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## **Report Name:** Spanish Livestock and Poultry Sector Update

**Country:** Spain

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### **Report Highlights:**

The temporary closure of hotels and restaurants in response to COVID-19 lowered domestic demand for high-end meats and slashed prices for meat products such as suckling piglets, Iberico products, high-valued beef cuts, and chicken. In 2020, the availability of domestic meat supplies and lower tourism will likely lower Spain's overall imports of meat. This year, Spanish exports of pork and live cattle may be the driver to alleviate the loss in sales to the hospitality sector. During the first five months of 2020, the volume of Spanish pork exports grew by 11 percent fueled by record-level exports to China. In addition, the recent outbreak of African Swine Fever in Germany may further expand Spanish pork exports to Asian markets. Spanish exports of live cattle for slaughter grew 52 percent mainly to other EU countries and the Middle East. Meanwhile, Spanish chicken meat exports decreased 20 percent.

## Executive Summary

Since the beginning of the State of Alarm declared in Spain (March 14 to June 21) due to the COVID-19 crisis, Spanish household consumption of cheaper meats increased as a result of lower incomes following the pause in economic activity during confinement measures. Currently, the most consumed meats in Spain are chicken, white pork and pork products, minced and lower-grade beef. In contrast, demand for higher-end meat products such as suckling piglets, sheep, goat meat, Iberico products, and high-valued beef cuts have decreased strongly since March 14. Hence, the increase in household meat consumption during the lockdown did not offset the loss of traditional sales through the hospitality sector, celebrations, events, and tourism.

Spanish pork production is expected to continue growing in 2020 and 2021 driven by strong pork exports. Fortunately, the Spanish pork industry did not face a significant number of positive COVID-19 cases, and pork capacity at the Spanish pork facilities was not affected. During the first semester of 2020 and despite the COVID-19 pandemic, Spanish pork exports to non-EU countries remained strong albeit facing high competition in the global pork market. Spanish pork prices remain at 1.3 Eur/kg, same as the 2015-2019 average. Within the same time period, eight new Spanish pork establishments were approved to export pork meat and products to China, increasing the total number of eligible Spanish establishments to fifty-seven. In the first five months of 2020, China continued to be the first market for Spanish pork following the 2019 trend and surpassing major EU export destinations, namely France, Italy, and Portugal. During this period, Spain's exports to China grew by 121 percent in volume and 191 percent in value to \$856.5 million compared to the same period last year. Conversely, in this period, Spanish pork exports to the U.S. market dropped almost 80 percent in volume and 53 percent in value to \$10.3 million. The decline in exports was primarily due to additional U.S. tariffs on frozen pork in response to the WTO case against EU aircraft subsidies and the temporary pause of the hospitality sector due to COVID-19.

On September 10, Germany confirmed a positive case of African Swine Fever (ASF) in a wild boar. This may result in a reduction of swine and pork prices in the EU and disrupt the current trade flow. China and other Asian countries have already banned imports of German pork meat which may further expand Spanish pork exports to these countries. Conversely, a surplus of German pork meat in the EU may negatively impact Spanish pork exports to other European countries. Additionally, Spanish pork imports from other EU partners may rise as Spanish pork processors already facing tight domestic supplies take advantage of lower EU pork prices. To avoid a massive influx of lower-priced imports of live swine for slaughter, [the Spanish government intends to tighten control measures](#) at the border to maintain the health of the Spanish hogs. The Spanish government has also announced it will take steps to ensure that pork meat from Germany is not diverted through Spain, as this could have serious consequences for Spanish exports.

Additionally, according to official Spanish data, the Spanish cattle and beef herds may continue to expand in 2020. The expansion is mainly driven by exports of live cattle for slaughter to the Middle

East including new markets such as Jordan, Saudi Arabia, and Tunisia, the opening of new Asian markets for Spanish beef, and continuing demand from the EU market. However, to balance the cattle supply and demand, Spanish cattle herd and beef production may decline in 2021 as a result of the COVID-19 crisis. Due to the closure of the hospitality sector, Spain's beef imports are expected to decrease.

The Spanish broiler sector has also been negatively impacted by the COVID-19 pandemic. According to Spanish poultry industry observers, Spanish chicken production may decrease by five percent in 2020, despite the increasing trends shown over the last three years. Prospects for the Spanish poultry industry are to reorient trade and increase export markets outside the EU. The Spanish poultry industry anticipates chicken production to rebound in 2021, expecting a recovery after the COVID-19 crisis.

### **Pork and Pork Products**

In 2019, Spanish swine production and slaughter reached new record levels with almost 53 million hogs slaughtered and 4.6 million tons of pork meat, which represented an increase of 1.3 and 2.4 percent respectively. The piglets/sow ratio stands at 27 for Spanish white pigs and 13-15 for Iberico sows, giving an average of 21 piglets/sow. In 2020, total swine herd and sows continued to grow. According to Spanish official data, during the first semester of 2020, swine slaughter continued its growing trend, increasing 3.2 percent and pork meat production increased 5.5 percent. In 2020, according to Spanish pork sources, total swine slaughter may stand at 54 million and pork meat production at 4.7 million tons. Spanish industry observers estimate that for 2021, Spanish swine production will continue to increase slightly by 0.75 percent as the expected growth in white pig production will compensate for the drop in the Iberico pig sector. This may result in 54.4 million animals slaughtered and 4.8 million tons of pork with record carcass weight levels. This continued rise of Spanish pork production is in response to external pork demand mainly from Asia.

Iberico products such as ham, loin, sausage, and special Iberico pork meat cuts are mainly destined for hotel, restaurants, and institutions (HRI), celebrations, and tourism. During the confinement period under the Spanish State of Alarm (from March 14 to June 21), Spanish household demand for high-end Iberico products was extremely low. At that time, the Spanish Iberico pork industry requested the Ministry of Agriculture's support for private storage until the hospitality sector resumed normal operations. To assist the Iberico sector, the Spanish Ministry of Agriculture, Fisheries, and Food (MAPA) allocated \$11 million (10 million euro) to reduce Iberico pork production and rebalance the market. Iberico production currently represents 10 percent of total Spanish swine production. In addition, the commercialization of suckling pigs during the COVID-19 lockdown was extremely difficult as the product is not commonly consumed at home and there were no alternative uses for this kind of piglet meat. Every year, around 3 percent of total Spanish swine slaughters are suckling piglets. Approximately 95 percent of suckling pigs are marketed for the hospitality sector and 5 percent for events and celebrations. Thus, the market remained negligible during the confinement period.

According to Spanish pork producers, during the COVID-19 pandemic, the Spanish pork sector worked at normal capacity to satisfy domestic and export demand ([see GAIN Report](#)). On March 12, 2020 (two days before the declaration of the Spanish State of Alarm) Spanish pork prices peaked to record levels. Unprecedented levels of Spanish pork exports to Asia put a strain in domestic supplies which led pork prices to begin rising in 2019. However, due to the loss of HRI activity, the ample pork supply pressured pork prices downward during the State of Alarm (March 14 to June 21). During the week of May 18, pork prices dropped 20 percent from the beginning of the lockdown but remained at the 2015-2019 average price levels. Following the re-opening of the hospitality sector in Spain and the rest of the EU, Spanish pork prices held steady at the 2015-2019 average price level until the week of June 22. Up until the week of September 24, Spanish pork prices stabilized at 1.3 €/kg at the same level of 2015-2019 average price.

In addition, China continues to put pressure on Spanish pork price as U.S. and Canadian pork prices remain much lower than EU prices (see Chart 1) and as shown in [EU market meat observatory](#). The Spanish pork sector also highlighted the current dynamics in the U.S. – China trade relationship as another variable adding uncertainty to the market. In addition, the Spanish swine sector and the Spanish administration continue to monitor and implement prevention measures to avoid the re-entrance of ASF in Spanish territory. The industry reports that preventing ASF remains one of its major priorities to support Spanish exports.

**Chart 1. World Weekly Average Pig Prices 2018-2020 in Eur/100 kg carcass (EU, Brazil, Canada, U.S.)**



Source: DG AGRI-September 17

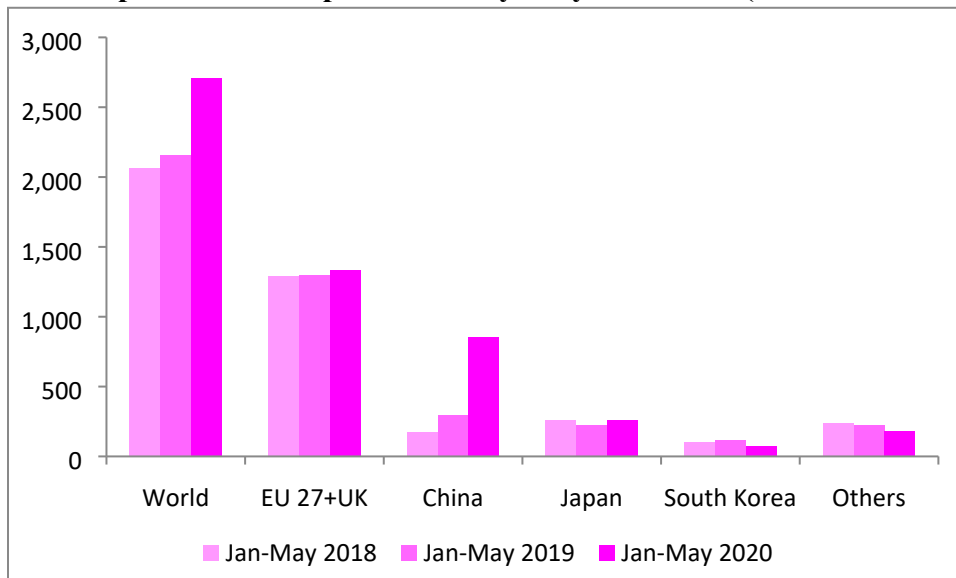
Currently, Spain maintains the highest levels of biosecurity measures and standards in the swine sector. Spain successfully eradicated ASF in 1995 after 35 years of dealing with the disease ([see GAIN Report](#)). This previous work helped the Spanish government and swine industry to get ahead by implementing important biosecurity measures. In addition, the Spanish pork sector states that the image of the Spanish swine and pork sector in China is very positive. This positive image was reinforced after China imposed a ban on imports from other European suppliers after reports of high incidences of COVID-19 cases emerged in slaughterhouses in Northern Europe ([see GAIN Report on EU Livestock and Products 2020](#)).

On April 8, 2020, China approved eight new Spanish pork establishments for export, increasing the total number of eligible Spanish establishments to fifty-seven. During the first semester of 2020, Spain shipped to China 18 percent of Spanish pork production. One of the newly approved establishments is positioned to be the largest pork processing facility in Europe by the end of 2020 or early 2021 (with 30,000 pigs slaughtered per day). This pork facility expects to add an estimated 25,000 tons (\$70 million worth) in monthly Spanish pork exports to China.

According to the Trade Data Monitor (TDM), in 2019, total Spanish pork exports increased 22 percent in value to \$5.8 billion and 12 percent in volume to 2.25 million tons. Fifty-five percent of Spanish exports were destined to the EU and 45 percent to non-EU markets. In 2019, Spain's pork exports to China grew 110 percent to 516,340 tons and reached record levels valued at \$1.2 billion. The Chinese market absorbed 23 percent of total Spanish pork exports and became Spain's first pork export destination in both volume and value. Major Spanish pork cuts exported to China in 2019 and in the first five months of 2020 were frozen meat, boned hams and shoulders, frozen pork carcass, and fresh pork meat.

In the first five months of 2020, the total volume of Spanish pork exports continued to grow by almost 11 percent compared to the same period last year despite the COVID-19 crisis. Meanwhile, Spanish pork exports to EU markets declined (see Chart 2). In value terms, Spanish total pork exports grew 26 percent, valued at \$2.7 billion. During this period, the volume of Spanish pork exports to China continued growing by 121 percent and valued at \$856 million. This export volume sharply surpassed those shipped to France, currently the second major destination for Spanish pork. Other important markets for Spanish pork continue to be Japan, South Korea, Philippines, Taiwan, Hong Kong, New Zealand, United States, Singapore, Vietnam, and Canada. Spain's pork exports to these markets declined due to the pause in economic activity caused by COVID-19. In 2019, Spanish pork exports to the U.S. remained flat; however, in the first five months of 2020, exports to the U.S. dropped almost 80 percent in volume and 53 percent in value to \$10.3 million compared to the same period last year. The sharp decline was the result of additional U.S. tariffs on Spanish frozen pork in response to the WTO Case against EU aircraft subsidies and the closure of Hotels, Restaurants, and Institutions (HRI) due to COVID-19.

**Chart 2. Spain's Pork Exports January-May 2018-2020 (in million dollars)**



Source: TDM

On September 12, China banned imports of German pork due to its ASF outbreak. This action followed similar measures taken by South Korea, Japan, Singapore, and Argentina to close their markets to German pork. These measures may encourage Spanish pork exports to Asia (beyond China) as these could make up for the gap in German supplies. Conversely, the expected surplus of EU pork meat, may lessen Spanish pork exports to other EU countries. The Eurozone currently absorbs around 50 percent of total Spanish pork exports.

The Spanish swine sector is increasingly concerned about the health status of Spanish swine as reduced hog prices due to ASF may result in an increase in imports of EU live swine in Spain. Currently, Spain's imports of live swine are around 1.5 million heads mainly sourced from the Netherlands, France, Portugal, and Denmark. For this reason, the Spanish Ministry of Agriculture, MAPA, has [reinforced control measures](#) at the border and Spain will enhance its surveillance of live animal movements. In support of these efforts, the Spanish pork association has called upon the sector to limit the entry of live pigs into Spain as much as possible, requested caution, and reiterated the importance of maintaining the current health of Spanish hogs to protect export markets. The Spanish government has announced steps to ensure that pork meat from Germany is not diverted through Spain, as this could have serious consequences for Spanish exports. Third countries importing pork require health certificates that limit the pork origins only to Spain or to those countries that have been previously recognized by the importing third country.

In 2020, Spanish pork industry observers expect Spanish pork exports to non-EU countries will continue to grow. However, given the current uncertainties in the global pork market and the expected rebound of the Chinese pork production, further growth in total Spanish pork exports remain uncertain for 2021.

Regarding Spain's imports of pork meat, 98 percent of imports come from other EU countries, valued at \$290 million in 2019. Spain's pork imports namely frozen pork from non-EU origins were valued at \$6 million and are mainly shipped from China, New Zealand, Norway, and Chile. In addition, in 2020, Spain's pork meat imports from the EU may increase due to the drop in EU pork price because of the ASF outbreak in Germany and the current tight Spanish pork supply.

## **Cattle and Beef**

According to official cattle and beef data, in 2019 the Spanish cattle sector continued to expand. This continued growth is mainly driven by exports of live cattle for slaughter to the Middle East and the opening of new Asian markets for Spanish beef. Total cattle slaughter grew almost two percent to 2,510 thousand animals slaughtered and almost four percent of beef meat to 695,000 tons. Cattle imports (only from EU) continued to grow and so did cattle herd to 6.6 million animals as of December 2019.

In 2020, the closure of HRI, pause in celebrations and tourism due to the COVID-19 crisis and lower Spanish household purchasing power discouraged demand for high-value beef cuts. Correspondingly, household consumption of cheaper beef cuts increased during the lockdown. However, this increase did not compensate for the loss in sales to the hospitality sector both in terms of volume and value. In addition to the [Private Storage Aid](#) (PSA) for EU meat approved by the European Commission on April 22, the Spanish beef industry requested other measures such as availing government procurement and the maintenance of current export markets. As of July 9, Spanish beef producers requested 598 tons of beef under PSA (576 tons up to 90 days and 22 tons up to 150 days). Spanish live cattle exports, mainly to the Middle East during Ramadan, partly alleviated the impact of the pandemic to the Spanish beef sector. This helped the sector reorient the surplus resulting from the closure of the hospitality sector.

During the first semester of 2020, Spanish official data shows a 10 percent decrease in cattle slaughter, as exports of live cattle for slaughter grew 12 percent mainly to the EU and the Middle East. At the same time, Spanish imports of live cattle also declined by 10 percent. According to Spanish industry sources, a big decline in cattle and beef production is expected for 2021, due to the COVID-19 crisis and the re-balancing of the Spanish cattle sector. Lower cattle imports in 2020 will result in less cattle animals in production for 2021. Carcass weight is slightly increasing, resulting in 640,000 tons of beef estimated for 2021 and 2.3 million animals slaughtered. In addition, due to a wet spring, calf/cow ratio may also increase slightly. Nonetheless, Spanish industry sources expect figures for cattle and beef production in 2021 to still hold slightly higher than 2009, Spain's previous economic crisis.

Over the last five years, Spain's major markets for live cattle have been Lebanon, Libya, Morocco, and Algeria and exports to these markets continue to trend upward. In 2019, according to TDM, Spain's

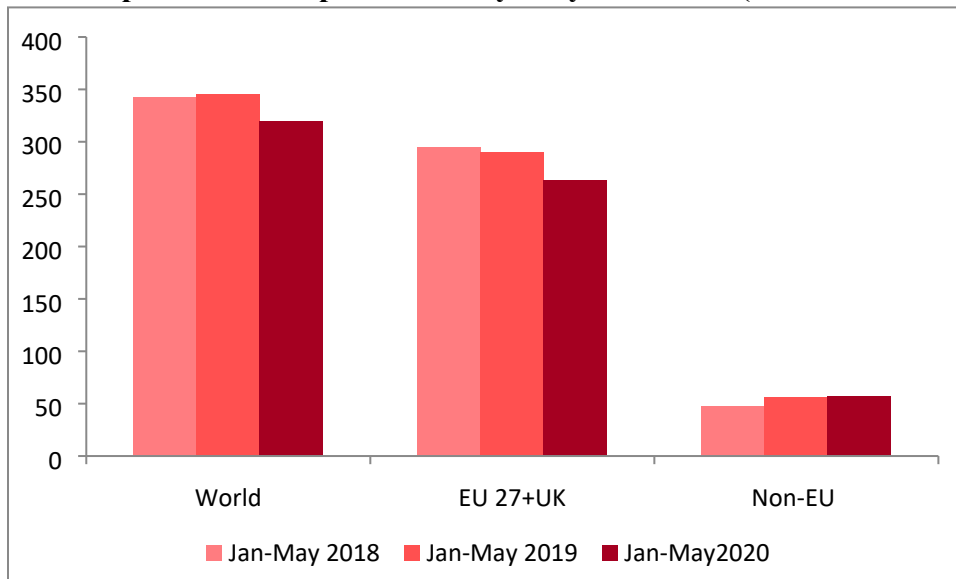
exports of live cattle for slaughter rose 37 percent resulting in a positive trade balance of \$30 million for the second year in a row. Turkey also reactivated imports of Spanish live cattle. In addition, the rise in Spanish live cattle exports to the EU in 2019, was mainly due to strong demand from Portugal. This Spain's live cattle export trend continued during the first five month of 2020, even during the peak period of the COVID-19 crisis in Spain (March and April), led by competitive prices for Spanish live cattle for slaughter in the Middle East.

Over the last five years, Spain's beef industry has worked to re-orient its exports to new strategic markets other than EU and North Africa. In January 2020, Spain was finally approved to export beef to Japan. In addition, after three years of working to open the market in the Philippines, in May 21, 2020, Spain received final approval to start exporting beef to this country. Similarly, over the last three years, Spain has also been working to open the Chinese beef market. To date, Spain is not eligible to export beef to China; however, Spain is eligible to export beef to Hong-Kong.

According to TDM, in 2019, Spain's beef exports grew 17 percent in volume to 222,000 tons and reached \$865 million. This level of exports led to the first positive trade balance since 2000 at \$70 million. Spain exports around 70 percent of its beef to other EU Member States, mainly to Portugal. Major non-EU markets are North Africa and Indonesia. In 2016, Indonesia approved imports of Spanish beef. Since then, annual Spanish exports have grown significantly to almost \$9 million in 2019. During the first five months of 2020, the total volume of Spain's beef exports declined slightly three percent mainly driven by shorter shipments to other EU countries while exports to non-EU destinations grew by one percent. In value terms, Spanish beef exports decreased globally to almost all destinations (see Chart 3). This volume decrease in Spanish beef exports to other EU countries was mainly due to the mandated-government lockdowns in most of the EU member states and the closure of the hospitality sector due to COVID-19. During this period, Spanish beef exports grew significantly in Indonesia, Canada, and Vietnam (which opened in 2019). Spain's beef exports increased to Canada due to CETA (Comprehensive Economic and Trade Agreement) agreement. Given Spain's efforts to maintain and increase beef exports in mature and new markets, and the recent openings of the Japanese and Philippine markets, Spanish beef exports may grow further in 2020.



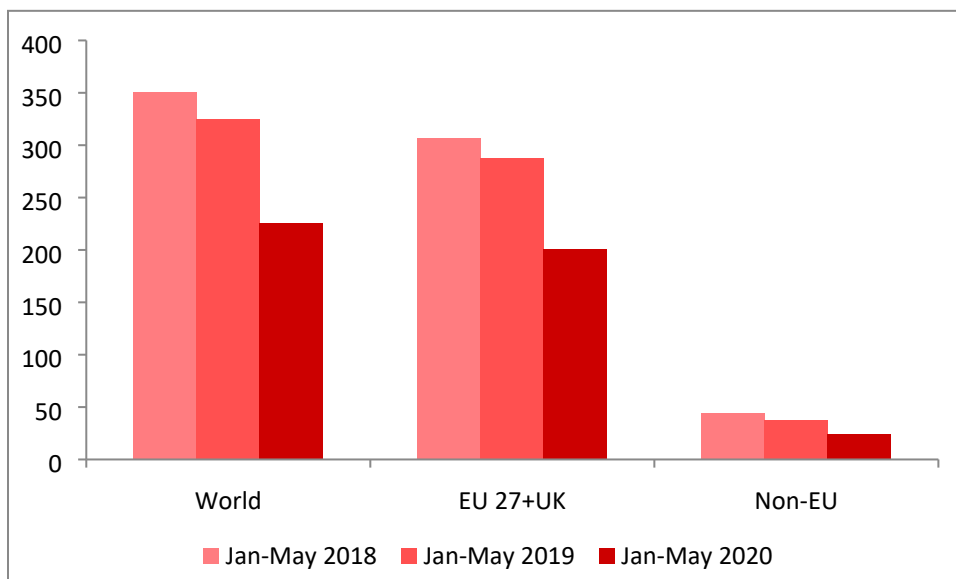
**Chart 3. Spain's Beef Exports January-May 2018-2020 (in million dollars)**



Source: Trade Data Monitor (TDM)

Regarding imports, Spain imports around 20,000 tons of beef from outside the EU, which represents about 12 percent of total Spain's beef imports and is valued at almost \$100 million. Most of the beef entering in Spain comes from the EU, mainly from Germany and the Netherlands, EU's major beef traders. Spanish import of beef from non-EU countries is typically destined for the HRI sector (see Chart 4). Thus, given the current COVID-19 environment, Spanish beef imports from non-EU origins, namely Brazil, Uruguay, Argentina, Paraguay, and Chile, may decrease in 2020 and likely in 2021.

**Chart 4. Spain's Beef Imports January-May 2018-2020 (in million dollars)**



Source: TDM

## Poultry Meat

In 2019, Spain produced 1.7 million tons of poultry meat, a six percent increase compared to the previous year. Poultry meat production in Spain is technologically advanced and fully integrated. Over the last five years, in response to consumer demand, Spain has slowly increased its production of organic chicken and slow growth chicken. In 2019, Spain’s poultry meat production represented 13 percent of the total EU-27+UK poultry meat production, following Poland and surpassing Germany and France. Around 80 percent of Spain’s total poultry meat is chicken meat. Spanish consumption and production are well balanced. Exports represent only about 15 percent of domestic chicken production, mainly to the EU. Poultry industry sources remark that Spain is a global key-player exporting hatching eggs and 1-day old-chicks mainly to North Africa and the Middle East, Russia, and China.

In the past year, the sector has been restructuring towards the manufacturing of value-added chicken products in response to the rising popularity of ready-to-eat and ready-to-cook chicken. In this regard, the Spanish poultry industry has expressed great interest in U.S. poultry technology. According to Spanish sources, a lot of Spanish animal production companies own both swine and poultry productions, and their future plans are to reorient trade and increase export markets outside the EU.

The temporary closure of the HRI channel, the drop in Spanish chicken exports to the EU due to reduced HRI demand, and the contraction of household consumption, increased domestic supply. This led to a sharp 15 percent drop in the average price for Spanish chicken in April compared to the previous month. Chicken prices started recovering since the week of July 13 due to the re-opening of the hospitality sector. While domestic chicken production grew steadily for the last three years, Spanish poultry meat producers anticipate that in 2020, chicken production will lower about five percent ([see GAIN Report](#)).

Due to the strong negative impact of COVID-19 to the poultry sector, the Spanish poultry association requested Private Storage Aid to the EU, but it was approved only for beef and sheep meat.

In 2019, Spain imported 112,000 tons of chicken meat. Eighty-five percent of total imports came from other EU countries and valued at \$263 million. Outside of the EU, Brazil is the top chicken supplier to Spain. Last year, Spain's chicken exports were 192,000 tons and valued at \$340 million.

Around 45 percent of Spanish chicken exports are destined for non-EU markets, mainly South Africa and Sub Saharan countries. In 2019, following the success of Spanish pork in the Asian region, the Spanish poultry sector started to work on opening this market. Last year, total Spanish chicken meat exports valued at \$338 million led to a positive trade balance for the second year in a row. During the first five months of 2020, the volume as well as value of Spain's chicken imports declined about 24 percent to \$91 million due to the COVID-19 pandemic. Additionally, during this same period, Spanish chicken meat exports declined 20 percent to \$117 million. The COVID-19 outbreak and the ensuing lockdown in most EU-27+UK countries led to a collapse of the HRI and an oversupply of chicken meat (see [GAIN Report on EU Poultry and Products 2020](#)).

**Attachments:**

No Attachments.