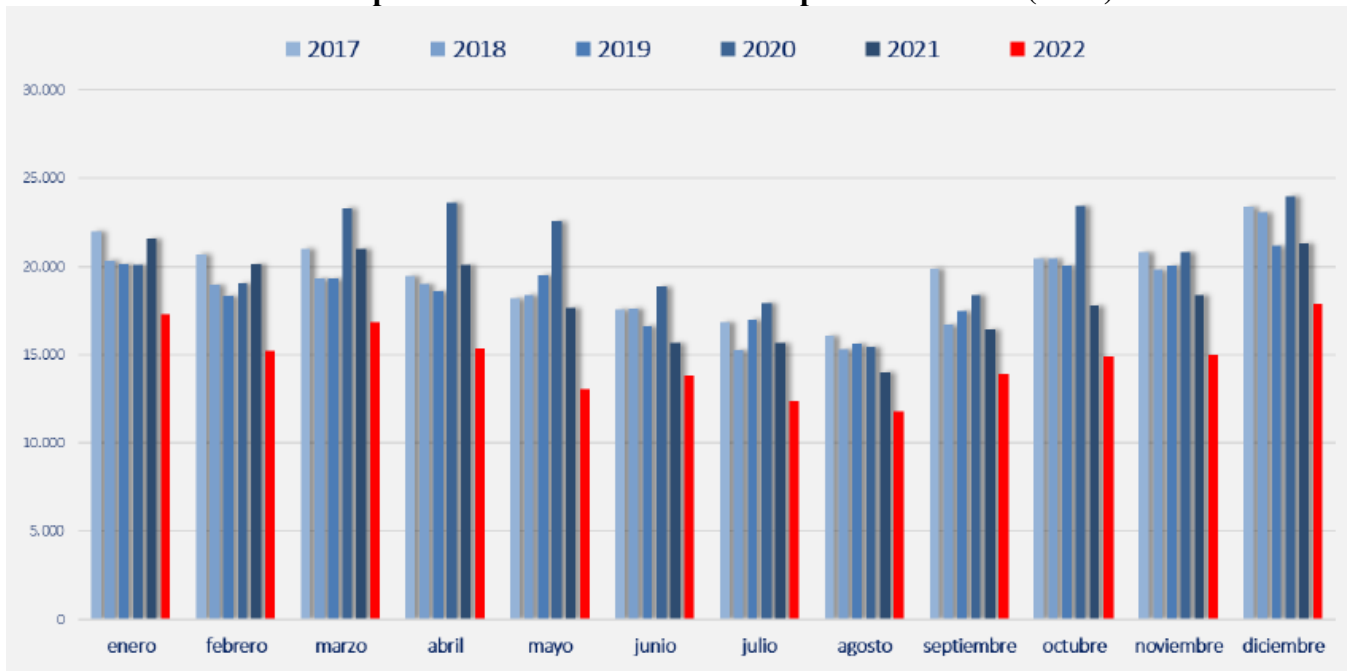
In 2022, Spanish beef exports continued to develop to the EU and non-EU markets and were valued at \$1.3 billion. Outside the EU, major Spanish beef markets are Canada, Indonesia, Morocco, UK, the Philippines, Vietnam, and Japan. The Spanish total beef trade balance has been positive since 2019 and hit a record in 2022, valued at almost \$400 million.

Chart 2. Food Price Monitoring Tool for Beef



Source Eurostat [EU food monitoring tool](#)

Chart 2. Spain's Beef Household Consumption 2017-2022 (Tons)



Source: Spanish Ministry of Agriculture, Fisheries, and Food (MAPA)

Attachments:

No Attachments.