

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 2/28/2017

GAIN Report Number: SP1704

Spain

Post: Madrid

EU Avian Flu Threatens Export Markets for Spanish Eggs

Report Categories:

Poultry and Products

Approved By:

Rachel Bickford, Agricultural Attaché

Prepared By:

Carmen Valverde, Agricultural Specialist

Report Highlights:

Spanish egg producers experience a boom of export sales to newly opened markets in South Korea, Iraq, Hong Kong the United Arab Emirates, Israel and Africa. Will this trend last if the Spanish flock is infected by the Avian Influenza virus that is hitting other EU countries?

General Information:

The Spanish egg sector has been looking for new extra-EU markets in order to generate dependable revenue for egg producers. In 2015 the Spanish egg industry moved quickly to export to the United States after the avian influenza outbreak. This year, depending on the avian influenza situation in Europe, Spanish egg producers hope to export to the newly opened South Korean market.

South Korea currently has a supply problem caused by an outbreak of bird flu and will need to alleviate this deficit by eliminating import tariffs until June 30, 2017. This situation creates a new market opportunity for the Spanish egg sector.

Spanish egg producers that are already sending product to South Korea are also aware that this is a temporary market, similar to the U.S. situation in 2015, as they have experienced the quick recovery of U.S. production capabilities. The United States has a geographic competitive advantage in Asia as sea transport takes thirty days from Spain and the eggs go bad in that time. Therefore Spanish producers have been flying their eggs to Korea. Even with the additional cost, Spaniards are seeing sales. Spain is the only EU Member State supplying eggs to South Korea, along with the United States and Australia.

While export markets are a priority for the Spanish egg sector, the EU-28 remain the most important market overall. Spain produces 13 percent of the total EU eggs, and exports each year around 130,000 tons of eggs to the EU and around 50,000 to third countries. EU consumers have a preference for an alternative production model to the cage system. Despite this stated preference, of the 40 million laying hens in Spain, about 92 percent are confined in an enriched cage system, five percent in an aviary system, 2.5 percent are free-range and 0.5 percent is classified as organic, according to data from the Spanish Ministry of Agriculture. The Spanish egg sector underwent a major restructuring in 2012 in order to comply with the EU animal welfare regulations. This restructuring involved a considerable investment in replacing all the hen cage housing--92 percent of Spanish production. This process consolidated smaller operations into a highly professionalized sector with large-scale industrial farms. In order to move to a stable price scenario, the Spanish egg industry needs to allocate 20 percent of the Spanish egg production to exports, a main objective to maintain prices and ensure recovery of production costs for farmers.

As for other market news, The Spanish egg industry expects to export about ten containers (300,000 dozen) eggs to the recently opened Israeli market every week through March, 2017.

Looking ahead, the sector's challenge is to keep the current markets open and look for new ones. The Spanish egg sector is aware that the export market is volatile as markets are opened or closed for health

reasons, although others such as Israel, Dubai, or the African continent maintain a more flexible relationship. The Spanish Egg producers Association is also looking at Hong-Kong as a potential market for Spain but recognized that the distance could be a problem. At this time the Spanish Ministry of Agriculture is actively working with Iraq to open that market to Spanish eggs.

Given the recent outbreaks of Avian Influenza in Europe, it will be a challenge for Spain to maintain its current export markets, much less open new ones.