

Agrifood sector

Sector Report

2024

Spain's agrifood sector enjoys a revival

The sector enjoys a revival thanks to the moderation of production costs

The good health of Spanish agrifood exports

Food prices offer a respite



SECTOR REPORT
Agrifood Sector 2024
CaixaBank Research

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Summary

2024



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«I want my children to grow up thinking of a farmer as a superhero.»

CHRISTIAN F. PUGLISI, CHEF



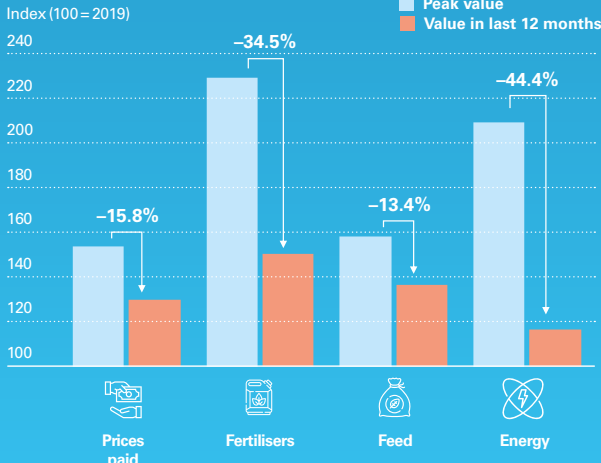
Agrifood sector

SITUATION AND OUTLOOK FOR SPAIN'S AGRIFOOD SECTOR IN 2024



Spain's agrifood sector is enjoying a revival thanks to:

THE MODERATION OF PRODUCTION COSTS (although they remain high)



Note: April 2024, latest available data. Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA).

THE EASING OF THE PROLONGED DROUGHT (although it is not over yet)



Percentage of the country in prolonged drought



Spanish agrifood exports are once again growing in volume after two years in decline

Strength of exports

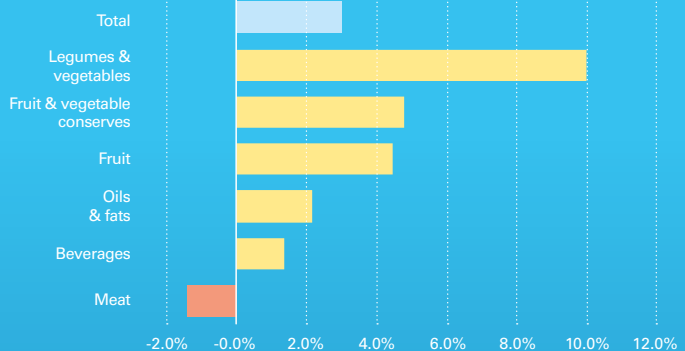


High competitiveness



Diversification of destinations

Year-on-year change in exports in S1 2024 (%)



Note: Share in value terms

Source: CaixaBank Research, based on data from DataComex.

The rise in food prices and its impact on household consumption

30.7%

cumulative inflation between December 2019 and August 2024 (%)



Household expenditure on food (% of total expenditure)

2019: 14.9% → 2023: 17.1%

Expenditure on catering (% of total expenditure)

2019: 8.6% → 2023: 8.9%

OUTLOOK

- Declining agricultural and energy commodity prices in the international markets
- Declining agricultural production costs
- Lower inflationary pressures on food prices for the final consumer



Executive summary

Spain's agrifood sector enjoys a revival

The Spanish agrifood sector is beginning to recover from the major shocks that have held back its output over the last couple of years. The incipient improvement in the prolonged drought that has affected much of the Spanish countryside and a slight moderation in production costs are translating into more encouraging estimates for the 2024-2025 campaign. At the product level, the recovery of winter cereals has been particularly strong (production is estimated to be slightly above the average of the last five seasons), as has that of olive oil, the production of which fell by 58.6% in 2023, causing the price to soar. The good expectations for the upcoming olive oil campaign are already beginning to be felt, with a moderation in sale prices both at oil mills and for the final consumer.

However, the production of some crops continues to be weighed down by the adverse conditions, given that 12.2% of the country remains in a state of prolonged drought. Furthermore, while production costs have fallen significantly from the peak reached following the outbreak of the war in Ukraine, they have consolidated well above pre-pandemic levels. Beyond these economic factors, the sector's future is also dependant on it successfully addressing the many challenges it faces (labour shortage, climate change, adapting to new regulatory requirements, etc.), which are limiting its growth capacity in a more structural manner.

Despite this still adverse context, Spain remains a major power in the export of agrifood products. Globally, Spain stands eighth in the ranking of countries

exporting agricultural products, with a share of 3.2% of the global export market. Within the EU, it is the fourth largest exporting economy in terms of value, behind the Netherlands, Germany and France.

The improvement in agricultural output in the first half of 2024 has allowed the country's agrifood exports to grow again in volume terms (3% year-on-year), following two consecutive years of setbacks. In terms of value, the growth rates are higher (5.9% in the first half of 2024) due to the rise in the prices of most agrifood products in the international markets. In the second article of this report, we analyse the recent pattern of agrifood exports by product category and destination, as well as analysing how the increasing diversification of these destinations makes the sector more resilient to potential shocks.

In the final article of this report, we focus on the sharp upturn in food prices in Spain, having recorded cumulative inflation of 30.7% since December 2019, almost 13 points above the CPI average. Given their significant relative weight in both the basket of household consumer expenditure and the agrifood sector, we analyse the reasons behind these significant price hikes, the products that have been most affected and the change in the composition of household expenditure. Looking ahead to the coming quarters, we expect that the decline in agricultural and energy commodity prices in the international markets will help to contain agricultural production costs and thus further ease the inflationary pressures on food.



Situation and outlook

Spain's agrifood sector enjoys a revival in 2024 thanks to the moderation of production costs

The Spanish agrifood sector has begun to recover after two years of decline thanks to the moderation of production costs and the easing of the drought. In the first half of 2024, activity increased at a faster rate than across the economy as a whole and the outlook for the 2024-2025 campaign is encouraging. However, the consequences of the severe drought that the country endured are still affecting the production of some crops and costs remain well above pre-pandemic levels. Moreover, the sector's future is dependant on it successfully addressing the many challenges it faces (labour shortage, climate change, adapting to new regulatory requirements, etc.), which are limiting its growth capacity in a more structural manner.

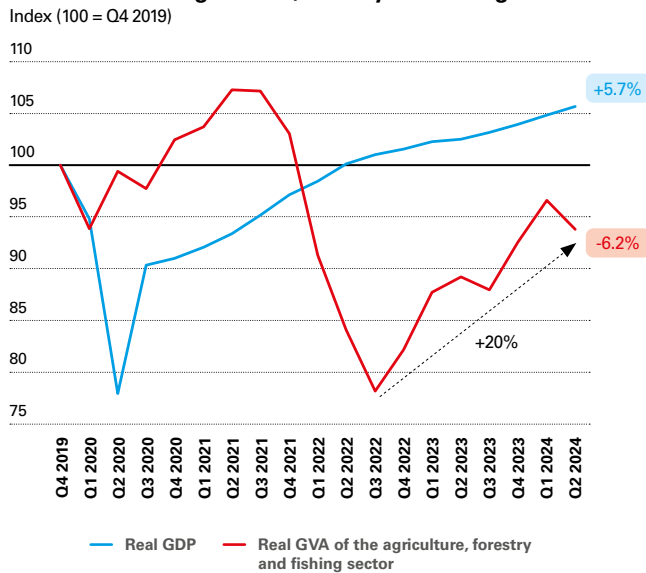
The agriculture, forestry and fishing sector is beginning to recover from the slump of the last two years

The agriculture, forestry and fishing sector is beginning to turn a page following the sharp decline recorded between the end of 2021 and the first half of 2023, when it endured particularly adverse weather conditions (due to the severe drought affecting much of the country) and soaring production costs (largely triggered by the war in Ukraine). After registering year-on-year declines of up to two digits in gross value added (GVA) in real terms (the biggest fall, of 27%, occurred in Q3 2022), the sector abandoned negative rates in Q2 2023 and grew by a significant 7.6% in the first half of 2024, exceeding the growth rate of the economy as a whole (2.8%). Despite this recent improvement, the GVA of the agriculture, forestry and fishing sector is still 6.2% below the level of Q4 2019, while the GDP of the economy as a whole exceeds that level by 5.7%.¹ The recent good performance is allowing the sector to gradually regain its previous share of the total economy: in S1 2024 it represented 2.6% of total GVA, 0.1 pp more than in 2022 but still less than the 3.0% which it represented on average during the period 2015-2019. The reduced role in the economy of the agriculture, forestry and fishing sector relative to the pre-pandemic period is also explained by the strong growth experienced by other economic sectors (such as tourism and information and communications). It should also be noted that the relative weight of Spain's agriculture, forestry and fishing sector far exceeds the euro area average (1.7%).

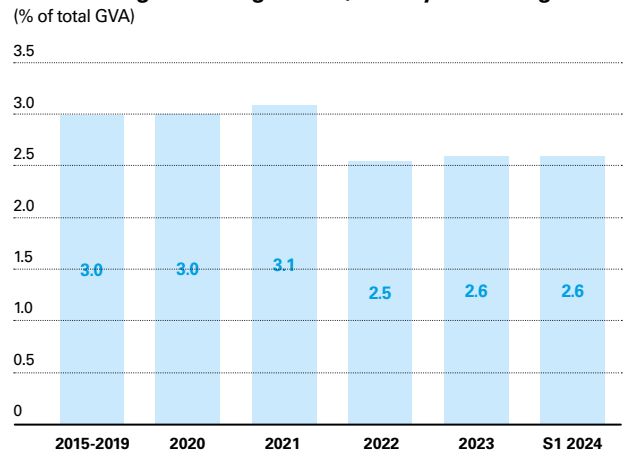
¹ These figures incorporate the 2024 statistical review of the National Accounting series.

The primary sector is gradually recovering from the shocks of 2021-2023

Real GVA of the agriculture, forestry and fishing sector



Relative weight of the agriculture, forestry and fishing sector



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

2023 recap of Spain's agriculture, forestry and fishing sector: an incipient improvement

The Economic Accounts of Agriculture for 2023 show that the GVA of Spain's agriculture, forestry and fishing sector grew thanks to the combination of an increase in agricultural prices and a reduction in intermediate consumption, which fell by 4.3% last year. Although this decrease is rather limited, bearing in mind that costs grew by 41% between 2020 and 2022, it nevertheless offers the sector a respite. The reduction in intermediate costs is mainly explained by the fall in energy prices (-30.8%), fertiliser prices (-29.8%) and, to a lesser extent, feed prices (-2.1%).





Agrifood sector

Despite the decline in intermediate costs, the drought took its toll on the sector once again in 2023 and crop output continued to fall sharply

On the other hand, the value of agricultural output increased by 4.0% in 2023 thanks to the increase in prices (13.1%), which more than offset the fall in production volume (-8.0%). Behind this decline, of particular note is the sharp fall in crop output (-12.2%) due to another year marked by water shortages. Rain-fed crops were the hardest hit, with olive oil (-58.6%), cereals (-34.8%) and wine and must (-21.1%) registering the biggest declines.² On the other hand, crops that largely use irrigation performed somewhat better: fruit production increased (4.6%) and also benefited from a 15.8% rise in prices.

² In terms of value, the sharp fall in olive oil production was partially mitigated by the surge in prices (70.1%), limiting the decrease in value to -29.6%. In contrast, the fall in the price of cereals (-26.2%) led to a sharp decrease in value (-51.9%).

Key agricultural statistics for 2022-2023

	2022 (EUR millions)	2023 (EUR millions)	Change between 2022 and 2023 (%)		
			Value	Quantity	Price
A. Agricultural production	62,998	65,513	4.0	-8.0	13.1
Crop output	37,009	36,196	-2.2	-12.2	11.3
Animal production	24,411	27,658	13.3	-2.2	15.9
Production of services	704	739	4.9	-1.1	6.1
Other production	873	921	5.5	-0.1	5.6
B. Intermediate consumption	33,723	32,269	-4.3	1.4	-5.6
Seeds & seedlings	1,305	1,404	7.6	-2.5	10.3
Energy & lubricants	3,595	2,484	-30.9	-0.1	-30.8
Fertilisers & soil amendments	2,879	2,099	-27.1	3.8	-29.8
Phytosanitary products	1,447	1,578	9.1	7.5	1.4
Feed	18,336	18,070	-1.5	0.7	-2.1
Other	6,159	6,633	7.7	-	-
Gross value added (A-B)	29,275	33,244	13.6	-18.9	40.0

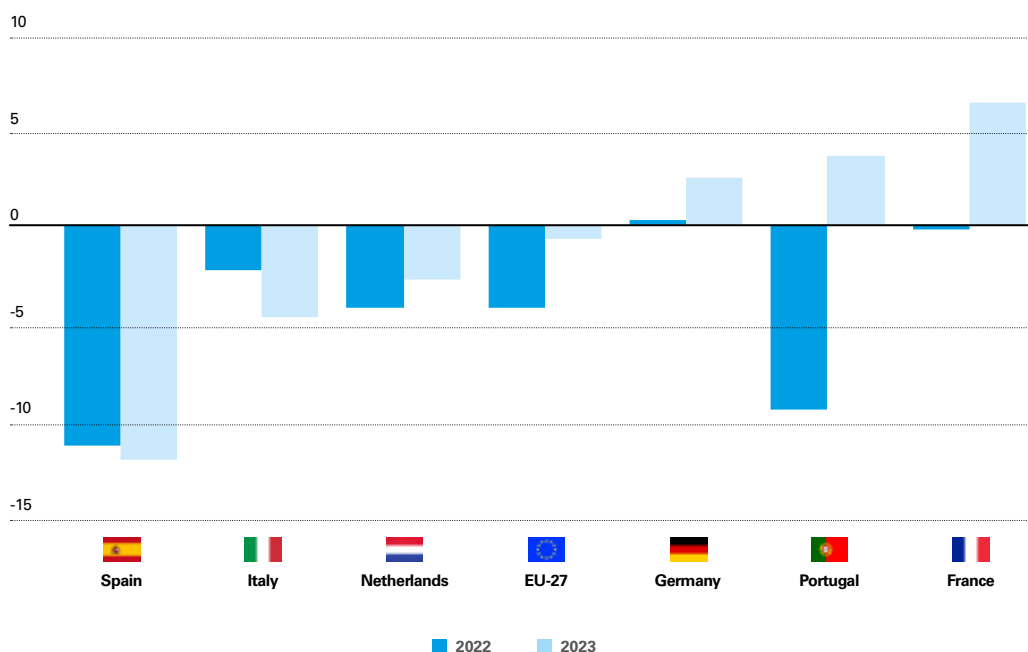
Note: The value is equal to the quantity (volume) multiplied by the unit price.

Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA).

Comparing Spain's crop output with that of our European partners, the sector performed even worse than in 2022. All the region's major agricultural exporting countries, with the exception of Italy and Spain, improved compared to 2022. Moreover, Spain performed particularly poorly, having amassed a cumulative decline of more than 20% in its crop output in the last two years.

Spanish crop output has registered bigger declines than other EU countries

Change (%)



Note: In real terms.

Source: CaixaBank Research, based on data from Eurostat.

The effects of the drought on irrigation, a cornerstone of Spain's agricultural sector

The prolonged drought that has been affecting the Iberian Peninsula since 2022 acted as a restriction for supply and crop yields throughout 2023. In the chart on the following page we can see that between 2004 and 2021 there was a sharp increase of over half a million hectares in the area under irrigation in Spain, bringing the total figure to 3.9 million hectares in 2021. This represented 22.9% of the total area dedicated to crops and 7.8% of the country's total geographical area.³ However, the prolonged drought experienced by many areas of Spain in 2022 and 2023 led to a slight decline in the irrigated area (-4.4% between 2021 and 2023), reducing its share to 22.1% of the cultivated area and 7.5% of the total geographical area in 2023. It should be noted that irrigation contributes some 65% of the total value of final crop output. This is a very significant figure and reflects the higher yield of irrigated crops compared to the rain-fed variety. Irrigation is undoubtedly a cornerstone of the production and exporting potential of Spain's fruit and vegetable sector.

It is important to note that in recent years there has been an increase in the land area irrigated using localised (drip) irrigation systems. This is a much more efficient approach which uses far less water and it has steadily replaced gravity-based system which entail much higher water consumption. Sprinkler-based systems, which are more typical of arable crops, have also been implemented in recent years. In any case, we must continue to prioritise modernising our irrigation systems in order to ensure that our agricultural sector remains competitive, profitable and efficient in the use of water.

³This increase in the use of irrigation has been accompanied by the development of hydraulic infrastructure such as reservoirs and diversions, which are essential for the transport and regulation of water.



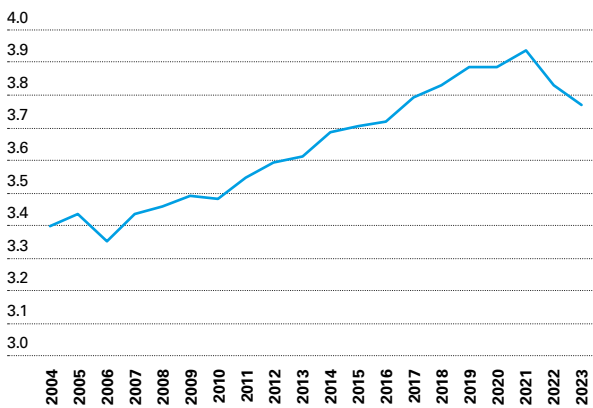
Agrifood sector

The irrigated land area has experienced a slight decline in the last two years due to the drought. Efficient irrigation techniques are increasingly widespread

The irrigated land area has reduced slightly in 2022 and 2023 while more efficient irrigation techniques are being implemented

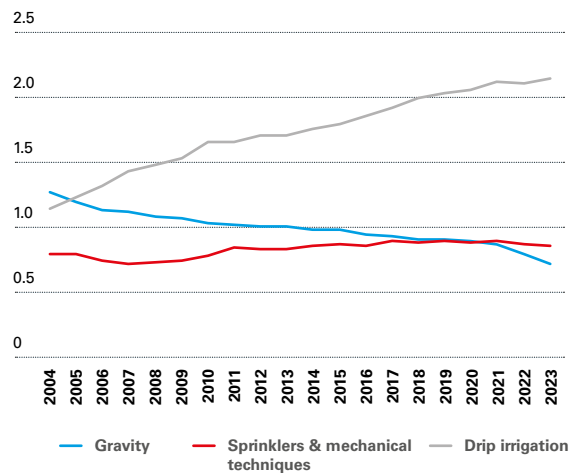
Irrigated land area

Millions of hectares



Distribution of irrigated farmland by irrigation technique

Land area (million hectares)



Change in 2004-2023

87.8%

6.9%

-43.3%

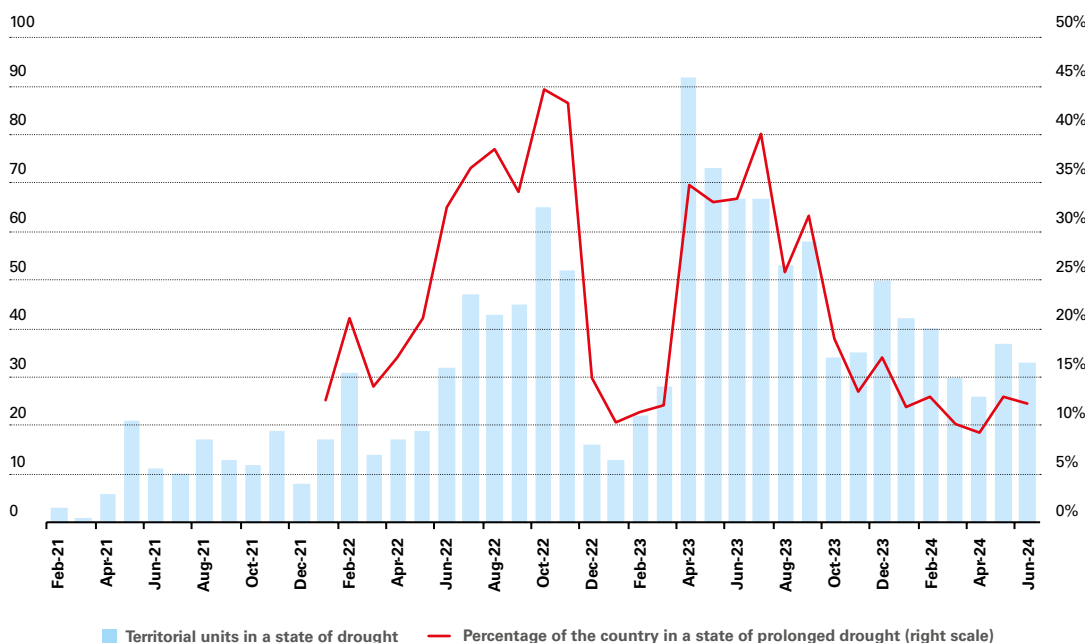
Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA, ESYRCE survey)

The latest reports produced by the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) monitoring the drought show an incipient and slight improvement in the situation since mid-last year: while 35%-45% of the country was affected in the second half of 2022, in the second half of 2023 this figure was 15%-25%. The first half of 2024 also shows an even clearer improvement (10%-15% of the country affected), but we will have to wait a few more months before this trend can be confirmed and, in any case, the situation remains delicate in several areas.

The latest reports produced by the Ministry for the Ecological Transition and the Demographic Challenge monitoring the drought show an incipient and slight improvement in the situation since mid-last year

The situation with the prolonged drought remains serious, although it has recently moderated

Territorial units in a state of prolonged drought



Note: Data on the percentage of territory in a state of prolonged drought available since 2022.

Source: CaixaBank Research, based on data from the Ministry for the Ecological Transition and the Demographic Challenge (MITECO).

The containment of production costs supports the recovery of the agriculture, forestry and fishing sector

Although the sector's key costs remain well above pre-pandemic levels, in recent months the gradual moderation that began in 2023 has continued. The biggest corrections from peak prices have been recorded in energy costs, fertilisers and, to a lesser extent, animal feed, which is the biggest component in the sector's intermediate consumption (representing around 55% of the total).

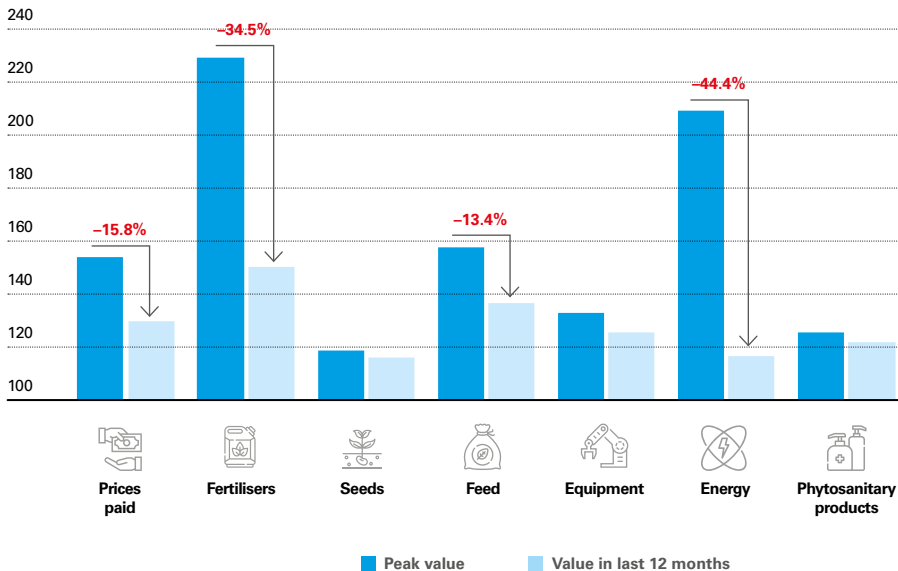
Although the sector's key costs remain well above pre-pandemic levels, the gradual moderation that began in 2023 continues



Agrifood sector

Production costs continue to steadily moderate from their peaks

Index (100 = 2019)



Note: Last available data from April 2024.

Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA).

All the indicators seem to suggest that this trend of moderation will continue over the coming months. On the one hand, energy costs, in both the oil and the gas markets, continue to moderate and are now at their lowest levels since the outbreak of the conflict in Ukraine (although we cannot rule out the possibility of an escalation in the conflict in the Middle East altering the current energy outlook). On the other hand, the World Bank's April 2024 report on the outlook for food prices⁴ anticipates further price declines in the remainder of 2024 (-6%) and in 2025 (-4%), with particularly significant reductions expected in cereals, oils and flour due to the increase in global output. Wheat and maize prices are expected to come down significantly in 2024 (by -15% and -21%, respectively), with smaller reductions expected in 2025 once prices have normalised. However, the institution itself warns that the risks affecting these forecasts are clearly skewed to the upside, taking into account sensitive factors such as climate, geopolitics, dynamics affecting input costs and potential problems in shipping.

⁴ *Commodity Markets Outlook, April 2024.*

Production costs have moderated from their peaks and prices in international markets suggest that this trend will continue

Improvement in the outlook for the 2024-2025 campaign

The gradual decline in costs and the nascent easing of the drought is translating into more positive estimates for the 2024-2025 campaign after what have been two difficult years. According to the report on agricultural land area and output produced by the Ministry of Agriculture, Fisheries and Food (MAPA, with data up to June 2024), the production of winter cereals (wheat, barley, oats, rye and triticale) is expected to reach 16.4 million tons (Mt) in 2024. This represents an 88% increase compared to the 2023 campaign (when output was 8.7 Mt) and is slightly above the average of the last five campaigns (15.7 Mt on average in the period 2019-2023). There is also an increase in the yield of these crops, exceeding the average yield of the last five seasons in most cases.

Flash estimates of cereal and industrial crop production (June 2024)

	Production			Change in production			Yield		
	2019-2023 tn	2023 ⁽¹⁾ tn	2024 ⁽²⁾ tn	2023 ⁽¹⁾ %	2024 ⁽²⁾ %	vs. 2019-2023 %	2019-2023 tn/ha	2023 ⁽¹⁾ tn/ha	2024 ⁽²⁾ tn/ha
Cereals									
Wheat	6,412.3	3,979.1	7,047.1	-36.3	77.1	9.9	3.2	2.0	3.6
Barley	7,545.4	3,794.4	7,334.0	-43.5	93.3	-2.8	3.0	1.6	3.2
Oats	914.8	460.1	1,140.7	-44.8	147.9	24.7	1.9	1.0	2.2
Rye	249.6	120.3	214.4	-33.7	78.2	-14.1	2.2	1.4	2.2
Triticale	610.9	354.7	619.5	-41.9	74.7	1.4	2.3	1.4	2.5
Autumn-winter cereals	15,730.4	8,708.6	16,355.7	-40.3	87.8	4.0	2.9	1.7	3.2
Corn	3,899.4	2,910.5	2,798.0	-18.9	-3.9	-28.2	12.0	11.7	11.8
Rice	569.4	332.7	576.8	-6.1	73.4	1.3	7.1	6.1	7.1
Industrial crops									
Sugar beet	2,464.0	2,861.6	3,834.5	38.2	34.0	55.6	83.2	79.9	84.6
Sunflower	821.9	872.5	944.7	6.4	8.3	14.9	1.1	1.1	1.2
Rapeseed	203.0	185.8	231.8	-26.6	24.7	14.2	2.1	1.6	2.3

Notes: (1) Second estimate for this figure. (2) Forecasts according to the Ministry of Agriculture, Fisheries and Food (MAPA) as of June 2024.

Source: CaixaBank Research, based on monthly flash estimates of agricultural land area and production statistics published by the Ministry of Agriculture, Fisheries and Food (MAPA), June 2024.

An increase in wine production is also anticipated, after the poor harvest of 2023-2024. The Ministry of Agriculture, Fisheries and Food (MAPA) predicts a 17% rebound in grape production for must and wine in 2024-2025, although the sector will fall far short of resuming the average production of the previous five seasons (7.2% below the 2019-2023 average). As for olive production, the MAPA has not yet provided its expectations for this campaign, although the sector's various trade associations expect output in 2024-2025 to recovery to around the average level of the last 10 years, both in Spain and worldwide. Although it is still very early days for these forecasts, sale prices at mills have begun to moderate due to the improvement in the anticipated balance between supply and demand.



Agrifood sector

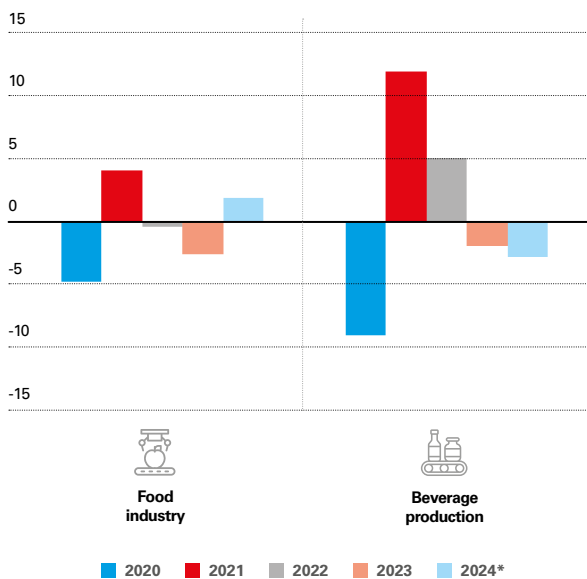
Spain's food industry enjoys a revival

After two years of deterioration due to higher costs, the food industry is beginning to experience a revival. Industrial output grew 1.9% year-on-year in the first half of 2024, marking the first positive growth rate since 2021 and leaving behind the sharp 2.6% decline recorded in 2023. Behind the improvement in 2024 lies the moderation in the inflation of production costs which the sector is currently experiencing. Beverage production, for its part, fell in the first half of 2024 (-2.8% year-on-year, after recording a 2.0% decline in 2023). This ongoing decline is largely attributable to a correction following the surge in activity recorded in 2021 and 2022 (when the country was emerging from the pandemic and the HORECA channel experienced a revival). In fact, beverage production now stands 3.8% above the 2019 level, while food production is still 2.1% below this benchmark.

The food industry continues to show improvement, but has not yet reached pre-pandemic levels

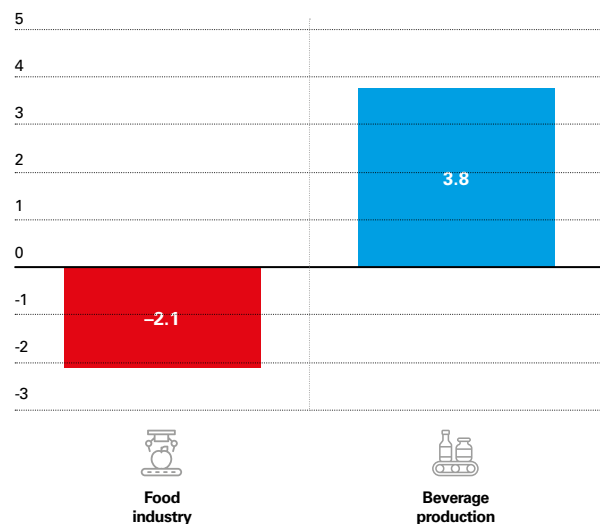
Industrial output

Annual change (%)



Industrial output

Change between 2019 and S1 2024 (%)



Note: (*) Average figure for January to June 2024.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

The labour market maintains the dichotomy of recent years

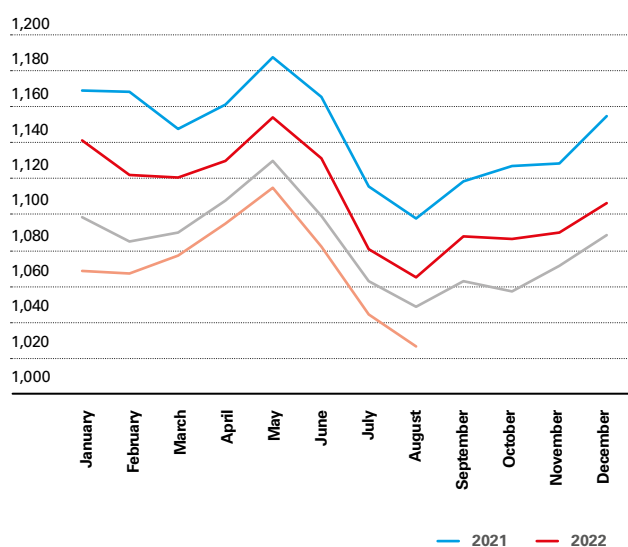
The agriculture, forestry and fishing sector continues to see job destruction, at a rate of between 2% and 3% per year, causing its share of the total number of registered workers to continue to decline. The latest available data are no exception: the sector destroyed 18,000 jobs between January and August, equivalent to a year-on-year decrease of 2%. On the other hand, the number of registered workers is growing at a rate of 2.3% year-on-year in the food industry in 2024 to date (from January to August), which is a similar rate of growth to those recorded in recent years.

The temporary employment rate in Spain's agrifood sector continues to steadily decline: in Q2 2024, 33.7% of wage earners in the sector had a temporary contract, which is 5.7 pps less than a year ago and 20 pps less than in 2021, when the labour reform came into force. However, the evident seasonality of activity in the sector means that this temporary rate remains much higher than for the Spanish economy as a whole (13.6% in Q2 2024).

Jobs in the agriculture, forestry and fishing sector continue to be destroyed

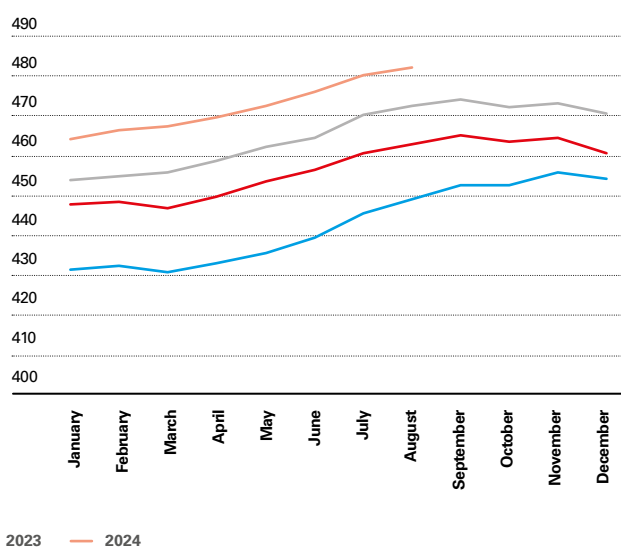
Registered workers in the agriculture, forestry and fishing sector

(thousands)



Registered workers in the agrifood industry

(thousands)



Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).

Food prices are moderating, but there is still no perceived improvement in demand

The surge in production costs in the food industry was largely passed on to food prices paid by the final consumer. Thus, food inflation reached 16% at the end of 2022, although inflation rates have since moderated to 2.7% in August 2024. For the coming months we expect the short-term disinflationary trend in food prices to continue, although we could see a rebound in 2025 once the VAT reductions applicable to certain products are eliminated.

Despite this moderation in the growth of food prices, there is still no significant revival in demand: in real terms, retail food sales grew at rather modest rates (1.2% year-on-year in July 2024), slightly below those recorded in 2023.

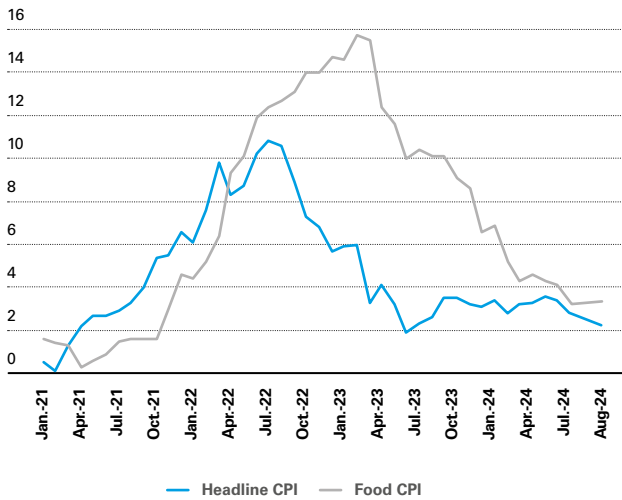


Agrifood sector

Moderating food inflation should support a certain revival of demand in the coming months

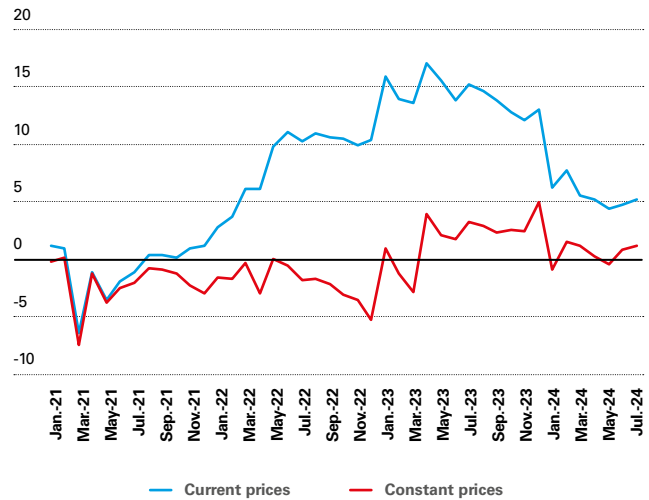
Headline and food CPI

Year-on-year change (%)



Retail food sales

Year-on-year change (%)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

Exports are recovering in 2024, in both volume and value terms

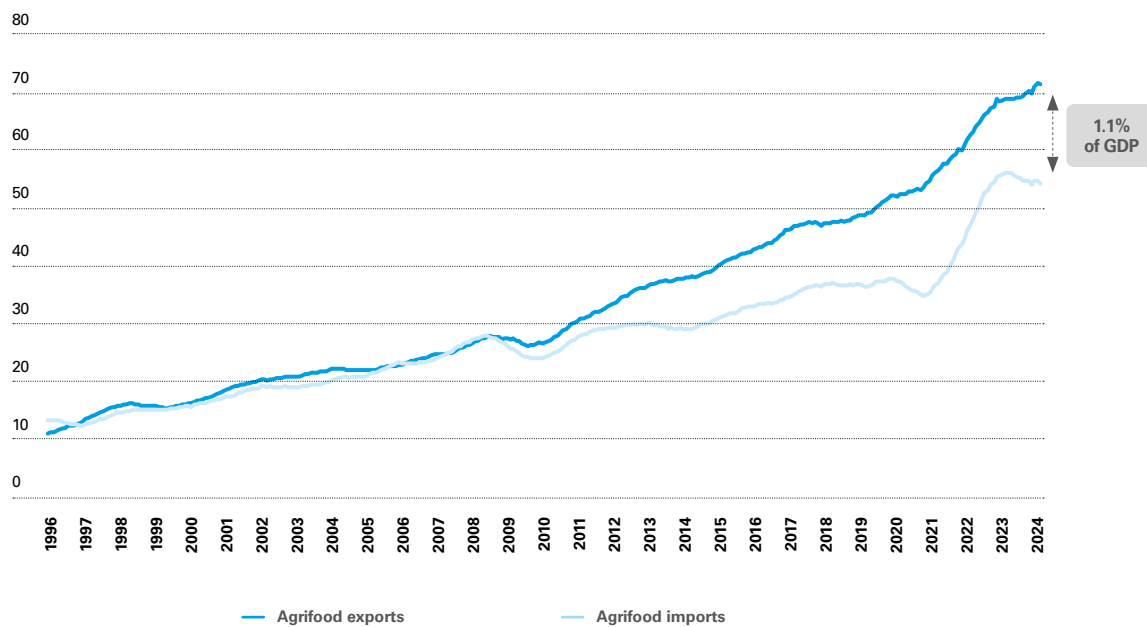
The improvement in agricultural output has allowed agrifood exports to grow by 3.0% year-on-year in volume terms in S1 2024, following two consecutive years of setbacks (-5.0% in 2022 and -8.9% in 2023). In terms of value, the growth rates are higher thanks to the rise in the prices of most agrifood products in the international markets. Thus, exports grew by 5.9% in S1 2024, up from the 3.5% recorded in 2023, and now exceed 70 billion euros in the 12 months to June 2024.

Since agrifood imports are much lower than the sector's exports, since 1996 it has been consistently registering large trade surpluses. Indeed, they are the highest among all sectors and help to partially offset the deficits traditionally recorded in the balance of trade in non-agricultural goods. In S1 2024 this surplus reached 1.1% of GDP, a significant figure only surpassed by the extraordinary records of 2020 and 2021 at the height of the pandemic.

Given the importance of the sector for Spain's balance of trade in goods, in the following article «The good health of Spanish agrifood exports» in this same 2024 *Agrifood Sector Report*, we take a more in-depth look at the recent patterns in agrifood exports, the factors behind their revival, the sector's main export destinations and its recent diversification of trading partners in order to overcome the multiple restrictions that the sector has encountered in recent years.

The growth of agrifood exports is outpacing that of imports, boosting the trade surplus

EUR billions



Source: CaixaBank Research, based on data from DataComex.

Since agrifood imports are much lower than the sector's exports, it has been consistently registering large trade surpluses



International market

The good health of Spanish agrifood exports

Spain's agrifood sector exports are faring well in the challenging environment of recent years, marked by adverse weather conditions, trade tensions and rising costs. The growth in volume recorded in the first half of 2024 has truncated two years of declines. This was largely thanks to buoyant sales of fruit, legumes and vegetables, which have outweighed the deterioration in meat exports that have failed to recover the exceptional levels previously recorded despite China having overcome the impact of African Swine Fever. The sector is thus consolidating its position as the main driver of Spain's exports of goods and is upholding the country's position among the main exporting powers of agricultural products worldwide. Among the factors that explain this strength, besides the sector's proven competitiveness it also has a highly diversified range of export destinations, which makes the sector very resilient to potential shocks.

The Spanish agrifood sector holds a leading position at the global level

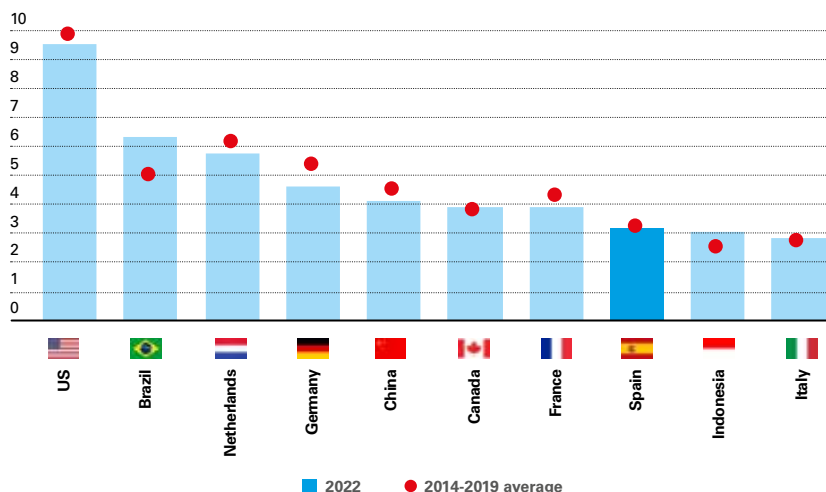
Spain's agrifood sector is heavily geared towards exports.⁵ In 2023 it exported approximately 34.4 million tons, valued at 69.6 billion euros, which represents 19.4% and 18.1% of all exported goods, respectively. Spain is a major exporting power in these products: within the EU, it is the fourth largest exporting economy in terms of value, behind the Netherlands, Germany and France.

⁵ Includes tariff categories 01-24 of the TARIC system.

Despite the challenging environment of recent years, Spain remains a major exporting power in agrifood products, at both the European and the global level

Spain is an exporting power of agrifood products

Agrifood exports
(% of the global total)



Note: Data in value terms.

Source: CaixaBank Research, based on data from the WTO.

EU agrifood exports
(% of the EU total)

	2023	2014-2019 average
Netherlands	▲ 17.5	17.4
Germany	▼ 13.8	14.3
France	▼ 11.2	12.1
Spain	▲ 9.9	9.2
Italy	▲ 8.9	7.8
Belgium	▲ 8.0	7.6
Poland	▲ 7.1	5.2
Denmark	▼ 3.3	3.6
Austria	▲ 2.4	2.3
Ireland	▼ 2.3	2.4
Top 10	84.5	81.8

Note: Data in value terms.

Source: CaixaBank Research, based on data from Eurostat.

Globally, Spain ranked eighth in 2022 (in value terms, based on the latest available data from the WTO) in the ranking of countries that export agricultural products, with a share of 3.2%. This is well over the 1.7% share of the total exports of all Spanish goods. Despite a slight fall (0.1 pp) versus 2014-2019, Spain has upheld its position in the ranking: within the top 10 in the world, only Canada, Indonesia and Brazil have increased their export share, while among European countries Spain has evolved better than Germany, France and the Netherlands, which are the continent's top-ranking countries.

How have Spanish agrifood exports performed recently?

After two consecutive years of setbacks (−5.0% in 2022 and −8.9% in 2023), in which the adverse environment held back production and, consequently, export volumes, in S1 2024 Spanish agrifood exports grew by 3.0% year-on-year, reaching 34.9 million tons (in the 12 months to June). The value of exports grew by 5.9% in S1 2024, up from the 3.5% recorded in 2023, placing them at 71.7 billion euros in annualised terms. These figures are even more striking when contrasted with the decrease in total exports of goods, both in volume (−2.1%) and in terms of value (−2.4%). Compared to the pre-pandemic period, exports in volume terms are just 2.2% above the average figure for 2014-2019. In value terms, however, they are almost 60% higher, due to the rise in prices that most agrifood products have been registering in international markets.

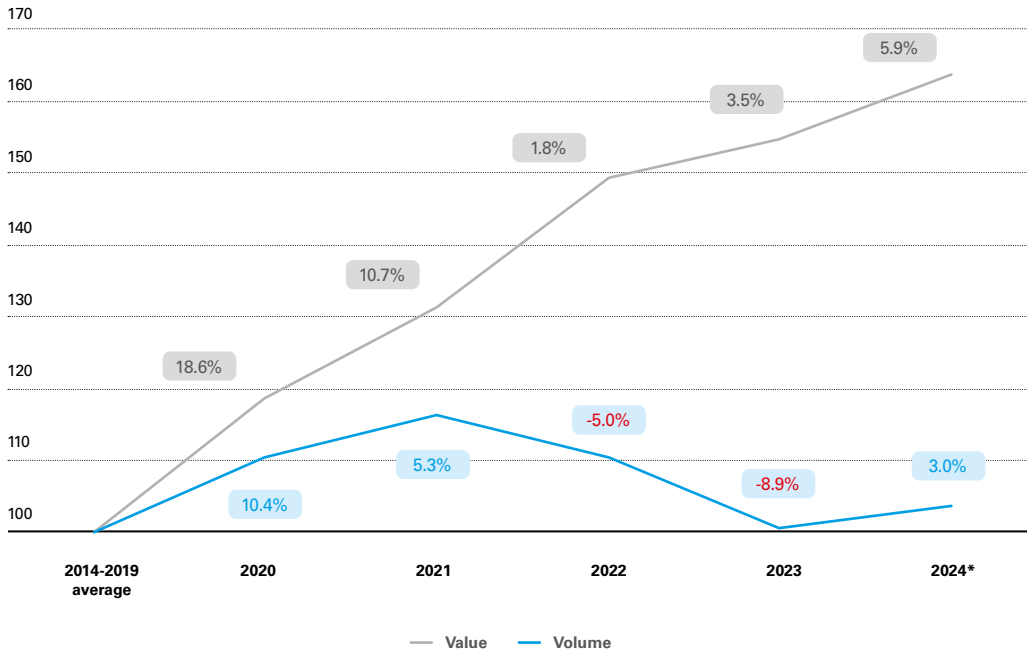
Spanish exports rebounded in 2024, in both value and volume terms



Agrifood sector

Spanish agrifood exports are once again growing in volume after two years in decline

Index (100 = 2014 -2019 average)



Note: (*) Change from January to June 2024 with respect to the same period in 2023.

Source: CaixaBank Research, based on data from DataComex.

























What products have contributed to the growth of Spanish agrifood exports?

In the first semester of 2024, exports in value terms have recorded significant growth across all agrifood product groups due to the rise in prices experienced in recent years. All product groups exceed the average export value recorded during the period 2014-2019, although there is significant variation: while exports of oils and meats have almost doubled, in the case of fruits the increase is 25%.

In order to analyse the evolution of exports eliminating the effect of the price increases, given the inflationary context of recent years, we have focused on examining exports in terms of volume. In S1 2024, the vast majority of the 24 agrifood product groups recorded positive growth rates in their export volume: only eight of them registered a reduction in this measure, representing 18.3% of the total. Of particular note is the significant growth recorded in cereal exports (27.5% in S1 2024), despite still being well below the pre-pandemic average (-36.3%). If we focus on the four main export products (fruits, vegetables, beverages and meats), which account for almost 60% of exports, these categories all recorded increases in their sales abroad in S1 2024, except for meats (-1.4%). Among them, legumes and vegetables stand out, with 10.0% year-on-year growth, far exceeding that of fruits (4.5%) and beverages (1.4%). Only fruits are below the 2014-2019 average (-14.0%).

In addition to the groups mentioned, it is also worth looking at oils and fats, given their importance to Spain's agricultural sector. Their production was severely dented last year by the drought, which suppressed export volumes and caused them to record the biggest decline in 8 years (-14.2%). In S1 2024, there was a timid recovery in these exports, with a year-on-year growth of 2.1%, such that in annualised terms they exceeded the average level of the period 2014-2019 by 13.5%. The growth of oil exports is much greater in value terms due to the sharp increase in prices (+41.3% in S1 2024 and +96.8% relative to the 2014-2019 average).

Agrifood exports by product group

TARIC groups (2-digit level)	2024*						S1 2024	
	Volume			Value			Volume	Value
	Thousand tons	% of total	Change vs. 2014-2019	EUR millions	% of total	Change vs. 2014-2019	Year-on-year change	
08  Fruit	6,660	19.1%	-14.0%	10,326	14.4%	25.1%	4.5%	6.3%
07  Legumes & vegetables	6,267	18.0%	3.0%	8,834	12.3%	51.3%	10.0%	-0.6%
22  Beverages	4,153	11.9%	16.5%	5,567	7.8%	35.1%	1.4%	2.1%
02  Meat	3,160	9.1%	36.6%	10,189	14.2%	89.2%	-1.4%	-2.1%
20  Fruit & vegetable conserves	2,548	7.3%	2.8%	4,346	6.1%	53.9%	4.8%	13.8%
15  Oil & fats	2,488	7.1%	13.5%	8,254	11.5%	96.8%	2.1%	41.3%
23  Food industry waste	1,639	4.7%	-7.3%	1,713	2.4%	75.3%	4.6%	1.9%
19  Bakery products	1,103	3.2%	43.0%	3,058	4.3%	96.1%	7.4%	7.0%
12  Oilseeds	973	2.8%	-40.0%	683	1.0%	14.0%	-24.4%	-21.8%
03  Fish & crustaceans	826	2.4%	-5.9%	3,785	5.3%	34.7%	-8.1%	-8.2%
04  Dairy products & eggs	812	2.3%	14.6%	2,259	3.1%	68.7%	11.4%	6.8%
21  Prepared food products	795	2.3%	28.9%	3,292	4.6%	120.3%	11.2%	5.8%
10  Cereals	673	1.9%	-36.3%	444	0.6%	10.5%	27.5%	3.6%
11  Milling products	613	1.8%	22.1%	417	0.6%	68.5%	-38.4%	-30.0%
16  Meat & fish conserves	411	1.2%	33.1%	2,546	3.5%	80.9%	1.0%	7.2%
17  Sugar & confectionery	398	1.1%	4.1%	1,080	1.5%	83.3%	-2.9%	-3.4%
06  Live plants	369	1.1%	51.0%	675	0.9%	88.5%	6.6%	16.4%
01  Live animals	268	0.8%	-8.0%	922	1.3%	43.3%	12.0%	17.6%
18  Cocoa	247	0.7%	25.3%	1,125	1.6%	85.9%	15.1%	31.0%
05  Other animal products	220	0.6%	-0.4%	359	0.5%	30.4%	-2.5%	-21.4%
09  Coffee & tea	174	0.5%	39.5%	861	1.2%	73.4%	-2.4%	-0.7%
13  Vegetable extracts	50	0.1%	46.2%	559	0.8%	64.1%	13.9%	-9.8%
14  Vegetable plaiting materials	38	0.1%	99.6%	16	0.0%	103.7%	20.6%	41.7%
24  Tobacco	17	0.0%	-47.1%	426	0.6%	63.0%	-38.7%	1.9%
TOTAL	34,900	100.0%	2.2%	71,736	100.0%	59.3%	3.0%	5.9%

Note: (*) The data for 2024 correspond to the 12 months to June.

Source: CaixaBank Research, based on data from DataComex.



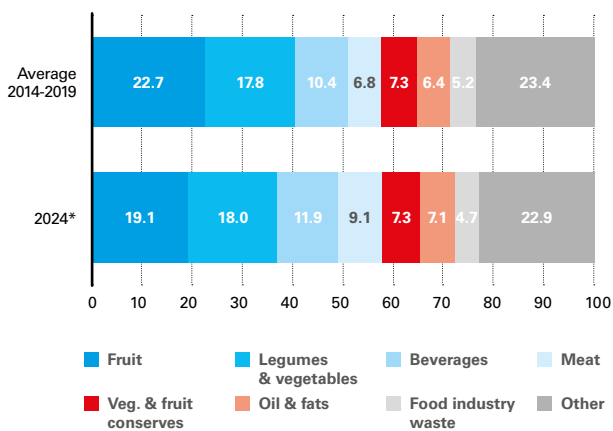
Agrifood sector



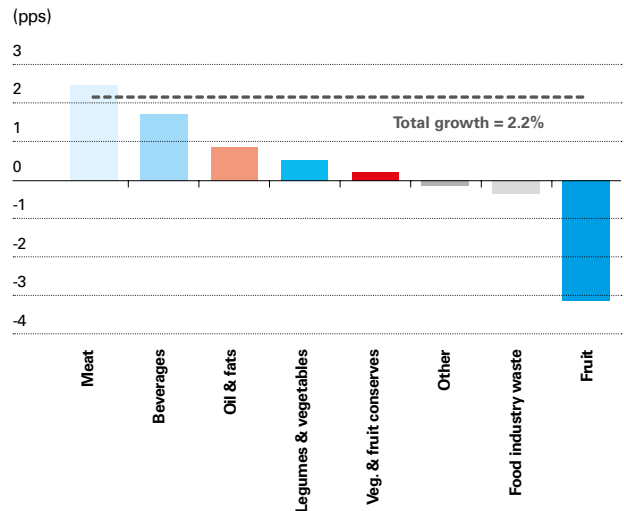
In the following chart we show how the main product groups have contributed to the growth of agrifood exports between the average of the period 2014-2019 and 2024 (cumulative data to June). In this period, exports of oils, beverages and, above all, meat have recorded significant growth. On the other hand, food industry waste and, most notably, fruits have made a negative contribution to total export growth. Thus, although fruits remain Spain's biggest export in the sector, their share of the total has fallen 4 pps, to the benefit of beverages and meat.

Which products have contributed to the growth of Spanish agrifood exports in recent years?

Composition of agrifood exports by product category (%)



Contribution of each product category to the growth of agrifood exports between the average of 2014-2019 and 2024*

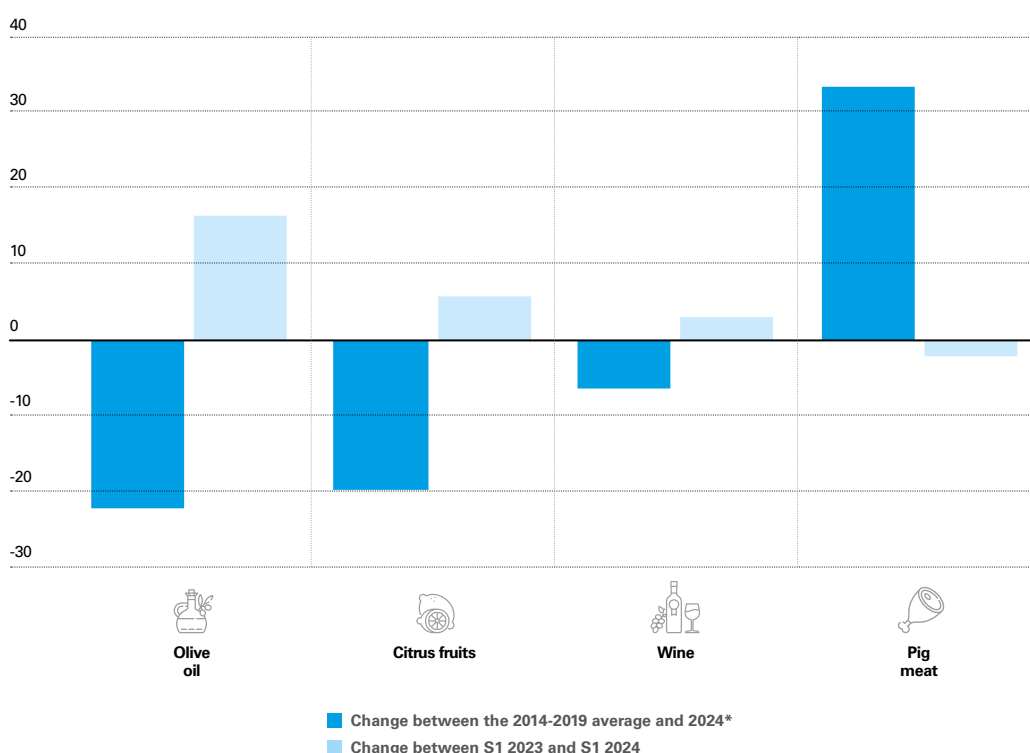


Note: (*) The data for 2024 correspond to the 12 months to June. Data in volume terms.
Source: CaixaBank Research, based on data from DataComex.

At a more disaggregated level (four-digit TARIC groups), the main products exported by volume are citrus fruits, wine and pig meat, as well as olive oil. All of them performed poorly in 2023, with widespread declines, especially in the cases of citrus fruits and olive oil. This trend has reversed in the first half of 2024, as shown in the chart below, except for in the case of pig meat (-2.4% in S1 2024) due to the fall in exports to China (-22.8% in S1 2024). Despite this recent poor performance, only this product exceeds the average level of exports of the period 2014-2019, and by far.

Exports of the main agrifood products are recovering

Change (%)



Notes: (*) The data for 2024 correspond to the 12 months to June. Data in volume terms.

Source: CaixaBank Research, based on data from DataComex.

Oils, beverages and meats have spurred on food exports in recent years, counteracting the sharp decline in exports of fruits



Agrifood sector

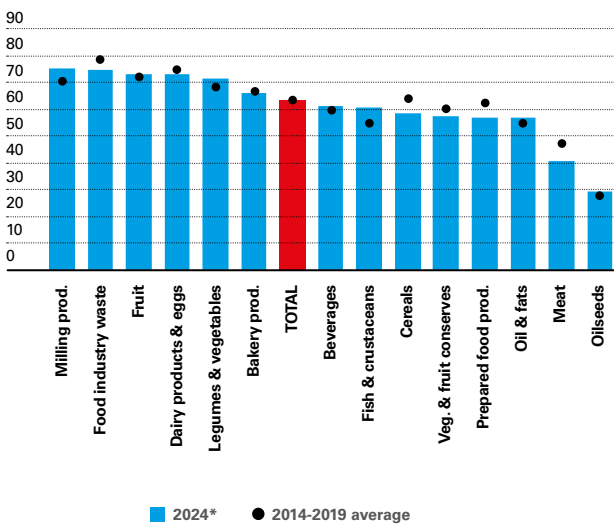
Spanish agrifood exports are increasingly diversified in terms of destination markets, with Europe at the helm

Spain sells agrifood products to virtually every country in the world, although euro area countries are the top destinations, receiving almost two thirds of the total, with France and Germany being the top destinations (18.1% and 13.2%, respectively).

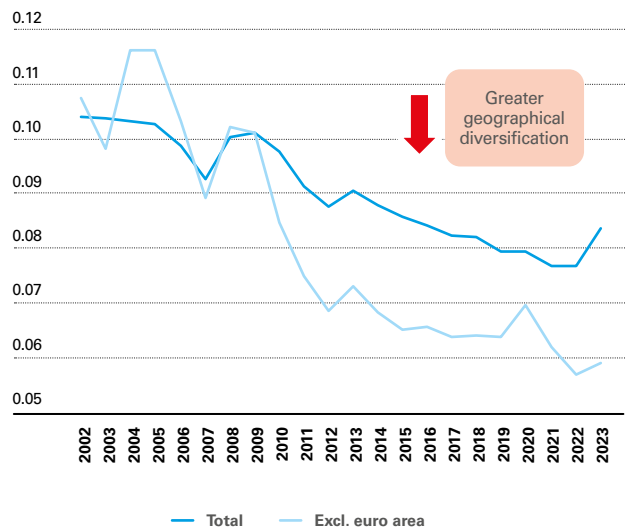
This concentration in the euro area in global terms has remained fairly stable in recent years, although it varies depending on the products exported. For instance, euro area countries receive over 70% of the exports of milling products, food industry waste, fruits, dairy products and eggs, and legumes; on the other hand, in the case of beverages, oils and, above all, meat, the percentages are below average. Meat is also the only one of the large groups of agrifood products in which the country's dependency on the euro area has reduced relative to the pre-pandemic period (mainly due to the role of China, afflicted by swine fever in recent years).

The euro area is the main destination, but Spanish agrifood exports are showing increasing geographical diversification

Exports to the euro area as a percentage of the total



Herfindahl export concentration index



Notes: (*) The data for 2024 correspond to the 12 months to June. Data in volume terms. The Herfindahl index is the sum of the squares of the market shares of export destinations, resulting in a figure between 0 and 1. The higher the index, the greater the concentration.

Source: CaixaBank Research, based on data from DataComex and Eurostat.

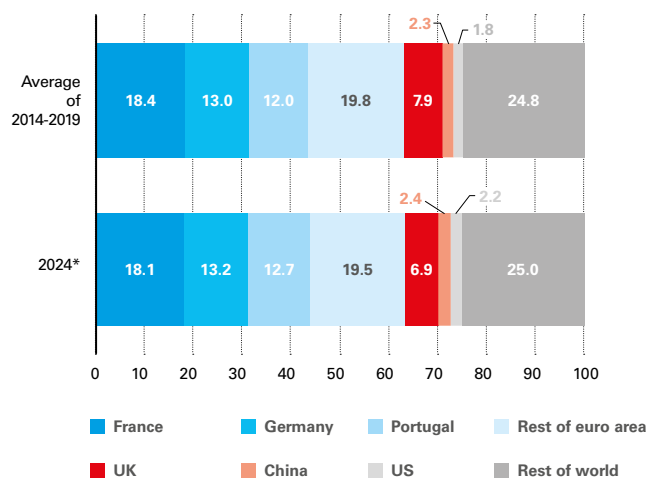
Beyond this dependence on the euro markets, what can we say about the geographical diversification of agrifood exports? To answer this question, we calculated the Herfindahl index, which takes the market shares of the various different destinations and measures the degree of concentration/diversification of exports (the lower the index, the greater the diversity of destinations). If we look at the evolution of this index excluding euro area countries, we see that, in recent years, not only has there been a high diversification of export destinations, but it has also increased: excluding the euro area, the Herfindahl index fell 9.5% in 2023 versus the average of 2014-2019.

As shown in the following charts, the buoyancy of exports to China, the United States and some euro area partners, especially Portugal, contrasts with the collapse in sales to the United Kingdom, which have been heavily affected by Brexit. Consequently, the United Kingdom has lost prominence as a destination for our sales, reducing its share by 1.1 points compared to the 2014-2019 average, while this decline has been offset by increases to Portugal and the US. Still, the UK remains our top export destination outside the euro area.

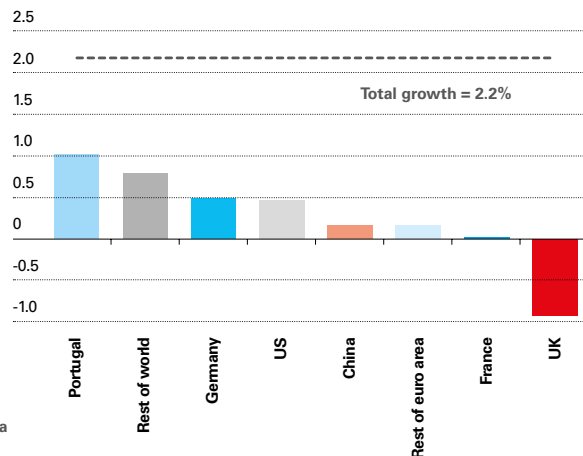
In recent years, the sharp decline in agrifood exports to the UK has been offset by the strength of other destinations, such as Portugal, China and the US

Which destinations have contributed to the growth of Spanish agrifood exports in recent years?

Composition of agrifood exports by destination (%)



Contribution of each destination to the growth of agrifood exports between the average of 2014-2019 and 2024* (pps)



Note: (*) The data for 2024 correspond to the 12 months to June. Data in volume terms.
Source: CaixaBank Research, based on data from DataComex.

In the case of exports to China, following the extraordinary growth recorded in 2019 and 2020 (above 43% on average and mainly driven by pig meat),⁶ the growth rate has moderated in recent years: in S1 2024 they grew 4.9% year-on-year, surpassing the pre-pandemic average by 7.5%. It is clear that much of the upturn in exports to China was a short-term phenomenon and that this is now normalising, as the country gradually recovers its pig livestock and its domestic production capacity. In any case, exports of pig meat now exceed the 2014-2019 average by 33%. This is because, despite the recent declines, sales to China are still higher than the pre-pandemic records, as well as the fact that exports to other destinations have also grown.

⁶ After domestic production in China was severely dented by African Swine Fever (ASF), Spanish exports to the Asian giant increased fivefold between 2018 and 2020, exceeding 47% of total exports in the latter year. For more information, see the article «Spanish pork is thriving», included in the *Agrifood Sector Report 2021*.



Agrifood sector



⑦ Following the investigation opened in October 2023, the European Commission decided to raise tariffs on Chinese electric vehicles to a maximum of 48.1%. In response, in June 2024 China's Ministry of Trade announced an anti-dumping investigation into imports of pigs from the EU. This measure could particularly affect Spain, given that it is the main exporter of pig meat to China, accounting for 295,000 tons in 2023 (36% of all Spanish agrifood exports to China).

⑧ Higher-value cuts are being redirected towards these markets, while China is reinforcing its role as a destination for lower-value cuts and spoils, which are highly sought-after in Chinese culture.

The EU-China trade tensions and their potential impact on pig meat exports make it advisable to forge stronger relationship with alternative destinations, such as Japan and South Korea

However, another problem has recently emerged, stemming from the EU-China trade war involving tariffs imposed by Europe on Chinese electric vehicles and the ensuing response from the Chinese authorities.⁷ These trade tensions could intensify the trend of declining pig meat exports to China observed in recent years and may raise the need to redirect sales towards alternative destinations. In this regard, in recent years other Asian markets where we enjoy a privileged competitive position, such as Japan and South Korea, have gained prominence. Between 2014-2019 and 2024 (trailing 12 months to June), these two countries registered growth rates of 75.1% and 51.2%, respectively, coming to account for 8.9% and 4.7% of exports, compared to 6.7% and 4.1% prior to the pandemic.⁸

Asian markets are gaining relevance: exports to Japan and South Korea show significant growth

Top 10 destinations of Spain's main agrifood exports

(% of the total)

Total	2024*	Average 2014-2019
France	18.1	18.4
Germany	13.2	13.0
Portugal	12.7	12.0
Italy	8.0	8.4
UK	6.9	7.9
Netherlands	5.2	5.2
Poland	2.7	2.4
Belgium	2.4	2.3
China	2.4	2.3
US	2.2	1.8
TOP 10	73.8	73.7

Meat	2024*	Average 2014-2019
China	16.6	14.2
France	11.6	17.1
Italy	11.0	9.0
Portugal	7.9	10.2
Japan	5.7	4.5
Philippines	5.2	2.6
Poland	4.3	2.9
Romania	3.7	1.8
South Korea	3.4	3.1
Czech Rep.	3.0	2.3
TOP 10	72.3	67.7

Legumes & vegetables	2024*	Average 2014-2019
Germany	25.6	23.4
France	16.1	16.1
UK	13.0	15.0
Netherlands	8.4	9.5
Portugal	8.4	6.6
Italy	5.4	5.1
Poland	3.7	3.9
Belgium	3.2	3.2
Czech Rep.	1.7	1.8
Sweden	1.6	2.1
TOP 10	87.2	86.9

Fruit	2024*	Average 2014-2019
Germany	26.9	25.7
France	19.0	19.3
UK	8.2	9.1
Italy	6.8	7.3
Portugal	6.6	5.2
Netherlands	6.2	6.2
Poland	5.2	4.9
Belgium	2.4	2.6
Czech Rep.	1.9	1.6
Sweden	1.9	2.0
TOP 10	85.1	84.1

Oil & fats	2024*	Average 2014-2019
Italy	15.9	20.1
Portugal	14.5	13.7
France	11.8	10.4
Netherlands	8.6	5.7
US	8.0	6.2
Morocco	7.6	5.5
Sweden	4.1	0.2
UK	3.5	3.1
China	3.1	3.2
Belgium	2.3	0.9
TOP 10	79.3	69.0

Beverages	2024*	Average 2014-2019
France	19.2	19.5
Portugal	13.5	14.1
Germany	12.3	11.4
Italy	7.9	5.6
UK	6.2	7.6
Cuba	3.1	0.3
Netherlands	2.6	3.4
US	2.5	2.8
Philippines	2.5	1.6
Morocco	2.2	0.8
TOP 10	72.1	67.2

Notes: (*) The data for 2024 correspond to the 12 months to June. Data in volume terms. The countries shaded in grey are those outside the euro area.

Source: CaixaBank Research, based on data from DataComex.

Spanish agrifood exports are less dependent on the euro area than those of our competitors

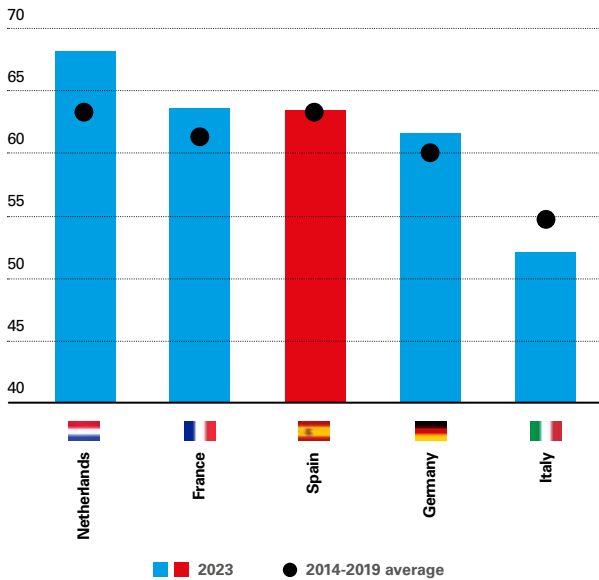
Compared to the main nearby agrifood exporting countries, Spain is somewhere in the middle of the ranking in terms of the euro area's importance as a destination for agrifood exports. In addition, while in the case of Spain the euro area's share has remained fairly stable in recent years at around 63%, in other countries it has increased, except in Italy, which allocated just 52% of its agrifood exports to the euro area in 2023 (54.7% on average in 2014-2019).



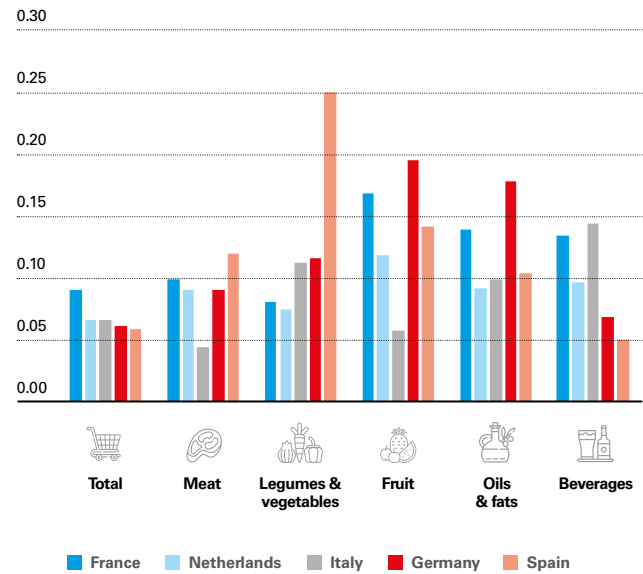
Agrifood sector

Spain's agrifood exports are less dependent on the euro area and are generally more geographically diversified

Agrifood exports to the euro area
(% of the total)



Herfindahl index of exports to outside the euro area in 2023 (*)



Notes: Data in volume terms. (*) The Herfindahl index is the sum of the squares of the market shares of export destinations, resulting in a figure between 0 and 1. Excludes the euro area. The higher the index, the greater the concentration.

Source: CaixaBank Research, based on data from Eurostat.

Spain's agrifood exports to outside the euro area are highly diversified in terms of destinations, giving them greater resilience

If we exclusively consider destinations outside the euro area, the diversification of Spanish agrifood exports as a whole is greater than in the case of our competitors. Specifically, if we exclude the euro area, Spain is the country with the lowest Herfindahl index as a measure of the concentration of agrifood export destinations. If we analyse in a little more detail the exports of the main products to destinations outside the euro area (see the chart above and right), we see that Spain has a greater geographical concentration in its sales abroad in the case of meat (due to the importance of China) and, especially, in legumes and vegetables (the United Kingdom receives almost half of the sales of Spanish legumes and vegetables destined for outside the euro area). In contrast, in beverages (where wine plays a key role) Spain enjoys a greater diversification of destinations compared to other European countries, such as France or Italy. Finally, in fruits and oils, Spain occupies an intermediate position in terms of the diversification of its destinations, similar to that of other European countries. Greater geographical diversification generally makes exports more resilient as they are less dependent on idiosyncratic shocks that a particular country or region may suffer, given that it is easier for sales to be redirected towards other destinations.

Shopping basket

Food prices offer a respite

The food price rally has begun to slow, but the cumulative increase since 2019 is significant and expenditure on food now represents a higher percentage of Spanish households' consumption. The decline in agricultural and energy commodity prices in the international markets relative to their peaks reached in 2022 should help to contain agricultural production costs and thus to further ease the inflationary pressures on food over the coming quarters.

Recent dynamics in food prices

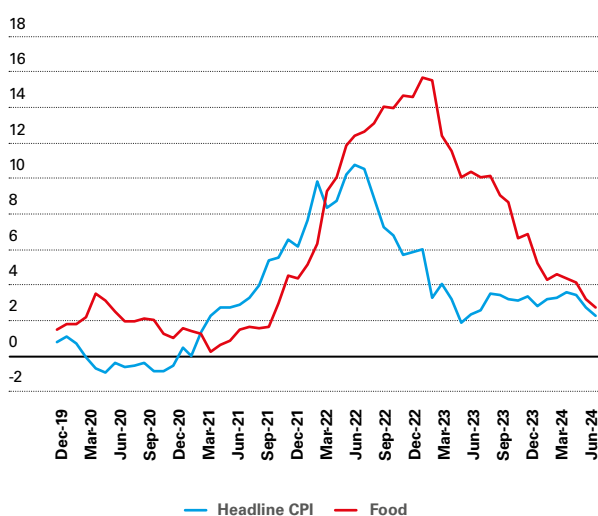
Together with energy prices, food prices have been the main protagonists of the inflationary episode that began in 2021, as we emerged from the pandemic, and which intensified in 2022, with the outbreak of the war in Ukraine. In fact, food is the component of the consumer price index that has accumulated the greatest increase over the past four and a half years. In particular, food prices surged 30.7% between December 2019⁹ and August 2024 (latest available data), over 10 pps more than energy (20.0%) and around 13 points above the headline CPI (17.9%).

⁹ Although the inflationary process began in 2021, in this article we use December 2019 as the reference period, since the composition of household consumption was greatly altered by the pandemic.

Food inflation moderates...

Food CPI

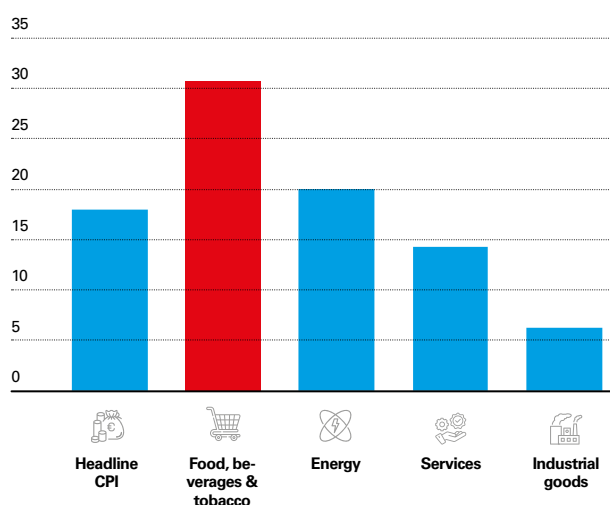
Year-on-year change (%)



... but the cumulative growth in prices is very substantial

Components of the CPI

Cumulative inflation between December 2019 and August 2024 (%)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).



Agrifood sector

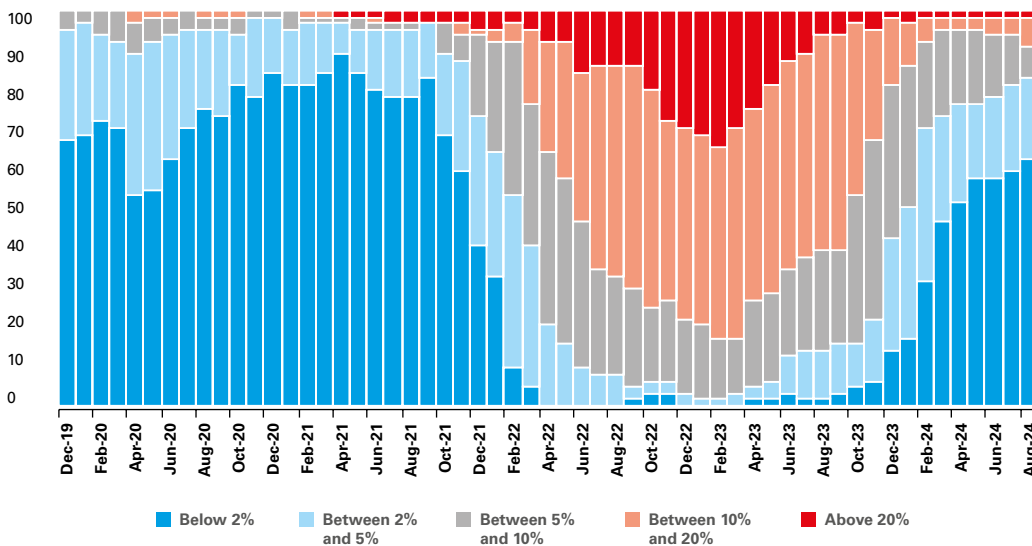
Food inflation began to pick up at the end of 2021, initially driven by the rise of a handful of products (such as vegetable oils and flours). Gradually, the price hikes became widespread across most food products, especially from 2022, when the war in Ukraine triggered a surge in agricultural production costs (both inputs and energy). At the beginning of 2023, food inflation reached over 15% (its highest rate since 1994). During that time, the price of 80% of the products in the shopping basket increased at a rate in excess of 10% year-on-year, as can be seen in the chart below. Since then, food inflation has moderated to 2.7% year-on-year in August in 2024. Inflation dynamics, however, continue to show greater dispersion than usual. In August 2024, 9.5% of food products were still recording inflation in excess of 10%¹⁰ while at the other extreme 24% of food products were recording price declines in year-on-year terms.¹¹

¹⁰ The six products that registered inflation above 10% in August 2024 were: olive oil (31.0%), chocolate (16.9%), fruit and vegetable juices (16.2%), potatoes (12.2%), cocoa and chocolate powder (10.7%), and sheep and goat meat (10.4%).

¹¹ The biggest price declines in August 2024 were recorded by other edible oils (-7.6%), pizza and quiche (-3.6%), other cereal products (-3.4%) and skimmed milk (-3.3%).

Food inflation traffic light chart

(% of CPI food subclasses)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

Despite moderation in food price inflation, the cumulative increase in prices between December 2019 and August 2024 is substantial. Moreover, it has been particularly pronounced in certain products that are considered essential to the average Spanish consumer, such as olive oil, fruits and vegetables, milk and eggs. On the other hand, the products that have seen a smaller increase in price include nuts, alcoholic beverages, tobacco products, seafood and fish (see table below).

At the beginning of 2023, food inflation reached over 15% (its highest rate since 1994)

The foods that have risen in price the most...

Cumulative inflation between December 2019 and August 2024 (%)

TOP 20 Biggest price increases	
Olive oil	183.0
Sugar	66.5
Potatoes	57.4
Sauces & condiments	49.8
Whole milk	49.3
Eggs	48.5
Other edible oils	48.4
Flour & other cereals	47.0
Fruit & vegetable juices	44.9
Butter	43.8
Skimmed milk	43.3
Rice	43.0
Cocoa & chocolate powder	42.5
Fruit preserves & fruit-based products	40.6
Other bakery products	40.6
Frozen legumes & vegetables	40.5
Pastas & couscous	38.9
Chocolate	38.4
Fresh or chilled fruit	38.3
Dried or preserved legumes & vegetables	36.0

... and the least

BOTTOM 20 SMALLEST PRICE INCREASES	
Nuts	5.7
Spirits & liquors	14.1
Grape wine	14.2
Frozen seafood	14.2
Cigarettes	14.8
Other cereal products	14.9
Fresh or chilled fish	17.1
Fresh or chilled seafood	20.2
Other tobacco products	21.0
Other sundry foodstuffs	21.2
Soft drinks	23.0
Dried, salted or smoked meat	23.0
Pizza & quiche	23.6
Edible offal	24.6
Ready meals	25.2
Blonde beer	26.3
Other prepared meat products	26.3
Poultry meat	26.5
Frozen fish	26.7
Pure cigars	26.8

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

One of the main determining factors behind the food price rally was the sharp rise in production costs in the agriculture, forestry and fishing sector

Recent trends in the costs incurred by Spanish producers and in agricultural commodity prices in the international markets

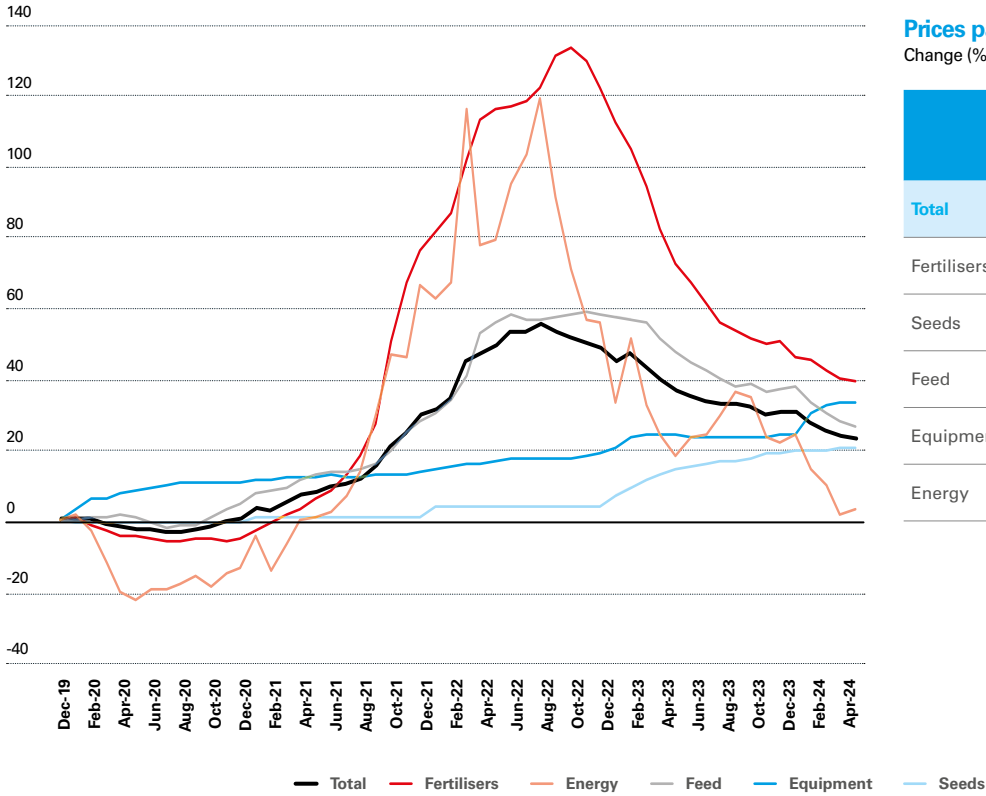
One of the main determining factors behind the food price rally was the sharp rise in production costs in the agriculture, forestry and fishing sector. According to data from the Ministry of Agriculture, Fisheries and Food (MAPA), prices paid by farmers increased by 55% between December 2019 and August 2022, mainly due to higher prices of energy (118%), fertiliser (121%) and livestock feed (56%).



Agrifood sector

Prices paid by farmers are moderating but remain high

Cumulative change versus December 2019 (%)



Prices paid by farmers

Change (%)

	Between Dec-19 & Aug-22	Between Aug-22 & May-24	Between Dec-19 & May-24
Total	54.8%	-21.0%	22.2%
Fertilisers	121.0%	-37.4%	38.4%
Seeds	3.3%	16.1%	19.9%
Feed	55.7%	-19.3%	25.6%
Equipment	17.1%	13.4%	32.7%
Energy	118.2%	-52.9%	2.9%

Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA).

Since mid-2022, intermediate costs for farmers have been moderating and are down 21% on a cumulative basis. This decline, however, has been more moderate than the previous increase, so production costs are still 22% above the pre-pandemic level.

Inflationary pressures on the first links in the food chain are easing

Looking ahead to the next few quarters, we expect this trend of moderation to consolidate. Prices of the main agricultural commodities traded in international markets have declined from their peaks of 2022, and the futures markets point to a somewhat more stable trend with prices closer to those prevailing before the outbreak of the war in Ukraine.¹² In particular, futures markets anticipate that the price of wheat will be around 600 dollars per bushel in the period 2025-2027. This is slightly higher than the price in December 2019 (550 dollars) but markedly lower than the peak reached in the spring of 2022, when it exceeded 1,100 dollars. A similar trend is anticipated for the prices of corn and soybean, as can be seen in the following chart. This trend of gradual moderation in agricultural prices reflects, on the one hand, the favourable outlook for cereal supply during the 2024-2025 campaign and, on the other, the signs of a slowdown in global economic activity (in addition to the gradual deterioration of China, there are fears of a cooling of the US economy), and this is moderating the demand for agricultural commodities in the international markets.¹³

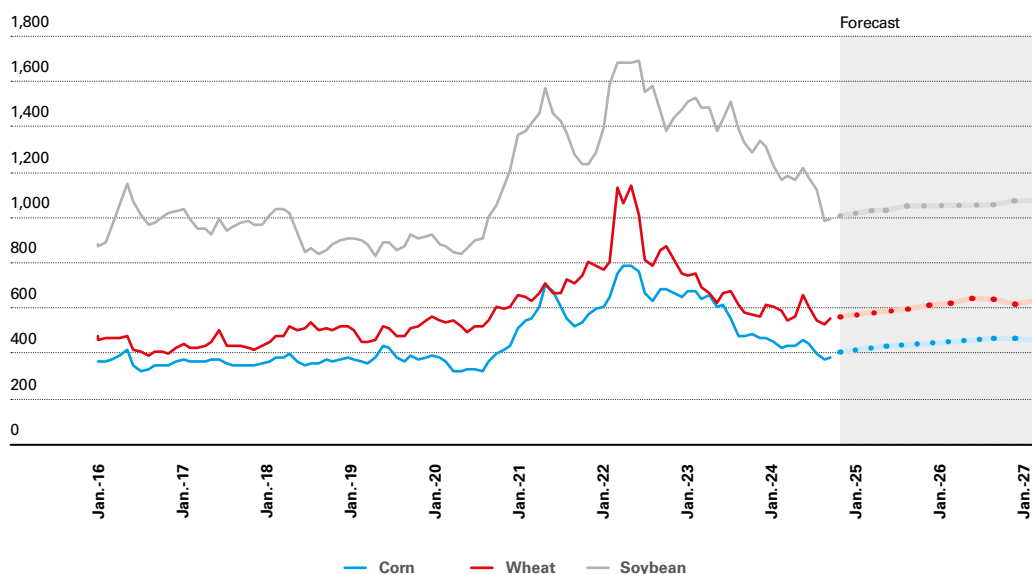
¹² See «Spain's agricultural sector and its dependence on international agricultural commodity markets», published in the *Agrifood Sector Report 2S 2022*.

¹³ The US Department of Agriculture's «World Agricultural Supply and Demand Estimates» report, published in August 2024, anticipates a 0.8% increase in global cereal production, bringing the total figure to 2.83 billion tons, due to the fact that the moderation of production in the EU and the US is being offset by the excellent harvest in other global producing countries (Ukraine and Australia, among others).

Prices of the main agricultural commodities have declined and the futures markets point to a somewhat more stable trend

International prices of agricultural commodities

Dollars per unit of product



Source: CaixaBank Research, based on data from Bloomberg.



Agrifood sector



The transmission of production costs to food prices

The long production processes in agriculture mean that the transmission of the decrease in production costs takes months to reach final prices. In order to analyse how price increases and decreases are transmitted through the food chain to reach the final consumer, we have developed an econometric model for local projections¹⁴ which allows us to measure the intensity and duration of the transmission of production costs to the food prices paid by final consumers.

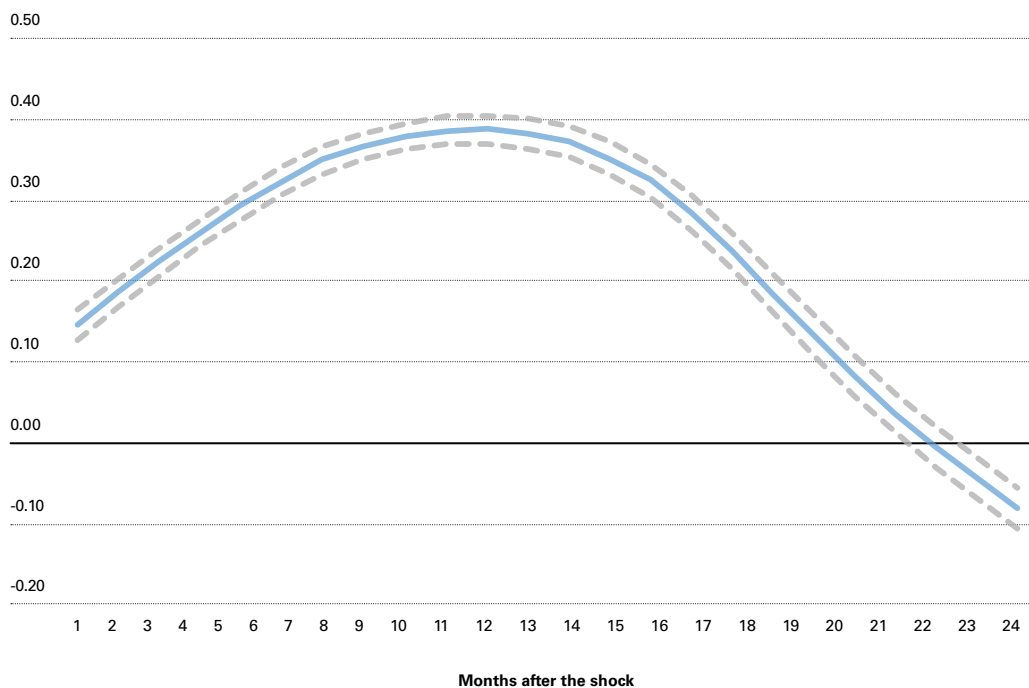
The lower prices paid by farmers are gradually filtering through the different links that make up the food chain before eventually reaching the final consumer

The following chart shows the impact which a shock in the year-on-year rate of change of the prices paid by farmers in Spain has on average food inflation. The results reveal that a temporary increase (decrease) of 1 pp in the rate of change in the prices paid by farmers results in an average rise (decrease) of 0.4 pps in food inflation after 12 months, which is when the maximum impact occurs. It is also observed that this shock is highly persistent, as the impact remains significant, albeit fading, for around 9 months after the maximum impact occurs. From this we can draw the conclusion that, if most of the upward shock in energy and input prices occurred in early 2022, then most of the impact on food inflation will now be behind us.

¹⁴The analysis in this section is based on the article «The wage-price pass-through across sectors: evidence from the euro area», M. Ampudia, M.J. Lombardi and T. Renault, European Central Bank, 2024. The model is estimated for 55 food products. The variables are expressed in terms of year-on-year difference in the logarithm of the index.

Impact that a temporary 1-pp increase in the rate of change in the prices paid by farmers has on food inflation in Spain

Year-on-year change (pps)



Notes: The chart represents the aggregate response over time of the average year-on-year change in food prices, given a 1-pp increase in the year-on-year rate of change in the prices paid by farmers. The bands represented by the dashed lines reflect 95% confidence intervals.

Source: CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food (MAPA) and the National Statistics Institute (INE).

Moreover, given the decline in agricultural production costs already recorded, together with the recent decline in oil prices, we can expect the moderation in final food prices to continue. Therefore, over the coming months we expect the disinflationary trend in food prices to continue, although we could see a gradual rebound in 2025 once the VAT reductions applicable to certain products are eliminated. In the long term, the cumulative increase in agricultural costs puts a limit on the decline we could see in food prices.

Nevertheless, there is a great deal of uncertainty surrounding where food prices will go from here, as they are dependent on multiple factors. These include extreme weather events (not only in Spain and Europe, but throughout the world), the probability of which may increase with the arrival of La Niña, a climatic phenomenon which is characterised by an abnormal cooling of surface waters in the Pacific Ocean and can cause floods and droughts, with a significant impact on crops, especially in Latin America. Conversely, the recent decline in oil prices could also help to moderate food prices.



Agrifood sector

How has Spanish households' spending on food changed during this inflationary episode?

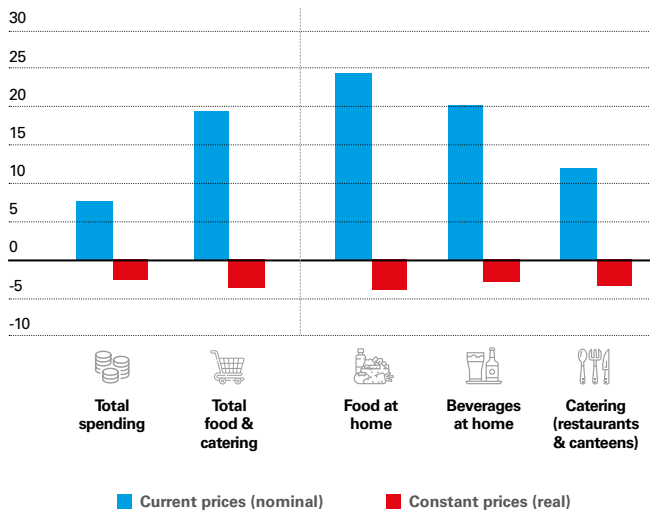
The rise in food prices has had a clear impact on household food bills. As shown in the chart below, average household spending on food, which includes both consumption for the home and expenditure on catering, increased by 19.5% in nominal terms between 2019 and 2023.¹⁵ This increase is entirely explained by the price rally, since in real terms (quantity) average household spending actually decreased by 3.7%. There was also a change in the composition of food expenditure: consumption at home increased more (24.4%) than expenditure on catering (11.9%), although both fell in real terms (-3.9% and -3.4%, respectively).

¹⁵ Data from the Spanish National Statistics Institute's Household Budget Survey.

The sharp rebound in food prices has resulted in an increase in the proportion of average household expenditure that is allocated to food and catering, going from 23.4% in 2019 to 26.0% in 2024. In contrast, there was a decrease in spending on other items such as transport, communications, clothing and footwear, furniture and other household items.

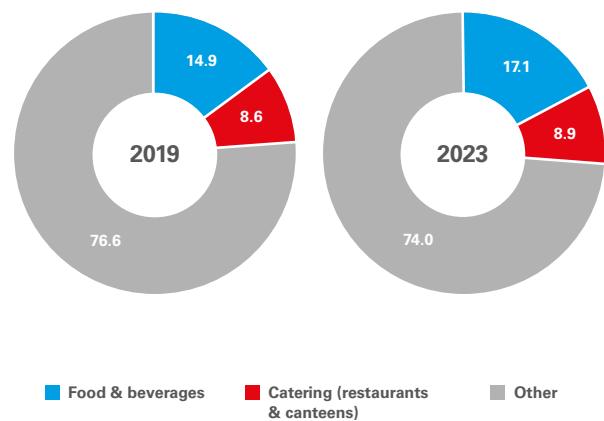
Average household expenditure grew in nominal terms but not in real terms

Change in average household expenditure between 2019 and 2023 (%)



Household expenditure on food at home and on catering

(% of total household expenditure)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE, Household Budget Survey).

If we delve into the detail of food products consumed at home, we see that average household expenditure grew, in nominal terms, for most products as a result of the rise in prices.¹⁶ On the other hand, in real terms, expenditure has declined in more than half of all product categories. The following table shows the 20 products which have registered the greatest increase in spending in real terms between 2019 and 2023 and those on which spending has increased the least, together with the cumulative price increase during this period.

¹⁶ It only fell for 8 out of the 82 products considered. Baby food (-17.1%), dietary products (-14.1%), and spirits and liquors (-6.8%) recorded the biggest decreases in average household expenditure in value terms between 2019 and 2023.



It is interesting to note that there is no direct relationship between the change in real spending and the cumulative inflation per product.¹⁷ Thus, among the products which have experienced the biggest increases in real expenditure we find essential products that have recorded bigger relative price hikes, such as eggs, sugar and pasta. However, we also find some of the products whose prices have increased the least, such as coffee and ready meals. On the contrary, consumers have reduced the proportion of their consumption allocated to goods that have become more expensive, such as olive oil and fruit, but they have also reduced their consumption of products such as nuts, which is the product category that has recorded the smallest price increase.

Among the products which have experienced the biggest increases in real expenditure we find essential products that have recorded bigger relative price hikes, such as eggs, sugar and pasta

¹⁷The correlation between cumulative inflation and the real change in household expenditure on food products between 2019 and 2023 is 39%.



Agrifood sector

In other words, despite the sharp rise in prices in some food products, their consumption has not been greatly affected, which indicates the low price elasticity of food expenditure. It is also important to note that the grouping of food products does not allow for the detection of substitute products within each subclass of products that may be of a different quality.

Changes in households' food consumption between 2019 and 2023

Change between 2019 and 2023 (%)

TOP 20 Biggest increases in expenditure per household			
	Average expenditure per household		Price
	Real	Nominal	
Eggs	18.9	59.9	46.1
Sugar	17.9	50.8	67.3
Coffee	17.6	43.4	19.5
Ready meals	16.2	50.1	22.1
Other cereal products	15.1	49.0	15.5
Pastas & couscous	12.5	45.5	41.0
Sauces & condiments	10.8	43.1	47.4
Ice cream	8.9	39.4	26.4
Other dairy products	8.5	46.0	33.1
Tea	7.6	31.3	29.2
Flour & other cereals	7.6	39.2	47.6
Cheese	6.9	43.8	33.9
Whole milk	6.9	43.8	50.3
Dried, smoked or salted fish & seafood	6.7	30.2	27.4
Rice	6.1	37.3	41.1
Skimmed milk	4.1	40.0	48.9
Poultry meat	3.7	30.4	26.6
Pig meat	3.4	30.1	29.2
Frozen fish	2.4	25.1	23.1
Salt, spices & culinary herbs	2.1	31.9	27.1

BOTTOM 20 Biggest decreases in expenditure per household			
	Average expenditure per household		Price
	Real	Nominal	
Baby food	-35.8	-17.1	35.4
Other sundry foodstuffs	-24.0	-1.9	16.8
Butter	-23.6	40.3	45.2
Sheep & goat meat	-23.3	-3.5	32.9
Frozen legumes & vegetables, except potatoes & other tubers	-23.1	0.2	36.5
Other meats	-21.8	-1.6	35.0
Bread	-19.7	3.9	25.4
Fruit conserves & fruit-based products	-16.3	8.2	40.5
Cocoa & chocolate powder	-16.2	2.2	27.1
Fruit & vegetable juices	-15.6	12.2	24.8
Nuts	-14.3	10.9	6.1
Fresh or chilled legumes & vegetables, except potatoes & other tubers	-13.0	13.3	37.6
Fresh or chilled seafood	-12.3	7.1	16.9
Edible offal	-11.9	10.8	21.4
Fresh or chilled fruit	-11.6	14.3	38.1
Beef	-11.0	11.9	25.5
Dried, salted or smoked meat	-9.7	13.6	22.0
Fresh or chilled fish	-8.9	11.2	22.3
Chocolate	-8.2	17.5	16.5
Olive oil	-6.9	71.2	99.6

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE, Household Budget Survey).

Main indicators for the agrifood sector

Annual change, unless expressly indicated

	2000-2007 average	2008-2014 average	2015-2019 average	2020	2021	2022	2023	2024	Date of latest figure	Trend
Activity indicators										
Total GDP of the economy	3.6	-0.9	2.8	-10.9	6.7	6.2	2.7	3.1	Q2 2024	☀️
GVA of the agriculture, forestry & fishing sector	1.2	0.6	1.4	-2.0	7.0	-20.3	6.5	5.1	Q2 2024	☀️
GVA of the agrifood industry	3.6	-2.8	0.5	-15.6	10.9	-	-	-	2021	☀️
Agricultural income (current prices)	3.0	2.1	3.6	-1.4	8.8	-4.1	12.8	-	2023	☀️
Industrial production index: manufacturing industry	1.3	-4.8	2.4	-10.5	9.3	1.6	-0.7	1.1 (*)	Jun.-24	☀️
Industrial production index: food	1.7	0.0	1.2	-4.8	4.1	-0.4	-2.6	1.9 (*)	Jun.-24	☀️
Industrial production index: beverages	2.4	-1.8	0.4	-9.1	11.9	5.0	-2.0	-2.8 (*)	Jun.-24	☀️
Turnover index: manufacturing industry	5.6	-3.1	3.0	-11.9	16.1	21.1	-0.8	-0.1 (*)	Jun.-24	☀️
Turnover index: food	4.2	1.1	2.8	-1.7	8.3	19.9	6.4	2.9 (*)	Jun.-24	☀️
Turnover index: beverages	4.7	-1.3	2.1	-15.6	12.8	15.5	6.6	3.3 (*)	Jun.-24	☀️
Indicators of demand										
Retail sales index: total economy	2.7	-4.4	2.3	-5.4	3.8	0.9	3.0	0.9 (*)	Jul.-24	☀️
Retail sales index: food	2.1	-2.9	0.7	0.8	-2.1	-2.1	1.9	0.5 (*)	Jul.-24	☁️
Expenditure on food	2.6	-2.1	0.4	4.6	2.8	-4.9	-4.1	-	2023	☀️
As a proportion of total expenditure (%)	14.7	15.1	15.1	17.9	16.3	15.1	14.2	-	2023	
Labour market										
Total registered workers in the economy	3.5	-2.1	3.1	-2.1	2.5	3.9	2.7	2.3	Aug.-24	☀️
Registered workers in the agriculture, forestry & fishing sector	-1.4	-0.6	0.4	-1.6	-0.3	-3.3	-2.5	-2.2	Aug.-24	☁️
Registered workers in the agrifood industry	-	-0.8	2.9	-1.0	2.0	3.1	1.9	2.1	Aug.-24	☀️
Total people in employment in the economy	4.3	-2.4	2.7	-2.9	3.3	3.6	3.1	2.0	Q2 2024	☀️
People in employment in the agriculture, forestry & fishing sector	-1.5	-2.3	1.6	-4.0	6.9	-2.4	-3.9	-0.6	Q2 2024	☀️
People in employment in the agrifood industry	-	-1.0	1.5	0.0	-1.7	6.0	3.5	-0.3	Q2 2024	☁️
Foreign sector										
Agrifood exports	6.3	6.0	5.6	4.6	10.5	12.9	4.0	6.0 (*)	Jun.-24	☀️
Exports of the agriculture, forestry & fishing sector	4.7	4.2	5.3	5.4	6.8	4.8	3.6	2.4 (*)	Jun.-24	☀️
Exports of the agrifood industry	7.3	7.0	5.7	4.2	12.5	17.0	4.2	7.8 (*)	Jun.-24	☀️
Agrifood imports	6.7	2.0	4.5	-5.0	15.7	29.4	3.1	-2.0 (*)	Jun.-24	☁️
Imports of the agriculture, forestry & fishing sector	5.2	0.9	4.5	-3.0	17.5	34.9	3.2	-2.8 (*)	Jun.-24	☁️
Imports of the agrifood industry	7.6	2.5	4.4	-6.0	14.8	26.6	3.0	-1.5 (*)	Jun.-24	☁️
Agrifood balance (% of GDP)	0.1	0.4	1.0	1.6	1.5	1.2	1.0	1.1	Q2 2024	☀️
Agriculture, forestry & fishing sector balance (% of GDP)	0.2	0.2	0.4	0.6	0.5	0.4	0.2	0.2	Q2 2024	☀️
Agrifood industry balance (% of GDP)	-0.1	0.2	0.5	1.0	1.0	0.8	0.8	0.9	Q2 2024	☀️
Financing										
Outstanding balance of credit to the agriculture, forestry & fishing sector	9.9	-5.0	3.9	4.0	3.0	-1.6	-7.6	-5.6	Q1 2024	☀️
NPL ratio of the agriculture, forestry & fishing sector (%)	1.3	7.4	7.8	5.5	5.2	4.9	5.4	5.8	Q1 2024	☁️
Outstanding balance of credit to the agrifood industry	10.4	-1.8	4.4	2.9	0.1	4.5	-2.6	-4.5	Q1 2024	☁️
NPL ratio in the agrifood industry (%)	1.6	7.1	6.0	4.2	3.8	3.2	4.1	4.2	Q1 2024	☁️

Notes: For indicators marked with an (*), the value for 2024 corresponds to the cumulative change in the year up until the latest available data. For all other indicators, the year-on-year change in the latest available data is shown. Demand indicators are at constant prices.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), DataComex, the Social Security Institute and the Bank of Spain.

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A graphic with a dark blue background featuring abstract white and yellow lines and dots, resembling a network or data visualization. The text is centered and reads: "Real-Time Economics" in large, bold letters, with "Real-Time" in yellow and "Economics" in white. Below it, in smaller white text, is "Follow the evolution of the Spanish economy with our real-time indicators." At the bottom, a yellow rounded rectangle contains the URL "https://realtimeeconomics.caixabankresearch.com" in black text.

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