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Report Name: High Input Prices Limit Expansion of Spanish Meat Production

Country: Spain

Post: Madrid

Report Category: Livestock and Products, Poultry and Products

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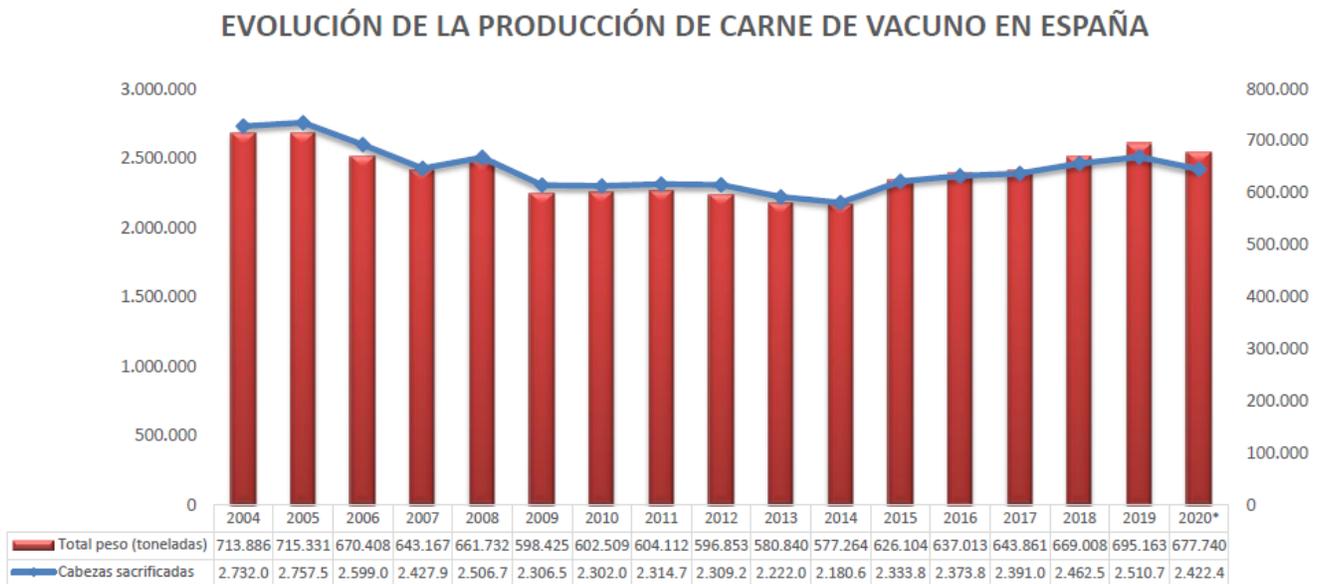
Report Highlights:

Increased production costs, mainly in feed, electricity, and labor, and lower live cattle as well as pork and chicken meat exports are keeping Spanish animal production at current levels, ending the expansion experienced in the last years. Additionally, due to the COVID-19 pandemic, the sector is committed to progress in the One Health concept, with environmental, animal, and human health institutions working together.

Cattle and Beef

In 2020, Spanish [official data](#) showed a slight decrease in cattle and beef production due to the COVID-19 pandemic and higher feed prices, with 2.42 million heads slaughtered and 677,740 metric tons (MT) of beef produced (see Chart 1). During the first ten months of 2021, Spanish cattle beef slaughter declined 4.5 percent, while cow slaughter grew five percent, resulting in a 4.5 percent growth of total cattle slaughter compared to the same period the previous year. According to the Spanish beef sector, the increase in cow slaughter may be due to the slaughter of animals retained during the pandemic, in addition to higher slaughter because of the increase in production costs (particularly of feed) in 2021.

**Chart 1. Spanish Beef Production and Cattle Slaughtered 2004-2020
(in MT and Million Heads)**



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

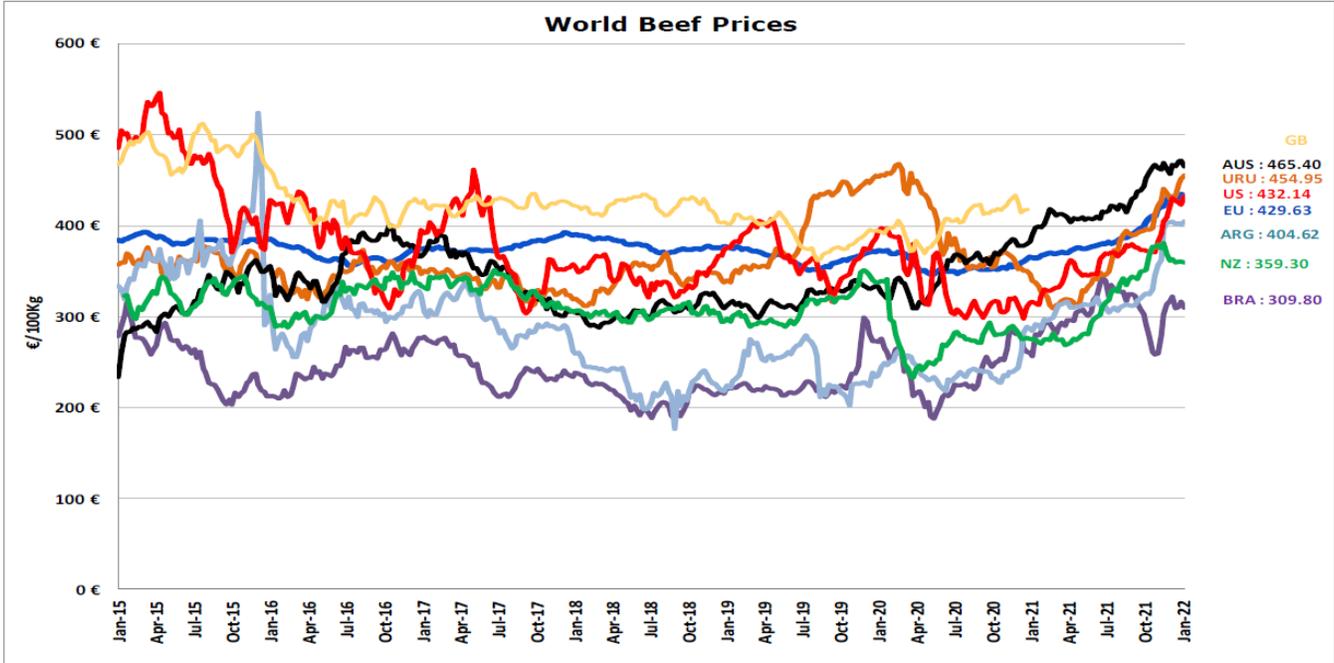
Due to the increase in cow slaughter, Spanish official data shows that beef production also grew five percent from January through October 2021. In 2020, carcass weight jumped to 279.5 kg because of a slowdown in slaughtering from the closure of the hospitality sector. However, carcass weight is forecast to decrease in 2021 and 2022 due to higher production costs from high feed prices, speeding up slaughtering. Throughout the pandemic in 2020, difficulties derived from the closure of the hospitality sector were partly alleviated by Spanish exports of live cattle to North Africa and Middle East and the opening of new markets, namely Jordan and Saudi Arabia. In 2021, Spanish live cattle shipments to the EU remained flat (mainly to Portugal) but declined significantly to non-EU markets, due to the growth in cattle prices. This trend may continue in 2022, according to the Spanish cattle industry.

Spanish live cattle imports destined to be raised strongly declined 15 percent from July through November 2021. In the last year, Spanish cattle production costs rose dramatically as feed prices

skyrocketed. Electricity and labor costs also greatly increased, resulting in an expected reduction in cattle production and decreased live cattle imports for finishing. In 2022, Spain’s cattle slaughter and beef production are forecast to decrease as a result of reduced cow slaughter as well as lowered economic performance from the increase in production costs.

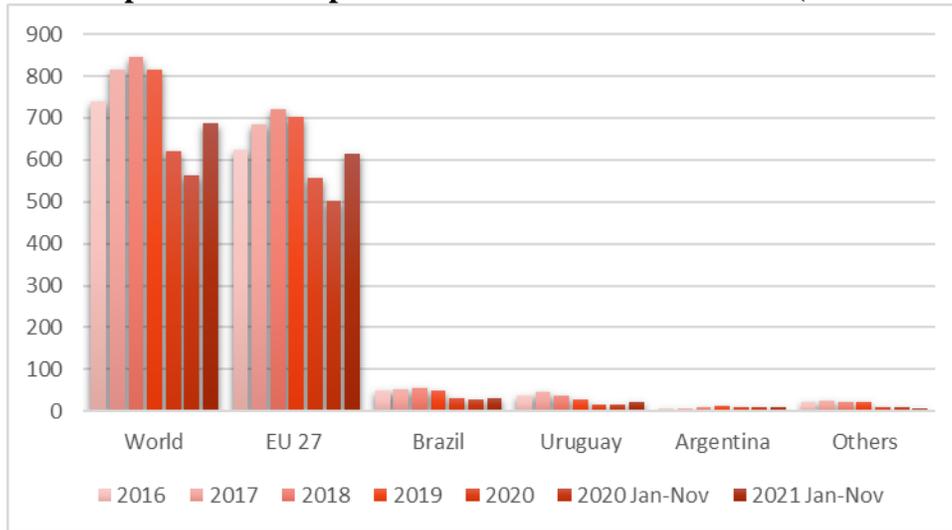
In 2020, the closure of the hospitality sector and tourism due to the COVID-19 crisis resulted in lower demand for high-value beef cuts. While Spanish household consumption of beef increased during the lockdown as families cooked at home more often, this increase did not compensate for the loss of sales to the hospitality sector both in volume and value. Imports from non-EU markets, which are mainly destined for the hospitality sector, were reduced in 2020 and 2021. Around 90 percent of Spain’s beef imports are sourced from the EU, mainly from Poland, the Netherlands, and Germany. Due to increases in [EU beef prices](#) in 2021 (see Chart 2), Spanish beef imports from non-EU markets may slightly rebound in 2022. Spanish beef imports outside the EU are mainly sourced from Brazil, followed by Uruguay and Argentina (see Chart 3). In 2021, January-November total Spanish beef imports stood at 127,417 MT CWE (carcass weight equivalent) and were valued at \$687 million, \$72 million of which came from non-EU markets.

Chart 2. World Beef Steer Prices 2015-2022 (€/100 kg)



Source: EU DG Agriculture

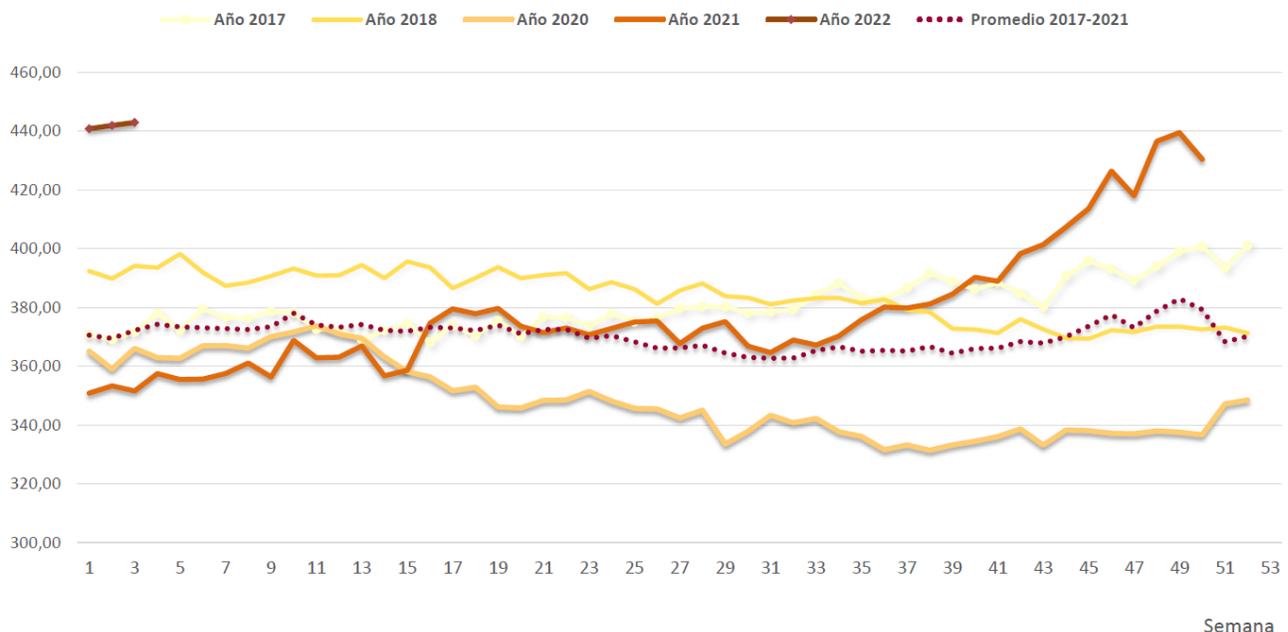
Chart 3. Spanish Beef Imports 2016-2020 and Year to Date (Million USD)



Source: Trade Data monitor, LLC (TDM)

Over the last five years, Spain’s beef industry has worked to re-orient its exports to new strategic markets outside the EU. From January to November 2021, Spain’s beef exports grew eight percent, mainly fueled by a 10 percent rise in exports to the EU, especially to Portugal, Italy, France, and Greece, due to more competitive prices. This led to increased Spanish beef prices since August 2021 (see Chart 4) as reported by the Ministry of Agriculture, Fisheries, and Food ([MAPA](#)), which partially helped offset high production costs.

Chart 4. 2017-2022 Weekly Spanish Young Bovine Price, Category AR3 (€/100kg)



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

Semana

Major non-EU markets are North Africa, Canada, Indonesia, the United Kingdom (UK), Vietnam, the Philippines, and Japan. The Philippines and Japanese markets were opened in 2020 and developed well in 2021, reaching export values of \$4 and \$3 million respectively from January to November 2021. Spain is still working to open China and South Korea as markets for beef. According to Spanish sources, Spanish beef exports to non-EU markets returned to normal levels in 2021 and may continue this positive trend in 2022. In 2021, January-November total Spanish beef exports stood at 223,262 MT CWE (carcass weight equivalent) and were valued at \$984 million, of which \$114 million was to non-EU markets.

The beef sector saw a rebound in beef consumption in restaurants from June through December 2021, as tourism resumed and COVID-19 restrictions lifted. The beef sector expects consumption to return to normal levels in 2022, driven mainly by the high vaccination rate of the Spanish population (around 90 percent) and expected increase in tourism.

Swine and Pork

The Spanish government and the swine sector continue to closely monitor and implement prevention measures to avoid the entry of African Swine Fever (ASF) in Spanish territory. The industry reports that ASF remains one of its major priorities in protecting Spanish production and export markets, especially after the recent outbreaks found in northern Italy.

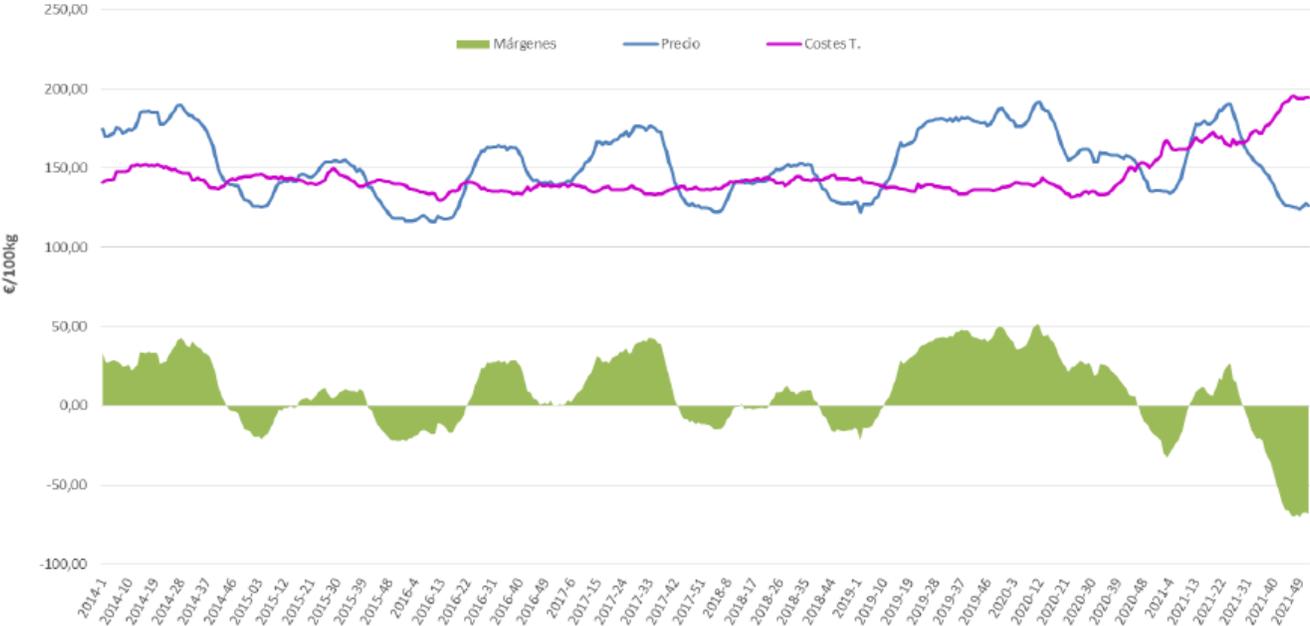
According to Spanish official data, total swine slaughtered and pork meat production both grew three percent from January to October 2021, compared to the same period in 2020. In 2020, average carcass weight in Spain stood at 89.1 kg, a 1.7 percent increase compared to 2019 (see [GAIN Report](#)). This upward trend in carcass weight continued in 2021 because Spanish hog producers increased carcass weight to be at the same EU level.

In 2020, Spanish pork meat production rose 7.8 percent to 5 million tons, a record level for Spanish pork production. This growth was mainly due to the strong Spanish live hog imports for slaughter (mainly from the Netherlands, France, Portugal, and Belgium) during the last quarter of 2020. In 2021, Eurostat data shows that the Spanish pig herd hit another record level at 32,796 million swine animals, a five percent rise compared to the previous year, while the sow herd grew 1.1 percent, to 2.635 million sows. The piglets/sow ratio stands at 25-27 for Spanish white pigs and 13-15 for Iberico sows, giving an average of around 21 piglets/sow. In 2022, according to the Spanish swine sector, the breeding sow population is expected to remain flat, mainly due to the increase in feed costs and the reduction of Spanish pork exports to China. Demand from China strongly declined during the second semester of 2021 and the Spanish sector does not expect a rebound in exports to China in the coming months.

In 2021, the Spanish pork sector struggled to remain economically profitable due to increased production costs, mainly in feed, electricity, and labor costs, which have not been transferred to the pig price (see Chart 5), according to Spanish [official data](#). On December 30, 2021, Spanish pig prices (Mercolleida price) stood at 1.02 €/kg, 34 percent lower than the peak reached in June 2021. The Spanish pork industry remains pessimistic regarding uncertainties in the current pork market, and Spanish pork production may remain flat at 5 million tons in 2022, due to higher production

costs and the lower demand in China and decreased domestic pork consumption. Future expansions in pork production will be limited to allow farms to adapt to meet new EU requirements under the Green Deal strategy.

Chart 5. Weekly Spanish Pork Margins, Production Costs vs Pork Prices 2014-2021 (€/100kg)

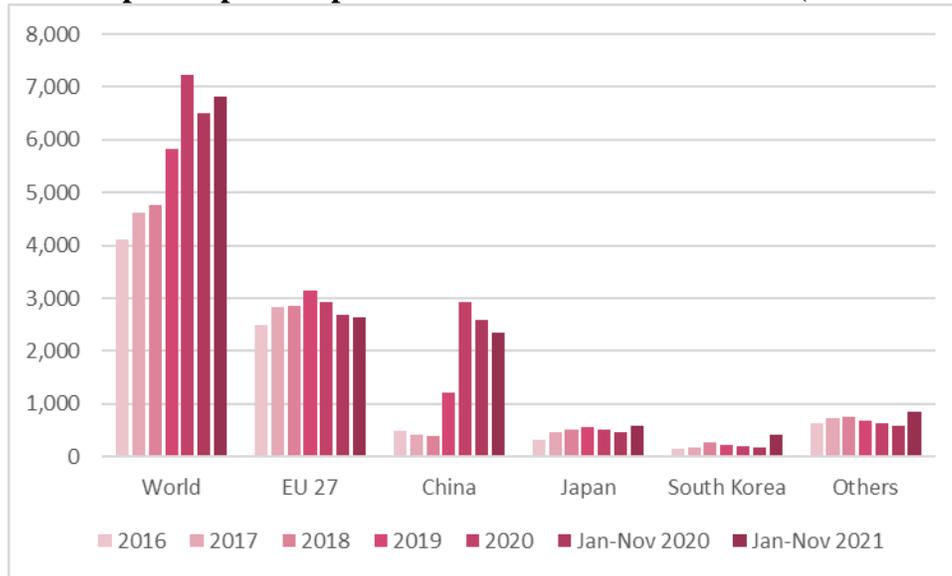


Source: Spanish Ministry of Agriculture, Fisheries, and Food (MAPA)

Spain is a net pork meat exporter, shipping more than 50 percent of its domestic pork production. According to TDM, total Spanish pork exports increased 21.5 percent to 2.7 MMT CWE in 2020, valued at a record \$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. Spanish pork exports to China grew 136 percent to 1.2 MMT, valued at \$3 billion. This represented 31.5 percent of total EU pork exports and was the first time that Spanish pork exports to non-EU markets surpassed exports to the EU-27. From January-November 2021, total Spanish pork shipments rose five percent compared to the same period of 2020, due to growth to the EU and to China, Spain’s major pork destination, particularly during the first semester of 2021 (see Chart 6). However, from July through November 2021, Spanish pork exports to China strongly declined by 42 percent due to lowered Chinese pork demand.

Other Asian markets for Spanish pork, namely Japan, South Korea, the Philippines, Taiwan, and North America and Chile, developed well in 2021 but did not offset the losses from decreased Chinese demand since July 2021. In 2022, the Spanish pork industry expects a continued decline in Chinese pork demand. Thus, the sector expects a change of Spanish pork flow from China to the EU, returning to previous patterns for Spanish pork exports, in which around 60 percent went to the EU and 40 percent to non-EU markets.

Chart 6. Spanish pork Exports 2016-2020 and Year to Date (Million USD)



Source: Trade Data monitor, LLC (TDM)

During the pandemic, the significant growth in pork consumption in Spanish households and the increase in Spanish pork exports alleviated the loss in pork meat sales through the Spanish hospitality sector. Overall domestic pork consumption slightly decreased in 2020 due to the closure of HRI and tourism sectors. These levels did not rebound in 2021 due to the continued effects of the pandemic and related measures that mainly impacted tourism. In 2022, the pork sector expects consumption to rebound, driven mainly by the expected increase in tourism.

Poultry (Chicken Meat)

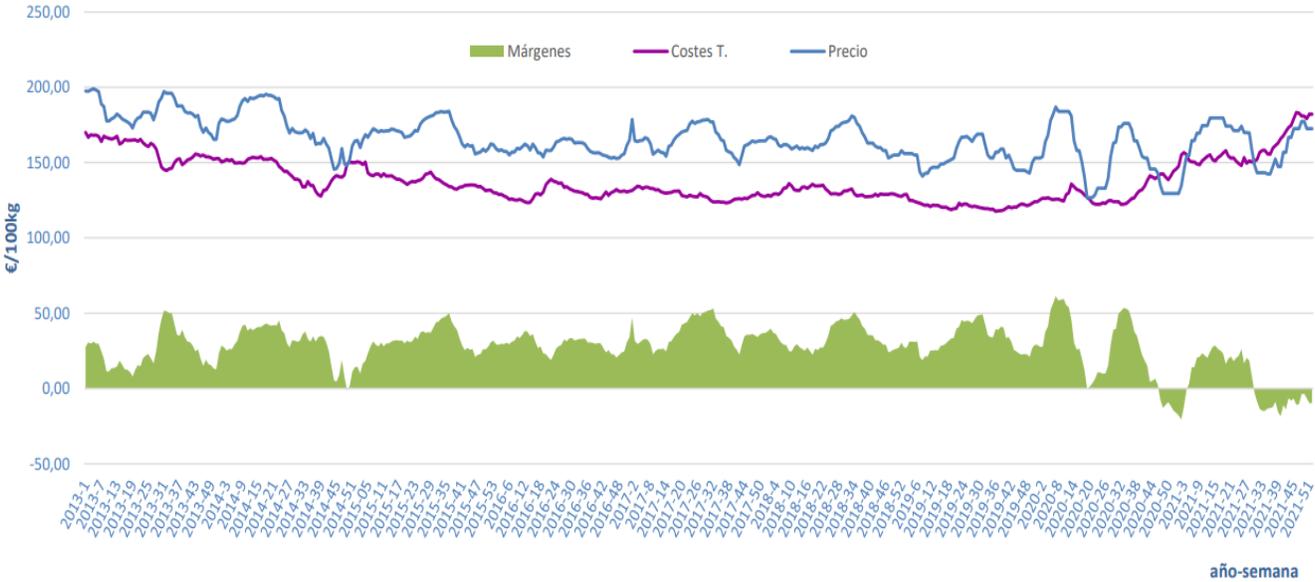
Spain is the second largest chicken meat producer in the EU27, producing 1.4 million tons in 2020. In Spain, due to biosecurity reasons and to prevent contact with wild birds, most of the chicken and turkey on commercial farms are raised indoors under controlled parameters. Conversely, most of the Spanish alternative poultry meat production such as ducks, quail, goose, pheasant, and partridge are mainly produced outdoors. In Spain, around 20 percent of laying hens are cage-free and raised outdoors.

Spain is self-sufficient in chicken meat, with exports representing only about 15 percent of domestic chicken production. According to [official data](#), Spanish chicken per capita consumption is around 35 kg. In 2021, consumption slightly decreased due to the pandemic and COVID-19 related measures, which impacted the hospitality sector and tourism. The industry is working on promotional campaigns to increase domestic poultry consumption. The chicken sector expects consumption to rebound in 2022, driven mainly by the high vaccination rate of the Spanish population (around 90 percent) and the expected increase in tourism. However, the pandemic is still a major concern for the poultry industry and could continue to impact domestic chicken consumption in 2022.

According to [Spanish official data](#), Spanish chicken production decreased five percent from January to October 2021, due to high production costs facing the sector. Costs for feed, electricity, and labor

skyrocketed last year, further lowering economic performance. According to the Spanish poultry industry, the Spanish chicken sector, like the pork sector, has struggled since 2021 to remain economically profitable, as the increase in production costs have not been transferred to the chicken price (see Chart 7). However, part of the decline in production is also attributable to the pandemic’s impact on domestic consumption, particularly in HRI and tourism.

**Chart 7. Weekly Spanish Chicken Margins, Production Costs vs Chicken Prices
2013-2021 (€/100kg)**



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

In 2021, Spain maintained its status of free from Avian Influenza (AI). As a result, Spanish chicken exports to EU and non-EU markets, mainly to South Africa, UK, and Sub-Saharan countries, increased 20 percent from January to November 2021, going up to 189,708 MT and valued at \$385 million. During this period, Spanish chicken meat imports also grew 10 percent, mainly from EU countries, as imports from Brazil and UK strongly declined. However, in fall 2021, Spain was declared a high-risk area for AI following outbreaks in other EU countries. The Spanish government and poultry sector strengthened biosecurity measures and established prohibitions of free-range poultry production in areas of special risk. According to the Spanish Ministry of Agriculture (MAPA), animal health is the top priority of the Spanish animal production for One Health purposes and for meeting domestic and export demands for poultry.

However, on January 18, MAPA reported an outbreak of Highly Pathogenic Avian Influenza (HPAI) H5N1 in a commercial turkey farm in Segovia, north of Madrid. The outbreak was found on a farm of 18,900 turkeys and all the animals were culled to stop the spread of the disease. Although all necessary biosecurity and surveillance measures are in place to stop spread of the disease, Spain has lost its AI-free status and the government is taking actions to establish regionalization recognition to allow continued poultry exports to non-EU markets. To date, South Africa, the major destination of Spanish chicken meat, has banned all Spanish poultry exports into its territory from any part of Spain. Spanish chicken meat shipments to non-EU markets were valued at \$122 million from

January-November 2021, from which around \$40 million went to South Africa. MAPA reported that the majority of poultry export certificates are still valid to destinations that accept regionalization.

On February 10, three additional AI cases were confirmed in one broiler farm and in two turkey farms in Huelva and Seville, Andalusia. This follows the AI cases detected on February 9 in a commercial farm of laying-hens in Valladolid, Castile Leon and the second HPAI outbreak confirmed also on February 2 in a Spanish broiler commercial farm in Huelva. All the animals were culled to stop the spread of the disease and biosecurity measures adopted, including the establishment of a protection zone (3 km) and surveillance zone (3-10 km). With these new outbreaks there are already eighteen confirmed AI cases in Spain, including twelve more cases in wild birds.

Due to the continued pandemic restrictions, low economic performance due to high production costs, and the recent AI outbreaks impacting non-EU exports, the Spanish chicken industry expects to continue the downward trend in chicken meat production in 2022.

Policy Overview

Spain's National Plan Against Antibiotic Resistance

Implemented by the Spanish Ministry of Health since 2014, Spain's National Plan against Antibiotic Resistance (PRAN) resulted in reductions in Spain's use of antibiotics for both human and veterinary health (see [GAIN Report](#)). The PRAN comprises eight Spanish Ministries, more than 300 science experts, and more than 70 scientific societies. This program is reviewed every four years and contains six strategies in both human and animal health: surveillance, control, prevention, research, training, and communication. The PRAN 2019-2021 gave continuity to the work developed in 2014-2018, applying the "[One Health](#)" approach with the aim to reduce the growth of resistance to antibiotics and its impact on human health. According to the PRAN's [data](#), between 2014 and 2020 the Spanish consumption of antibiotics fell by 32.4 percent in human health and 56.7 percent in animal health. The Spanish program launched a [series of programs](#) for the voluntary reduction of the consumption of certain antibiotics in different species of animal production. PRAN 2022-2024 will continue to follow these objectives to reduce antimicrobial resistance (AMR), emphasizing the environmental health, and increasing the formation and communication.

One Health Efforts

In November 2021, the Veterinary University of Barcelona presented Spain's "[Plataforma One Health](#)." This platform is a network that unifies the efforts of more than 100 national entities, such as organizations, associations, academia, and foundations belonging to different areas in the environmental, human, and animal health sectors. The objectives of the platform are to promote the One Health approach at the state level, to establish a dialogue with all key decision-making institutions, to disseminate the One Health concept among the general public, to facilitate interdisciplinary and intersectoral collaboration, and to prepare consensus documents on specific strategic issues. One of the first steps will be to introduce educational policies that include the One

Health approach in schools, institutes, universities, and postgraduate training in all the disciplines involved.

At an annual conference of the veterinary industry in November 2021, the veterinary industry, health care professionals, and the government discussed the need to communicate and disseminate science in a clear and concise manner in order to increase society's confidence in the science community. Due to the current COVID-19 pandemic, communication on science is especially relevant, particularly on issues like vaccines for both human and animal health. As some of the world's most deadly epidemics, such as avian flu, Ebola, cholera, AIDS, or COVID-19, are of animal origin, the One Health approach may prevent future pandemics such as COVID-19. Key factors such as climate change, globalization, or the expansion of movements of animals and people considerably increase the possibilities of “jumps between species” of viruses and diseases and their rapid expansion. [MAPA](#) stated that one of its main priorities is maintaining a high animal health status in Spanish animal production to ensure the prevention of diseases in animals as well as to safeguard people's health. [MAPA](#) also highlighted the importance of communicating the animal health sector's efforts to improve environmental, human, and animal health.

Attachments:

No Attachments.