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Report Highlights:

During its fourth week under lockdown, recent statistics signal that Spain may be entering the “stabilization and slowdown” phase of this pandemic. As part of its ongoing crisis response, the government is extending the State of Alarm lockdown for another fifteen days until April 26, 2020. A newly issued Royal Legislative Decree will ease hiring restrictions to address labor shortages in the agriculture sector. Since the outbreak, the most affected agricultural operations have been horticulture, ornamental plants, and dairy. In addition, the closure of the hospitality sector has negatively impacted sales of Iberico pork products, suckling pigs, lamb, goat, beef meat, and seafood. This report summarizes the preliminary impact of the pandemic on Spain’s agriculture and food sectors.

Current Status and Relevant Spanish Government Actions in Response to COVID-19

As of April 8, 2020, Spain still registered the highest number of confirmed COVID-19 cases in the EU and the second largest number of related deaths. However, recent trends in daily figures indicate that Spain be moving beyond the peak of the outbreak. According the Ministry of Health, Spain is now in the “stabilization and slowdown” phase of the pandemic. As part of its ongoing crisis response, the Spanish government has decided to extend its State of Alarm for a third time to April 26, 2020. Spain is also considering a number of different measures, including easing restrictions for seasonal workers and recruiting the unemployed in time for stone and red fruit harvest. Another measure under consideration is the testing all workers in essential sectors (including the agri-food sector) to identify asymptomatic carriers of the virus. Once identified, these individuals would then be voluntarily isolated in designated areas such as hotels or conference centers. A continuing shortage of test kits, however, will delay any efforts to implement this measure.

The timing of the outbreak and response measures have primarily impacted Spanish agricultural operations in horticulture, ornamental plants and flowers, and dairy. In addition, as the hospitality sector hibernates, the commercialization of Iberico ham and products, suckling pigs, seafood, lamb, goat, and beef meat, has been increasingly difficult and pressed prices downward. Meanwhile, changes in consumer patterns at home have increased Spanish retail demand for citrus, flour, rice, pulses (peas and lentils), and pasta products while depressing demand for wine, beer, and red fruit (including strawberries). In addition, the closure of the hospitality sector and retail preferences has also impacted Spanish demand for seafood imports. For more details on Spanish seafood import demand see related GAIN report. As previously reported, domestic grain operations and trade remain uninterrupted.

Horticultural Sector Navigates Labor Shortages and Changes in Consumer Preferences

Spain is a major producer of red, stone fruit, and citrus in the European Union. With this season’s strawberry harvest well underway, growers in Andalusia have appealed to the European Commission to activate extraordinary measures in response to the drop in demand for red fruit (including strawberries) in Spain and the European markets. Since the start of the outbreak, consumers have latched on to less perishable fruits (such as citrus, deciduous fruits, and bananas) to the detriment of red fruits.

During the horticulture harvest season, Spain typically employs up to 150,000 workers, including 75,000 – 85,000 seasonal workers from Bulgaria, Romania, North Africa, and Latin America. The cross border restrictions enacted by Spain and neighboring countries in response to the COVID-19 outbreak have led to significant labor shortages in critical growing regions (Andalusia, Murcia, Extremadura, Aragon, Cataluña, Navarra, Valencia, and La Rioja). In addition, movement limitations within Spain, such as the minimum number of passengers allowed per vehicle, is slowing worker commute to the

farms. According to the Coordinator of Farmers and Ranchers Organizations (COAG), failure to change current hiring practices could result in a labor deficit of 40 percent. Only two weeks away from the start of the stone fruit harvest season, the Spanish industry has called for new measures, at the Commission and national level, to address labor shortages. Cataluña, who employs about 40,000 seasonal workers, reportedly opened work applications receiving up to 1,000 local requests from unemployed individuals and agricultural students.

In addition to coordinating with other Member States to facilitate transit of seasonal workers, on April 7, the Spanish government approved a Royal Legislative Decree to ease hiring restrictions in time for harvest. Presented by the Ministry of Agriculture, the legislation allows unemployed individuals to continue collecting unemployment and social benefits in addition to income earned under agricultural contracts. Prior to this decree, individuals would lose their unemployment status and benefits if they worked as field laborers. The legislation also grants permits to various immigrant groups including foreigners whose residency is pending, asylees in country less than six months, and ex-guardians of migrants between age 18 and 21. In all cases, candidates must live in close proximity to the farm sites and have adequate protective gear against COVID-19. The legislation is expected to last until June 30.

Meanwhile, Spanish demand for citrus fruit is increasing as consumers look for alternative sources of vitamin C and healthy nutrients to combat the COVID-19 virus. The growing demand for citrus and the estimated 20 percent drop in Spanish citrus production for 2020, has normalized Spanish citrus prices over the last two weeks. Nevertheless, the sector guarantees it has ample supplies for the domestic and European markets. Last year, Spain's "orange vest" demonstrators had gathered in major cities protesting plummeting citrus prices following an influx of imports from South Africa. This year, shortly before the COVID-19 crisis, citrus growers, along with other farmers, had been on seven-week protest campaign against low commodity prices. According to statement by Agriculture Minister Planas on March 23, fresh produce farmers are receiving higher prices following a pledged revision of prices along the Spanish food supply chain.

Looking beyond harvest, in addition to facilitating worker mobility, the Spanish horticultural industry has also proposed a set of measures focused on two other areas: operational programs to accommodate costs of the pandemic; and a package of exceptional measures to deal with market impacts caused by price fluctuations, such as withdrawing product from the market, green or no harvest. As a major exporter of horticultural products to other EU Member States, the sector has also appealed to the European Commission to ensure the continued transport of fresh produce and organize the return of vehicles back to Spain.

Flower Growers Get Reprieve but Sales unlikely to Recover until 2021

As ornamental plant operators are not considered essential and as many local fairs and religious celebrations have been canceled, flower growers are still missing out on their highest sales season.

Operators in Valencia, for example, report potential losses of over 10 million euros and have joined other regions' requests for assistance to compensate for things such as product loss and market removal. In response to various requests, on March 31 the Spanish government published a Royal Legislative Decree offering to provide assistance to seasonal operators, such as flower growers, when their average turnover has been reduced by at least by 75 percent compared to the previous season. This assistance may fall short, as the fresh flower sector is unlikely to recover its normal business until February 2021.

Dairy Producers Concerned with Surplus Supplies

The Spanish dairy sector is facing new disruptions in its ability to market certain products like sheep, goat, and mixed cheeses given the closure of hotels and restaurants and changes in consumer demand. The industry has requested assistance to cover the cost of private storage to alleviate surplus in the market. Dairy producers have also expressed concern over the recent influx of milk imports from France, Germany, and Portugal (reportedly around 1 million tons of milk and cheap cheese) sold well below Spanish production costs and pressuring domestic milk prices down.

Hibernating Hospitality Sector Interrupts Commercialization of High-End Products

The closure of hotels and restaurants has devastated demand and slashed prices by 40 percent for meat products such as suckling piglets, sheep, goat meat, Iberico ham products, and high-valued beef cuts. Traditionally consumed in restaurants and hotels in southern Europe (Spain, Portugal and Greece), the commercialization of suckling pigs has been extremely difficult as there are no alternative uses for this kind of piglet meat and the product is not commonly consumed at home. Growers report that they do not have adequate facilities to grow the piglets to a heavier weight. The Spanish industry sees three months of private storage as the only viable solution and has solicited funds from the European Commission.

Facing steep price declines, several autonomous regions have requested assistance to the Ministry of Agriculture and the European Commission. In Castile Leon there are 5,000 lamb farms producing 250,000 lambs per month during spring time, 800 suckling piglets farms producing 65,000 animals, and 500 goat farms producing 5,000 animal during spring time. To alleviate the impact of the hospitality closure, the local government has connected rangers with retailers to promote these meat products in supermarkets, promoted consumption through media advertisements, and requested funds for storage.

Similarly, Cataluña requested aid for private storage for cattle animals above eight months and older for goat and lambs. These funds are available under the European Regulation on the common market organization for agricultural products. The regulation establishes that in the event of a market disturbance the EU may grant such aid with the intent that the product can enter the market once the

crisis is over. In addition, to private storage aid, the beef industry has requested other measures such as availing government procurement and the maintenance of current export markets. However, sheep and goat ranchers have been quick to point out that suggested new aids mainly benefit intermediaries that sell the animals to slaughterhouses and leave out 95 percent of the ranchers who sell their animals to fattening farms. A Royal Decree providing additional funding for sheep and goat rangers and other measures to alleviate the impact on piglet ranchers is under consideration. One of the measures includes direct aid for sheep and goat ranchers with more than 30 breeding females, as well as farm traders and concentration centers. The maximum amount of aid will be 30 euros per animal equal or less than 4 months old and that have gone to the slaughterhouse during the State of Alarm (currently March 14 – April 26).

In addition, as consumer demand for Iberico products is negligible under the current lockdown measures, the Spanish Iberico pork industry has also requested private storage aid to the Spanish Ministry of Agriculture, until hospitality operations returning to normal. Iberico products such as ham, sausage, loin, and special Iberian pork meat cuts are typically destined for the hotels and restaurants.

Grain and Oilseeds Supply Chain Operations Remain Normal

As previously reported, domestic grain operations and feedstock trade remain uninterrupted. Following the announcement of the State of Alarm, feed compounders built stocks. Currently, bulk vessels continue to arrive at a normal pace and ensure sufficient supply. Nevertheless, the grain and feed operators expect the demand for feed ingredients to decline with the drop in domestic consumption of livestock meat products as the tourism and hospitality sectors remain inactive. Industry observers also anticipate the lower consumption of conventional fuels will also take a toll on domestic biofuels blending needs and production.

Attachments:

No Attachments.