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Spanish Pork Production and Exports Continue Reaching Record Levels

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Livestock and Products

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Report Highlights:

Spanish swine farmers have weathered the last six months of low prices, and responded to market conditions with a larger pig herd and increased productivity following very promising results from Asia. Increasing demand should create conditions to continue with this upward trend.

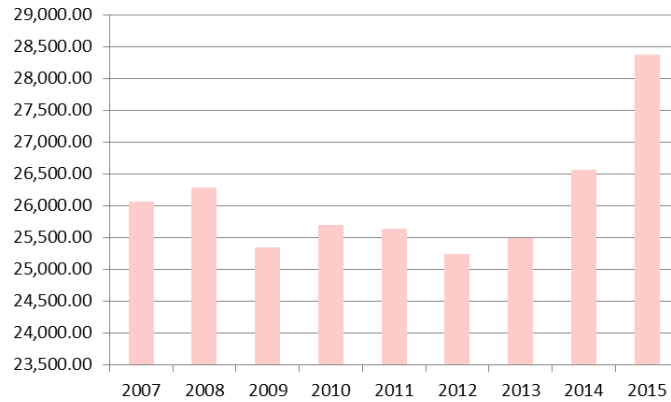
General Information:

Spanish Ministry official statistics in 2015 show that the Spanish swine sector accounts for 36 percent of livestock production and 13 percent of total agricultural production. In 2015 the Spanish swine sector started with 87,552 farms, (80 percent of the farms as intensive swine production and 20 percent as extensive swine production) 1.1 percent higher than previous year, meaning the second year in a row increasing the number of farms, mainly the big farms, leading to a larger herd. Historically the current number of Spanish swine production facilities are still 12 percent lower than 2007 but higher efficiency leads to higher output. Almost half of the Spanish swine production is concentrated in the north-east. The main regions of pig population are Catalonia, Aragon, Castile Leon and Andalusia. Spain, with these gains in 2015, now boasts the largest swine herd in Europe. The specialty Iberian ham producers have followed the same trend we see in intensive pork production. In 2015, the Iberian pig herd was around 2.9 million animals, following the upward trend of the last two years, due to an increasing demand of Iberian pork products.

According to Eurostat official data, in 2016 total swine beginning stocks increase by 6.8 percent, reaching 28,367 thousand heads, continuing with the rebound two years in a row after the downward trend of the last years (See Figure 1). Breeding sow numbers in January 2016 started with 2,466 thousand heads, a 4.5 percent increase, after a decrease due to the EU animal welfare regulations (See Figure 2). This increase in total swine herd may imply a production in 2016 of around 47,355 thousand heads or 3.6 percent higher than last year. This data also shows an upward trend in piglet/sow in 2016 following the upward trend of the last years. Due to the uncertainty occurring during 2016 with downward pressure on prices in the first semester, overall excess on market supplies and a deep swine crisis due to negative profits and economic margins, we can expect a rebound on pork price for the second semester of 2016 with increasing market demand. Thus, number of total swine herd and sows may be stable in 2017 to continue supplying the growing markets in Asia.

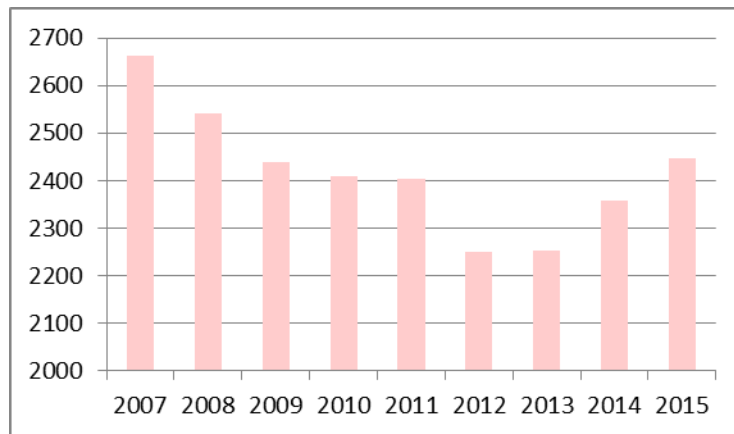
The Spanish swine sector is very well structured and integrated resulting in one of the most efficient swine producers within the EU28 with one of the lowest production costs. Within the EU28 Spain best weathered the pork price crisis (very low prices in late 2015 and early 2016) and so is among the first in the EU28 to gain positive profits with the rebound of pork prices. Spanish swine industry is then a very competitive sector and efficient industry.

Figure 1. Live Swine in Spain (Thousand heads)



Source: Eurostat

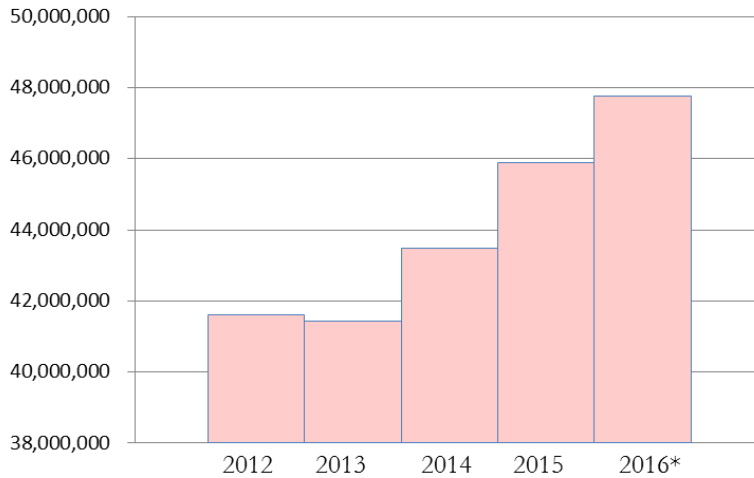
Figure 2. Breeding pigs (Thousand heads)



Source: Eurostat

According to Ministry of Agriculture, Food and Environment (MAGRAMA) last official data, in the first half of 2016 total swine slaughter shows an increase of 6 percent compared to same period of previous year with 24,328 thousand heads. Total swine slaughter in 2015 was already 8 percent higher than 2014. According to the swine producers it may increase 3 percent during 2016 reaching almost 48 million heads of total swine slaughter (See Figure 3). According to the Spanish swine industry this trend may be higher by the end of 2016 reaching approximately 50 million heads slaughtered. Important pork plants are also planning to expand their slaughterhouses due to the increasing demand. According to the Spanish swine sector this trend may level off in 2017.

Figure 3. Total Swine Slaughter in Spain (number of heads)



Source: MAGRAMA
 *FAS Madrid Estimation

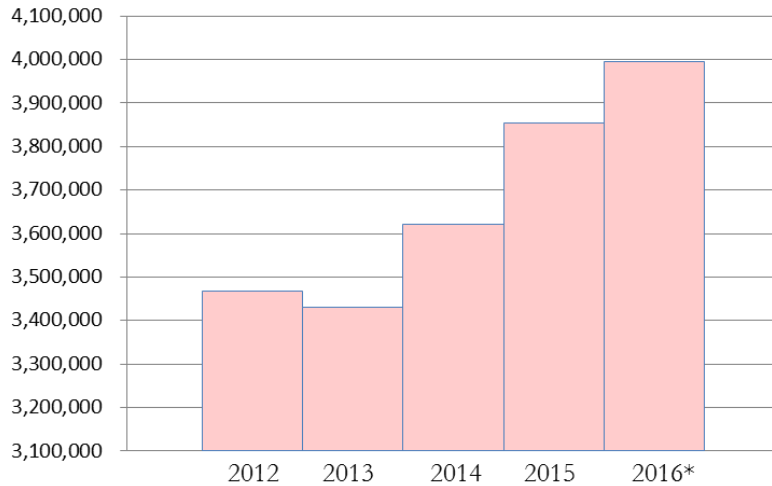
Due to the EU28 swine economic crisis of the last semester and the growth in Spanish swine production, imports of live animals, mainly from the Netherlands, may decline.

2015 in general was a positive year in pig production resulting from lower feed prices and higher pork demand and increasing Spanish pork exports, but with very low pork prices, that may continue the rise in 2016 due to the good export demand.

In 2015 pork production in Spain continued the upward trend reaching 3.854 million MT or 6.5 percent higher than previous year, at the same level as slaughter. In the first half of 2016 pork production in Spain increased 7 percent compared to the same period of previous year, reaching 2.092 million MT. According to the industry, this trend may be maintained in 2016 but at a lower rate, reaching 3.995 million MT or 2.5 percent increase (See Figure 4). The market has been volatile. Coming out of low prices at the beginning of 2016, Spanish producers are optimistic and expect a rebound of prices for the rest of the year. Thus, Spanish pork production may follow the upward trend for 2017.

2014 marked a marginal improvement as Spanish economic situation started recovering, and domestic pork consumption may continue in an upward trend. Spanish consumption reached 50 kg per capita in 2015, or 3 percent higher than previous year.

Figure 4. Pork Production in Spain (MT)



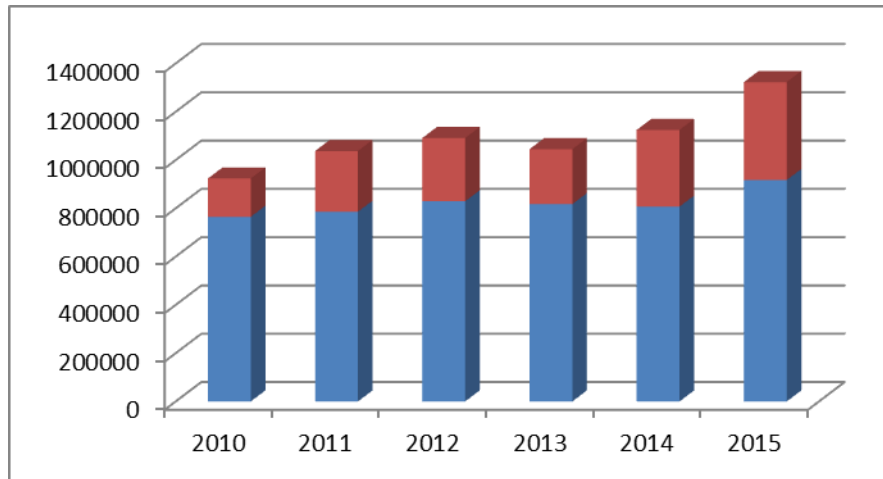
Source: MAGRAMA
 *FAS Madrid Estimation

This change on the sows’ trend has generated the growth in production for 2014 and 2015 that may continue in 2016 as a result of the internationalization procedures that the Spanish swine industry together with the support of the Spanish Government have followed due to the increasing international demand of Spanish pork products.

The volume of Spanish pork exports during 2015 increased 14 percent to the EU 28 and 28 percent to third countries, in total 17.6 percent increase compared to previous year, reaching again a new export record with 1.3 million MT (Figure 5). However the value of Spanish pork exports was reduced by almost 10 percent, due to the overall decrease of pork prices.

Spain has been a net exporter of pork since 2004--with 69 percent of total Spanish pork exports going to other EU member states, and increasing percentage of Spanish pork exports to third countries, especially China-Hong Kong, Japan, South Korea, Philippines, and Taiwan (See Figure 6). In 2015 Spanish pork exports to the United States grew by 16 percent.

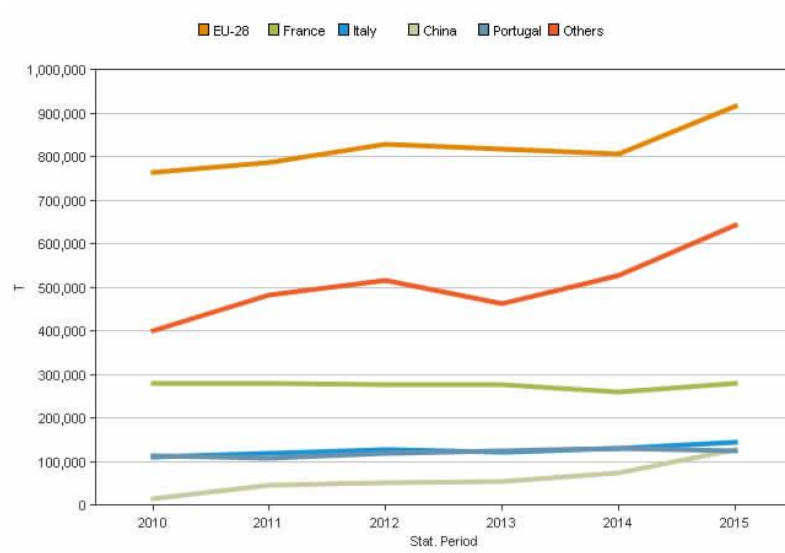
Figure 5. Spanish pork exports evolution (MT)



	2013	2014	2015
World	1,044,646	1,124,503	1,322,769
EU 28	817,221	807,025	917,246
Third Countries	227,425	317,478	405,523

Source: GTA

Figure 6. Main destinations of Spanish pork exports (MT) 2010-2015

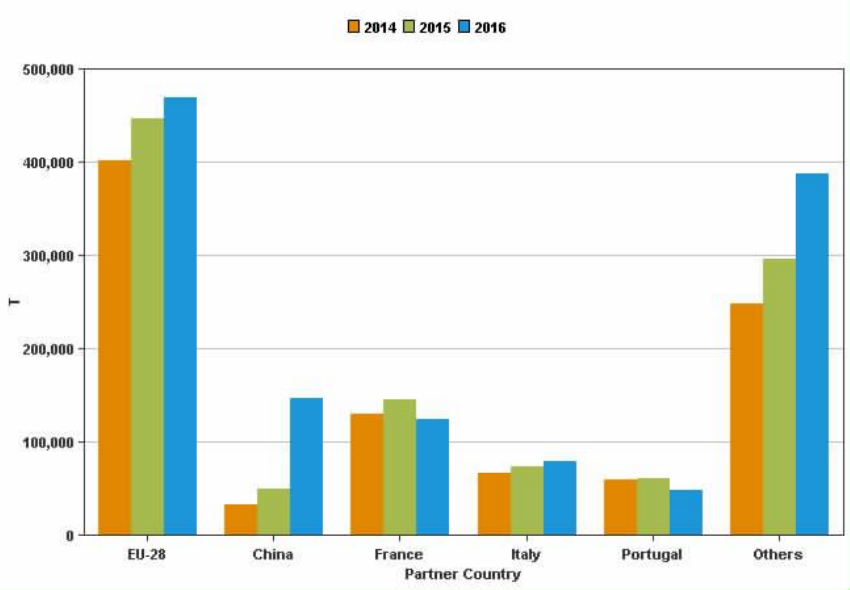


Source: GTA

In the first half of 2016, Spanish pork exports increased 26 percent valued also 14 percent more than the same period of previous year, with important Spanish pork export growths to China (+199 %), South Korea, Hong-Kong, Philippines, Taiwan, Vietnam, South Africa, the United States and also Eastern Europe.

Due to internationalization procedures that the Spanish swine industry has followed due to the increasing international demand for Spanish pork products, the increase of Spanish pork exports to China resulted YTD in the main market for Spanish pork with 147,543 MT, surpassing France, Italy and Portugal (See Figure 7). With this result, total Spanish pork exports YTD are 60 percent to EU28 and 40 to third countries.

Figure 7. YTD Spanish Pork Exports, 2016 (MT)



Source: GTA

On August 2016 China authorized the Spanish pork exports from five new establishments, bringing the total to 26 Spanish establishments authorized to export Spanish pork to China, making China as the main destination of Spanish pork.

In addition, since August 12, 2016 Spain can start exporting fresh, frozen and chilled pork to Mexico. A total of 12 establishments are approved to export Spanish fresh pork to Mexico. However, given the transportation costs and import duties, significant volumes are not expected to be shipped to this new market. In 2015 Spanish pork exports to Mexico were 1,566 MT, almost 40 percent increase compared to 2014, and only for cured hams. Mexico is the largest non-EU market for Spain’s high-value, cured pork exports.

New strategic markets for Spanish pork exports may be Africa and India due to the upward trend of pork consumption.