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Spanish Pulse Market Outlook 2015

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Report Highlights:
Spain is a net importer of lentils, chickpeas and dry beans as domestic production is not sufficient to fulfill internal demand creating opportunities for U.S. exports to Spain. Poor weather conditions have resulted in significantly lower production expectation for the non-irrigated pulses in MY2015/16.

General Information:

Poor weather conditions have resulted in significantly lower production forecast for the non-irrigated pulses in MY2015/16, despite the higher plantings. Canned legumes have registered a tepid but constant growth over the past year, most likely due to changing eating habits towards ready-to-eat products. As Spanish domestic production is not sufficient to fulfill internal demand, this creates opportunities for U.S. pulses exports to Spain, which will continue to face competition from other suppliers such as Canada, Mexico and Argentina.

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Abreviations used in this report

EC	European Commission
EU	European Union
FAS	Foreign Agricultural Service
GTA	Global Trade Atlas
CAP	Common Agricultural Policy
SPS	Single Payment Scheme
MAGRAMA	Ministry of Agriculture, Food and Environment
CAP	Common Agricultural Policy
SPS	Single Payment Scheme
BPS	Basic Payment Scheme

HS Codes: Harmonized System codes for commodity classification used to calculate trade data.
Lentils 071340
Chickpeas 071320
Dry Beans 071333

MS	EU Member State(s)
MT	Metric ton (1,000 kg)
MY	Marketing year June/July
PS&D	Production, Supply and Demand

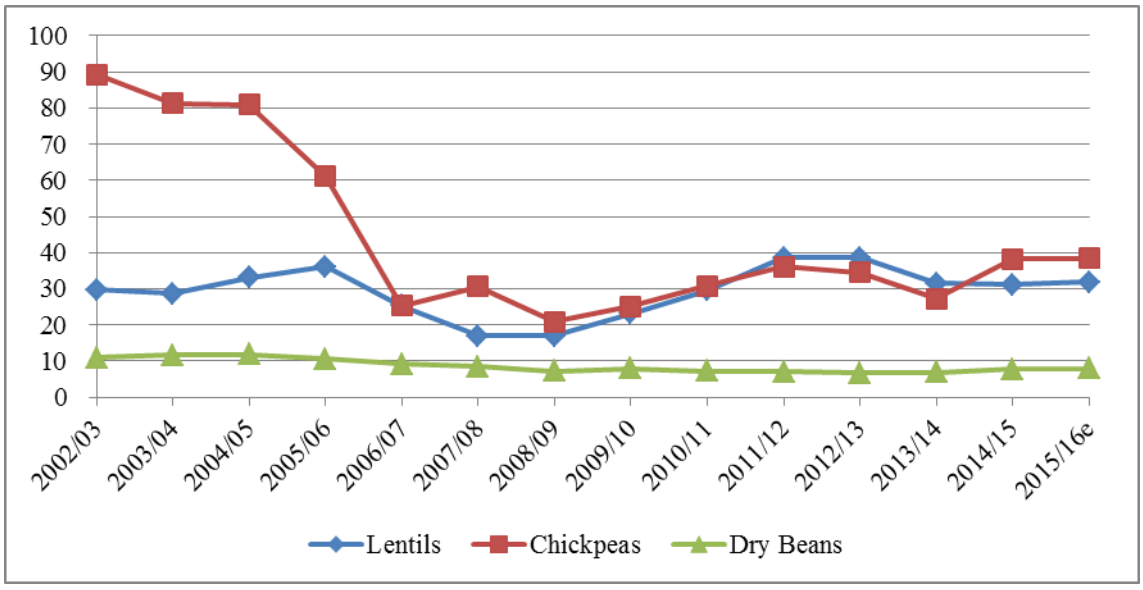
Ha	Hectares
N/A	Not Available

Area and Production

While area planted to dry beans, which are grown under irrigation, has remained fairly stable over the years, area planted to lentils and chickpeas declined sharply between MY2004/05 and MY2006/07. These two latter legume crops have registered an increase in area since MY2008/09, driven by the enforcement of the crop rotation program and National Legume Crops Quality Program (See Policy Section), which expired in My2014/15.

Since 2015, greening requirements in crop diversification along with the extension of the support to promote quality legumes production (POD, PGI or organic farming) will ensure a similar area planted to food use pulses in current MY2015/16. The latest statistical information available indicates that the overall area planted to pulses will only grow marginally in MY2015/16 (**Table 1** and **Graph 1**).

Graph1. Area Planted to Main Pulses Crops (Hectares)



Source: MAGRAMA

Castile-La Mancha is the leading **lentil** producing region in Spain, while Andalucía is the leading **chickpea** producing region. Lentils and chickpeas compete with winter grains for area. **Lentils** and **chickpeas** are planted in fall in warmer (southern) areas, but can also be planted later in the winter in colder (northern) areas.

The large majority of **dry beans** are grown in Castile y Leon and Galicia and they are usually planted in the spring in irrigated land as they need significant amounts of water and are sensitive to low temperatures.

According to the agricultural land use survey (ESYRCE) the large majority of **lentils** and **chickpeas** (over 90 percent) are grown without irrigation. As a consequence, final yields depend on the amount of precipitation.

Nearly 70 percent of **dry beans** are grown under irrigation. As a result, yields are more stable, since they are not that linked to the amount of precipitation.

Good yields were expected for most of Spain's non-irrigated crop until early May when high temperatures and lack of precipitation significantly reduced harvest expectations. Spain's central plateau, where the large majority of the pulses are grown, was the area most affected by the hot weather.

Consequently, production expectations for the non-irrigated pulses are significantly lower for the MY2015/16 crop (**Table 2**) despite the larger area planted. For additional information on climate conditions affecting crops, see GAIN Report SP1514.

Table 1.Area Planted to Pulses in Spain (1,000 ha)

Year	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16e
Lentils	36.6	38.5	31.5	31.1	31.9
Chickpeas	35.3	34.6	27.3	38.3	38.4
Dry Beans	7.0	6.6	6.8	7.7	7.9
Total	**78.9**	**79.7**	**65.6**	**77.1**	**78.2**

Source: MAGRAMA and FAS Madrid estimates

Table2. Production of Pulses in Spain (1,000 MT)

Year	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16e
Lentils	18.3	23.9	40.6	17.5	20
Chickpeas	30.7	21.9	26.1	33.5	27
Dry Beans	11.7	9.9	11.3	12.2	13
Total	**60.7**	**55.7**	**78.0**	**63.2**	**60**

Source: MAGRAMA and FAS Madrid estimates.

Table3. Prices Received by Farmers (Euros/100 kg)

Year	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15*
Dry Beans	289	308	305	367	233
Lentils	71	79	70	60	48
Chickpeas	62	65	66	68	54

*Average taken with only 6 months of prices

Source: FAS Madrid based on MAGRAMA data

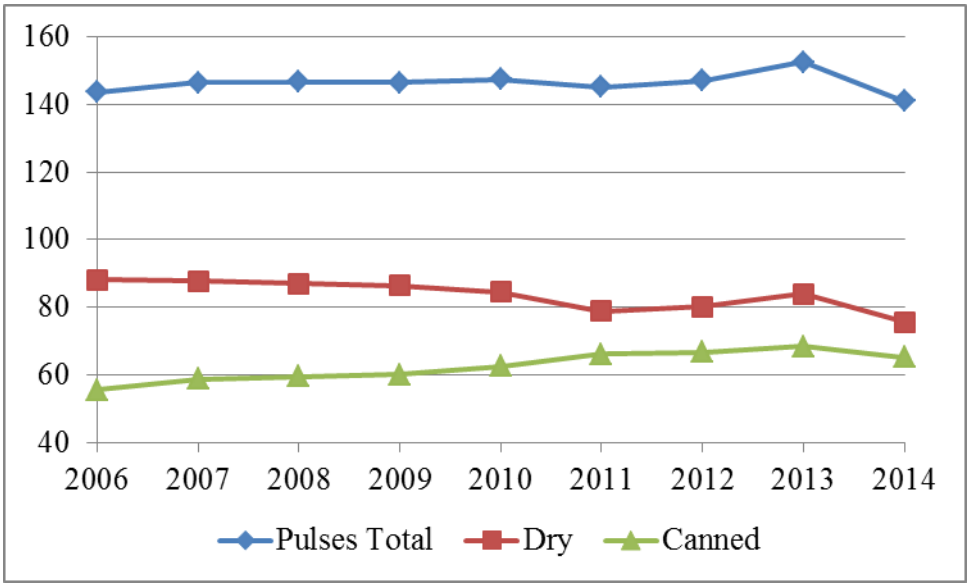
Consumption and Marketing

Pulses are considered an important part of the traditional Mediterranean diet, and consumers continue to seek them out for healthier eating habits. In Spain, traditional pulses stews are usually consumed in colder months.

While dry legumes dominate the Spanish household market its consumption is rather stagnant as they are not adapted to modern lifestyles.

Meanwhile, canned legumes have registered a tepid but constant growth over the past years, most likely due to changing eating habits towards ready-to-eat products (**Graph 2**).

Graph 2. Household Legumes Consumption in Spain (1,000 kg)



Source: MAGRAMA. Consumption Panel.

Another factor that can contribute to explain the upward tendency since 2008 is the impact of the economic crisis in the consumption pattern with consumers switching to more traditional and inexpensive sources of protein. Statistical data available for the Q1 2015 show a marginal decline of household legume consumption.

According to a report published by MAGRAMA, in 2013 there were nine registered legume qualities, including pulses, dry beans and chickpeas. Area planted to quality pulses added to 4,790.19 Ha and production only represented 1,070 MT.

Spanish pulses under Geographical Indications only account for about 7 percent of the legumes area, and for 1 percent of legumes production. The large majority are marketed domestically, with only small amounts being exported to other European Member State (Germany, UK, Netherlands, France, Belgium and Portugal). According to MAGRAMA's report, the only extra EU destination for Spanish quality legumes in 2013 was Switzerland.

Table 4. Spanish Pulse Geographic Indications

Lentils	Chickpeas	Dry Beans
Pardina de Tierra de Campos	Fuentesaúco	El Barco de Ávila
La Armuña	Escacena	La Bañeza
		Ganxet
		Asturiana
		Lourenzá

Source: MAGRAMA

According to MAGRAMA's report for 2013, Faba Asturiana and Lenteja Pardina de Tierra de Campos along with Lenteja de la Armuña have the largest economic value share within all quality legumes, accounting for over 60 percent half of the total quality legumes economic value.

Trade

Spain domestic production is not sufficient to fulfill internal demand, which opens opportunities for U.S. exports to Spain. Spain is among the top three importers of pulses in the European Union (**Table 5**).

Table5. EU-28 Main Importers of Pulses (1,000 MT)*

Country of Destination	2010	2011	2012	2013	2014
Italy	157	170	158	176	182
Spain	157	125	154	177	139
United Kingdom	163	168	158	153	167
France	72	77	67	70	71
Portugal	59	50	48	55	63
Germany	46	46	46	45	44
Netherlands	32	31	31	34	30
Other EU Member States	70	81	74	73	73
Total EU-28	**756**	**749**	**735**	**783**	**769**

Source: GTA

Includes HS codes for Lentils, Chickpeas and Dry Beans

Spain is a net importer of **lentils**, **chickpeas** and **dry beans**. Exports of pulses are negligible and mainly directed to other EU MS.

The United States is the origin of over 50 percent of **lentils** imported to Spain. Canada continues to expand its presence in the lentils market at the expenses of United States exports. Available data for MY2014/15 indicate that lentil imports to Spain have remained fairly stable compared to the previous Marketing Year (See **Table 6**).

Table6. Spain's Imports of Lentils by Origin in MT (MT)

Country	MY2009/10	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15e
United	31,351	25,238	23,997	30,578	25,308	24,000
Canada	15,819	15,357	16,501	26,801	23,444	23,400
EU-28	4,026	3,323	1,789	1,254	1,976	2,300
Other	1,343	691	3,086	1,412	354	500
Total	**52,539**	**44,609**	**45,373**	**60,045**	**51,082**	**50,200**

Source: GTA

(Trade data expressed on July/June basis)

The United States is the second largest supplier of **chickpeas** to Spain (after Mexico). Available data for MY2014/15 indicate that total imports of chickpeas to Spain have suffered a decrease. (See **Table 7**).

Table7. Spain's Imports of Chickpeas by Origin in MT (MT)

Country	MY2009/10	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15e
Mexico	32,248	24,417	18,971	39,220	35,779	24,800
United	8,899	11,780	10,301	15,659	16,122	8,500
EU-28	3,393	1,854	1,435	1,126	1,320	1000
Other	5,816	12,042	8,436	15,720	12,182	5,400
Total	**50,356**	**50,093**	**39,143**	**71,725**	**65,403**	**39,700**

Source: GTA

(Trade data expressed on July/June basis)

Argentina is the leading exporter of dry beans to Spain, followed by China, Canada and Bolivia. The United States is only the country's fourth largest extra-EU supplier. Available data for MY2014/15 indicate that total dry bean imports have grown by over 30 percent, recovering from last marketing year's sharp decline of imports from Argentina, which was only partially offset by higher imports from the United States, China, Canada and other EU Member States (See **Table 8**).

Table8. Spain's Imports of Dry Beans by Origin in MT (MT)

Country	MY2009/10	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15e
Argentina	34,602	32,357	31,153	34,117	1,539	23,600
China	4,138	6,789	4,274	4,231	7,669	3,600
Canada	2,855	2,852	2,319	2,884	4,705	3,000
United	951	1,144	723	1,371	6,507	3,600
EU-28	2,183	2,041	971	2,625	3,026	2,500
Bolivia	1,841	1,027	1,304	1,692	1,211	600
Peru	1,381	1,428	1,175	1,879	854	300
Other	1,671	1,860	1,823	3,135	16,097	8,300
Total	**48,671**	**48,354**	**43,019**	**50,563**	**35,101**	**45,500**

Source: GTA

(Trade data expressed on July/June basis)

Policy

As of MY2015/16 due to the CAP reform implementation **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.

The Basic Payment in Spain takes into account four different land uses: irrigated land, non-irrigated land permanent crops and pasture land. Other factors such as the amount of support previously received are also considered. A total of 50 regions have been defined. The amount of the Basic Payment allocated to each defined region represents the support granted to the type of land use and agriculture carried out in the area.

While specific payment from which legume producers could benefit such as the **National Program to Promote Crop rotation**[1] is no longer available since 2015, a large part of the support received by farmers (30 percent) is linked to **greening measures**. To comply with greening measures, farmers must practice crop diversification. 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 some incentive to cultivate pulses in some areas where monoculture was carried out.

[1] *Under Article 68 of Regulation 73/2009 "the National Program to Promote Crop Rotation" was created to reverse the strong trend in recent years towards cereal monoculture in non-irrigated land by introducing again the so beneficial traditional crop rotations. One million hectares with yields under or equal to 2 tons per hectare, according to the national regionalization yield plan, could receive payments of* ***€ 60 per hectare****.*

Consequently, greening measures would replace to some extent the crop rotation program as nearly one third of the farmers' current payments are linked to crop diversification observance.

The National Legume Crops Quality Program[2] was also phased out in 2015. Nevertheless, an equivalent specific support scheme has been put in place: As of MY2015/16, under article 52 of Regulation 1307/2013 one million Euros has been allocated to a maximum of 10,000 hectares of pulses under POD or PGI or organic farming in order to promote quality legumes production. The maximum payment amounts to **€100 per hectare** capped at €3,000 per farm. Proportional reductions were foreseen in case that the maximum granted area is exceeded.

Pulses will compete against other crops in farms diversification. Specific payments have been allocated as well to **protein crops** (peas, bean, and sweet lupin) or **legumes** (vetch, *lathyrus cicera*, *lathyrus sativus* and non-irrigated alfalfa) and **oilseeds** (sunflower, rapeseed, soybean, camelina and cartamo) exist. Nevertheless, support levels are **€40** (protein crops, legumes) **and €60** (oilseeds) **per hectare**, which will not likely influence farmers planting decisions.

As the amount of specific support to pulses is rather small, crop margins will ultimately decide whether legumes, oilseeds, protein crops, grains or different types of arable crops became part of the crop rotation.

[2] *Under Article 68 of Regulation 73/2009, one million Euros was allocated to a maximum of 10,000 hectares of pulses under POD or PGI or organic farming in order to promote quality legumes production. The maximum payment amounted to* ***€ 100 per hectare*** *capped at € 3,000 per farm. Proportional reductions were foreseen in case that the maximum granted area is exceeded.*

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