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Spanish Dried Fodder Processors Seek New Markets

Report Categories:
Grain and Feed

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Report Highlights:

After hitting record values of exports in MY2011/12, available trade data indicate that exports continued increasing in MY2012/13. In MY2013/14 Spain's fodder exports are expected to continue growing driven by a rebound in domestic production and increased demand for fodder in the Middle East Region and United Arab Emirates in particular. Spanish dried fodder processors are seeking equivalency agreements with other countries such as China to allow for further expansion of their market and to counterbalance the lack of opportunities for growth in the domestic market.

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
CAP Common Agricultural Policy
SPS Single Payment Scheme
MAGRAMA Ministry of Agriculture, Food and Environment

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

In MY 2012/13, the total area planted to fodder crops declined due to the extremely dry winter which encouraged farmers to switch to less water demanding crops. A marginal rebound in area is anticipated in MY2013/14 driven by good export projections and ample water availability (See Report SP1304). However, competitive prices for corn will limit further area increases.

Table 1: Spain's 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
2011/12	140,887	14,166	760	4,051	1,230	6,946	10,431	178,920
2012/13e	141,800	7,200	600	5,450	940	7,100	7,410	170,500
2013/14f	145,550	7,300	615	5,550	960	7,275	7,550	174,800

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

Fodder yields in MY2012/13 were low due to the lack of precipitation affecting non-irrigated alfalfa in areas such as Castile y Leon, were nearly 40 percent of the alfalfa is grown without irrigation. In the Ebro Valley, Spain's main alfalfa producing area, the lack of precipitation resulted in lower water availability for irrigation purposes and consequently in lower yields.

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
2011/12	1,767,138	153,394	1,920,533
2012/13	1,498,336	124,726	1,619,823
2013/14f	1,644,500	143,200	1,787,700

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

The large share of dehydrated fodder (over 90 percent) produced is seen as an asset by some importing countries as the product is considered to be more homogeneous than sun dried.

Processing

Bales are the most common product, representing over 75 percent of total production, while pellet production represents nearly 25 percent of total dehydrated fodder produced in the country (**Table 3**). Excessive precipitation prior to the first cut of the MY2013/14 has resulted in lower quality production, which might contribute to an increased pellet production at the expenses of bales. Nevertheless, ample water supplies will guarantee a sizeable alfalfa crop in 2013.

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	992,875	1,527,500
2009/10	427,652	1,282,956	1,710,609
2010/11	451,106	1,353,350	1,804,426
2011/12	441,723	1,478,810	1,920,533
2012/13e	386,495	1,233,328	1,619,823
2013/14f	429,100	1,358,600	1,787,700

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

There were 100 dried fodder processing plants in Spain in 2005 (**Tables 4** and **Table 5**). 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 two more located in Lleida, acquired throughout 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
2012/13	74
2013/14	74

Source: AEFA (National Dried Alfalfa Producers Association).

Consumption

The importance of the dairy herd, which is the primary consumer of dehydrated fodder in Spain, continues declining (**Table 6**). The size of the dairy herd has declined by over 10% since the prices volatility crisis that occurred in MY2007/2008. Despite the decline in dairy cow inventories in Spain over the past few years, a marginal rebound (+3%) in cows in milk production took place at the end of 2012, most likely as a consequence of higher cow replacement driven by prices received by farmers in 2011. Lower milk average prices in 2012 will likely force inventories down in 2013.

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

Year	2007	2008	2009	2010	2011	2012	2013f
Dairy cow population	932	888	828	845	798	827	815
Milk production (1,000 MT)	5,779	5,879	5,776	5,888	5,855	5,896	5,866
Price (Euros/ 100 kg)	36.41	39.08	30.02	30.26	32.23	31.82	N/A

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

As a consequence, dried fodder demand in the domestic market remains weak and dried fodder producers depend strongly on exports to balance the dried fodder market.

Trade

Spain is small player in fodder imports, which occur mainly at the EU level (**Table 7**).

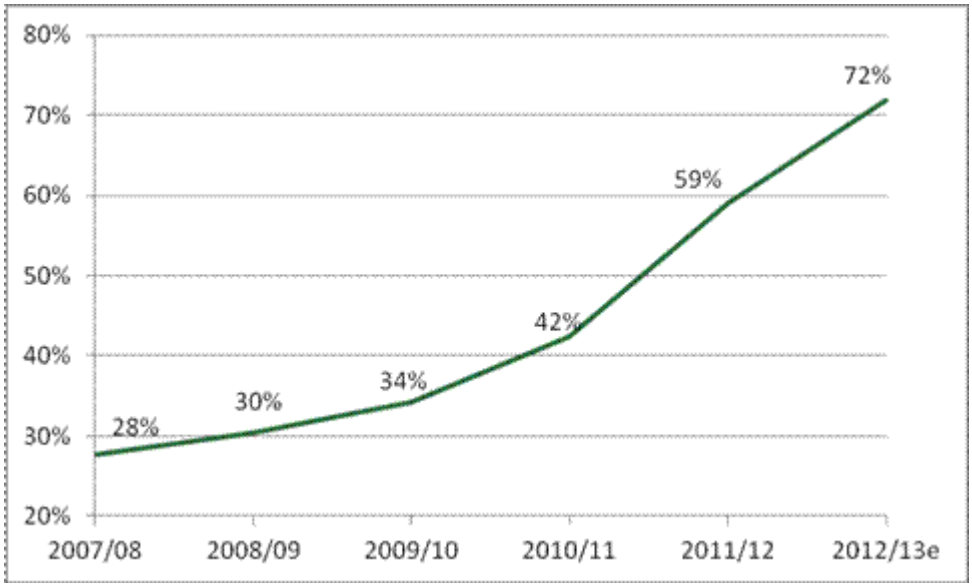
Table 7: Spain Total Imports of Fodder by Origin in MT *

Country of Origin	MY 2007/08	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13e
EU-27	17,088	24,336	7,588	10,664	8,175	6,425
Others	1,129	1,171	944	158	351	675
TOTAL IMPORTS	**18,217**	**25,507**	**8,532**	**10,822**	**8,526**	**7,100**

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

On the contrary, Spain has become a big player terms of exports, being the world's third largest exporter of dried fodder after the U.S. and Australia. The increase in Spanish fodder exports is driven by the growing demand in the Middle East (United Arab Emirates), which has filled the gap left by the declining in-country demand. The export's share has continuously increased over the last six years (**Graph 1**) and also absolute value of exports continues to grow (**Graph 2**).

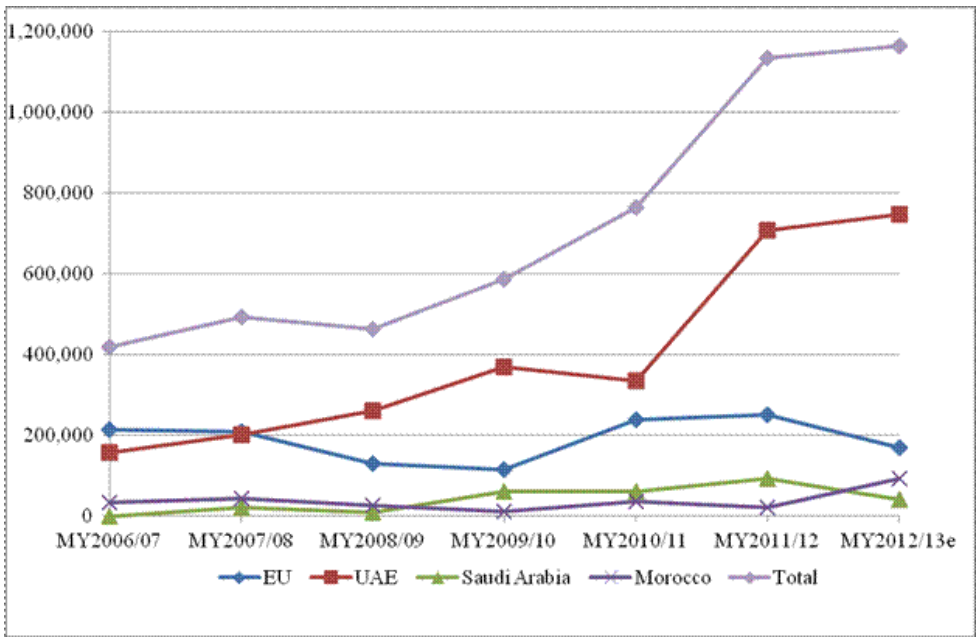
Graph 1. Exports/ Production Share



Source: FAS Madrid

Record fodder exports were registered in MY2011/12, and available trade data indicate that total exports in MY2012/13 could have overcome MY2011/12 levels; despite of the lower area planted and lower output.

Graph 2. Evolution of Spain's Fodder Exports (MT)



Source: FAS Madrid based on GTA data and own estimates.

Along with UAE, fodder demand is growing in other Middle East such as Saudi Arabia, Jordan, or Kuwait; North African Countries such as Morocco or Tunisia, and even in Pacific Countries such as Japan (**Table 8**).

In October 2010, the Ministry of Agriculture contacted China's authorities to request an auditing process for 33 dehydrating plants that were interested in exporting to the Chinese market. China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) visited Spain in July and October 2012 to audit 18 plants. If the outcome of the visit is favorable and the exchange of information with the Ministry of Agriculture, Food and Environment proves satisfactory for the Chinese competent authorities, this could boost Spanish dried fodder 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 2011/12	MY 2012/13e
EU-27	208,670	131,001	115,590	238,338	252,404	171,600
United Arab Emirates	202,803	260,458	370,294	335,917	707,729	746,500
Saudi Arabia	20,714	8,153	60,831	60,761	92,248	124,100
Morocco	44,508	25,812	11,460	37,248	20,697	28,900
Jordan	-	5,182	4,312	9,755	21,035	20,600
Kuwait	1,337	6,815	942	4,761	9,572	11,800
Japan	1,305	15,341	4,833	5,433	8,104	8,250
Tunisia	2,091	4,462	6,290	16,684	4,848	14,700
Others	10,688	7,370	11,399	55,447	18,635	38,650
TOTAL EXPORTS	**492,116**	**464,594**	**585,951**	**764,344**	**1,135,272**	**1,165,100**

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 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13e	MY 2013/13f	Units
Production	1,527,500	1,710,609	1,804,426	1,810,000	1,619,823	1,787,700	(MT)
Imports	25,507	8,532	10,822	8,526	7,101	7,000	(MT)
Total supply	**1,553,007**	**1,719,141**	**1,815,248**	**1,818,526**	**1,626,924**	**1,794,700**	**(MT)**
Dom. Consumption	1,088,413	1,133,190	1,050,904	683,254	463,524	606,300	(MT)
Exports	464,594	585,951	764,344	1,135,272	1,163,400	1,188,400	(MT)
Total Demand	**1,553,007**	**1,719,141**	**1,815,248**	**1,818,526**	**1,626,924**	**1,794,700**	**(MT)**

Source: FAS Madrid estimates.

Policy

Since April 1, 2012, the aid for dehydrated fodder scheme is incorporated into the farmer's Single Payment Scheme (SPS) and processors no longer receive the aid. The amount of money paid to farmers

via SPS is based on their historical deliveries in the reference period (Years 2007 and 2008). At the moment, the aid scheme post-2013 remains to be defined at the EU level. However, no specific aid to the dried fodder sector is foreseen in the new CAP despite the EU's structural protein for feed shortfall.

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