USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network



Voluntary _ Public

**Date:** 3/01/2012
**GAIN Report Number:** SP1205

# Spain

**Post:** Madrid

# Spanish Dried Fodder Sector Faces New Challenges

**Report Categories:**
Grain and Feed

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**Report Highlights:**
In MY2012/13 the Spanish dehydrated fodder sector will face a number of challenges that include lower water availability for irrigation (as the result of an extremely dry winter) and the total decoupling of dried fodder support payments. The weak domestic demand is expected to be offset by a consolidated presence of Spanish dried fodder in export markets, particularly in the Middle East.

**General Information:**

Disclaimer: This report presents the situation for forage production and exports in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

Abbreviations used in this report:

CMO Common Market Organization
EC European Commission
EU European Union
FAS Foreign Agricultural Service
GTA Global Trade Atlas
SPS Single Payment Scheme

HS Codes: Harmonized System codes for commodity classification used to calculate trade data.

Harmonized Codes for Dehydrated Fodder:

1214 Rutabagas (Swedes), mangolds, fodder roots, hay alfalfa (lucerne), clover, sainfoin, forage kale, lupines, vetches and similar forage products, whether or not in the form of pellets.

121410 Alfalfa (Lucerne) meal and pellets; dehydrated, sun-cured and other.

121490 Hay (including alfalfa, whether or not double compressed, and Timothy); clover; and other.

MS EU Member State(s)
MT Metric ton (1,000 kg)
MY Marketing year (May/April)
PS&D Production, Supply and Demand
Ha Hectares
N/A Not Available

**Acreage and Production**

Spain is the EU Member State with the largest dried fodder production, representing over 50 percent of the total EU-27dried fodder production. Fodder cultivation expanded when Spain joined the European Union in 1986, and since then, fodder production, has generally followed an upward trend, with the exception of those market years where grain plantings turned to be more profitable.

As shown in **Table 1**, alfalfa continues being the main fodder crop, representing over 80 percent of total fodder acreage. In the main growing areas, alfalfa is part of the rotation alfalfa-corn.

After area increases in MY 2009/10 and MY 2010/11, better prices in the grain market resumed farmers' interest in planting grain crops for MY2011/12 instead of fodder crops, which lead to a marginal decrease of fodder crops area. However, the area reduction was offset in terms of production by higher yields.

For MY 2012/13, the total area planted to fodder crops is expected to decline marginally. Fodder crops are planted for a five year period. In Spain half of the fodder plantings are carried out in winter and the other half in spring. Good prices, significantly low ending stocks and a strong export demand encouraged winter plantings. However, water availability in the main growing regions is constrained by an extremely dry winter and farmers might switch to less water demanding crops - this is particularly true in the case of spring plantings. In addition to that, new regulations entering into force, such as the total decoupling of fodder payments (see policy section) might play a role in farmer's decisions.

**Table 1: Spain, Area Planted to Subsidized Dried Fodder (Hectare)**

| Market Year | Alfalfa | Vetch | Sainfoin | Fescue Grass | Corn | Rye Grass | Other | Total |
|---|---|---|---|---|---|---|---|---|
| 2006/07 | 164,020 | 4,716 | 956 | 5,596 | 1,190 | 8,274 | 7,176 | 191,928 |
| 2007/08 | 143,554 | 4,583 | 506 | 6,043 | 1,197 | 7,744 | 5,994 | 169,623 |
| 2008/09 | 122,411 | 4,039 | 679 | 5,696 | 1,248 | 5,972 | 5,993 | 146,038 |
| 2009/10 | 135,747 | 9,106 | 641 | 9,748 | 1,076 | 8,301 | 4,074 | 168,693 |
| 2010/11 | 147,065 | 12,375 | 469 | 7,724 | 1,1,74 | 8,063 | 7,946 | 184,815 |
| 2011/12e | 146,800 | 6,200 | 595 | 5,850 | 915 | 7,350 | 7,100 | 174,810 |
| 2012/13f | 143,100 | 6,050 | 580 | 5,750 | 900 | 7,170 | 6,950 | 170,500 |

Source: FEGA (Spanish Agricultural Guarantee Fund) AEFA and FAS Madrid estimates.

According to National Crop Area and Yields Survey (ESYRCE), at the national level, almost 70 of the alfalfa acreage is grown under irrigation. In Aragón, the main producing region, the percentage of irrigated alfalfa amounted to nearly 80 percent, while in other relevant producing regions, such as Castile y León, the percentage of irrigated alfalfa added up to 60 percent of the total area. The overall high rate of irrigated alfalfa results in stable yields per hectare throughout the years.

**Table 2: Spain, Production of Subsidized Dried Fodder (MT)**

| Market Year | Dehydrated Fodder | Sun Dried Fodder | Total |
|---|---|---|---|
| 2006/07 | 1,832,791 | 141,860 | 1,974,651 |
| 2007/08 | 1,683,736 | 98,603 | 1,782,339 |
| 2008/09 | 1,317,700 | 209,800 | 1,527,500 |
| 2009/10 | 1,553,309 | 157,300 | 1,710,609 |
| 2010/11 | 1,673,106 | 131,320 | 1,804,426 |
| 2011/12e | 1,674,250 | 135,750 | 1,810,000 |
| 2012/13f | 1,665,600 | 135,000 | 1,800,600 |

Source: AEFA (National Dried Alfalfa Producers Association) and FAS Madrid estimates.

In MY2011/12, water availability in irrigated land along with mild temperatures until mid fall resulted in good yields by enabling farmers to carry out up to 6 cuts in many of their fields.

**Processing**

There are different techniques in preserving fodder through reducing moisture content, mainly dehydration, sun-drying and milling. The resulting product includes pellets and bales. Bales are the most common product, representing over 75 percent of total production.

According to the national standardization rule UNE 34602, **pellets** are made of fodder flour and should be presented in a cylindrical shape; with a diameter between 3 and 13 mm and a maximum length of 6 cm. **Bales** are parallelepiped shaped formed by pressure, and tied by rope.

Depending on the type of fiber content they can be classified as:

- Short fiber bales: containing less than 20 percent of long fiber (over 10 cm).
- Long fiber bales: containing less than 20 percent of short fiber (below 10 cm).

According to their size, bales can be classified as:

- Small bales: below 40 kg weight, that can be handled without mechanical assistance.
- Large bales: over 40 kg weight, or that can only be handled with mechanical assistance.

**Table 3: Spain Dried Fodder Product by Production Type (MT)**

| Market Year | Pellets | Bales | Total |
|---|---|---|---|
| 2006/07 | 671,381 | 1,303,269 | 1,974,651 |
| 2007/08 | 605,995 | 1,176,343 | 1,782,339 |
| 2008/09 | 534,625 | 534,625 | 1,527,500 |
| 2009/10 | 427,652 | 1,282,956 | 1,710,609 |
| 2010/11 | 451,106 | 1,353,350 | 1,804,426 |
| 2011/12e | 416,300 | 1,393,700 | 1,810,000 |
| 2012/13f | 414,138 | 1,386,462 | 1,800,600 |

Source: AEFA (National Dried Alfalfa Producers Association) and FAS Madrid estimates.

There were 100 dried fodder processing plants in Spain in 2005. In 2008, only 76 were operational and

only 74 are expected to operate in MY 2012/13. Aragon and Cataluña, both irrigated by the Ebro River, and Castile y León in Spain's central plateau, are the regions with the largest installed processing capacity, representing about 80 percent of Spain's total capacity.

**Table 4: Spain Location of Processing Plants**

| Region | Number of Plants |
|---|---|
| Aragon* | 37 |
| Cataluña* | 11 |
| Castile y Leon | 12 |
| Castile-La Mancha | 6 |
| Navarra | 4 |
| Andalusia | 2 |
| Extremadura | 1 |
| Balearic Islands | 1 |
| Total | 74 |

Source: AEFA (National Dried Alfalfa Producers Association).

*As part of its purchase policy, a UAE agricultural company purchased two dehydrating fodder plants in Spain, whose production is completely devoted to the export market. One of them is located in Zaragoza and was acquired in 2009, and the other one is located in Lleida, acquired in 2012.

**Table 5: Spain Number of Processing Plants by MY**

| Marketing Year | Number of Processors |
|---|---|
| 2006/07 | 86 |
| 2007/08 | 80 |
| 2008/09 | 77 |
| 2009/10 | 76 |
| 2010/11 | 76 |
| 2011/12 | 74 |
| 2012/13f | 74 |

Source: AEFA (National Dried Alfalfa Producers Association).

**Consumption**

The dairy herd, which is the primary consumer of dehydrated fodder in Spain, has diminished its inventories almost 10 percent throughout the last five years. Dried fodder demand in the domestic market remains weak, driven by the downward trend of dairy cow population. However, milk prices paid to farmers grew and so did dairy cow inventories throughout 2011.

**Table 6: Dairy cow population, dairy cow milk production and milk average prices**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Dairy cow population | 932 | 888 | 837 | 837 | 851 |
| Milk production (1,000 MT) | 5,779.2 | 5,879.2 | 5,776.3 | 5,887.6 | 5,930.0 |

| | | | | | |
|---|---|---|---|---|---|
| Price (Euros/ 100 kg) | 36.41 | 39.08 | 30.02 | 30.26 | 31.80 |

Source: Eurostat. MARM. Dairy Survey and FAS Madrid estimates.

In MY2011/12, the pace of dried fodder sales during the first half of the marketing year has been higher than in previous years resulting in lower company stocks and a tight market situation. The strong demand of the export market has been the main driver.

**Trade**

The EU-27, lead by Spain, is the world third largest exporter of dried fodder after the U.S. and Australia. While Spain's imports come mainly from other EU Member States, United Arab Emirates, followed by the EU and North African countries are Spain's main clients.

**Table 7: Spain Total Imports of Fodder by Origin in MT ***

| Country of Origin | MY 2007/08 | MY 2008/09 | MY 2009/10 | MY 2010/11 | MY 2011/12e |
|---|---|---|---|---|---|
| EU-27 | 17,088 | 24,336 | 7,588 | 10,664 | 10,400 |
| Others | 1,129 | 1,171 | 944 | 158 | 400 |
| **TOTAL IMPORTS** | **18,217** | **25,507** | **8,532** | **10,822** | **10,800** |

Source: GTA and FAS Madrid estimates. * Includes both bales and pellets.

The EU and North Africa countries have been the traditional destination of Spain's fodder. Nevertheless, exports to United Arab Emirates (UAE) have been growing steadily over the five past years.

In MY2011/12 lower competition from the United States in the export markets allowed Spain to increase its imports, concentrated mainly in the Middle East. In MY2011/12, exports to the UAE are expected to account for almost 70 percent of Spain's fodder exports, followed by the EU-27, which represented about 20 percent of total exports. Other countries such as Saudi Arabia are also steady increasingly importing fodder from Spain. For instance, in MY2011/12, exports to Saudi Arabia are anticipated to represent nearly 10 percent of Spain's total exports.

**Table 8: Spain Total Exports of Fodder by Destination in MT ***

| Country of Destination | MY 2007/08 | MY 2008/09 | MY 2009/10 | MY 2010/11 | MY 2011/12e |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| EU-27 | 208,670 | 131,001 | 115,590 | 235,259 | 161,077 |
| United Arab Emirates | 202,803 | 260,458 | 370,294 | 335,917 | 585,985 |
| Saudi Arabia | 20,714 | 8,153 | 60,831 | 60,761 | 80,179 |
| Morocco | 44,508 | 25,812 | 11,460 | 37,248 | 9,352 |
| Others | 15,421 | 35,490 | 27,776 | 89,152 | 33,702 |
| **TOTAL EXPORTS** | **492,116** | **460,914** | **585,951** | **758,337** | **870,296** |

Source: GTA and FAS Madrid estimates.* Includes both bales and pellets.

**Production, Supply and Demand**

**Table 10: Spain Production, Supply and Demand for Dehydrated Fodder**

| Market Year | **MY 2007/08** | **MY 2008/09** | **MY 2009/10** | **MY 2010/11** | **MY 2011/12e** | **MY 2012/13f** | **Units** |
|---|---|---|---|---|---|---|---|
| **Production** | 1,782,339 | 1,527,500 | 1,710,609 | 1,804,426 | 1,810,000 | 1,800,600 | (MT) |
| **Imports** | 18,217 | 25,507 | 8,532 | 10,822 | 10,800 | 10,500 | (MT) |
| **Total supply** | **1,800,556** | **1,553,007** | **1,719,141** | **1,815,248** | **1,820,800** | **1,811,100** | (MT) |
| **Dom. Consumption** | 1,308,440 | 1,092,093 | 1,133,190 | 1,056,911 | 950,800 | 951,100 | (MT) |
| **Exports** | 492,116 | 460,914 | 585,951 | 758,337 | 870,000 | 860,000 | (MT) |
| **Total Demand** | **1,800,556** | **1,553,007** | **1,719,141** | **1,815,248** | **1,820,800** | **1,811,100** | (MT) |

Source: FAS Madrid estimates.

**Policy**

In 2006, the existing EU support for the dried fodder sector, which initially was fully paid to the processing industry, was redistributed between growers and the processing industry on a 50/50 basis. Direct support to growers was integrated into the Single Payment Scheme (SPS), based on their historical deliveries to the industry and within national support ceilings. The implementation of this reform coincided with the beginning of Spain's increasing exports to UAE, which allowed the processing industry to remain competitive despite of the lower CAP payment received and the weaker domestic demand.

Until MY2011/12 there was a single dried fodder MGQ for the EU-15 of 4,855,900 MT that merged the previous maximum guaranteed quantities for dehydrated and sun-dried fodder. For the new Member States, there was a separate MGQ of 104,823 MT. The total EU-25 MGQ is 4,960,723 MT.

The MGQ was split into Guaranteed National Quantities (GNQ) by Member State. Under this system, penalties were imposed (reductions in aid) if the EU MGQ is exceeded by any Member State for one year. Penalties are applied in those countries which are responsible for the overrun. If EU dried fodder production during a given marketing year did not exceed the MGQ, the full aid was paid.

Since MY2006/07 the MGQ has not been exceeded so the aid has been fully paid without reductions. According to Commission Regulation (CE) 707/2011 the final amount of the aid to be paid to processors for dried fodder in MY2010/11 remained at 33 Euros per MT, since the maximum guaranteed quantity has not been exceeded. While there are not official data available yet, the same amount of money is expected to be paid to the processing industries in MY2011/12.

To be granted a production subsidy of 33 € per MT, the processing industry must have had contracts with farmers which established price and acreage. In the event that the dehydrating plant had its own fodder production or acquires fodder from authorized buyers, delivery declarations are required.

Regarding quality standards, fodder to be dehydrated or milled in the plant should have a minimum moisture content of 25%. The product obtained must have a maximum moisture content of 12% in the case of sun-dried fodder or dehydrated fodder that had undergone a milling procedure. The maximum moisture content could be up to 14% for other dehydrated products. In addition, sun-dried fodder should have undergone a milling procedure within the processing plant to be eligible for the subsidy. The minimum protein content as compared to dry matter had to be 15%.

From 1 April 2012, the aid for dehydrated fodder scheme will be fully incorporated into the farmer's Single Payment Scheme (SPS) and processors will no longer receive the aid. The amount of money to be paid to farmers via SPS will be based on their historical deliveries. The reference period considered includes years 2007 and 2008.

Under the SPS farmers receive a set amount per hectare of agricultural land maintained in good conditions, and not linked to the crop produced. Thus, the decoupling of the subsidy to fodder production could result in changes in fodder production levels. Planting decisions will be solely based in market conditions and the dehydrated fodder industry will have the 33 Euros per metric ton less to offer to farmers. With the integration of fodder payment in the SPS, minimum quality requirements (including minimum moisture content) will not be mandatory.

At the moment, the aid scheme after 2013 remains to be defined. However, the European structural deficit of vegetal protein, the environmental benefits of alfalfa cultivation could justify a special treatment to the fodder sector. For the forthcoming aid scheme, the processing industry defends the maintenance of specific payments at least partially linked to the implementation of supply contracts between farmers and the dehydrating industry. They also defend the establishment of minimum amounts of fodder to be delivered to the processing industry to grant the continuation of their activity.