

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain in Spain – The Final Stretch

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Grain and Feed

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Report Highlights:

The MY2012/13 grain crop in Spain has developed under challenging weather patterns. After a long winter drought, the precipitation pattern improved in May. However, it arrived too late for those regions where the crop was at a more advanced development stage. In those areas where grains are harvested later in the season, high temperatures prevented yields from recovering. Recently released official figures project a decline in production of 30 percent from last year.

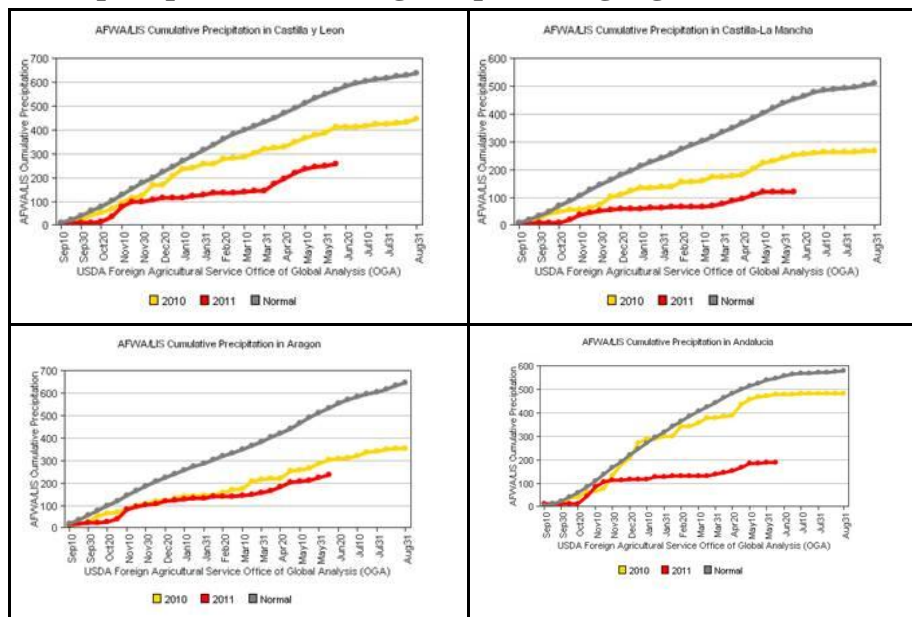
General information

The grain marketing year 2012/13 in Spain has been rather atypical. The planting season, while delayed, took place in overall good conditions thanks to moderate rainfall that took place in the second half of October 2011. Dry conditions during the winter favoring crop rooting in one hand, but at the same time diminishing soil and water reservoirs. Rainfall throughout April was beneficial for some grain areas, where the grain crop condition improved. However, April precipitations arrived too late for those grain producing areas where crop is harvested earlier, since yields losses had already being recorded.

May's weather conditions have been mixed. While the precipitation pattern improved (**Graph 1**), it arrived too late for those regions where the crop was at a more advanced development stage. Also, high temperatures prevailed in the second half of May (**Graph 2**). Dry and warm weather has prevailed in the first half of June. This heat wave has affected grain formation also in those regions where crop yields projections remained higher.

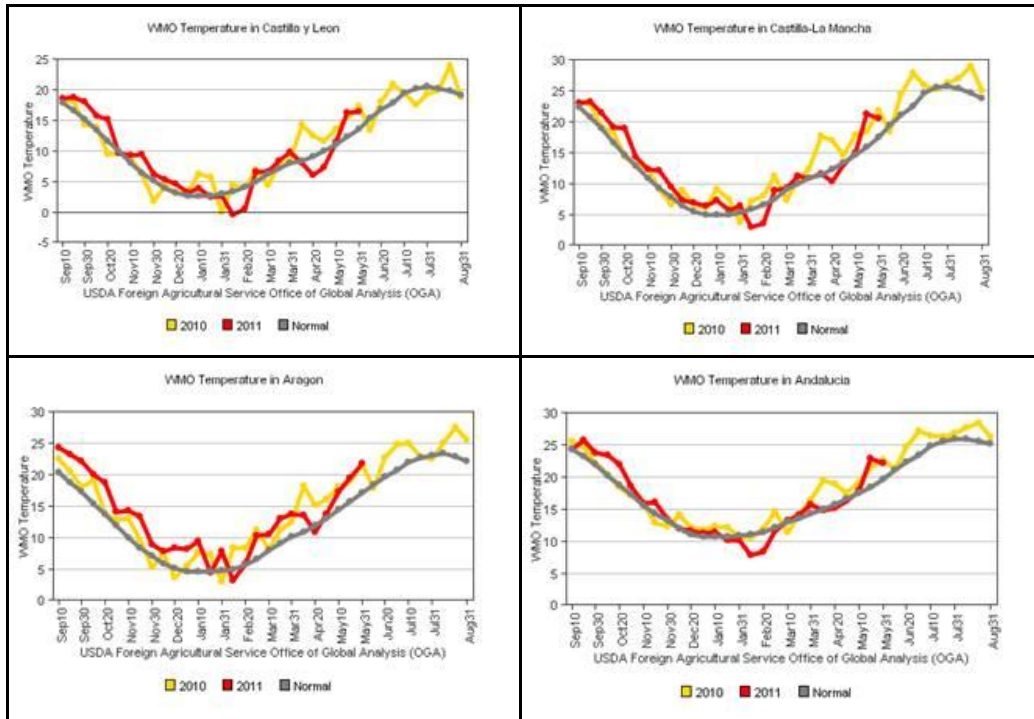
The overall outcome of this weather pattern is a delayed crop that has had little time to mature before the summer season started drying out the grain. This is particularly true for Southern regions where a large part of the crop will be harvested for hay or used as pasture. Northern regions have also being affected by this heat wave. Nevertheless, those areas with soils with higher water retention capacity might have fared better with mixed weather conditions.

Graph 1. Cumulative precipitation in main grain producing regions.



Source: IPAD/Foreign Agricultural Service/USDA

Graph 2. Average temperature in main grain producing regions.



Source: IPAD/Foreign Agricultural Service/USDA

Area and Production

This season’s winter grain crop (MY2012/13) is expected to decline by 30 percent compared to the previous year. This reduction in production has been provoked by lower yields since the area estimates remain fairly stable compared to the previous year according to Ministry’s Official Estimates.

As the latest Ministry of Agriculture, Food and Environment statistics show (**Table 1**), corn plantings are expected to decline (about 5 percent compared to previous season) in MY2012/13 due to the reduced water availability. In some areas where irrigation water restrictions are anticipated, corn plantings are replacing rice, whose water requirements are higher. This has prevented a larger decline in area devoted to corn plantings. Most of the corn in Spain is grown under irrigation, so water restrictions impact on area planted and not so much on yields.

Table 1. Spain’s Winter Grain Area MY2012/13 (1,000 Ha)

Crop	MY2010/11	MY2011/12	MY2012/13
Wheat	1,935	1,993	2,067
Barley	2,870	2,698	2,697
Oats	539	491	487
Rye	136	149	154

Triticale	65	82	79
Total Winter grains	5,545	5,412.60	5,477
Corn	312	370	355
Sorghum	7	8	7
Total	5,864	5,791	5,839

Source: MAGRAMA. Ministry of Agriculture, Food and Environment. Avance de Superficies. April 2012.

While an overall wheat yield decline is anticipated, durum wheat yields have recorded the sharpest fall. Low anticipated yields are forcing farmers to harvest the grain crop for fodder consumption instead of grain or devote their grain plantings to pasture purposes.

Barley is Spain's largest grain crop in terms of area and Castile y León is the main barley growing region. Northern regions grain crops located in soils with high water retention capacity are expected to be the most resilient to the above described mixed weather conditions. According to the Ministry's official estimates the barley crop is expected to be reduced by nearly 30 percent compared to the previous season.

Regarding production (**Table 2**), while the recently released Ministry production figures based on data taken in March seemed pessimistic at that time, according to our assessment, the weather pattern during May and the first half of June has proved the Ministry Statistic service right. Other sources such as the Agro-food Cooperatives Association and the Domestic Grain and Oilseeds Merchants Association (ACCOE) have further reduced their winter grains production projections.

Table 2. Spain's Winter Grain Production MY2012/13 (1,000 MT)

Crop	MAGRAMA	ACCOE	COOPERATIVES
Wheat	5,179	4,644	4,487
Barley	5,879	5,612	5,670
Oats	797	782	721
Rye	277	353	261
Triticale	142	141	236
Total Winter grains	12,274	11,532	11,375

Sources:

MAGRAMA. Ministry of Agriculture, Food and Environment. Avance de Superficies. April 2012.

ACCOE: Grain and Oilseeds Merchants Association. June Estimates.

Agro-food Cooperatives. June Estimates.

Impact on consumption and Trade

The overall domestic grain production decline will result in increased imports of grains from EU and third countries since domestic feed demand is expected to decline only marginally. Starch industry projects to consume a stable amount of corn compared to last year, which would amount to about 1 million MT of GM free corn.

As it pertains to bioethanol use, the Spanish bioethanol industry consumes over one million metric tons of grains per year. No significant changes are foreseen for MY2012/13. Corn, wheat and barley are the main grains used for bioethanol production, and corn is expected to increase its share as feedstock.

The domestic wheat crop is expected to be low and so is that of some of Spain's traditional wheat suppliers. The domestic barley crop is also projected to be reduced and barley trade is limited to intra EU trade, which is expected to grow due to the tight market conditions. This opens up the door to increased barley trade that will likely take place as intra EU trade. Corn is anticipated to be the preferred grain in the feed formula in MY2012/13, provided that current yield expectations are met in Spain's traditional corn suppliers such as France, Romania and Bulgaria, in the EU and extra EU origins such as Ukraine and Serbia. Grain sorghum will likely play a key role in MY2012/13 imports and are expected to resume throughout Q4 of 2012, once the new U.S. crop is available.

With soaring soy prices, corn byproducts such as Corn Gluten Feed (CGF) and Distilled Dried Grains (DDG) could help to ease the tension in the protein market.

Policy measures

As a tool to protect livestock farmers in view of high prices due to reduced domestic grain crop and soaring prices, the TRQ (tariff rate quotas) import duties on soft wheat of low and medium quality will continue at zero from July 2012 until at least December 2012. Once formally signed, the decision will be published in the EU Official Journal and enter into force on July 1, 2012. This duty waiver will apply for the next 2 tranches of import volumes.

At the national level, a Ministerial Order (AAA/1906/2012) containing a set of measures to grant farmers with beneficial conditions to certain types of loans has been recently published in Spain's Official Gazette. On top of this measures, the Ministry of Agriculture, Food and Environment intends to promote some additional beneficial fiscal measures for farmers as well as to pursue the advanced payment of at least 50 percent of direct payments by October 16, 2012 to cover producer's financial losses.

Related reports

Report Title	Date Released
<u>Rain in Spain - Enough Already?</u>	5/3/2012
<u>Grain and Feed Annual EU-27</u>	4/13/2012
<u>Oilseeds and Products Annual EU-27</u>	4/5/2012
<u>Still no Rain in Spain</u>	3/7/2012
<u>No Rain in Spain Falling on the Plain</u>	2/8/2012