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Spain

Canned Deciduous Fruit

Annual

2007

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Report Highlights:
During marketing year 2007, the Spanish canned-peach industry will likely receive record-low deliveries of fresh peaches; experience record-low canned-peach production, decrease year-on-year exports, and finish the year with a record-low exportable surplus, all while Spanish consumers consume record-low per capita canned-peach quantities. And, the canned-peach industry has experienced all of the above in advance of making further adjustments that will likely be needed as a result of the reform of the European Union fruit and vegetable subsidy regime.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1]
[SP]

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Executive Summary

For marketing year (MY) June/May 2007, drastically reduced canned-peach stocks and another excellent quality fresh-peach crop will likely mean that Spanish canned-peach producers receive relatively few fresh-peach deliveries for canning, and as a result, they will further reduce exports, and exportable surpluses when compared to MY 2006. Canned peach exporters increased MY 2006 exports by 30 percent over MY 2005 exports, because of a sizable exportable surplus and favorable marketing conditions.

Spanish canned-pear importers increased dramatically (as a percent) imports from China during MY 2006 and may continue to import from China into MY 2007, if prices and quality continue favorable.

In spite of the new records mentioned in the highlight and the “China” factor, Spanish canned-fruits producers are concerned most about the Government of Spain’s (GOS) upcoming decision regarding application of the terms of the recently approved reform of the common market organization for fruits and vegetables (CMO). They understand the CMO reform to mean that fruit-production subsidies, as they are currently paid, will be phased out during a yet-to-be-decided transition period. The transition period, and the means of replacing the “lost” funding are key concerns the GOS will need to address by the end of this calendar year. It is their understanding that at the end of the transitions period, fruit producers will receive a single farm payment based on eligible fruit-tree hectares, which, they claim, may leave them short fundamental raw material, because peach producers will look to the more lucrative fresh market to maximize total farm revenue.

Canned Peaches

Production, Supply & Distribution Table

PSD Table

Country Spain

Commodity Peaches, Canned

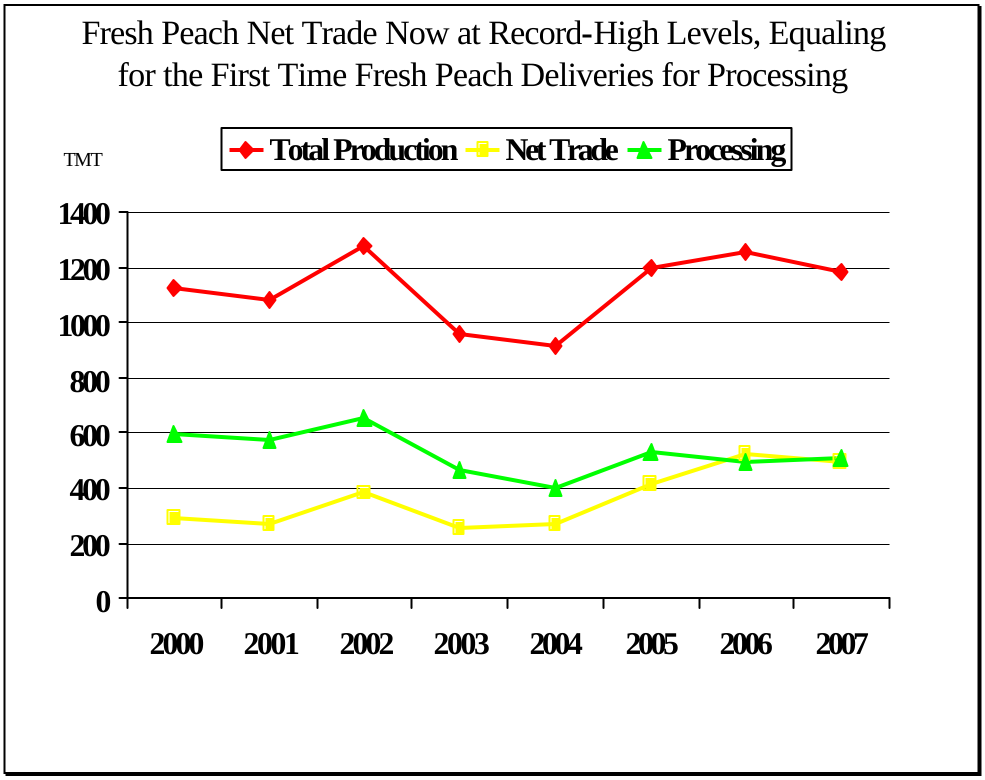
(MT)(MT, Net Weight)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		06/2005	06/2005		06/2006	06/2006		06/2007	06/2007	MM/YYYY
Deliv. To Processors	160221	160221	160221	165000	165000	99147	0	0	99000	(MT)
Beginning Stocks	20102	20102	20102	53000	53000	42874	67000	67000	20000	(MT, Net Weight)
Production	146608	146608	146608	150000	150000	92380	0	0	92000	(MT, Net Weight)
Imports	4323	4323	4409	4000	4000	4124	0	0	4000	(MT, Net Weight)
Total Supply	171033	171033	171119	207000	207000	139378	67000	67000	116000	(MT, Net Weight)
Exports	53033	53033	53332	70000	70000	69378	0	0	56000	(MT, Net Weight)
Domestic Consump.	65000	65000	74913	70000	70000	50000	0	0	50000	(MT, Net Weight)
Ending Stocks	53000	53000	42874	67000	67000	20000	0	0	10000	(MT, Net Weight)
Total Distribution	171033	171033	171119	207000	207000	139378	0	0	116000	(MT, Net Weight)

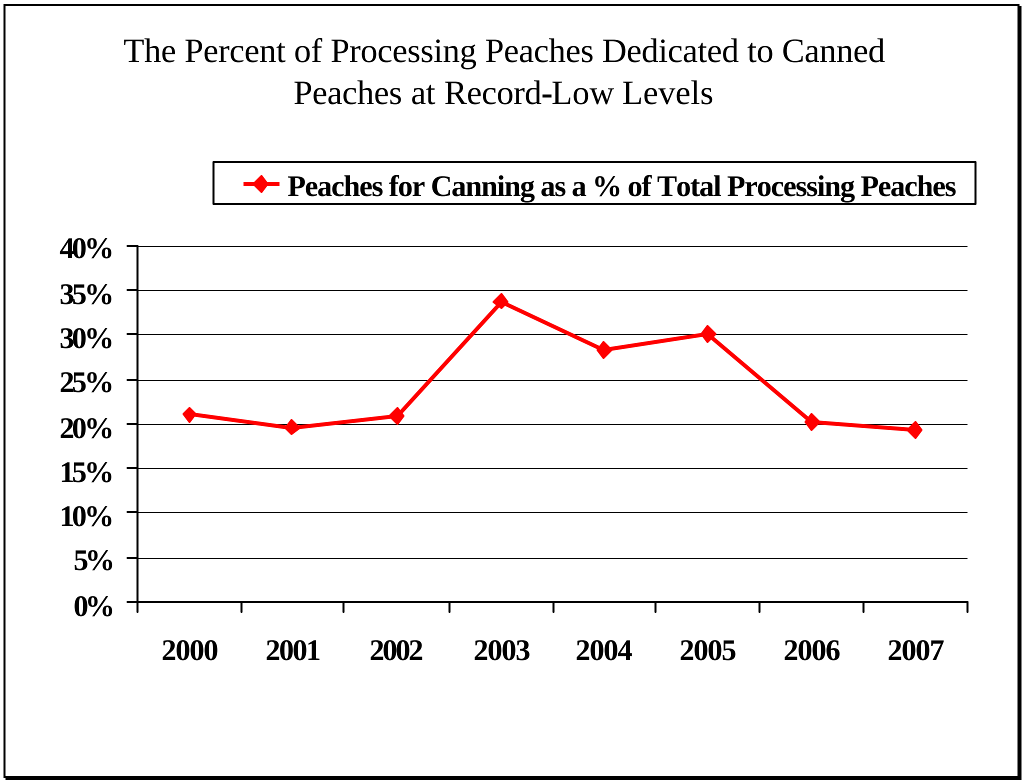
SOURCE:
Delivery to Processors – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Beginning Stocks – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Production – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Imports/Exports – GTA through MY 2006. FAS Iberia forecast for MY 2007.
Domestic Consumption – FAS Iberia estimates and forecasts. Domestic consumption is the only supply and demand variable in this table for which there are no FEGA estimates. As a result, the consumption estimates used here are the residual of all the other variables.
Ending stocks – FEGA data for MY 2005. FAS Iberia estimates and forecasts for MY 2006 and MY 2007.

Production

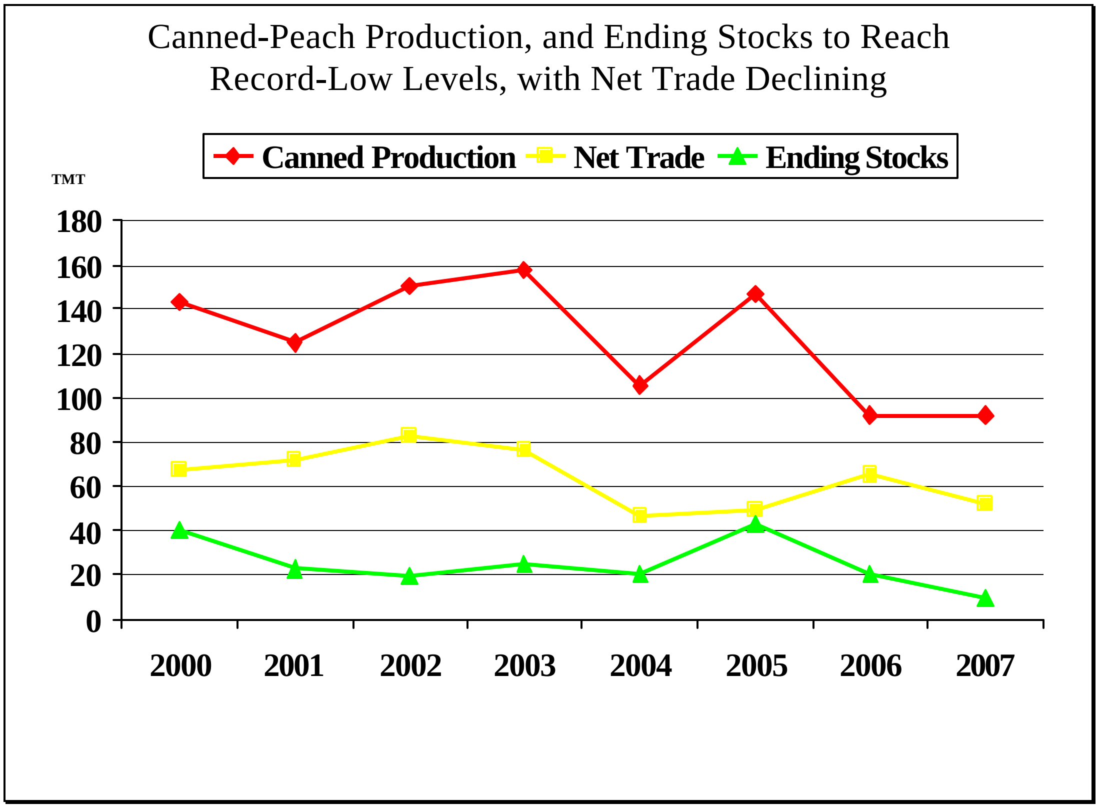
While fresh peach production has been historically very high during the last three campaigns, deliveries to processors have remained relatively flat. During MYs 2005, 2006, and 2007, much of it a drought period, Spanish peach producers have produced excellent quality crops, production very suited for the fresh market, which almost always commands a premium price to the price offered in the processing market.



In addition, of the fresh peach deliveries for processing during this period, producers have delivered a diminishing share to the canned peach industry (please see graph below), including consecutive record setting low-levels in each of the last three marketing years. Of the processed peach products, canned peaches were probably first to the market and may have lost some of their early luster with consumers. With the advances in packaging and transportation, consumers can now enjoy fresh peaches during much of the year. In addition, other, possibly more innovative products like peach puree may provide greater margins and more interest by processors in paying the price to secure the necessary raw product.



As a result, the canned-peach industry is now producing at record-low levels (please see graph below). The associated economic pressure during recent years has encouraged a halving of the number of canned peach processing plants, to fifteen today. The remaining plants, while certainly the most efficient and well positioned to be in operation today, will continue to find ways of being more competitive, including a greater supply of economically priced fresh fruit.



Spain: Canned Peach Production During MY 2006 (Units: Metric Tons)

	Processed Raw Material		
	With Contract	**No Contract**	**Total**
Peach in Syrup	56,726	512	57,237
Peach in Natural juice	41,786	123	41,909
TOTAL	**98,512**	**635**	**99,147**
	End-Product, net weight		
Peach in Syrup	62,217	505	62,722
Peach in Natural juice	29,573	85	29,658
TOTAL	**91,790**	**590**	**92,380**

Source: Spanish Guarantee Agency (FEGA)

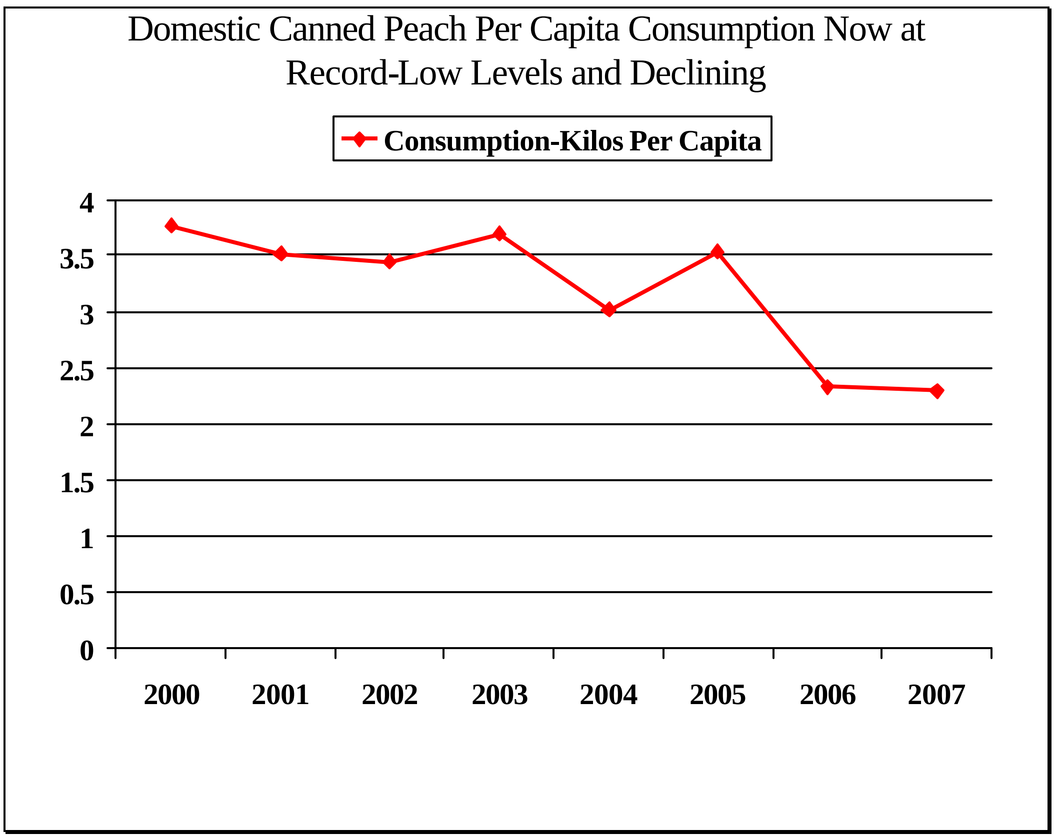
Spain: Canned Peach Production During MY 2005 (Units: Metric Tons)

	Processed Raw Material		
	With Contract	**No Contract**	**Total**
Peach in Syrup	87,336	1,995	89,331
Peach in Natural juice	70,656	235	70,891
TOTAL	**157,992**	**2,230**	**160,221**
	End-Product, net weight		
Peach in Syrup	94,790	1,925	96,715
Peach in Natural juice	49,608	285	49,893
TOTAL	**144,398**	**2,210**	**146,608**

Source: Spanish Guarantee Agency (FEGA)

Consumption

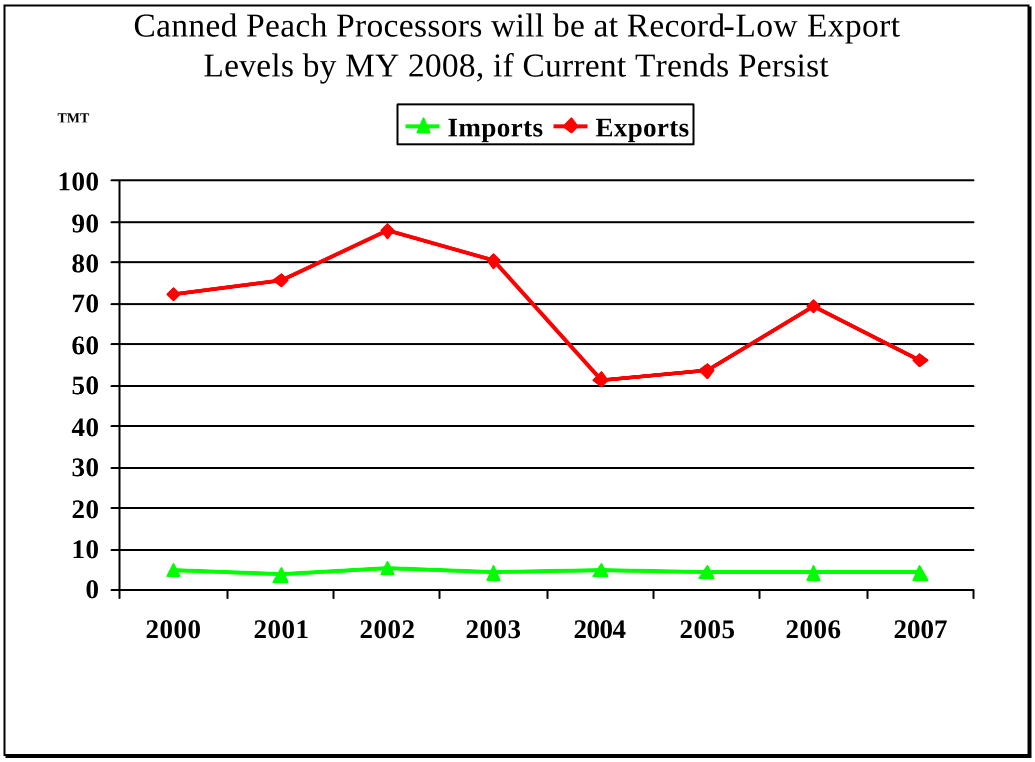
While the estimates of consumption in these supply and demand tables are residuals, and certainly the least studied of all the supply and demand components, they may, in fact, be very reliable in terms of framing the general trend in domestic consumption. The graph below clearly indicates a trend of falling per capita domestic consumption. There are likely two very important components to this trend: 1) as noted above, canned peaches have lost luster with consumers who have come to prefer fresh, and/or other types of canned fruit products; and, 2) Spain's population is growing, but not because of a high birth rate. Rather, the growth is coming from immigration, much of which is from parts of the world where canned peaches are not known, or not highly prized.



Trade

General

Almost all of the trade in Spanish canned peaches is EU trade. On the export side, the Spanish industry exports a few thousand tons of canned peaches to the Middle East, United States, and to Mexico, while Germany, France and the United Kingdom are the major export markets. All of these are export markets that can be easily serviced by competitors from within the European Union, as well as from other world exporters, including non-traditional exporters such as China.



Spain: Canned Peach Imports **(Metric Tons, net weight*)**

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	4,178	4,017	4,625	4,409	4,124	4,000
From – U.S.	0	0	0	0	0	0
EU-27	3,728	3,445	3,987	3,104	3,130	3,100
Other	450	572	638	1,305	994	900

Spain: Canned Peach Exports **(Metric Tons, net weight*)**

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	74,844	80,811	51,385	53,332	69,378	56,000
To -- U.S.	3,509	985	1,449	2,926	3,034	2,500
EU-27	52,209	69,305	36,282	35,135	45,772	38,000
Other	19,127	10,521	13,654	15,272	20,572	15,500

Source: Global Trade Atlas (GTA) through MY 2006 (converted into net, from gross weight basis). We estimated MY 2007 import/export data. * Gross canned weight converted into net weight by application of a 0.83 conversion factor.

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Peaches, Canned		
Time Period	June/May	Units:	Metric Tons
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Italy	1,188	Germany	1,448
Germany	1,134	Portugal	880
Portugal	808	Italy	428
Greece	492	S. Africa	360
S. Africa	411	Greece	333
China	132	Argentina	173
Total for Others	4,165		3,622
Others not Listed	244		502
Grand Total	4,409		4,124

Export Trade Matrix

Country	Spain		
Commodity	Peaches, Canned		
Time Period	June/May	Units:	Metric Tons
Exports for:	2005		2006
U.S.	2,926	U.S.	3,034
Others		Others	
France	7,636	Germany	11,068
Portugal	7,126	France	10,665
Germany	7,062	Portugal	8,945
U.K.	6,246	U.K.	6,105
Saudi Arabia	5,271	U.A.E.	3,135
Other EU-27	7,423	Mexico	2,117
U.A.E.	2,255	Netherlands	2,029
Mexico	985	Other EU-27	7,822
Total for Others	44,004		51,886
Others not Listed	6,402		14,458
Grand Total	53,332		69,378

Policy

European Commission (EC) CMO reformers intended to make the European fruits and vegetable sectors more competitive, and recognizing that there will be economic pain associated with the change have provided for a transition period. The transition period, and the means of replacing the "lost" funding are key concerns of the canned peach industry (includes canned pears and mixed fruit for this discussion). The GOS must address these issues by the end of this calendar year.

The canned peach industry is expecting that the transition period will be five years, but is not sure how the terms might be decided, including whether the period will be incrementally phased in, be a five-year deferred-entry period, etc. However, it is their understanding that at the end of the transitions period, fruit producers will receive a single farm payment based on eligible fruit-tree hectares. Currently, subsidies are paid to the peach producer based on the quantity of fruit delivered to the market.

EU Subsidies to Processing Peaches and Pears Producers (€/MT)

	MY 2005		MY 2006		MY 2007	
Product	EU-Subsidy	Received by Spanish Producers	EU-Subsidy	Received by Spanish Producers	EU-Subsidy	Received by Spanish Producers
Peaches	47.70	47.70	47.70	47.70	47.70	47.70
Pears	161.70	157.59	161.70	150.77	161.70	161.70

According to canned peach processors, this subsidy change may leave them short fundamental raw material, because peach producers will look to the more lucrative fresh market to maximize total farm revenue. As a result, canned peach processors are studying all the options, including the purchase of orchards to provide a minimum supply for their processing plants.

However, it may be that both the fresh and canned peach markets will prosper under the new policies. By simply implementing a more restrictive sorting system, a higher quality fruit (than is currently sent to the fresh market) could be sent to the fresh market, and a resulting higher percent of the entire crop would then be available for the processing market. Introduction of new varieties with specific properties needed for specific markets may also by one of the options eventually taken by producers and encouraged by the processing industry.

Canned Pears

Production, Supply & Distribution Tables

PSD Table

Country Spain

Commodity Pears, Canned

(MT)(MT, Net Weight)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		06/2005	06/2005		06/2006	06/2006		06/2007	06/2007	MM/YYYY
Deliv. To Processors	24278	24278	24278	23000	23000	21437	0	0	22000	(MT)
Beginning Stocks	8688	8688	8688	6936	6936	3092	5136	5136	1611	(MT, Net Weight)
Production	21596	21596	21596	20500	20500	19169	0	0	19700	(MT, Net Weight)
Imports	920	920	920	1200	1200	2382	0	0	1500	(MT, Net Weight)
Total Supply	31204	31204	31204	28636	28636	24643	5136	5136	22811	(MT, Net Weight)
Exports	14468	14468	15120	13000	13000	14032	0	0	12000	(MT, Net Weight)
Domestic Consump.	9800	9800	12992	10500	10500	9000	0	0	9000	(MT, Net Weight)
Ending Stocks	6936	6936	3092	5136	5136	1611	0	0	1811	(MT, Net Weight)
Total Distribution	31204	31204	31204	28636	28636	24643	0	0	22811	(MT, Net Weight)

SOURCE:
Delivery to Processors – FEGA data through 2006. FAS Iberia forecast for MY 2007.
Beginning Stocks – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Production – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Imports/Exports – GTA through MY 2006. FAS Iberia forecast for MY 2007.
Domestic Consumption – FAS Iberia estimates and forecasts.
Ending stocks – FEGA data for MY 2005. FAS Iberia estimate and forecast otherwise.

Production

Spain: Canned Pear Production during MY 2006 (Williams and Rock Pear)

Units: Metric Tons

	Processed Raw Material		
	With Contract	**No Contract**	**Total**
Pear in Syrup	16,286	286	16,572
Pear in Natural juice	4,865	-	4,865
TOTAL	**21,151**	**286**	**21,437**
	End-Product, net weight		
Pear in Syrup	15,451	294	15,745
Pear in Natural juice	3,424	-	3,424
TOTAL	**18,875**	**294**	**19,169**

Source: Spanish Guarantee Agency (FEGA)

Spain: Canned Pear Production during MY 2005 (Williams and Rock Pear)

Units: Metric Tons

	Processed Raw Material		
	With Contract	**No Contract**	**Total**
Pear in Syrup	18,398	**-**	18,398
Pear in Natural juice	5,880	**-**	5,880
TOTAL	**24,278**	**-**	**24,278**
	End-Product, net weight		
Pear in Syrup	17,079	**-**	17,079
Pear in Natural juice	4,517	**-**	4,517
TOTAL	**21,596**	**-**	**21,596**

Source: Spanish Guarantee Agency (FEGA)

Trade

General

Spain: Canned Pear Imports (Metric Tons, net weight*)

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	769	866	1,489	920	2,382	1,500
From -- U.S.	0	0	0	0	0	0
EU	469	296	212	335	467	400
Other	300	570	1,277	585	1,915	1,100

Spain: Canned Pear Exports (Metric Tons, net weight*)

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	12,526	13,248	11,435	15,120	14,032	12,000
To -- U.S.	315	261	233	370	508	400
EU-27	11,051	12,008	10,048	13,614	11,304	10,600
Other	1,160	979	1,154	1,135	2,220	1,000

Source: Global Trade Atlas (GTA) through MY 2006 (converted into net, from gross weight basis). We estimated MY 2007 import/export data. * Gross canned weight converted into net weight by application of a 0.83 conversion factor.

Trade Matrices

Import Trade Matrix

Country Spain

Commodity Pears, Canned

Time Period	June/May	Units:	Metric Tons
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
China	441	China	1,670
Germany	248	Germany	305
Argentina	94	Argentina	183
S. Africa	51	Italy	81
Portugal	39	Portugal	47
France	32	S. Africa	41
Total for Others	905		2,327
Others not Listed	15		55
Grand Total	920		2,382

Export Trade Matrix

Country Spain

Commodity Pears, Canned

Time Period	June/May	Units:	Metric Tons
Exports for:	2005		2006
U.S.	370	U.S.	508
Others		Others	
Germany	5,227	France	4,098
France	4,142	Germany	3,218
U.K.	779	U.K.	754
Belgium	741	Belgium	682
Netherlands	626	Netherlands	447
Other EU-27	2,072	Other EU-27	2,003
Total for Others	13,587		11,202
Others not Listed	1,163		2,322
Grand Total	15,120		14,032

Policy

Please refer to Canned Peaches – Policy.

Canned Mixtures

Production, Supply & Distribution Table

PSD Table

Country Spain

Commodity Canned Mixtures

(MT)(MT, Net Weight)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	06/2005		01/2005	06/2006		01/2005	06/2007	MM/YYYY
Deliv. To Processors	0	17000	17000	0	18000	16000	0	0	18000	(MT)
Beginning Stocks	0	8334	8334	0	7839	9713	0	7039	6185	(MT, Net Weight)
Production	0	14500	15228	0	15200	13587	0	0	15200	(MT, Net Weight)
Imports	0	6485	8180	0	6000	7591	0	0	6000	(MT, Net Weight)
Total Supply	0	29319	31742	0	29039	30891	0	7039	27385	(MT, Net Weight)
Exports	0	10480	11029	0	11000	13706	0	0	12000	(MT, Net Weight)
Domestic Consumpt.	0	11000	11000	0	11000	11000	0	0	11000	(MT, Net Weight)
Ending Stocks	0	7839	9713	0	7039	6185	0	0	4385	(MT, Net Weight)
Total Distribution	0	29319	31742	0	29039	30891	0	0	27385	(MT, Net Weight)

SOURCE:
Delivery to Processors – FAS Iberia estimates and forecast.
Beginning Stocks – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Production – FEGA data through MY 2006. FAS Iberia forecast for MY 2007.
Imports/Exports – GTA through MY 2006. FAS Iberia forecast for MY 2007.
Domestic Consumption – FAS Iberia estimates and forecasts.
Ending stocks – FEGA data for MY 2005. FAS Iberia estimate and forecast otherwise.

Trade

Spain: Canned Fruit Mixture Imports

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	3,964	4,572	6,910	8,180	7,591	6,000
From -- U.S.	26	0	0	0	52	0
EU-27	3,741	4,336	6,635	6,779	5,461	5,000
Other	198	236	275	1,401	2,078	1,000

Spain: Canned Fruit Mixture Exports

MY (June/May)	2002	2003	2004	2005	2006	2007
Total	10,030	6,862	5,987	11,029	13,706	12,000
To -- U.S.	2,035	685	68	145	50	100
EU-27	5,596	4,351	4,575	9,541	11,411	9,900
Other	2,399	1,827	1,344	1,343	2,215	2,000

Source: Global Trade Atlas (GTA) through MY 2006 (converted into net, from gross weight basis). We estimated MY 2007 import/export data. * Gross canned weight converted into net weight by application of a 0.83 conversion factor.

General

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Canned Mixtures		
Time Period	June/May	Units:	Metric Tons
Imports for:	2005		**2006**
U.S.	40	U.S.	52
Others		Others	
Germany	3,834	Germany	3,017
France	1,233	Portugal	1,257
Portugal	1,153	France	884
China	805	China	662
Netherlands	209	Thailand	335
Thailand	203	S. Africa	208
Total for Others	7,437		6,363
Others not Listed	703		1,176
Grand Total	8,180		7,591

Export Trade Matrix

Country	Spain		
Commodity	Canned Mixtures		
Time Period	June/May	Units:	Metric Tons
Exports for:	2005		**2006**
U.S.	145	U.S.	50
Others		Others	
France	3,875	France	3,923
U.K.	2,190	U.K.	3,498
Portugal	1,522	Portugal	2,035
Germany	671	Germany	659
Netherlands	606	Netherlands	388
Italy	296	Italy	252
Other EU-27	274	Other EU-27	658
Total for Others	9,434		11,413
Others not Listed	1,450		2,243
Grand Total	11,029		13,706