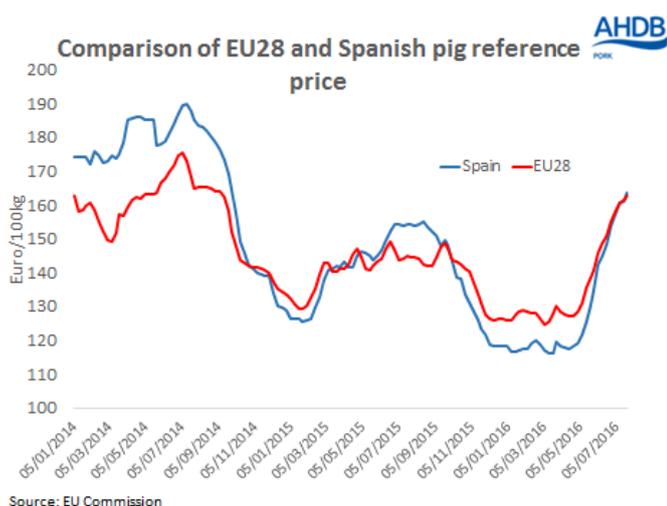


Spanish exports continuing to grow

According to the latest census results, Spain now has the largest pig herd in Europe, after overtaking Germany. It has, for many years, had the biggest sow herd in the EU, and December census figures showed that numbers continue to increase, while other major producing states were declining in numbers. At 2.45 million head, the December 2015 sow herd was 5% up on the previous year. At the same time, the total herd increased 7%, to 28.4 million head.

Much of this increase is down to producers looking to make a return on the investments they made in the adaptation for EU animal welfare legislation in 2013. During most of 2013 and the first half of 2014, the Spanish pig price was in excess of the EU average. However, the slump in EU prices during 2015 and the first half of 2016 was felt more sharply by Spanish producers. Since the end of April, the Spanish price has recovered significantly, and now sits largely at parity with the EU reference price. The regular seasonal positive shift over the summer months, as the flow of tourists' moves south, may be exacerbated this year with holidaymakers preferring Western European destinations over Turkey or Egypt.



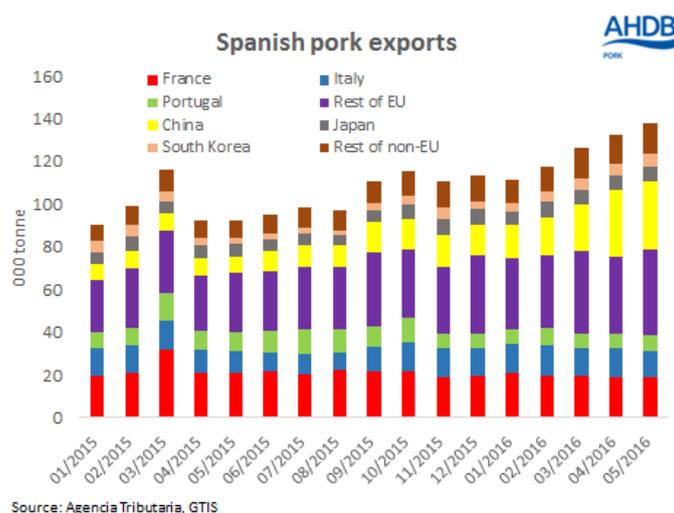
From the latest InterPIG figures, Spain has one of the lowest costs of production of all EU Member States. In 2014, this came in at €1.49 per kg. There are several reasons why the Spanish can keep their production costs so low. They have lower building and labour costs than in other parts of the EU. Furthermore, much of the production is vertically integrated, which helps to control costs. Therefore, while Spanish producers have been able to absorb more of the price volatility due to their low CoP, pig prices did not break even again after the price slump until June 2016.

However, this has not deterred the rate of production, with production levels increasing year-on-year over the last three years, reflecting the growth of the pig herd. Output is forecast to continue to increase throughout 2016, as a result of the internationalisation procedures undertaken by the pig industry, coupled with the support of the Spanish government to support increasing international demand for

Spanish pork. During 2015, Spain produced 3.9 million tonnes of pigmeat, and looks set to overtake this in 2016, having produced 1.8 million tonnes in the first five months of the year. That is over 100,000 tonnes more than at the same point a year earlier. Volumes are now over double those of the early 1990's, which highlights the growth the pig industry has been through in the past two decades.

Spain is a net exporter of pork, with only a small proportion produced destined for the domestic market. Spanish consumption has shown a downwards trend over recent years, although it did recover slightly in 2015 and looks set to stabilise in 2016. This was aided by domestic promotional campaigns, run by Interporc and the Pork Producers Association.

These organisations have also put a large effort into promoting the quality of Spanish pork products to Asian markets, which has proved successful. Export growth has been steady for over a decade, and since the turn of the year, there has been a surge in shipments to China. In May and June, China imported more pork from Spain than anywhere else.



In addition to the growing Far Eastern trade, Spain has also recently signed a trade deal with Mexico, which is a significant importer of pork. While Mexico currently sources the majority of its pork from the United States and Canada, this trade agreement opens up another, potentially very lucrative, market.

Spain has shown great success in developing and diversifying its export trade. The volume of fresh/frozen pork exports in May 2016 was almost one and a half times that of a year earlier and currently shows no signs of slowing. Currently the third largest global exporter of pork, behind Germany and the United States, the Spanish pig industry sold 1.23 million tonnes to 126 countries in 2015. It had an export turnover of more than €2.6 billion and, with the industry being the main contributor to the commercial surplus of the Spanish food and agricultural sector, the focus remains to grow this.