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## *Dairy, Livestock, & Poultry Trade Update*

### **Spain is Becoming Major Factor in the European Union Swine Sector...**

Swine production in the European Union (EU) is shifting among the member states primarily due to environmental regulations. For 2002, the European Union is forecast to have a swine population of nearly 215 million hogs. Germany is the leading hog producer for the EU with a herd of about 40 million head over the past 10 years, but Spain is fast becoming a major force in the swine sector. Over the past 10 years, Spain's swine population expanded from 26 million head to over 38 million in 2001. Spain's 2002 pig crop is expected to show growth once again. Germany's hog herd has fluctuated slightly around the 40 million head level over the past 10 years, and is expected to remain stable for 2002. In addition, the German Statistical Office reported in early January that the German pig breeding herd is contracting. For comparison purposes, Denmark's pig herd is steady at 24 million, while Netherland's herd is declining and near the 26 million level. Within the next 5 years, Spain has the potential to become the leading hog producing country in the EU.

### **... As Environmental Concerns Weigh on Producers**

The growth in Spain's swine sector can be explained by the ever tightening EU environmental and health regulations hitting especially hard on production in the northern EU countries. With the sparse population density in northeast Spain, large hog facilities are becoming common. These new facilities are vertically integrated, with some facilities having the capacity to house 10,000 sows, and account for over half of the total Spanish swine production. The new hog facilities are isolated from other livestock production sources to minimize disease transfer and for environmental concerns. The Spanish hog producers have a comparative advantage over the northern EU member states due to its dry weather, relatively sparse population base in central Spain, and lower labor costs.

EU producers in countries such as Netherlands and Belgium are faced with stiff, evolving environmental legislation. They have difficulty with compliance and are being forced to reduce their herd size or quit raising hogs. Pig welfare regulations are becoming more stringent for all member states as the EU Commission seeks to remedy issues that the Commission has identified as problems associated with intensive pig farming. On October 23, 2001, the Commission adopted rules to prohibit confinement of pregnant pigs in individual stalls. The rules supplied the minimum size of pens, required permanent access to rooting materials and fiber food, and established minimum light and noise levels. As EU hog producers adjust their farming practices to the new regulations, Spain is expected to be able to maintain or keep expanding production.

### **Spain Still Faces Animal Disease Issues and Market Outlets**

Although Spain has some competitive advantage against other EU member states, animal diseases have caused producers to curb their production targets. Hog cholera is a continuing problem for the Spanish

producers. With each incidence, bans are placed on regional movement and destruction of the animal herd may result. In 2001, about 180,000 hogs were culled due to hog cholera. In addition, Spain's hog sector still has Classical Swine Fever. An estimated 37,000 hogs were culled in 2001 in an effort to eradicate the disease. As Spain begins to assert itself as a leader in EU swine production, producers will need to control and contain diseases to take full advantage of market opportunities.

### **Spain Will Continue to Supply Pork Mainly for the EU Market and Rely on Other Member States to Push Exports to Third Countries**

Most of Spain's pork production is kept within Spain and the EU. About 85 percent of domestic pork production is consumed in Spain. Spain is second to Germany in pork consumption and per capita pork consumption in Spain is growing each year. Although consumption in Spain is increasing, its exports to countries outside the EU are relatively stable and not significant. In 2000, the EU exported about 1.5 million tons of pork to countries outside the EU, and Spain accounted for only 20,000 tons of third country exports. For 2002, and for the near future, this level is expected to remain steady.

However, intra EU exports are an important outlet for Spanish pork. In 2000, the intra EU pork trade amounted to about 3.5 million tons. Spain exported about 345,000 tons or 10 percent of the total EU intra pork trade. The Netherlands is the leading member state in intra EU pork exports, shipping about 1 million tons of pork per year. As Spain increases its swine production, more pork product will be shipped to other member states. Spain will likely continue to concentrate on the internal EU market, including its own domestic consumption. Spain is expected to increase its EU internal pork market share in 2002 and will rely on the major EU exporting countries such as Denmark, France, and Germany to develop the third country pork exports for the EU.



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