

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 4/26/2012

GAIN Report Number: SP1214

Spain

Post: Madrid

Rain in Spain - Enough Already?

Report Categories:

Grain and Feed

Oilseeds and Products

Approved By:

Robert Hanson
Agricultural Attaché

Prepared By:

Marta Guerrero
Agricultural Specialist

Report Highlights:

Despite the slightly increased area planted to winter grains in MY2012/13, according to Spain's official statistics, production will likely drop by approximately 25 percent compared to the previous season. Recent rains were helpful for the crop development, but will fall far short of making up for lack of rain during winter and early spring in particular in the Southern and Eastern grain producing regions, where the crops are harvested earlier. Weather conditions in May will be critical to determine yields in the central basket. Assuming flat grain consumption, the lower crop anticipated would likely result in an importing need of over 11 million metric tons of grains from EU and extra-EU suppliers. Portugal is experiencing similar drought conditions and effects.

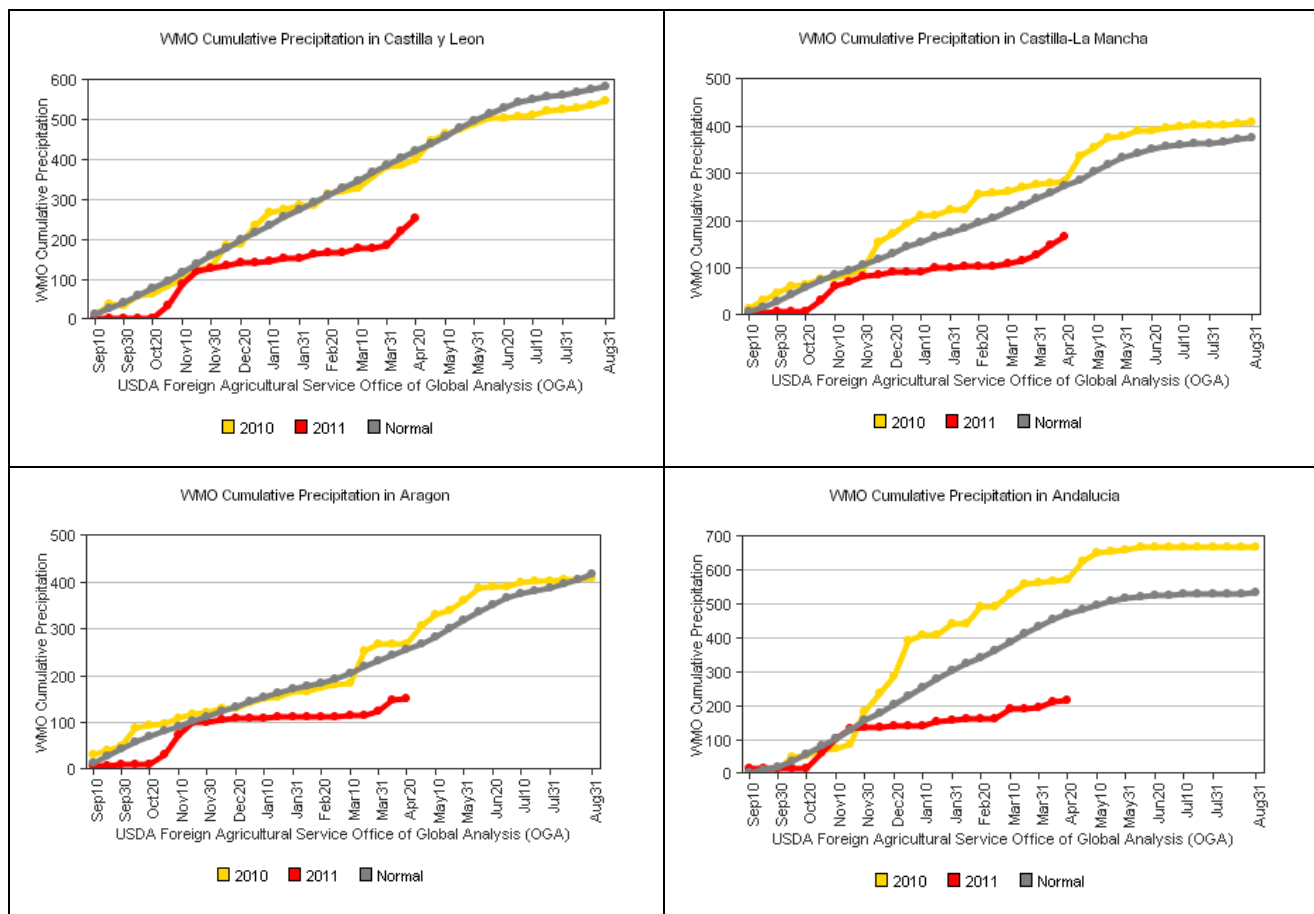
General Information:

The lack of water has already taken a toll on grain yields in some of the Spanish grain producing regions. Recent rains, while beneficial for some areas where they have alleviated plant stress, arrived too late for other grain producing areas where harvest losses have already been recorded. Weather conditions in May will be critical to determine yields in those areas where the crop still has potential to recover. Reduced pasture availability also adds to import needs for feed grains.

Precipitation

The long awaited rainfall arrived in March and April; however, the amount of precipitation has been below last year's and normal precipitation levels (**Graph 1**) and rainfall has been poorly distributed. While the recent rains could result in a rebound in yields in the central regions, it is too late for those areas where the crops had already lost its growing potential.

Graph 1. Cumulative precipitation in main grain producing regions.



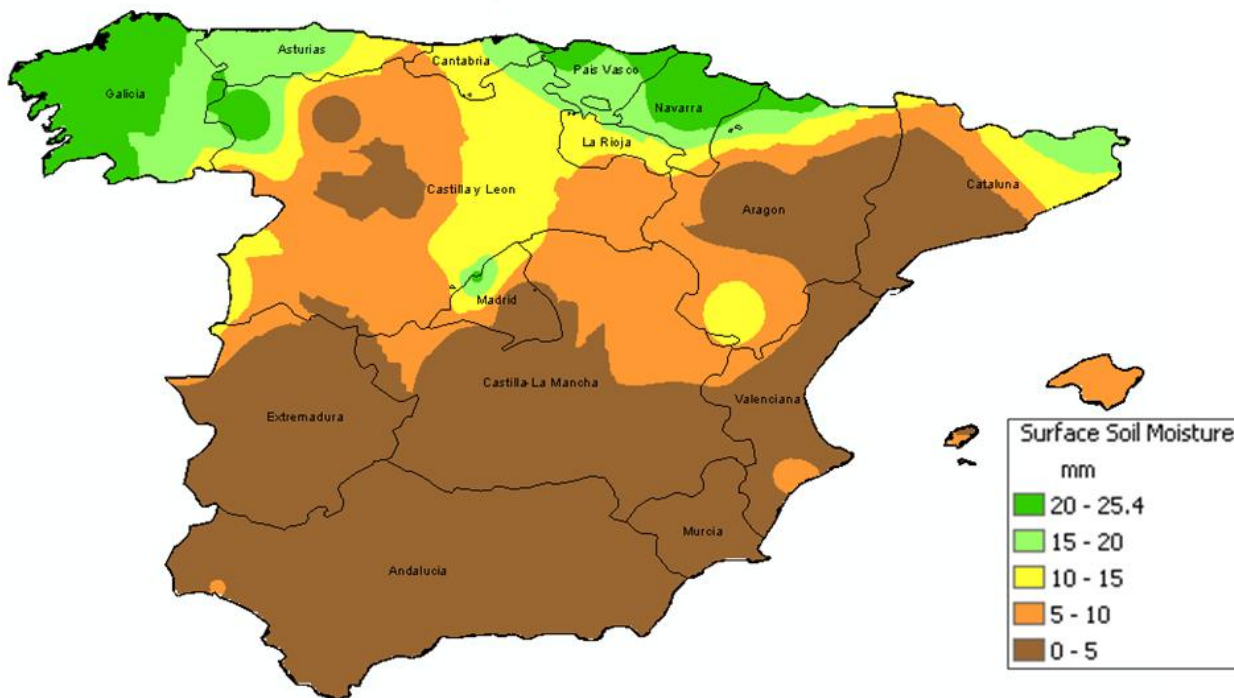
Source: IPAD/Foreign Agricultural Service/USDA

Weather forecasts announce the continuation of light rains in the northern half of the Iberian Peninsula throughout the first week of May.

Water reservoirs

Recent precipitation has contributed to an improvement in water reservoir storage levels. Spain's total water reservoirs are at 62.8 percent of total capacity, which equals 34,936 hm³ of stored water. Andalusia's dams are at good levels of storage capacity and no restrictions are anticipated for irrigation. Meanwhile in the Ebro basin, which covers the grain growing regions of Aragon, Navarra and Catalonia, the dam water reservoir is 60.8 of its water storage capacity. Corn and rice plantings in this area will be limited due to the reduced availability of water for irrigation. The Duero basin that covers most of the Castile y Leon grain growing areas is at 55.9 percent of its total storage capacity. In Castile-La Mancha, the Guadiana basin water storage capacity is at 76.8 percent.

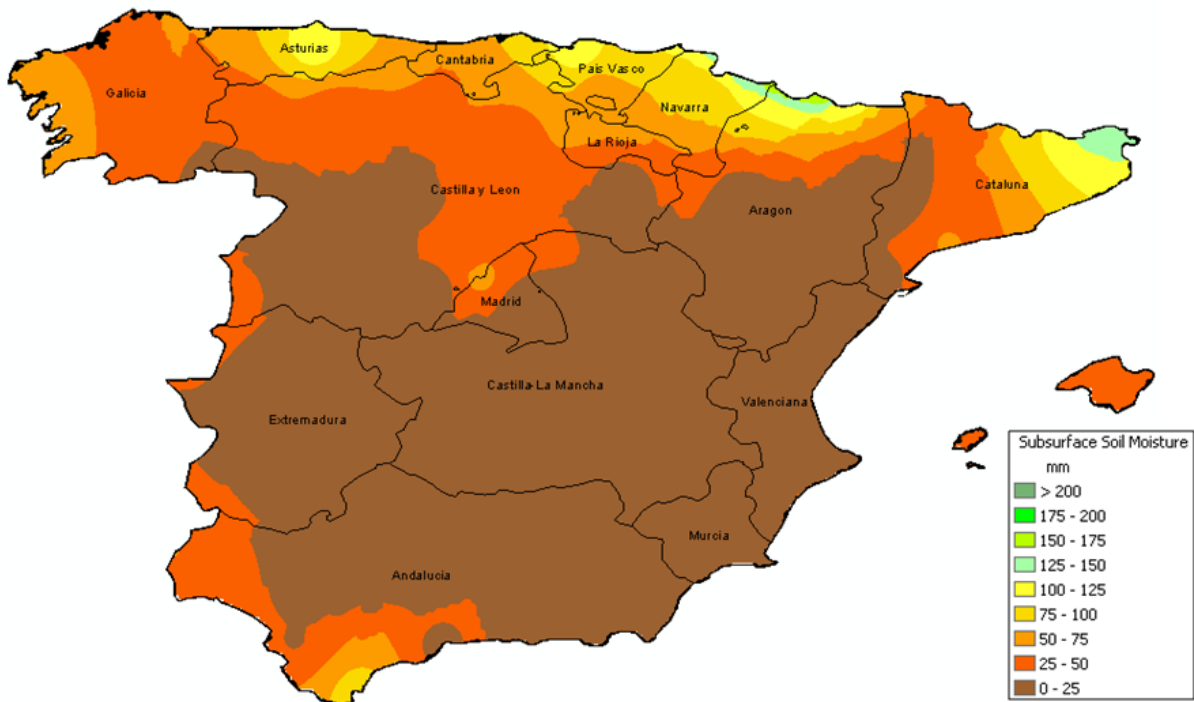
Graph 2. Surface Soil Moisture Conditions



Source: IPAD/Foreign Agricultural Service/USDA

Note: WMO Surface soil moisture levels are useful for monitoring the planting and harvesting activities for most crops. The surface soil moisture is assumed to hold a maximum of one inch (or 25-mm) of available water, which means the top-layer soil depth is dependent on the soil texture. Surface soil moisture levels from: 20-25-mm are best for germinating and emerging a new crop, but can halt fieldwork and could damage newly-seeded crops that remain in the wet environment for an extended period of time. 15-20-mm of water are normally best for vigorous field activity. 10-mm or less will not support seed germination or early growth potentials for a recently emerged crop.

Graph 3. Subsurface Soil Moisture Conditions



Source: IPAD/Foreign Agricultural Service/USDA

Note: Sub-surface soil moisture levels are best used to monitor an established crop. The sub-surface soil moisture is assumed to hold 0-400 mm/m of water depending on the soil's water-holding capacity (based on soil texture and soil depth). In general, sub-surface soil moisture levels ranging from:

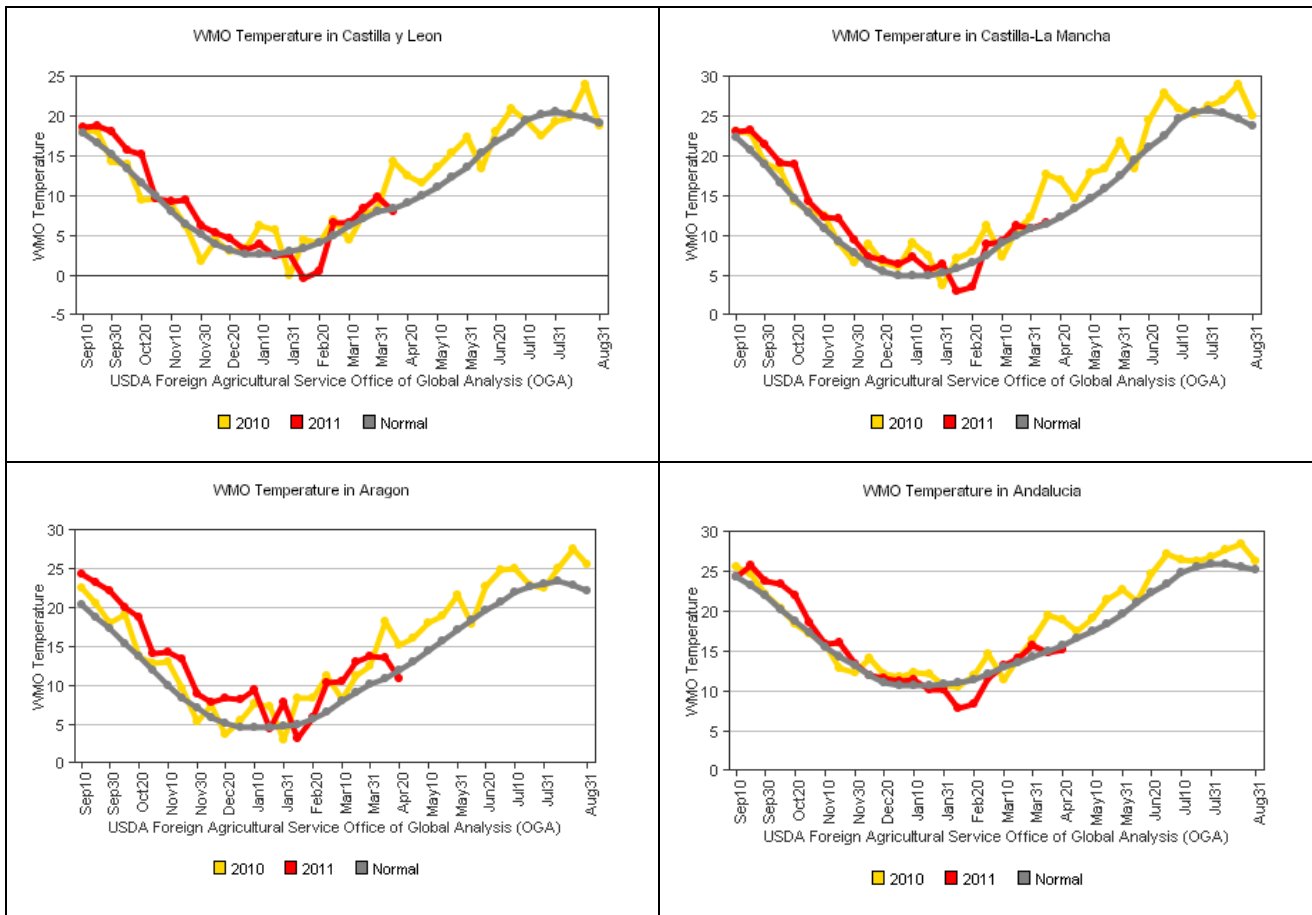
- >100-mm indicates an abundance or at least favorable amount of moisture in the subsoil.*
- <100-mm indicates the sub-surface soil moisture storage is short but can still support a well-established crop.*
- <25-mm has very little sub-surface soil moisture and the crop could be severely stressed and reduce yields, especially if it occurs when the top-layer has little or no significant soil moisture and the crop is at a critical stage of growth.*

Rainfall in April has improved the soil and subsoil humidity, especially in the northern half of the country and it has helped to improve the crops condition and facilitate fertilizers incorporation to the soil. Nevertheless, lack of subsoil moisture has prevailed in southern regions, where most of the sunflowers are grown. Sunflowers are mainly planted in non irrigated land and depend largely in subsoil humidity for its growth. Dry soil conditions have discouraged farmers from sunflower plantings (**Table 3**).

Temperature

Mild temperatures throughout March and April have resulted in a crop stage behind schedule. Weather conditions in May are going to be critical to determine final yields in those areas that still keep growth potential. Should the mild temperature and showers continue throughout the end of May barley and wheat yields might rebound.

Graph 4. Average temperature in main grain producing regions.



Source: IPAD/Foreign Agricultural Service/USDA

Weather forecasts announce a slight increase of temperatures throughout the first week of May.

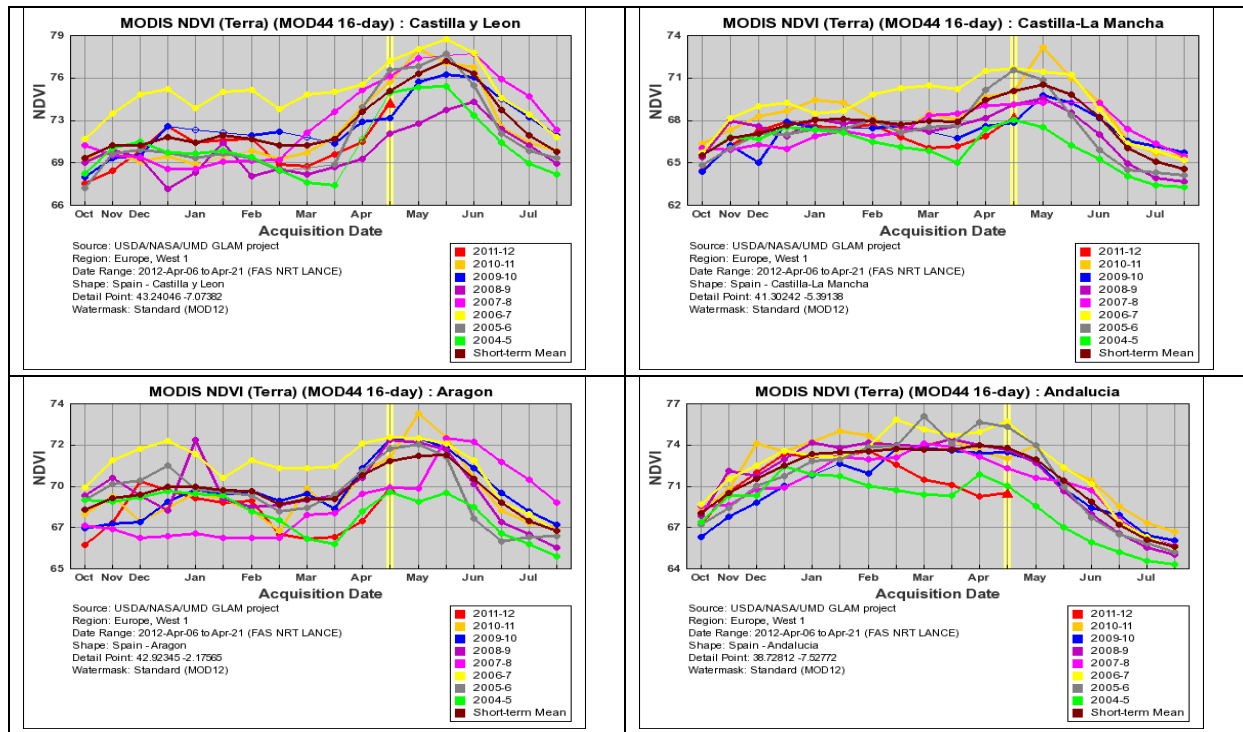
Vegetation index

Vegetation index in Andalucía is below the vegetation index recorded at the same time of the year in the crop year 2004/05 when the ten-year period lowest yield was recorded. In Aragón and Castile-La Mancha, while the vegetation index is above the one in crop year 2004/05, crops still show lowered vegetation health signs.

In Castile y León, the largest barley producing region in Spain, the NDVI (Normalized Difference Vegetation Index) is at average levels. Should the mild temperatures continue throughout May and rainfall levels are enough, this region could be facing normal yields.

According to weather forecasts, light precipitations and a slight increase in temperatures will take place in the first week of May which could contribute to the improvement of the crop conditions.

Graph 5. Vegetation index in main grain producing regions.



Source: IPAD/Foreign Agricultural Service/USDA

Area and Production

According to official estimates total winter grain area is expected to remain fairly stable compared to last year’s area, showing only a marginal growth. In terms of production, the Ministry of Agriculture, Food and Environment Statistics Service estimates a 25 percent decrease in production (**Tables 1 and 2**).

Table 1. Spain’s acreage planted to grain crops according to official statistics (1,000 ha)

Crop	MY2010/11	MY2011/12	MY2012/13
Wheat	1,935	1,993	2,040
Barley	2,870	2,698	2,706
Oats	539	491	493
Rye	136	149	154
Triticale	65	82	84
Total Winter grains	5,545	5,412.60	5,477
Corn	312	370	N/A
Sorghum	7	8	N/A
Total	5,864	5,791	N/A

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

The recently released Ministry production figures are based on data taken in February, when precipitation in most of the grain producing region was virtually zero. While we concur that there is a significant decline in grain production we estimate that wheat and barley yields can still recover in those regions where the harvest of the grain crop takes place later in the year.

Table 2. Spain’s grain production according to official statistics (1,000 MT)

Crop	MY2010/11	MY2011/12	MY2012/13
Wheat	5,783	6,900	5,365
Barley	8,157	8,328	6,035
Oats	1,018	1,078	907
Rye	275	366	245
Triticale	141	205	167
Total Winter grains	15,374.00	16,879.40	12,720
Corn	3,293	4150	N/A
Sorghum	33	39	N/A
Total	18,670	21,069	N/A

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

An official estimate for spring grain crops is not available yet. Virtually all corn in Spain is grown in irrigated conditions so yields will likely follow average levels. However, we anticipate lower corn production due to a reduction in area planted to corn as a consequence of the limited water availability in the important corn growing regions such as Aragon. However, high corn prices and increased feed needs in Spain may counter this effect. Sorghum area and production are expected to remain at average levels.

Domestic oilseed production, other than olives, consists of primarily sunflower and rapeseed to a lesser extent. Soybean production in Spain is virtually zero. In MY2011/12 expanded sunflower area harvested along with good yields provided by favorable weather conditions that included water availability throughout spring and mild temperatures until the beginning of fall, resulted in a large sunflower crop.

According to recently released official estimates, the area planted to sunflower has been reduced by 10 percent. Sunflower is primarily planted in the south of Spain, where the crops mature earlier. Dry soil and subsoil conditions have prevented many farmers, in particular those located in southern regions, from planting sunflower. Yields will not likely reach the bumper levels of MY2011/13, unless the extremely favorable weather conditions are repeated, so yields will likely be revised downwards (**Table 3**).

Table 3. Spain's sunflower area and production according to official statistics

Crop	MY2010/11	MY2011/12	MY2012/13
Area (1,000 Ha)	697.7	858.0	774.6
Production (1,000 MT)	886.7	1084.3	N/A

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

The continued lack of rain has also affected pasture availability. Extensive livestock farmers have been forced to supplement their animals with feed, whose price is steadily increasing.

Impacts on trade

Assuming a flat feed grain consumption in MY2012/13, the lower crop anticipated would likely result in overall importing needs of over 11 million metric tons of grains from EU and extra-EU suppliers. The reduction in pasture availability for livestock producers has also created increasing demand for feed grains.

While corn and wheat remain by far the main grains traded, as a result of the tight grain market situation, new crop sorghum imports are starting to be discussed. If the sorghum-corn spread proves to be favorable, in MY2012/13 around 300,000 MT of grain sorghum could be imported to the EU-27 with being Spain the main destination.

As far as food grains are concerned, the anticipated lower EU crop ([EU-27 Annual Grain and Feed Annual Report](#)) could result in increased milling wheat imports. While the reduced durum wheat harvest in Andalucía is not confirmed yet by the Ministry's official estimates, sources indicate that the total durum crop could be nearly 30 percent lower than in the previous MY. The lower supply of durum wheat would result in higher durum wheat imports in MY2012/13 to Spain and the EU.

Policy measures

Aware of the difficult situation that grain and livestock farmers are going through, the Ministry of Agriculture, Food and Environment is currently preparing a set of measures to diminish the impact of the dry conditions in Spain. The drafted Ministerial Order containing the set of measures, which is now being subject of public consultation, envisages granting with beneficial conditions to certain types of loans subscribed by farmers.

In addition to this, the Government of Spain, along with other EU Member States, has requested the Commission to advance at least 50 percent of direct payments by October 16, 2012 to cover up for the producer's financial losses. In the case of the suckling cows the advance payment could represent 80 percent of total.

Related reports

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