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## Spain

**Post:** Madrid

### Russian ban affecting Spanish fruits and vegetables

#### Report Categories:

Trade Policy Incident Report

Agricultural Situation

Fresh Fruit

Livestock and Products

Dairy and Products

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#### Report Highlights:

Russian sanctions on fruit and vegetables from the EU will affect approximately USD 420 million of Spanish agricultural exports. Spanish stone fruits and citrus will be the most affected products.

## **General Information:**

In 2013, Spain's agricultural, fish and forestry exports accounted for over \$51 billion in sales. At USD 0.8 billion, Russia was Spain's second largest export market outside the EU after the United States (USD 1.5 billion). Three quarters of Spanish agricultural products are exported to other EU member states.

The Russian Federation decreed on 6 August 2014 a ban on agricultural products and foodstuffs from countries which have adopted sanctions against Russia in the context of the situation in Ukraine. On 7 August, the Russian government announced a list of products to be banned for a period of one year from the EU, US, Norway, Canada and Australia. The ban includes almost all meat products (beef, pork, poultry, and certain sausages), dairy products, fruits and vegetables, as well as seafood. Some processed agricultural products are also banned.

<b>Member State</b>	<b>Banned products (M€)</b>	<b>EU agri-food exports to Russia</b>	<b>% total banned</b>
Lithuania	922	1,374	18.3
Poland	840	1,267	16.6
Germany	589	1,649	11.6
Netherlands	503	1,551	9.9
Denmark	341	627	6.7
<b>Spain</b>	<b>326</b>	<b>572</b>	<b>6.4</b>
Belgium	281	558	5.5
Finland	273	464	5.4
France	229	756	4.5
Italy	163	705	3.2
Greece	114	158	2.3
Austria	103	247	2.0
Hungary	77	266	1.5
Ireland	70	216	1.4
Latvia	67	628	1.3
Estonia	60	228	1.2
UK	20	148	0.4
Portugal	13	48	0.3
Others	73	403	
<b>Total EU 28</b>	<b>5,064</b>	<b>11,864</b>	<b>100</b>

Source: European Commission

Russia is the second most important destination for EU agri-food exports (after the U.S.), representing in total a value of about USD 16 billion (€ 12,700 million) in 2013, or 10 percent of all EU agri-food exports. The agri-food products covered by the Russian ban represent a value of USD 6.5 billion (€ 5,100 million) in 2013 exports or 45 percent of EU agri-food exports to Russia. In a global perspective, according to the European Commission (EC), the ban affects 4.2% of total EU agri-food exports but, depending on the sector, this share can represent a considerable part of EU exports in the sectors concerned.

Processed agricultural products represent up to 10 percent of the total value of banned products. For the

animal sectors it should be noted that the ban doesn't include trade in certain animal products and live animals.

According to the European Commission (EC), Spain would be the sixth member state (MS) most affected by the Russian ban with approximately USD 420 million (€ 326 million) or 6.4% of total EU banned products. The sectors most affected are fruit and vegetables with an emphasis on fruit as the quantities exported to Russia are very significant and also the harvest season is still in process (such as stone fruits) or will start soon (citrus). In 2013 Russia was the most important export market for peaches and nectarines outside the EU-28 valued at USD 91 million with almost 70 thousand tons. For citrus, in 2013 Spain exported to Russia 63 thousand tons.

While the Russian ban affects only 1.8 percent of the total Spanish agricultural exports, the indirect impact on prices is the real problem.

<b>Spanish exports to Russia</b>	<b>2013 (t)</b>
Peaches, nectarines and apricots	67,936
Citrus	63,672
Other fruits	17,035
Apples and pears	9,628
Grapes	2,326
Melons	825
Nuts	493
<b>Total Fruits</b>	<b>161,918</b>
<b>Total Vegetables</b>	<b>69,680</b>
<b>Total Fruits and Vegetables</b>	<b>231,598</b>

Source: Spanish Ministry of Economy and Industry

In 2013 Spain exported to Russia almost 162 thousand tons of fruit and 70 thousand tons of vegetables.

<b>Spanish exports to Russia</b>	<b>2013 (M USD)</b>
Fruits and pulses	400.7
Meat	143.8
Oils and fats	65.7
Drinks	38.1
Prepared food	32.1
Sugar, coffee, cacao	23.5
Fish	17.2
Tobacco	10.4
Feed	6.9
Dairy	5.5
Seeds	2.2
Cereals	0.38

Source: Spanish Ministry of Economy and Industry

Spain exported in 2013 to Russia almost 70 thousand tons of peaches and nectarines, or 9% of total Spanish peach exports. This embargo has worsened an already difficult market situation. The indirect

impact is the decline of origin prices due to an increased supply on the EU market without being commercialized. The Russian veto has affected the stone fruit growers as the trees are still full of products and the prices have sunk below production costs. This dip in prices has been exaggerated by speculation of intermediaries and large European retail chains which have used the Russian ban to force lower prices paid to producers, without passing that savings onto the consumers.

Other sectors that could be affected by an indirect impact on prices are citrus and deciduous fruit (apple and pear) as the harvest seasons are about to begin.

In the long term the Russian ban may force the Spanish fruit and vegetable sector to diversify their exports outside the EU28. The sector is looking for new and alternative markets with high demand such as China, India, United States, Japan or Brazil.

Regarding meat products, European pork meat was already affected by a Russian ban since January 2014 as according to Russia the European ban to pork meat was due to European animal health status (ASF). Spanish swine sector reacted very well increasing their pork exports 15 % in the first semester of 2014 through expanding to new markets. For beef, the exports to Russia are only 4 percent of the total Spanish beef exports, thus there is not much influence.

Regarding dairy products, the Spanish exports to Russia are not very significant, but the real problem may be the increase entrance of milk and dairy products from other member states mainly northern countries, forcing prices paid to Spanish dairy farmers bellow their production costs.

The EC has provided 158 million euro in compensation to the fruit and vegetable sector, of which 33 million euros are for the withdrawal of peaches and nectarines and 125 million euro for the withdrawal of other fruit and vegetable productions. These last payments have been stopped since September 10, as the EC had some doubts about the export figures given by certain member states. New measures for withdrawal, green harvest and unharvest for fruits and vegetables were presented by the EC on September 16, giving to Spain the largest assignment with almost 100,000 tons of the total 400,000 tons for the EU 28, taking into account the total exports to Russia. This new measure for fruits and vegetables now also includes citrus. In dairy the EC has taken measures valued in 10-20 MEUR of private storage of butter, milk powder and cheese up to 155,000 t until the end of year.

In conclusion, in Spain the effects of the Russian embargo are minor compared to the total amount of Spanish agricultural exports. In many cases this is an opportunity to look for new markets and diversify Spanish exports to third countries. The indirect impact and main problem is that growers and producers are facing a difficult situation receiving prices lower than the production costs due to the Russian ban and saturated market. Prices paid to producers have fallen caused by speculation of intermediaries and large European retail chains which have used the Russian ban to lower producer prices down without benefiting the consumer, obtaining large margins for retailers.