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Uncertainties and opportunities of sheep production in Extremadura

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SUMMARY – Extremadura's sheep production is one of the social-economic engines of the region. It is a productive sector that manages relevant territories linked to the conservation of the environment. Nowadays this sector has led a revolution in its production system and is working on a new organization of its verticalization capacity together with the new community frame of eco-conditions and rural development.

Keywords: Sheep production, verticalization, PDO, PGI, cheese, lambs.

RESUME – *"Incertitudes et opportunités pour la production ovine en Estrémadure"* La production ovine en Estrémadure constitue un des moteurs économiques et sociaux de la région. C'est un secteur productif qui gère d'importants territoires en rapport avec la conservation environnementale. Ce secteur a conclu actuellement une reconversion de son système de production et est plongé dans une structuration de sa capacité de verticalisation en parallèle au nouveau cadre communautaire d'écoconditionnalité et développement rural.

Mots-clés : Ovin, verticalisation, DOP, IGP, fromage, agneaux.

Introduction

The economy of the region of Extremadura (Vega and Murillo, 2004) presents a wide agricultural and livestock sector and a scarce transformer industry. Agricultural and farming production means 12.43% of the Gross Domestic Product (PIB) / Gross Added Value (VAB) in agriculture (in Spain it means 4.06%), while the transformer industry generated 7.73% (in Spain 17.29%), highlighting that the biggest generation of added value is not common in the agricultural and farming sector but in its transformation and distribution. The regional livestock market presents a trade structure focused on the domestic market and based on primary production, quite far from food and agriculture transformation.

Opportunities

Social-economic importance

About the agricultural incomes of Extremadura, 2060 millions € (Díaz and Sánchez, 2004), the production represents 65.12%, and the ovine productions (meat+milk+wool) 233+3+4 million €, 13% (11.3% + 1.5% + 0.2% respectively), only overcome by the pigs (15%). Considering its public incentives (99.7 mill €), the ovine production is the most all important of the regional economy (Antón, 2004).

The ovine livestock is present in 95% of municipalities of Extremadura (in Spain 86%). 3.5 mill breeding sheep is the census (MAPA, 2004), what means 18% of Spanish domestic total, and it maintains an increasing tendency (50% 05/86). Its structure shows suitable exploitations for the verticalization process. The 66% of all exploitations count on more than 500 breeding sheep, and out from them, 35% have more than one thousand.

Geographical location

Extremadura's ovine livestock shows a geographical location and a productive specialization

(López Gallego, 2003). 25% of the census is in 3% of municipalities, coexisting with 5% of caprine and 8% of bovine livestock. The ovine livestock represents 45% of the total census in the areas of La Serena (Castuera 12%), Siberia (Puebla de Alcocer 9%), Llanos de Cáceres (Cáceres 10%), Trujillo (Trujillo 8%) and Campiña (Llerena, 6%) (Fig. 1).

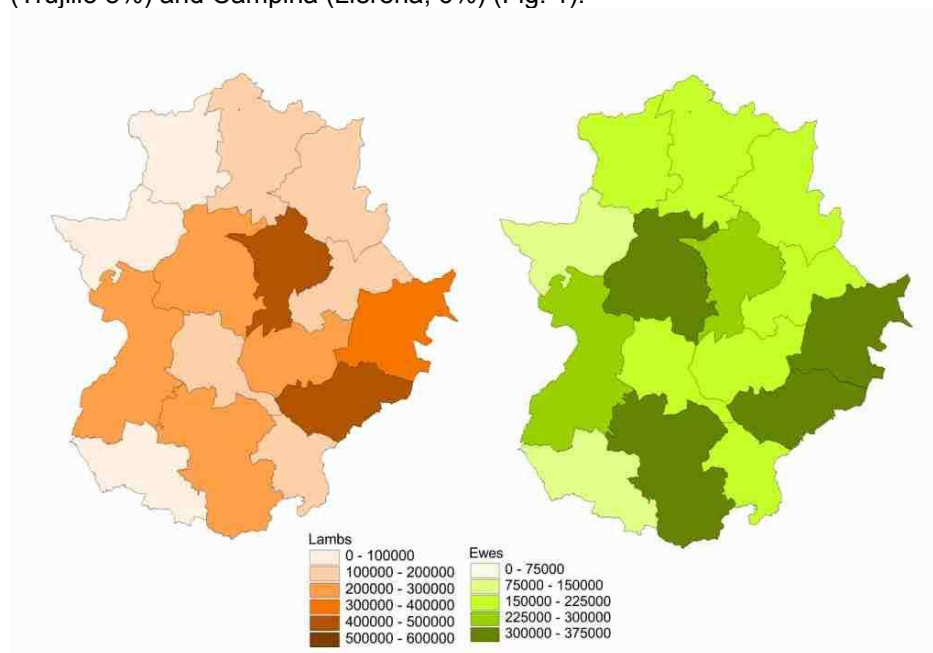


Fig. 1. Regional distribution of the ovine livestock and lamb production in Extremadura.

Partnership

Along the last years, the ovine sector of Extremadura has joined a modernization process through ovine cooperative companies. This has meant a drop in the so high level of atomization and intermediaries along the value chain. The cooperative model, expanding the initial concentration and typification of lamb offer transformation and distribution functions.

Just the two most relevant cooperatives, Oviso and Copreca (14% of Extremadura's livestock), have started with in-house transformation of their own lamb production. They market their final production instead of live animals, as it is used in the region. The total production of lamb in Extremadura, under a cooperative discipline, overpasses a million heads (53% Oviso+Copreca) and it represents 32% of the regional production.

In Extremadura, 41% of the lamb production is destined to slaughterhouses, slaughtering 15% in regional slaughterhouses (López Gallego, 2005). Oviso and Copreca slaughter in Extremadura and market 35% and 95% respectively of their production, what represents 10% of the regional production (32% of the cooperative production). The rest of the ovine sector of Extremadura market the production as live.

The cooperative lambs marketed alive are destined to slaughterhouses (48% Madrid-Centre, 35% Barcelona-East) almost located in the same markets (75% Madrid-Centre, 22% Barcelona-East), where other lamb producers converge, generating a self-concurrency for the cooperative ovine sector, joined to the rest of the non cooperative lamb production (35% Madrid-Centre, 10% Catalonia).

Commercial concentration

Five big traders overcome 45% of all the food production, being three of them the biggest operators of ovine meat (Carrefour 18%, Eroski 8% and Mercadona 5%). Out from the 12-14 big national operators of in-house transformed ovine, perhaps the four biggest (Magnus, Murgaca,

González, Copreca) manage around 65% of the total production. Extremadura has a big atomization of in-house operators, as a result of the great volume of alive livestock trade, generating a slight concentration in cooperatives, which manage 15% of the total production (495,000 lambs), and expecting, on the other hand, the management of 20% by five big buyers (Díaz, Magnus, González, Merinero and Torrejón). The rest of the regional lamb production is managed by a great deal of intermediaries.

Among the main producers and distributors of ovine meat at a national level, Copreca (3.6 mill/kg) and Oviso (1.1 mill kg) crown the market (Fernández, 2005). Nevertheless these two companies do not include quartering, where the group Cárnico Magnus SA, with a production of 12 million kg, 88% fresh (51% quartered, 49% gutted) and the cooperative group Pastores (5.1 million/kg, 19% in plates for self-service) head the market.

Commercialization

Extremadura's annual lamb production is 3.2 million (López Gallego, 2003), concentrating 40% of the regional lamb production in Castuera (15%), Trujillo (13%) and Herrera del Duque (12%). The areas of Castuera, Herrera del Duque, Trujillo and Zafra commercialize 50% of all the regional alive lambs (15, 12, 11 and 11%), they also represent 55% of the commercialized lambs to slaughterhouses (16, 13, 17 and 8%). It's supposed that 1.85 million/year of alive lambs are managed from exploitations to cattle feed facilities in and outside of the region. On the other hand, 1.28 million lambs are registered to slaughter in regional and national slaughterhouses.

The activity of the ovine cooperatives of Extremadura along the last years has established production guidelines to start a process for keeping the added value, increasing the positive results in the selling chain. Lamb production cooperatively commercialized now reaches 970,000 lambs/year (31%). Out from them 530,000 concern Oviso and Copreca (17% of the total amount in Extremadura). It also represents 29% of Extremadura's lambs that are commercialized alive.

This particular form of production is viable thanks to the start-up of typification feeding centres. After the concentration, typification and homogenization of the offer for its selling of alive lambs, speeding up the process and increasing its capacity, it regularizes the supplies chain. At the same time, it guarantees the security of products, their identification and traceability, links of the value chain required by the target markets.

Extremadura's ovine livestock has specific aspects in the market demand, along every stage of the production system, from the livestock exploitation to the logistic platform. The traceability is accredited certifications sets of the Quality Standard PGI Corderex, in the typification centres. The strict specifications are included in the distribution contracts to guarantee the possibility to search for it, they include new assumable implements for these centres and slaughterhouses (identification, waste control, inhibitors, pesticides and bacteriology).

Slaughtering in regional slaughterhouses

Lambs' slaughtering in slaughterhouses has increased from 141,000 lambs to 467,000 (1999-2005) as a result of the starting-up of the cooperative groups Oviso, in the area of La Serena, and Copreca, in the area of Llanos de Cáceres. This means that the lambs transformation in the region reaches 15% of the total production and 37% of the total amount of commercialized addressed to slaughterhouses. Out from these values, it corresponds to Oviso+Copreca 10% and 25%. About regional slaughtering, Copreca and Oviso represent 95% and 35% respectively.

The slaughtering capacity of lambs is still quite low in Extremadura. There are 84 slaughterhouses in the region, just 10 have capacity to slaughter more than 5000 lambs/year and these keep 88% of the total slaughtering. Oviso's (1000 tons/year) and Copreca's (1800 tons/year) slaughterhouses are the only slaughterhouses of Extremadura included in the 41 main national ovine slaughterhouses, which slaughter more than 500 tons. This group is headed by the group Magnus (12,000 tons), 12% of the total. These slaughterhouses are located mainly in Catalonia (23%) and in Aragón (16%); Murcia (15%); Valencia (8%); Madrid (1%); Castilla y León (16%); Castilla la Mancha (7%), and the North (9%).

Quality standard PGI (Protected Geographical Indication) Corderex

The certification of the PGI "Cordero de Extremadura (Corderex)", recognized by the Regulation Corderex (Order 9/2/97), covers both the production area and its elaboration (slaughtering and quartering in regional slaughterhouses). The main important members of this Quality Standard PGI-Corderex are Oviso (94%) and Copreca (5%) (Muñiz, 2005) (Table 1).

Table 1. Certifications evolution of the Quality Standard P.G.I.-Corderex

	2003	2004	2005
Registered farms	361	380	402
Registered livestock (10 ³)	333	342	362
Slaughtered lambs PGI (10 ³)	31.3	31.9	33.8
Certified carcass (10 ³)	26.4	25.5	27.0
Authorized slaughterhouses PGI	4	4	4
Oviso (10 ³ and %)	20.3 (77%)	19.7 (78%)	19.0 (80%)
Copreca (10 ³ and %)	1.3 (5%)	1.8 (6%)	1.6 (7%)
Others (10 ³ and %)	4.8 (18%)	4.5 (16%)	3.2 (13%)

The certification criteria of the QS Corderex overpass the standardised levels of the biggest corporations (Serenó, 2002). In addition, it follows the requirements of a product framed by a PGI, certifying the QS as a certifier body PGI-Corderex (EN45011).

Quality Standard PDO (Protected Designation of Origin) Cheese

Extremadura's ovine cheese production is a wonderful complement to meat production and it is linked to the PDOs. With these specific structures, Extremadura's cheese production is placed in the producer sector or in small in-house companies, without an expectation from big external milk companies.

The production of cheese and La Serena's soft cheese (Torta de la Serena) covers 21 municipalities of Badajoz, affecting 100,000 merino sheep and 15 cheese corporations that make 200,000 kg of certified cheese every year, and 100,000 with other brands (Table 2). The rest of the producing sector is formed by 7 cheese corporations with 250,000 kg of non-certified handmade cheese a year (Morillo, 2005). Around 5% of the production is exported (Germany, USA, Japan), the rest concentrates its commercialization in Madrid (25%), Barcelona (10%) and above all in Extremadura (60%), especially in regional selling (30%). However the certified production is widely commercialized in national markets (80%) instead of regional markets (20%). The distribution in large shopping centres is overwhelming (70%), face to restaurants (15-10%) and specialised shops (10-15%).

Table 2. PDO ovine certification evolution in Extremadura

	2002	2003	2004	2005	2006 [†]
Queso Serena PDO (10 ³ kg)	167.9	178.2	189.7	191.0	200.0
Registered cheese corporations	16	16	16	15	15
Queso Casar PDO (10 ³ kg)	147.1	249.5	291.4	310.0	350.0
Registered cheese corporations	8	12	12	14	15

[†]Estimate.

The production of soft cheese (Torta del Casar) covers 36 municipalities of Cáceres, affecting 40,000 entrefino or merino sheep and 15 cheese corporations that make 350,000 kg of certified

cheese every year, and 10,000 with other brands. The rest of the producing sector is formed by 2 cheese corporations with 20,000 kg of non-certified handmade cheese (Núñez, 2005). The biggest part (80%), is destined to distribution in Madrid (30%), Bilbao (30%) and Barcelona (20%), the rest is sold to specialised shops in Extremadura (8%), Madrid (8%) and Catalonia-East (4%).

The commercialization is nowadays one of the main structural limitations due to its quality characteristics. The shopping corporations with a bigger presence of these cheeses are Carrefour (50%), Makro (20%), Corte Inglés (10%), Mercadona (10%) and Eroski (5%).

Wool production's value

A Project started up in 2002 to value Extremadura's wool production, concentrating 2 million kg of non cleaned fleece. This aspect is determinant for the value of a product, which is not currently profitable, and the fact of inserting a so debilitated ovine production during the last decades, but with a high intrinsic value, in the transformation and marketing processes.

Extremadura sells washed and combed wool after a controlled shearing and classification process. Thus the producers get typified, pressed and packed wool. Nowadays 78% of the classified wool can be transformed into length combed products (52-55 mm), although with a micronage of 23-25 mm. The 50% is commercialized as non cleaned fleece: domestic trade (20%), Italy (10%), India 10%) and Morocco (10%). The other half is commercialized as washed-combed-carded wool: Turkey (20%), Italy (15%), Spain (10%) and Morocco (5%).

Uncertainties

(i) The future of the ovine sector in the EU in the short term is complicated and in the context of expansion, *demand* shows that general trends are not promising, despite the positive image of the ovine meat. A huge commercial push is necessary to *promote consumption*. A little further into the future, the survival of the ovine sector in the EU will depend on three aspects: increasing *exports* from Eastern countries to the EU, once issues of sanitary regulations have been resolved; difficulties in continuing to negotiate downward the *self-limitation agreements* with Australia and New Zealand, and the influence of the recent agreements of the CMO and the WTO on meat markets.

(ii) The choice of a single incentive, decided during the last CMO reform, may favour the sector because it allows decisions to be taken on improving efficiency and exploitation benefits, regardless the bonus subsidy. The lack of appeal in *continuity through generations* could soon provoke a serious crisis in the sector, worsened by the effect of partial dissociation of the incentive with respect to production, which could cause an increasing number of farmers to leave the market without the support of a new generation to replace them.

(iii) The latest *food scandals* have undermined a consumer's confidence in an expensive product, although the ovine sector has always avoided these problems in the past. Europe requires a sector that fully abides by and fulfils all of the sanitary regulations linked to an *eco-condition* regulated by the single incentive.

(iv) The *new organization of the European market* after the last enlargement, whose new set-up now includes countries with a long tradition of ovine meat production (Hungary and Poland), currently with little purpose. The producing sector must lead production towards a *trade strategy* to obtain high quality products, capable of meeting the demand of various customers, and must be concern of the aspects linked to food safety. The sector must be creative and able to offer more elaborate products, of greater added value, as it is the case with other products.

(v) Extremadura's ovine production must face this situation by following a *plan of action* that promotes domestic consumption and increases its presence among other European markets. In order to achieve this goal, Extremadura's production must grow, adapting the farming systems in conjunction with the competitive European model, separating them from a traditional socio-economic sector focused on gaining profit rather than on becoming technologically efficient. That may lead to a reduction in the number of farmed livestock, but not in the number of heads.

(vi) It is necessary that the *marketing campaign* will be successful, and that demand will met so that change can inevitably come about. For that purpose, cooperative groups and corporations must try to produce an attractive, new, modern product, appropriate for the different sectors (restaurants, catering, confectionery, families, etc.) and in accordance with the current standards of living.

(vii) This change must present *new methods* of carving and preparing meat, in order to increase the number of lamb dishes, increasing the number of pieces offered to housewives and restaurants. This progression seems difficult due to the high price of ovine meat in relation to alternative meats, the negative effect of cheaper imports; the negative proportion of meat to bone that reduces its benefit in the customer's eyes; the *variation in the final product* as perceived by the customer; and the more complex *culinary preparation* in comparison to other meats.

(viii) This desire to increase consumption is difficult and will be possible if there is a reduction in the cost of lamb meat. For that, it is necessary to reduce some speculative links in the current *value chain*, without negatively affecting the farming economy.

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