

Voluntary Report – Voluntary - Public Distribution

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Report Name: Spanish Meat Sector Update

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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 by 40 percent for meat products such as suckling piglets, sheep, goat meat, Iberico products, and high-valued beef cuts. On April 22, the European Commission approved aid to support private storage for EU dairy products, meat (sheep and beef), horticulture and wine, but not for pork. In 2020, Spanish exports of pork, beef, and live cattle and sheep may be the driver to alleviate the loss in sales to the hospitality sector. Different that other European neighbors, Spanish slaughter capacity has not been significantly impacted by the pandemic.

General Information

Since the beginning of the State of Alarm declared in Spain on March 14, Spanish household consumption of cheaper meats increased as a result of lower incomes following the economic pause under confinement measures. Currently, the most consumed meats in Spain are chicken, white pork and pork products, and 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 strongly decreased since March 14. Hence, the increase in household meat consumption did not offset the loss of sales traditionally sold through the hospitality sector, celebrations, events, and tourism.

During the lockdown, the Spanish meat sector has produced 1 million tons of meat, responding to the needs of Spanish consumers. Additionally, new market channels like e-commerce, such as direct sales from ranchers to consumers, are benefiting meat producers to partly alleviate the negative impact of a dormant hospitality sector. To help Spanish ranchers, several promotional campaigns are encouraging the consumption of Spanish food products. In early 2020 and up until the start of State of Alarm, farmer and rancher protests sprung all over Spain advocating for fairer prices and better value throughout the food chain. In response to the pandemic, Spanish farmers and ranchers paused their protests to guarantee the domestic food supply during the crisis. The Spanish Ministry of Agriculture and agricultural associations have supported the need for better prices and recognized the efforts undertaken by farmers and ranchers.

Pork

Traditionally consumed in Spain and Portugal, 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. Annually, around 1.5 million suckling pigs are slaughtered in Spain, about three percent of total Spanish swine slaughters. Ranchers report that they do not have adequate facilities to grow the piglets to a heavier weight. Ninety-five percent of suckling pigs are marketed for the hospitality sector and five percent for events and celebrations. Thus, during the confinement period the market remained negligible. As a result, domestic prices dropped 60 percent and freezers reached full capacity. Some agricultural companies are buying suckling pigs to help their customers, contributing to charity and food banks. The Spanish industry sees private storage aid as the only viable solution and solicited funds from the Spanish Government and European Commission.

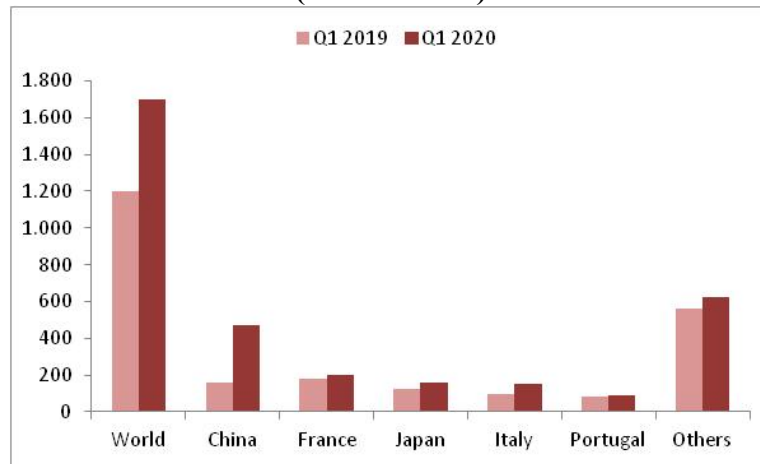
In addition, the Spanish Iberico pork industry has also requested the Ministry of Agriculture's support for private storage until the hospitality sector returns to normal operations. Iberico products such as ham, loin, and special Iberico pork meat cuts are mainly destined for hotel, restaurants, and institutions (HRI). During the confinement period, Spanish household demand for high-end Iberico products has been extremely low.

On April 22, the European Commission approved aid to support private storage (PSA) for beef and sheep but not for pork. The EU private storage measures are for agricultural commodities facing common problems in the EU due to the closure of HRI. The rest of EU Member States do not produce suckling piglets and Iberico pork.

According to Spanish pork producers, apart from suckling piglets, the Spanish pork sector continues to work at normal capacity to satisfy domestic and export demand. However, due to the loss of HRI, the ample supply has strongly pressured pork prices downward. On March 12, 2020 (two days before the declaration of the State of Alarm) Spanish pork prices peaked at 1.540 eur/kg. On May 14, pork prices were 1.26 eur/kg, an 18 percent drop since the beginning of the pandemic but a return to 2017 and 2019 price levels. As of this report, Spanish pork prices continue to decline while carcass weight is reaching record levels.

Spanish pork exports to non-EU countries, mainly China and the rest of Asian markets, are doing well. On April 8, 2020, China approved [eight new Spanish pork establishments](#) to export pork to China, increasing the total number of eligible Spanish establishments to fifty-seven. One of the newly approved establishments is positioned to soon be the largest pork processing facility in Europe (with 30,000 pigs slaughtered per day). This and other developments are expected to add an estimated 25,000 tons (worth \$70 million) in monthly Spanish pork exports to China. Industry sources also remark that currently China is purchasing Spanish pork but facing strong competition from other suppliers, as U.S. and Canadian pork prices remain much lower than EU's. At present, Spanish pork's main export challenges reside within the EU, with a main drop in exports to Italy due to the COVID-19 crisis. In 2019, total Spanish pork exports increased 22 percent in value to \$5.8 billion. During the first quarter of 2020, total pork exports rose 41 percent in value and 12 percent in volume with significant expansions to the Chinese market (see Chart 1).

Chart 1. Total Spain's Pork Exports Jan-Mar 2019-2020 (Million USD)



Source: Trade Data monitor (TDM)

As of the date of this report, only two Spanish slaughterhouses have reported issues with COVID-19 worker infections. Compared to northern European neighbors, Spanish domestic slaughter capacity has not been as affected. Domestic slaughter capacity has not been affected in comparison to neighbors in northern Europe. The Spanish pork industry does not foresee any significant reduction in pork facility operations, which continue to operate at normal levels.

Additionally, the Spanish swine sector continues to strongly monitor and implement prevention measures to avoid the re-entrance of African Swine Fever (ASF) in Spanish territory. The industry

reports that ASF remains one of its major priorities to support export demand, still the main driver of Spanish pork production even during the pandemic.

Sheep and Goat Meat

Facing steep price declines in sheep and goat meat due to closure of the hospitality sector and tourism, in early April, several Spanish autonomous regions 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 and 500 goat farms producing 5,000 animals during springtime. To alleviate the impact of the hospitality sector's closure, the local government has connected ranchers with retailers to promote these meat products in supermarkets, promoted consumption through media advertisements, and requested funds for storage. On April 16, 2020, a [Royal Decree](#) (RD) providing additional funding of \$11 million (10 million euro) went into force to assist sheep and goat ranchers. The EU's CAP (Common Agricultural Policy) funding for sheep and goat meat represents an annual support for this sector of \$173 million (158 million euro). This RD complements the measures already taken by the Spanish government since the start of the State of Alarm (March 14). One of these [measures](#) approved in a RD in early April included 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 four months old and that have gone to the slaughterhouse during the State of Alarm.

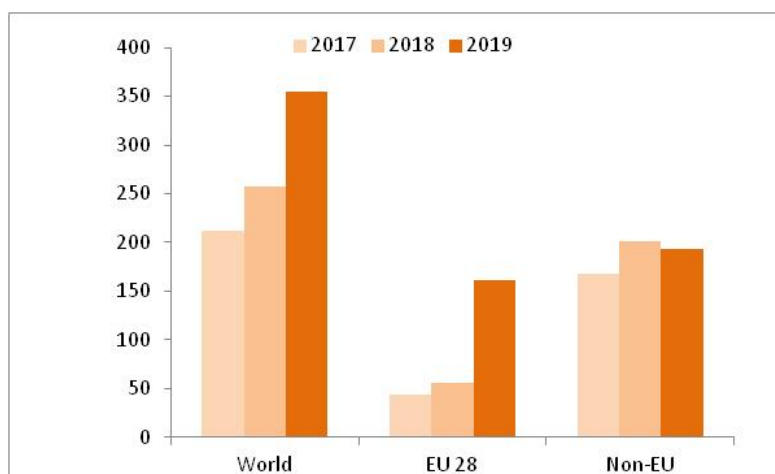
As of the date of this report, Spanish sheep and goat meat producers have requested 125 tons of meat under PSA (120 tons up to 90 days and 5 tons up to 150 days). The PSA covers the frozen storage of the entire animal carcass.

Cattle

The closure of HRI, celebrations, and tourism and lower purchasing power in Spanish households resulted in lower demand for high-value beef cuts. In addition, to private storage aid, the Spanish beef industry has requested other measures such as availing government procurement and the maintenance of current export markets. As of this report, Spanish beef producers requested 108 tons of beef under PSA (86 tons up to 90 days and 22 tons up to 150 days).

Spanish live cattle and sheep exports, mainly to Middle East, partly alleviated the impact of the pandemic to the Spanish meat sector. Spanish exports of live cattle and sheep to countries in the Middle East rose during the lockdown. This is helping the sector to reorient the surplus resulting from the closure of the hospitality sector. In recent weeks, the main actions have been the exports to new Middle East markets such as 100,000 live animals to Saudi Arabia and 50,000 to Jordan shipped from Port of Tarragona, and coinciding with the Ramadan celebrations. Over the last five years, Spain's major markets for live cattle have been Lebanon, Lybia, Morocco, and Algeria. In 2019, Spain's live cattle exports rose 37 percent resulting in a positive trade balance of \$30 million (see Chart 2). In addition, the rise in Spanish exports of live cattle to the EU in 2019, was mainly due to strong demand from Portugal.

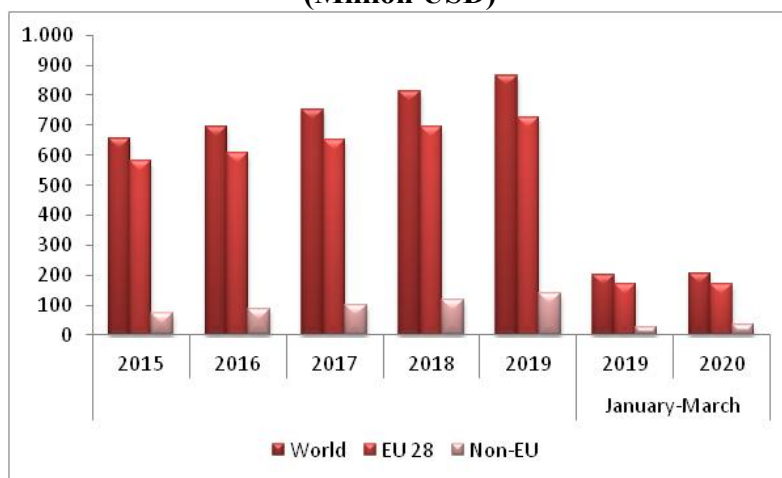
Chart 2. Spain's Live Cattle Exports 2017-2019 (thousand animals)



Source: TDM

Spanish beef exports to non-EU markets are also helping to ease the impact of the loss in sales to HRI. Over the last five years, Spain's beef industry has worked to re-orient its exports to new strategic markets. On 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, [on May 21, 2020](#), Spain received final approval to start exporting beef to this country. Conversely, over the last three years, Spain has also been working in opening the Chinese beef market. To date, Spain is not eligible to export beef to China.

Chart 3. Spain's Beef Exports 2015-2019 and Q1 2019-2020 (Million USD)



Source: TDM

In 2019, Spain's beef exports grew 17 percent in volume to 222,000 tons and valued at \$865 million (see Chart 3). Spain exported around 80 percent of its beef to other EU Member States, mainly to Portugal and Italy. 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 quarter of 2020, Spain's beef exports continued to rise slightly mainly driven by

exports to non-EU destinations. During this period, Spanish beef exports grew significant in Italy, Greece, North Africa, Vietnam (which opened in 2019), and 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.

Attachments:

No Attachments.