

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Spain

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### **Only Reduced Planted Area to Corn Precludes a Record Spanish Grain Crop**

**Report Categories:**

Grain and Feed  
Oilseeds and Products  
Biofuels

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**Report Highlights:**

Timely spring rains and mild temperatures have contributed to improve yields expectations after a rather dry winter. At the moment, all sources point to a large to average Spanish grains and oilseeds crop. Reduced corn plantings precluded an otherwise record grain crop. The sizeable projected crop and the ample pasture availability will result in somewhat reduced import needs compared to previous seasons, despite the stable demand.

**General Information:**

Average precipitation levels in Spain at the beginning of the hydrological year allowed planting operations to be carried out in a timely manner. Winter conditions were extremely dry, which raised some concerns over potential yields. However, timely spring rains have contributed to replenish soil water and reservoirs to ensure proper crop development. Mild spring temperatures have prevented the crop from developing ahead of schedule.

Official statistics show a slight recovery of winter grain plantings in MY2016/17 over last season. Contrarily, corn area is anticipated to decline by over 10 percent, registering a reduction in area planted for the fourth consecutive year.

Domestic oilseed production is virtually limited to sunflower, whose area is expected to grow. Area planted to rapeseed in Spain is still small, but will likely remain strong by biodiesel demand in neighboring countries such as France or Portugal.

At the moment, all sources point to a large to average grains and oilseeds crop. There are some concerns about pest effects in southern grain growing areas and fungal diseases in the north, although it is not expected to affect yields significantly.

The sizeable anticipated crop and the ample pasture availability will result in somewhat reduced import needs compared to the previous season, despite the stable demand.

**Table of Contents**

**Abbreviations used in this report .....3**

**Precipitation and Temperatures.....3**

**Water Reservoirs Situation: Soil and Dams .....5**

**Vegetation index.....6**

**Planting Decisions .....6**

**Crop Development .....8**

**Ending Stocks, Consumption and Trade .....10**

**Policy .....11**

## Abbreviations used in this report

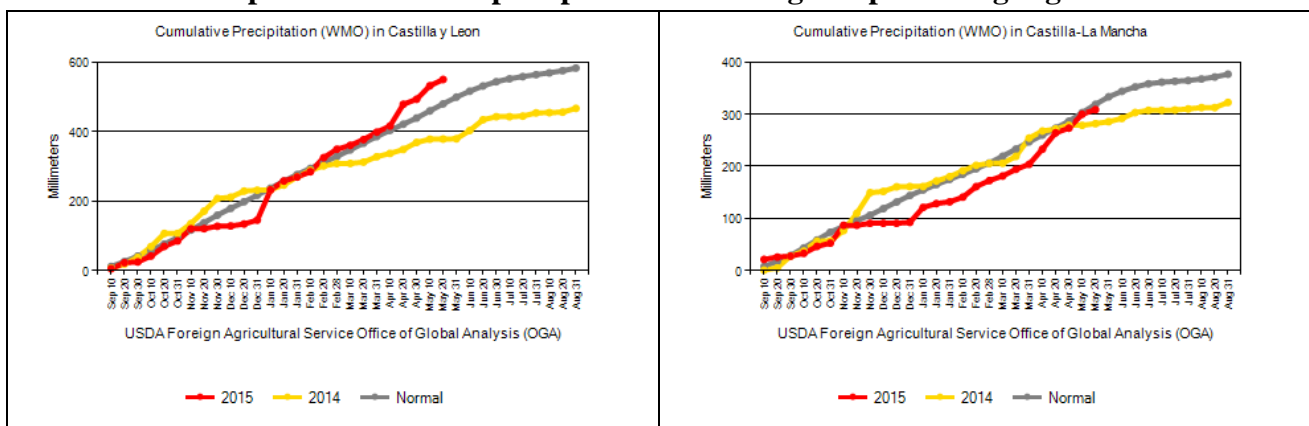
EU European Union  
EC European Commission  
FAS Foreign Agricultural Service  
IPAD International Production Assessment Division  
Ha Hectares  
MY Marketing Year  
MT Metric Ton (1,000 kg)  
TMT Thousand Metric Tons  
MMT Million Metric Tons  
MY Marketing Year.  
MS EU Member State(s)

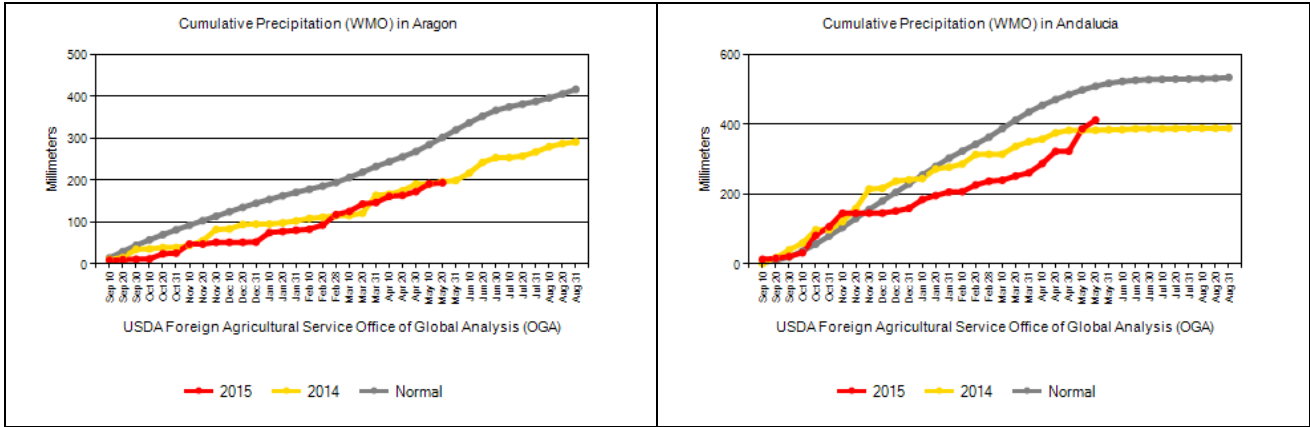
## Precipitation and Temperatures

Average precipitation levels in Spain at the beginning of the hydrological year allowed planting operations to be carried out in a timely manner. However, the absence of precipitation since mid-Fall prevented farmers from carrying out late season plantings in proper conditions and caused some uneven crop establishment.

Winter conditions were extremely dry, which raised some concerns over potential yields. However, timely spring rains have contributed to replenish soil water and reservoirs to ensure proper crop development. (**Graph 1**).

**Graph 1. Cumulative precipitation in main grain producing regions.**

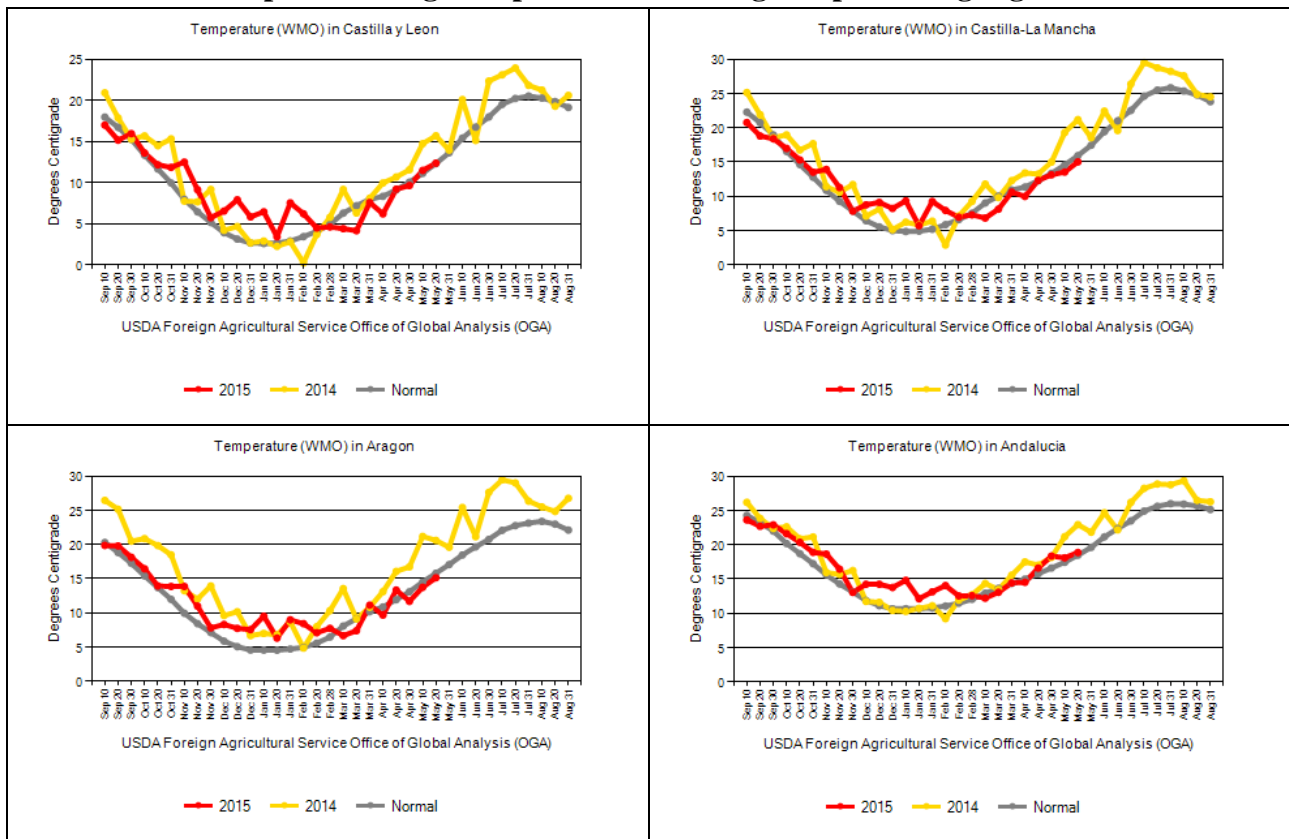




Source: IPAD/Foreign Agricultural Service/USDA

Warmer than usual temperatures prevailed until mid-February. Spring temperatures have been rather mild, preventing the crop from going ahead of schedule (**Graph 2**).

**Graph 2. Average temperature in main grain producing regions.**



Source: IPAD/Foreign Agricultural Service/USDA

### Water Reservoirs Situation: Soil and Dams

Spain water storage system latest reports (June 1, 2016) indicate that there are 41,931 cubic hectometers of water stored in dams, which represents 74.9 percent of the total storing capacity, ensuring water availability for irrigation as well as for other purposes.

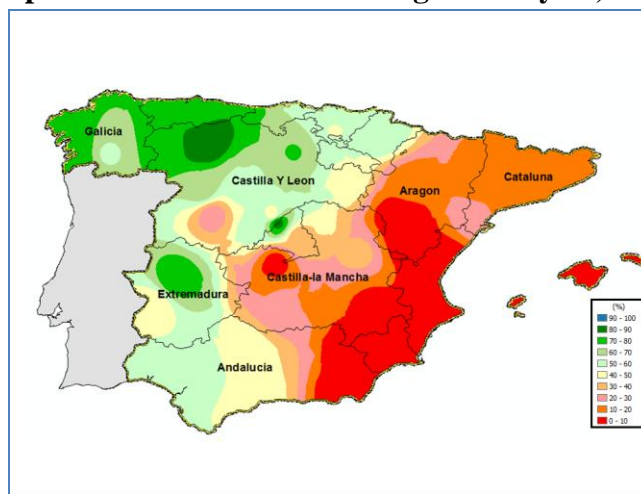
**Graph 3. Water Reservoirs in the Main River Basins**



Source: MAGRAMA. Date: May 18, 2016.

As it pertains to soil moisture (**Graph 4**), timely spring rains contributed to increase soil subsurface moisture, especially in the Northwest sector, which ultimately has boosted winter crop expectations and could be beneficial for non-irrigated spring planted crops such as **sunflower**.

**Graph 4. Soil Moisture Percentage on May 19, 2016\***



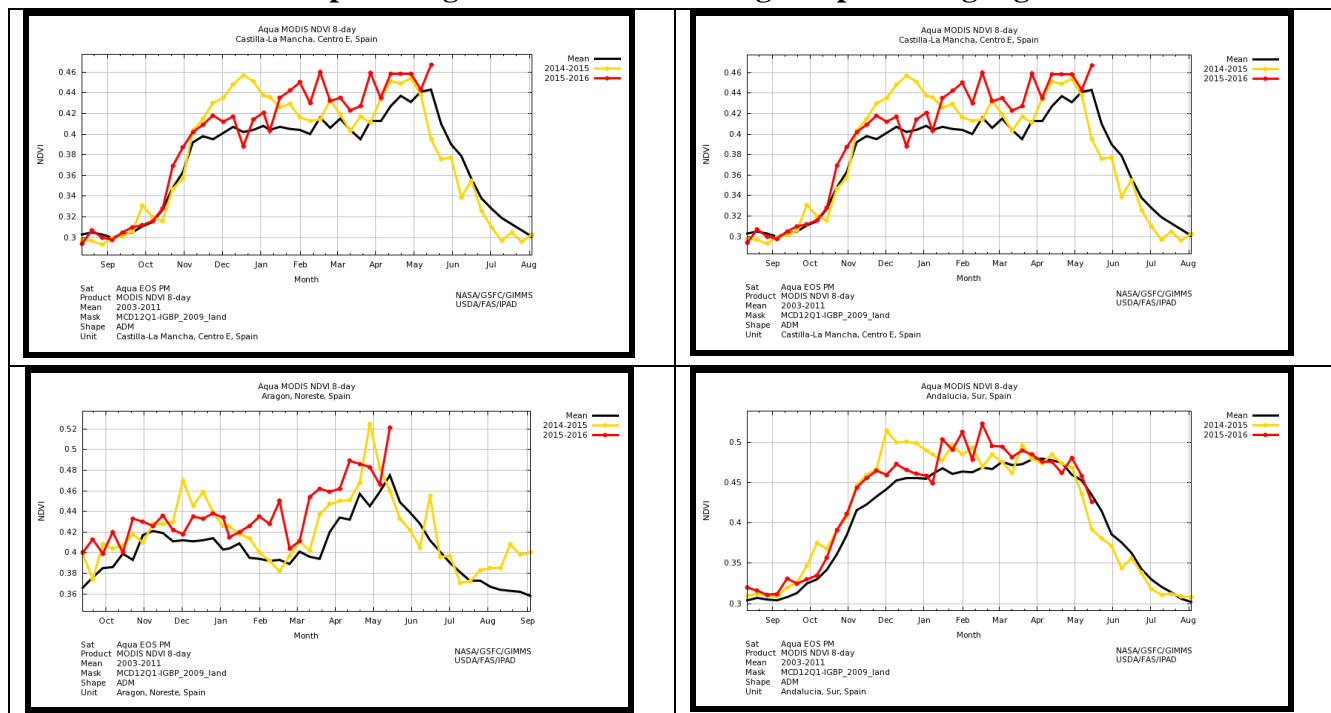
Source: IPAD/Foreign Agricultural Service/USDA based on WMO data.

*\*Note: Percent Soil Moisture: 100% = Saturated Ground (Both topsoil and subsoil)*

## Vegetation index

According to **Graph 5** the NDVI (Normalized Difference Vegetation Index) in primary Spanish grain growing regions went into winter well above average level of biomass and stayed above average up to present. Nevertheless, NVDI in Andalucía seems closer to average, while in the other regions the vegetative vigor stays well above average and last season levels.

**Graph 5. Vegetation index in main grain producing regions**



Source: IPAD/Foreign Agricultural Service/USDA

## Planting Decisions

Timely precipitations in early Fall allowed for overall good planting conditions. Late winter grains plantings were somewhat negatively affected by the dry winter conditions. Official statistics (**Table 1** and **2**) for MY2016/17 show a slight recovery of **winter grain plantings**.

Area devoted to **wheat** remains fairly stable; durum wheat plantings have grown at the expenses of **soft wheat** driven by a positive price differential despite the higher crop costs (See **Graph 6**). The so-called minor grains area (**oats, triticale, rye**) continues to be strong for the second year consecutive year of greening compliance implementation.

Meanwhile, corn area is anticipated to decline by over 10 percent, registering a reduction for the fourth

consecutive year. Corn area reduction is mainly explained by poor crop margins, low prices, competition by other crops and unfavorable conditions (excessive rain) during the planting season. Additionally, the Castile and Leon Regional Government recently announced an exceptional measure for cases of extraordinary circumstances, such as when excess rainfall impedes planting, under which CAP payments will be granted regardless of whether crops—namely corn—are actually planted.

**Table 1. Spain’s Winter Grain Area (1,000 Ha)**

| Crop                       | MY2014/15      | MY2015/16      | MY2016/17e     |
|----------------------------|----------------|----------------|----------------|
| Wheat                      | 2,171.6        | 2,166.5        | 2,183.3        |
| Soft                       | 1,874.5        | 1,817.2        | 1,807.8        |
| Durum                      | 297.1          | 349.3          | 375.5          |
| Barley                     | 2,792.2        | 2,600.9        | 2,659.8        |
| Oats                       | 430.4          | 492.4          | 471.3          |
| Rye                        | 134.6          | 146.6          | 154.9          |
| Triticale                  | 195.7          | 211.2          | 212.4          |
| <b>Total Winter Grains</b> | <b>5,724.5</b> | <b>5,617.6</b> | <b>5,681.7</b> |

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

**High protein wheat, barley, tomatoes** for processing or **alfalfa/vetches** crops are seen as a good alternative to **corn** in irrigated areas. While crop diversification established by greening may have played a role in reducing **corn** plantings, there are some **corn** growing areas, where area planted to corn is extremely inelastic. Nevertheless, giving the extraordinary humid spring conditions, plantings have been delayed in Northern growing areas. Opting for short cycle corn varieties allows farmers to plant their corn until mid-June.

**Table 2. Spain’s Total Winter Grains and Corn Area (1,000 Ha)**

| Crop                | MY2012/13 | MY2013/14 | MY2014/15 | MY2015/16 | MY2016/17e |
|---------------------|-----------|-----------|-----------|-----------|------------|
| Total Winter Grains | 5,565.4   | 5,651.7   | 5,724.6   | 5,617.5   | 5,684.6    |
| Corn                | 360.8     | 431.7     | 421.6     | 392.0     | 355.0      |

Source: MAGRAMA. Ministry of Agriculture, Food and Environment. Avance de Superficies and FAS Madrid estimates.

Domestic oilseed production is virtually limited to **sunflower**. Area planted to **soybeans** or **rapeseed** is rather small, despite the steady growth of **rapeseed** plantings in the last years. Official statistics report an increase in area planted to **sunflower**.

In MY16/17 area planted to **sunflower** is expected to grow in Spain, partially replacing late grain plantings that could not be carried out properly due to the dry conditions prevailing in fall and to some extent, some plots intended for **corn** or **sugar beet** that could not be planted due to the excess of water in spring. **Sunflower** in Spain is mainly grown in non-irrigated land and depend largely in subsoil

humidity for its growth. Good soil and subsoil humidity conditions have encouraged farmers to boost **sunflower** plantings (**Graph 4**).

While area planted to **rapeseed** in Spain is still small, higher than average rapeseed area is reported driven by biodiesel demand in neighboring countries such as France or Portugal, and to some extent to greening compliance. In-country crushing remains negligible.

**Table 3. Spain's Oilseeds Area (1,000 Ha)**

| <b>Crop</b> | <b>MY2014/15</b> | <b>MY2015/16</b> | <b>MY2016/17e</b> |
|-------------|------------------|------------------|-------------------|
| Sunflower   | 783.4            | 739.4            | 747.2             |
| Rapeseed    | 43.2             | 68.4             | 68.0              |

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

### **Crop Development**

The combination of ample water supplies with mild spring temperatures is anticipated to result in an average to large winter grain crop for most of Spain's grain growing regions, unless unusually high temperatures hit the crops in June. While there are some concerns about pest effects in Southern grain growing areas and fungal diseases in the North, they are not expected to affect production levels significantly.

Harvesting operations will start in early June in the southernmost grain growing areas and move up North. This year's harvest calendar represents about a week of delay compared to a "normal" year.

In Southern growing regions such as Andalucía spring precipitation arrived when the crop was further developed and the **winter grain crops** may not fully benefit of the water availability. Some sources put forward concerns of Hessian fly incidence in **durum wheat** yields in Southern Spain in particular. **Durum wheat** is Spain's only grain export, mainly to EU destinations, as domestic production exceeds demand.

In Spain's central plateau (Castile-La Mancha and Castile y León), mild temperatures and water availability are anticipated to result in a large crop. In Northern growing regions, excess of water has raised concerns over possible fungal diseases. Having said that, this situation is not expected to affect yields significantly.

**Barley** is the largest grain crop in terms of area in Spain. Overall barley output is expected to exceed MY2015/16 levels. The use of hybrid feed barley varieties may have also played a role in yields improvement.

As the large majority of the **corn** is grown in irrigated conditions, final yields are expected to remain



stable. The extensive use of short cycle varieties may have an impact on final yields. Additionally, some farmers fear the effect of an early frost in the **corn** output if the crop development is delayed.

Good yields are anticipated for **soft wheat** as well. **Wheat** was able to make the most out of the spring precipitation as its crop cycle is delayed compared to **barley**.

In the absence of official production statistics by the Ministry of Agriculture, Food and Environment, the Agricultural Cooperatives association recently released their production estimates. This organization pegs winter grain output just over **20 MMT (Table 4)**. Only the reduced **corn** plantings prevent from an otherwise record grain crop.

**Table 4. Spain’s Winter Grain Production Estimates for MY2016/17 (1,000 MT)**

| <b>Crop</b>                | <b>Cooperatives</b> | <b>FAS Madrid</b> |
|----------------------------|---------------------|-------------------|
| <b>Wheat</b>               | 8,379               | 7,900             |
| <b>Soft</b>                | 7,255               | 6,900             |
| <b>Durum</b>               | 1,124               | 1,000             |
| <b>Barley</b>              | 9,700               | 9,600             |
| <b>Oats</b>                | 1,113               | 1,100             |
| <b>Rye</b>                 | 442                 | 400               |
| <b>Triticale</b>           | 639                 | 650               |
| <b>Total Winter Grains</b> | <b>20,273</b>       | <b>19,650</b>     |

Source: Agricultural Cooperatives Association and FAS Madrid estimates.

While it is still too early in the season to forecast **sunflower** crop yields, spring rains have contributed to improved soil moisture and to keep sunflowers’ yield potential, in particular in non-irrigated land.

The large majority of **rapeseed** (75 percent) is grown in non-irrigated land. The mild winter temperatures combined with the water availability during spring have contributed to a good crop development, despite the initial uneven crop establishment.

Final yields for grains and oilseeds will very much depend now in moderate temperatures prevailing until harvest. A high-average production is anticipated, provided that no critically high temperatures are reached.

**Table 5. Spain’s Oilseeds Production Estimates (1,000 MT)**

| <b>Crop</b> | <b>MY2014/15</b> | <b>MY2015/16</b> | <b>MY2016/17e</b> |
|-------------|------------------|------------------|-------------------|
| Sunflower   | 953.0            | 691.6            | 940.0             |
| Rapeseed    | 104.4            | 144.0            | 180.0             |

Source: MAGRAMA. Avance de Superficies and FAS Madrid estimates.

## Ending Stocks, Consumption and Trade

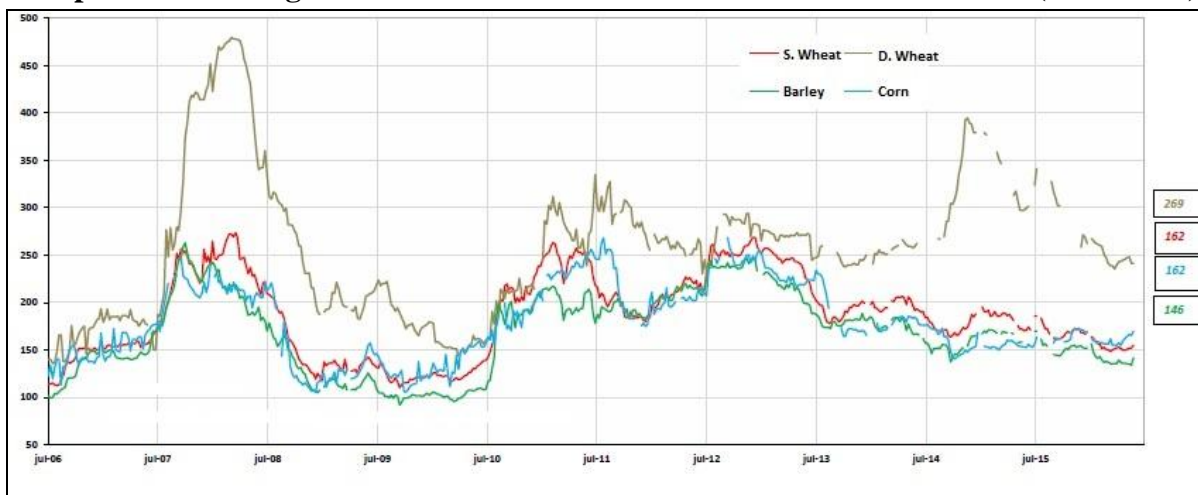
Low prices prevailing during the second half of MY2015/16 slowed down grain sales. However, given good new crop expectation, these old-campaign stocks should be released before the new crop goes into storage.

Given Spain's robust demand, the Spanish grain production is not sufficient to meet the country's needs for feed, food use and biofuels. The sizeable anticipated crop and the ample pasture availability will result in somewhat reduced import needs compared to the previous season.

Increased opportunities in meat export markets, pork and beef mainly, continue to drive livestock producers feed demand. Hence, despite the low prices received for the meat, no significant reductions in feed production are foreseen at the moment. Additional information on livestock situation in Spain can be found in the GAIN Report [SP1603](#).

Some changes are taking place in the feed formula composition. Wheat competition is affecting the protein market. Some sources indicate, that in the absence of competitive other oilseed meals, soybean meal has been partially replaced by a higher percentage of wheat in the feed formula. The corn-wheat spread evolution (See **Graph 6**) leads to the idea that more wheat, at the expense of corn, will be consumed, in particular, throughout the summer months.

**Graph 6. EU Average Grain Prices Evolution in the MY2006/07 – 2015/16 (Euros/MT)**



Source: Subdirectorato General for Arable Crops (MAGRAMA) based on DG Agri (EC)

As far as the bioethanol sector is concerned, plants in Spain run almost solely on corn. The announcement of the sale of all Abengoa's non-core assets (such as the first generation biofuels business units) as part of a debt-restructuring plan, has partially affected bioethanol production operations. The production halt of the Abengoa's inland plant since late March may ultimately reduce

industrial use of corn (Table 6).

**Table 6. Spain’s Bioethanol Production, Capacity and Capacity use**

| Year                                  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016e |
|---------------------------------------|------|------|------|------|------|------|-------|
| <b>Production (1,000 MT)</b>          | 371  | 366  | 301  | 349  | 359  | 355  | 300   |
| <b>Production Capacity (1,000 MT)</b> | 464  | 464  | 464  | 464  | 390  | 390  | 390   |
| <b>Capacity Use (%)</b>               | 80   | 79   | 65   | 75   | 92   | 91   | 77    |

Source: CNMC, Industry sources and FAS Madrid estimates.

**Policy**

As of MY2015/16 due to the CAP reform implementation, the Basic Payment Scheme (BPS) has replaced Single Payment Scheme (SPS). The Basic Payment, is not crop specific, hence, farmers would receive this payment regardless the crop they grow. Also, a large part of the support received by farmers (30%) is linked to greening measures. To comply with greening measures, crop diversification has to be observed. Farms between 10 and 30 ha must grow at least two different crops, and farms over 30 ha must grow at least three different crops in their arable land. This may ultimately introduce slight variations in areas where monoculture is carried out.

In addition to this, specific payments allocated to protein crops (peas, bean, sweet lupin), legumes (vetch, *lathyrus cicera*, *lathyrus sativus* and non-irrigated alfalfa) or oilseeds (sunflower, rapeseed, soybean, camelina and cartamo) exist. Nevertheless, support levels rank between 40 and 60 Euros per hectare, which will not likely determine farmers planting decisions.

**Related Reports**

| Report  | Date Released |
|---|---------------|
| <a href="#">Oilseeds and Products EU-28 Annual 2016</a> | 04/12/2016    |
| <a href="#">Grain and Feed EU-28 Annual 2016</a>        | 04/07/2016    |