USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 10/17/2007

GAIN Report Number: SP7031

Spain

Strawberries

Annual

2007

Approved by:
Stephen Hammond
U.S. Embassy

Prepared by:
Heather Page
Arantxa Medina

Report Highlights:
Spanish fresh-strawberry producers will likely maintain exportable fresh strawberry surpluses at near record-low levels during indicator year 2007. Import competition in the frozen-strawberry sector appears to be forcing a dramatic reduction (to record low levels) in Spanish frozen-strawberry production. Spanish frozen-strawberry exports are stable with the supply source shifting from domestic production to frozen imports.

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

TABLE OF CONTENTS

Executive Summary

The indicator year (IY) 2007 weather will be the key factor in determining the Spanish exportable fresh-strawberry surplus, but even with relatively strong yields it appears that Spanish producers may be on track to produce near record-low exportable supplies during IY 2007. Spanish strawberry farmers produce for the fresh domestic and export markets with residual supplies going to the processing sector. Prices in the fresh market are highly variable and very sensitive to production, so producers are always looking for the production point at which they can make a good profit while encouraging consumer demand. In that search, farmers are reducing the hectares dedicated to production, but continue to increase yields through variety selection and improved horticultural practices. Spanish strawberry farmers are mostly located in one area, Huelva, where they produce approximately 90 percent of Spain's fresh production, while France remains the most important importer.

The strawberry-processing sector appears to be in the throws of adapting to increased competition from frozen-strawberry exporting nations. The production of frozen strawberries is far more labor intensive than the production of other processed strawberry products, and, as a result, it appears that Spanish producers are moving away from the production of whole frozen strawberries to the production of processed strawberry products. This production shift appears, however, not to have dampened Spanish frozen-strawberry exports, because exports and stagnant domestic consumption are being evermore sourced through imports.

For the tables and analysis in this report, we have updated fresh and frozen strawberry trade and production estimates beginning IY 2000, using Global Trade Atlas trade data and Spanish Ministry of Agriculture (MAPA) fresh-strawberry production data. With the revised data, we have also updated our estimates of the other supply and demand components (in particular consumption and processing deliveries based on information from industry sources), and provide the reader a fairly complete set of time-series charts to show the current trends.

Based on industry information, we have made a major change in the frozen strawberry supply and demand tables. We no longer (from IY 2000) use the line item "domestic frozen consumption" to balance the supply and demand in the tables. Rather, we hold domestic consumption at a very low-and-stable level, where we believe it is in reality now, and adjust the line item "production" to balance the supply and demand tables. The result is a more realistic view of the processing industry, in particular with regards to the Spanish frozen strawberry producer's response to increased import competition.

Note—In all of the tables, graphs and text in this report the year indicated refers to the indicator year, which is the calendar year minus one. For example, in the fresh strawberry supply and demand table "2007" refers to CY 2008.

Fresh Strawberries

Production, Supply & Distribution Table

PSD Table

Country Spain

Commodity Strawberries, Fresh

(HA)(MT)

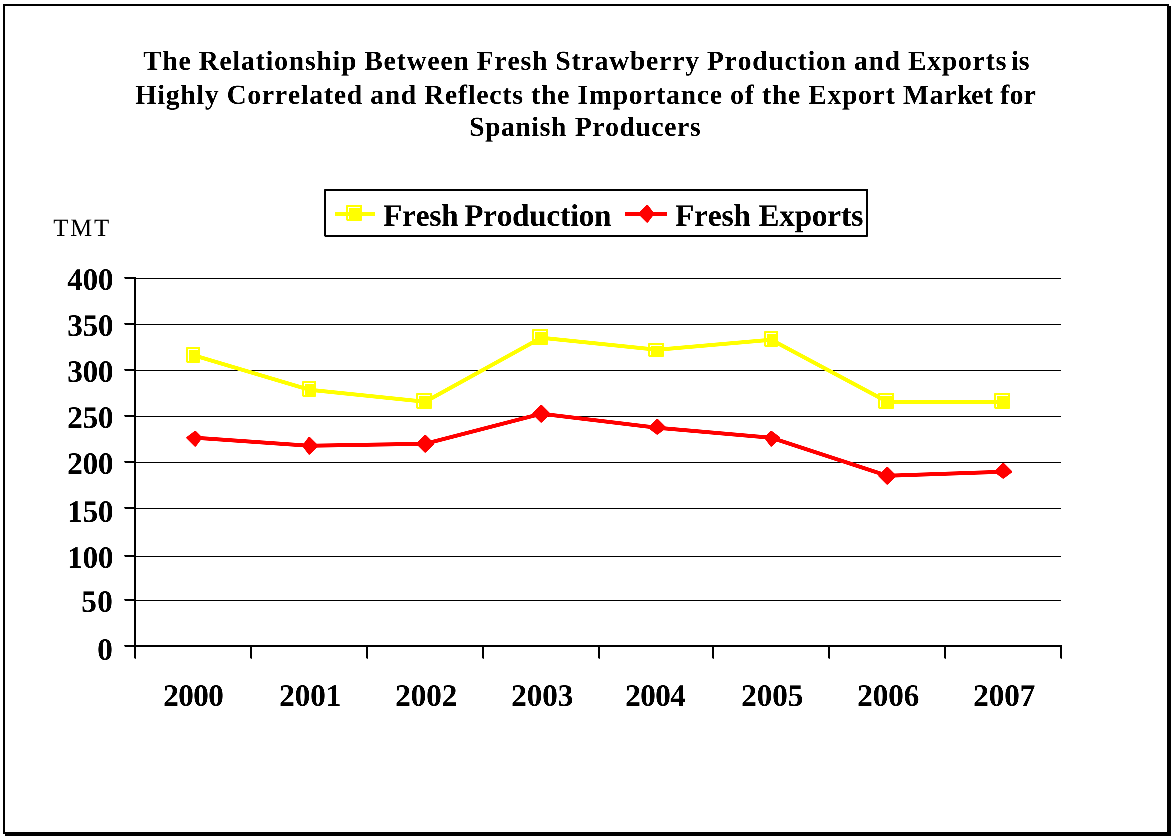
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Area Planted	7800	7678	7400	0	8058	6700	0	0	6500	(HA)
Area Harvested	7800	7678	7400	0	8058	6700	0	0	6500	(HA)
Production	295000	333500	333500	0	306400	264000	0	0	265000	(MT)
Imports	8000	5000	4735	0	8000	4000	0	0	5000	(MT)
Total Supply	303000	338500	338235	0	314400	268000	0	0	270000	(MT)
Exports, Fresh	217000	217000	225000	0	200000	185000	0	0	190000	(MT)
Fresh Dom. Consump	36000	40000	60000	0	36000	45000	0	0	46000	(MT)
For Processing	50000	81500	53235	0	78400	38000	0	0	34000	(MT)
Total Distribution	303000	338500	338235	0	314400	268000	0	0	270000	(MT)

Sources:
Area Planted/Area Harvested, and Production: MAPA through IY 2006
Import/Export: Global Trade Atlas (GTA) for IY 2005. FAS/Madrid IY 2006 and 2007
Domestic Consumption and Stocks: FAS/Madrid

Production

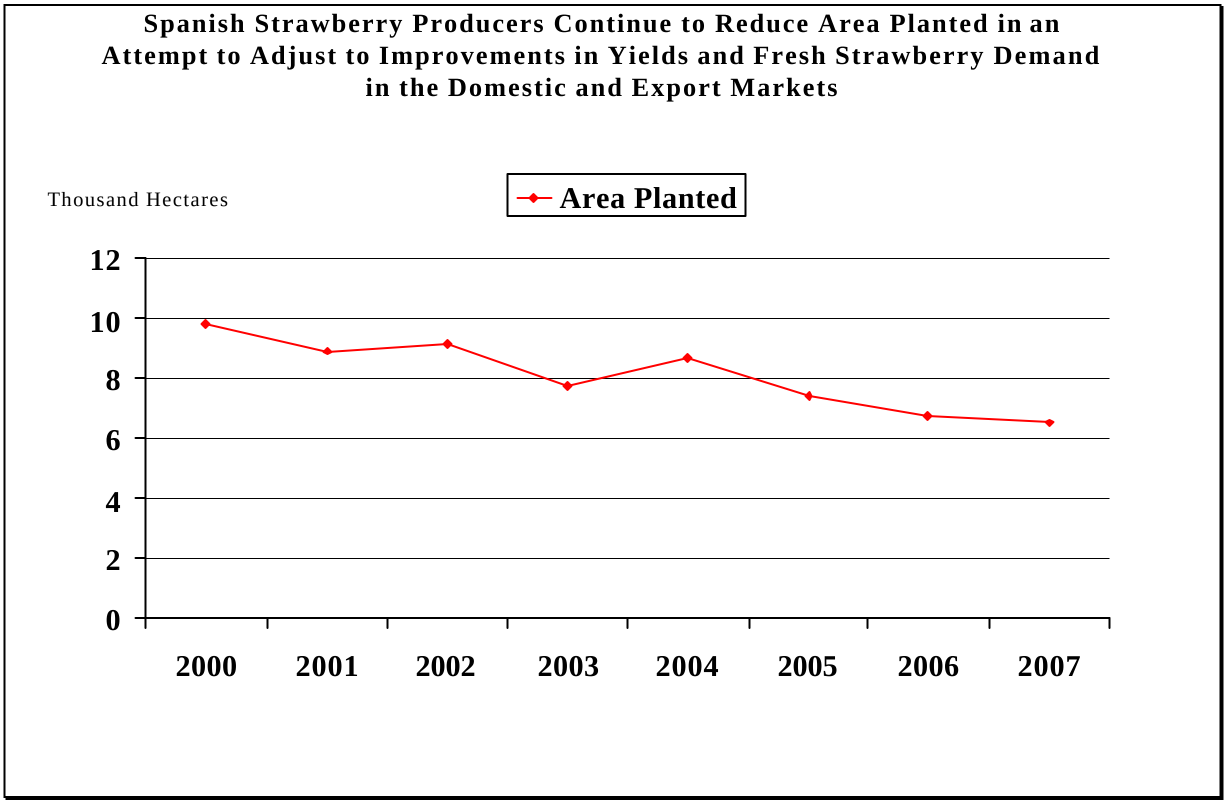
Spanish strawberry farmers send 85-to-90 percent of their production to the fresh market, because it is almost always more profitable than the processing market. There is some variability depending on quality and respective market prices, but the fact is that farmers don't produce for the processing market—it is a residual market for their production. The prices farmers receive from the fresh market are extremely sensitive to supply so good weather and resulting increased production (please see graph below) can mean low prices for farmers, as was the case in IY 2003, 2004 and 2005 (please see price section).

Graph—Fresh Production and Exports



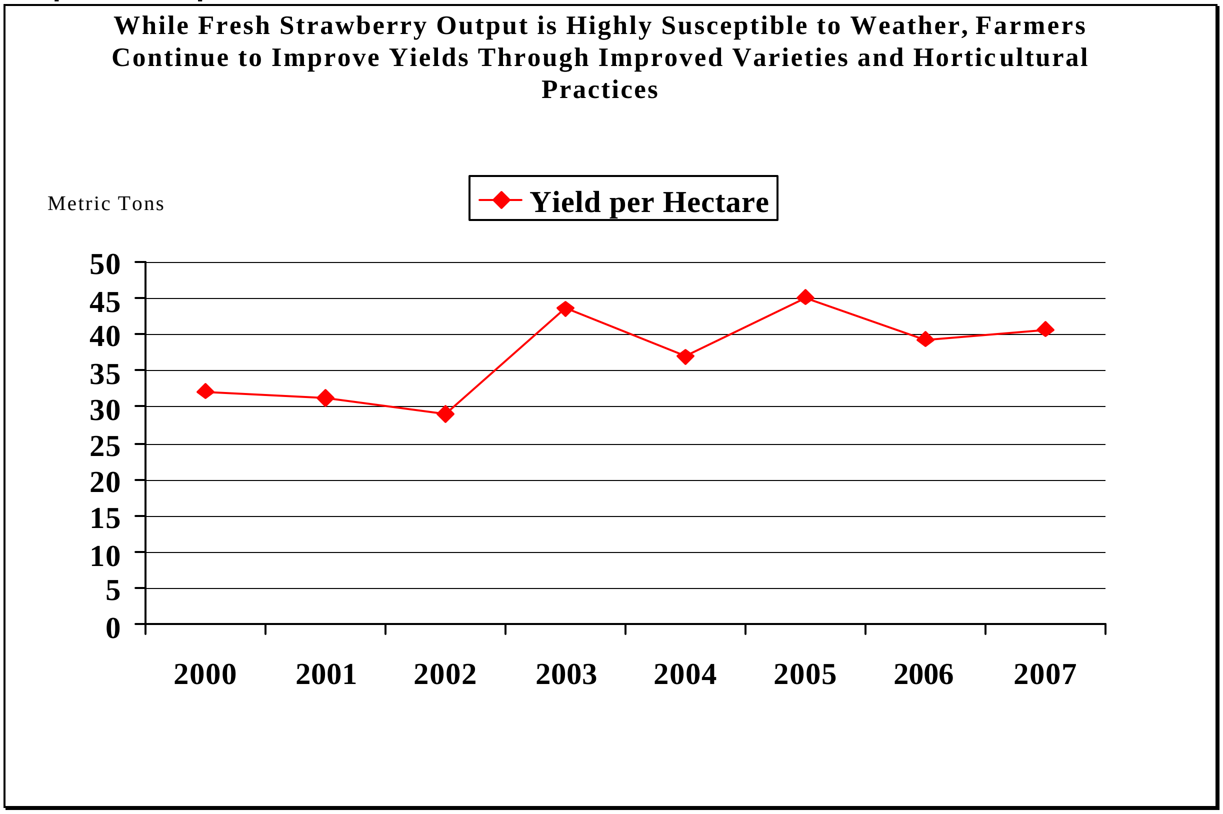
The relatively low prices mentioned previously, which are the result of the European supply and demand situation, have forced farmers to reduce plantings and become more productive and efficient (please see graph below). As an example of some of the supply and demand factors, we draw attention to a WWF/Adena campaign (please see GAIN SP7016) in March 2007 to force Spanish farmers to change certain producing practices, which resulted in an immediate, but short lived decrease in sales to northern European markets.

Graph-Reduced Plantings



The search for improved yields with better varieties continues in light of the recurring potential for low prices and the projected loss of methyl bromide in 2009. The producers are looking for new varieties with greater pest/mold, and heat/cold resistance to improve taste, shelf life, and extend the marketing period. Producers still select the *Camarosa* variety most frequently, because of its production consistency. Producers are also planting *Ventana* (early season harvest), *Festival* and *Candonga* and are experimenting with new varieties such as *Albión, Aguedilla* and *Coral*, which were all developed recently in Spain (please see graph below).

Graph—Yield per Hectare



Prices

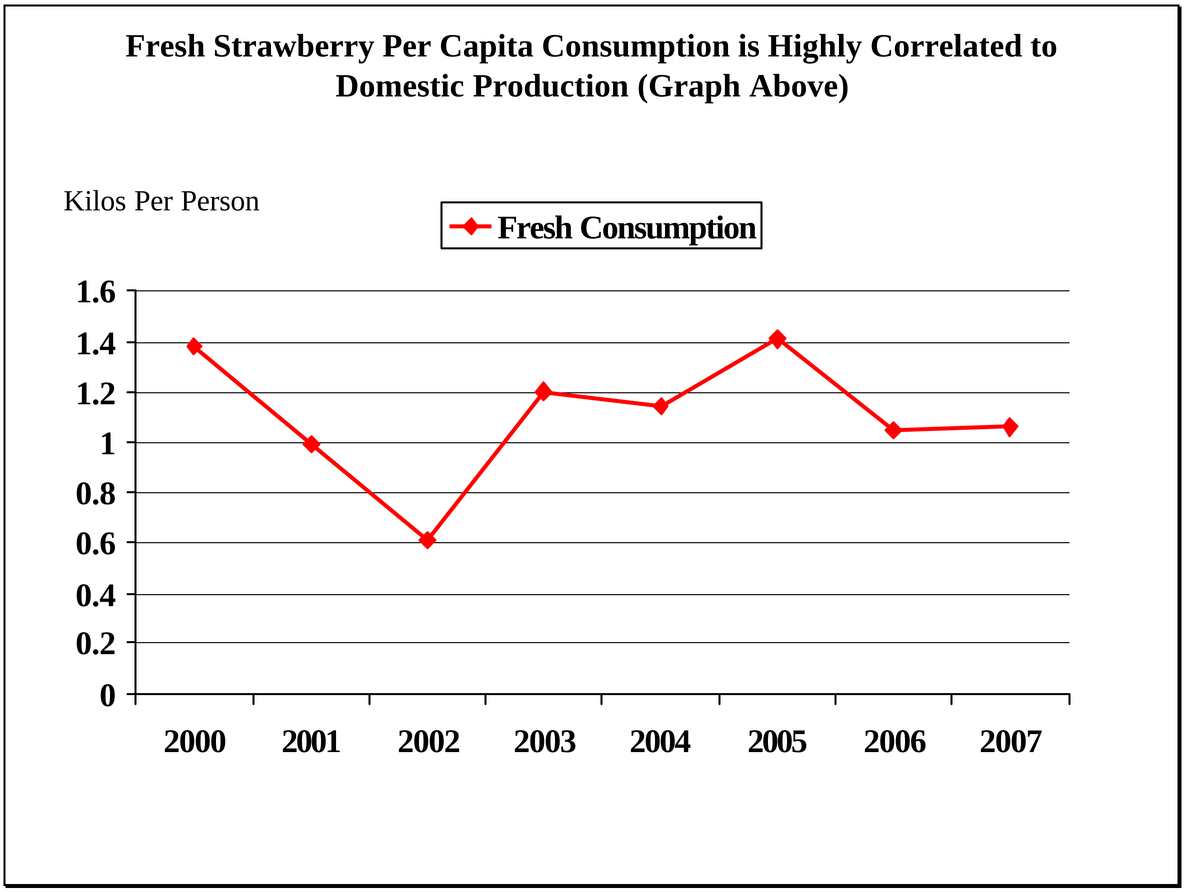
Average Strawberry Price (€/kg)	
IY 2002	0.68
IY 2003	0.73
IY 2004	0.76
IY 2005	0.86
IY 2006	1.06

Source: Junta de Andalucia

Consumption

Our analysis of the domestic market is that when domestic production is good and prices are relatively low, consumers robustly respond. The delicate fruit is a favorite among Spanish consumers, when prices are acceptable. In January, the first new crop of strawberries comes on to the market at prices to the consumer of 10-to-15 Euros per kilo. Some consumers will pay early-market prices just to get a taste of the new crop. Prices at retail drop rather quickly and by February may be in the 3-to-5 Euro per kilo range, which is the range in which most domestic consumers respond by buying the majority of the strawberries they consume for the year. When producers have a "big" crop, these relatively low prices, and strong consumer demand, will prevail until the end of the season in May. However, just as consumers respond to the low retail prices, they also respond as strongly to relatively high prices by choosing other fresh fruit instead of strawberries.

Graph—Per Capita Fresh Consumption

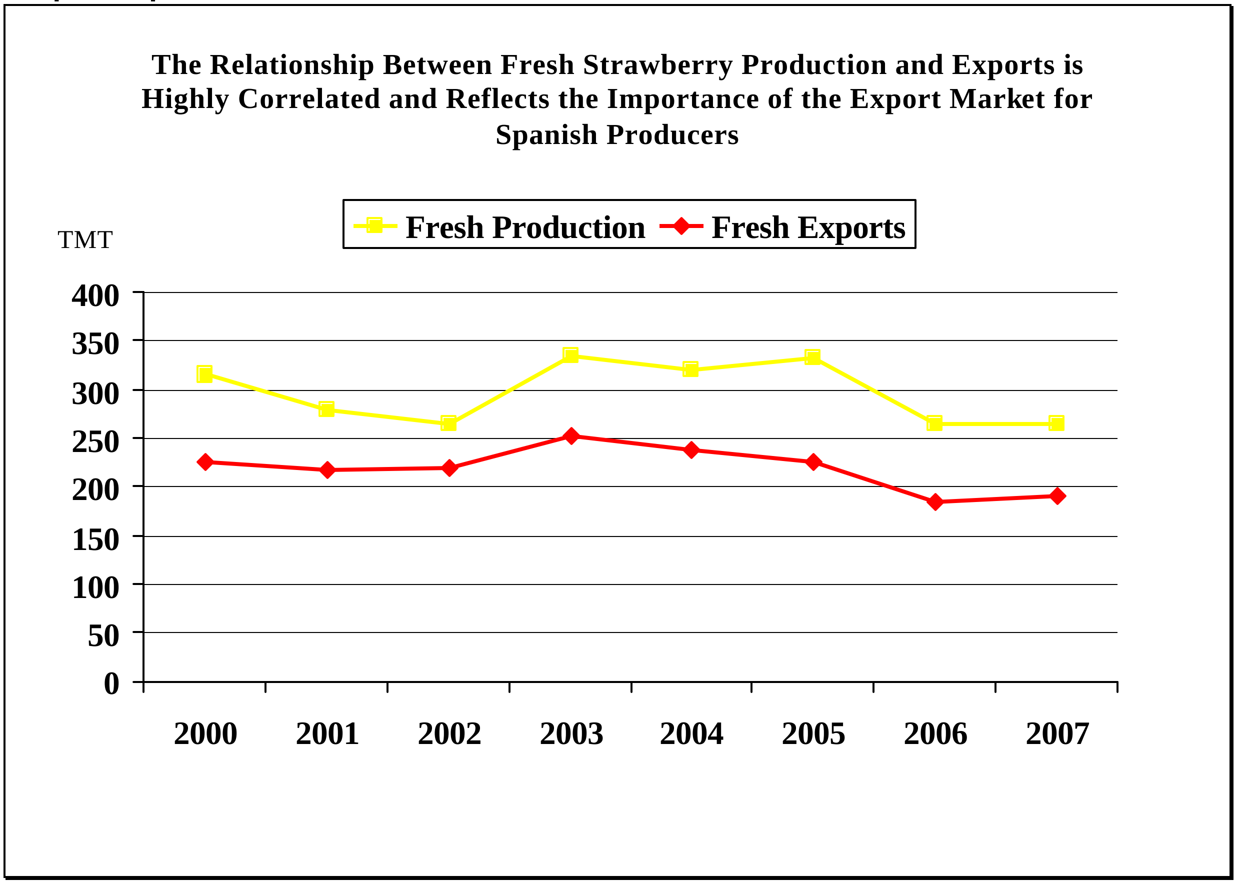


Trade

Spanish farmers produce fresh strawberries for both the domestic and export market. The sheer volume, however, of the export market dictates the highly correlated relationship between production and exports noted in the graph below. Producers export some 85-to-90 percent of fresh production to other European Member States, with France, Germany, Italy, and the UK (in that order) as the most important consumers.

Fresh imports don't yet play much of a role at some 5,000 tons per year. Most of the imports are Moroccan origin.

Graph—Exports as Related to Production



Trade Matrices

Import Trade Matrix

Country Spain
Commodity Strawberries, Fresh

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2006		2007
U.S.	0	U.S.	0
Others		Others	
Morocco	2,563	Morocco	2,500
Portugal	476	Portugal	400
Belgium	430	Belgium	300
France	362	France	300
Netherlands	329	Netherlands	200
Peru	279	Peru	200
Total for Others	4,439		3,900
Others not Listed	296		100
Grand Total	4,735		4,000

Export Trade Matrix

Country Spain
Commodity Strawberries, Fresh

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2006		2007
U.S.	0	U.S.	0
Others		Others	
France	74,120	France	72,000
Germany	52,879	Germany	50,000
Italy	21,505	Italy	20,000
UK	18,909	UK	15,000
Belgium	8,333	Portugal	9,000
Portugal	7,664	Belgium	6,000
Netherlands	6,638	Netherlands	4,000
Austria	4,509	Austria	2,000
Total for Others	194,557		178,000
Others not Listed	30,443		7,000
Grand Total	225,000		185,000

Frozen Strawberries

Production, Supply & Distribution Table

PSD Table

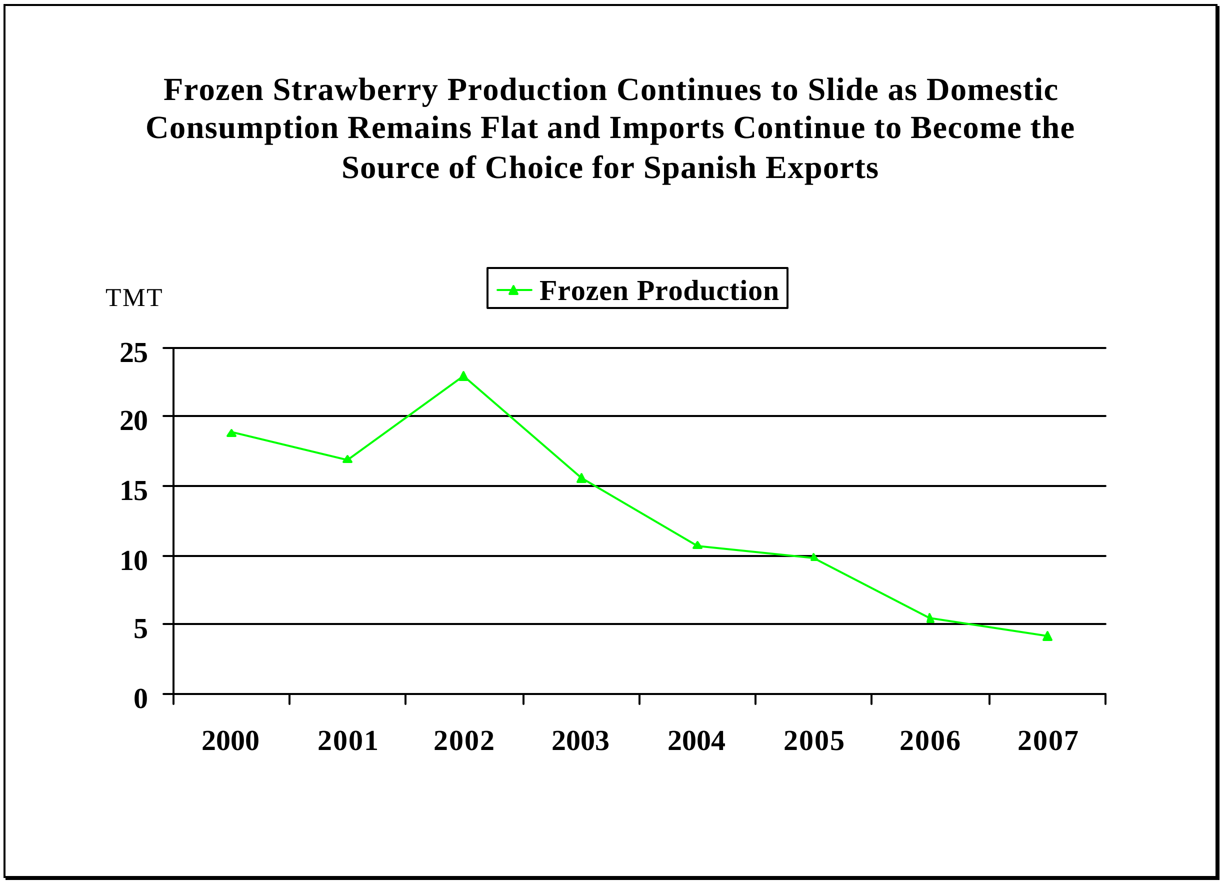
Country	**Spain**									
Commodity	**Strawberries, Frozen**							(MT)		
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Deliv. To Processors	50000	81500	53235	0	78400	38000	0	0	34000	(MT)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(MT)
Production	40000	65000	9845	0	62500	5526	0	0	4200	(MT)
Imports	12000	15100	15230	0	18000	24000	0	0	24000	(MT)
Total Supply	52000	80100	25075	0	80500	29526	0	0	28200	(MT)
Exports	20600	19700	21875	0	15500	26300	0	0	25000	(MT)
Domestic Consump.	31400	60400	3200	0	65000	3226	0	0	3200	(MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	52000	80100	25075	0	80500	29526	0	0	28200	(MT)

Sources:
Deliv. To Processors and Production: FAS/Madrid
Import/Export: Global Trade Atlas (GTA) for IY 2005. FAS/Madrid IY 2006 and 2007
Domestic Consumption and Stocks: FAS/Madrid

Production

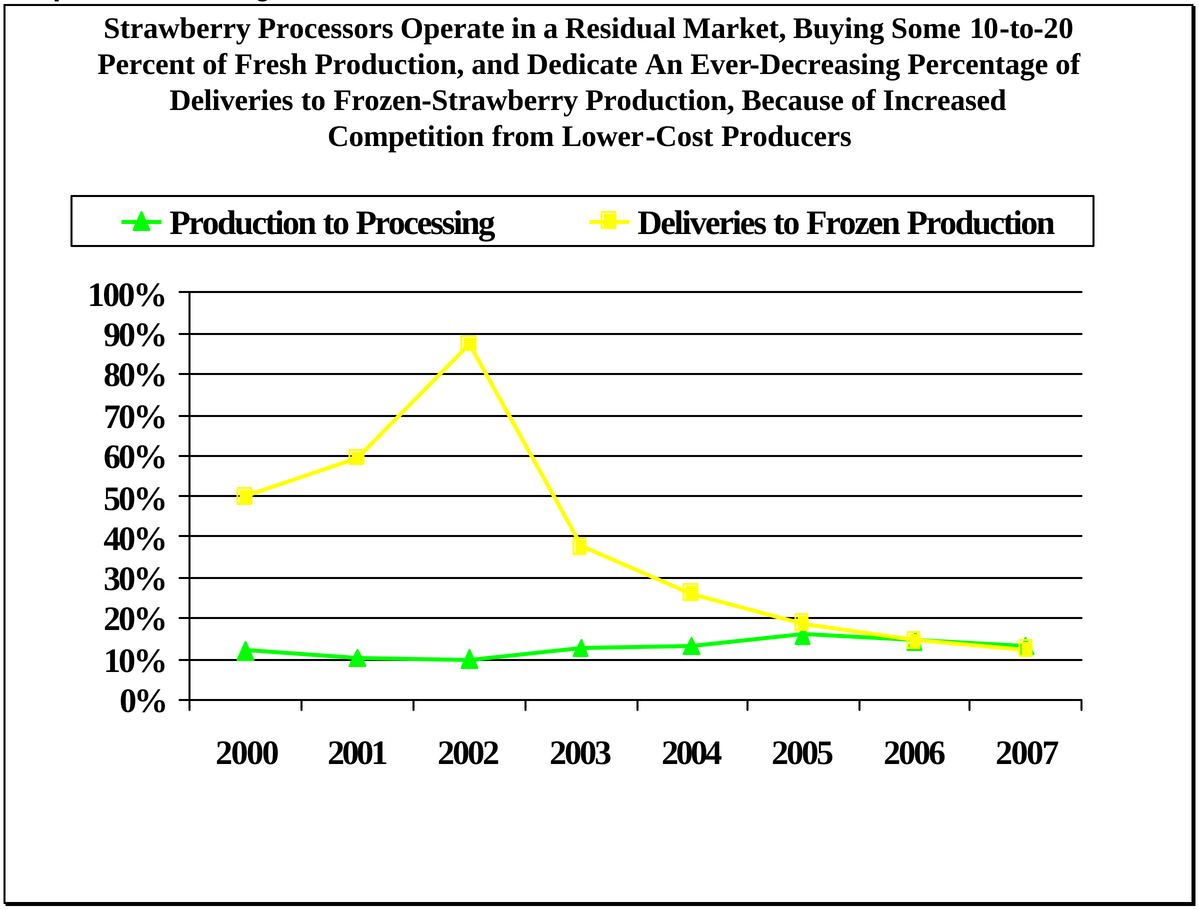
Spanish strawberry processors have nearly quit producing frozen strawberries, according to trade sources (please see the two graphs immediately below). Apparently, the reason for the steep reduction in production is competition from non-European Union producing countries (please also see trade tables here below). To produce frozen strawberries, processors need hand labor to stem the berries, labor that is reportedly much less expensive in non-EU producing countries. Other processed strawberry products do not require the additional labor, and as a result are much more competitively produced here in Spain. As an example, Spanish-produced strawberry jam is one of the least expensive preserves in Spanish grocery stores in normal times, and it is not uncommon that the supermarkets feature strawberry jam in loss-leader style promotions.

Graph—Frozen Strawberry Production



Regarding fresh deliveries to the processing industry, there is a rather narrow variation band ranging from about 10-to-15 percent of fresh production (please see the graph below). In previously submitted supply and demand tables (we have refined data beginning IY 2000) about 80 percent of deliveries to the processing industry were thought to have been converted to frozen strawberries. However, in discussions with the industry and as evidenced by known domestic consumption habits, as well as in the trade data, it was clear that 80 percent of processing-industry deliveries could not now be converted to frozen strawberries. As a result, we have modified past estimates and in our forecast of IY 2007 frozen strawberry production, we indicate that about ten percent of deliveries will go to the production of frozen strawberries. However, trade sources indicate that frozen-strawberry production could take up as little as five percent of processing deliveries.

Graph—Processing Deliveries and Deliveries Dedicated to Frozen Production



Consumption

We have radically changed the estimates for the domestic consumption of frozen strawberries. While we have not seen an analytical report on the subject, it is clear from empirical evidence that Spanish consumers do not eat frozen strawberries. You can't find them in the grocery stores, even next to other frozen berries such as raspberries, blueberries, and blackberries. Fresh strawberries at reasonably good prices are available for almost six months of the year, which may explain the extremely low consumption of the frozen substitute.

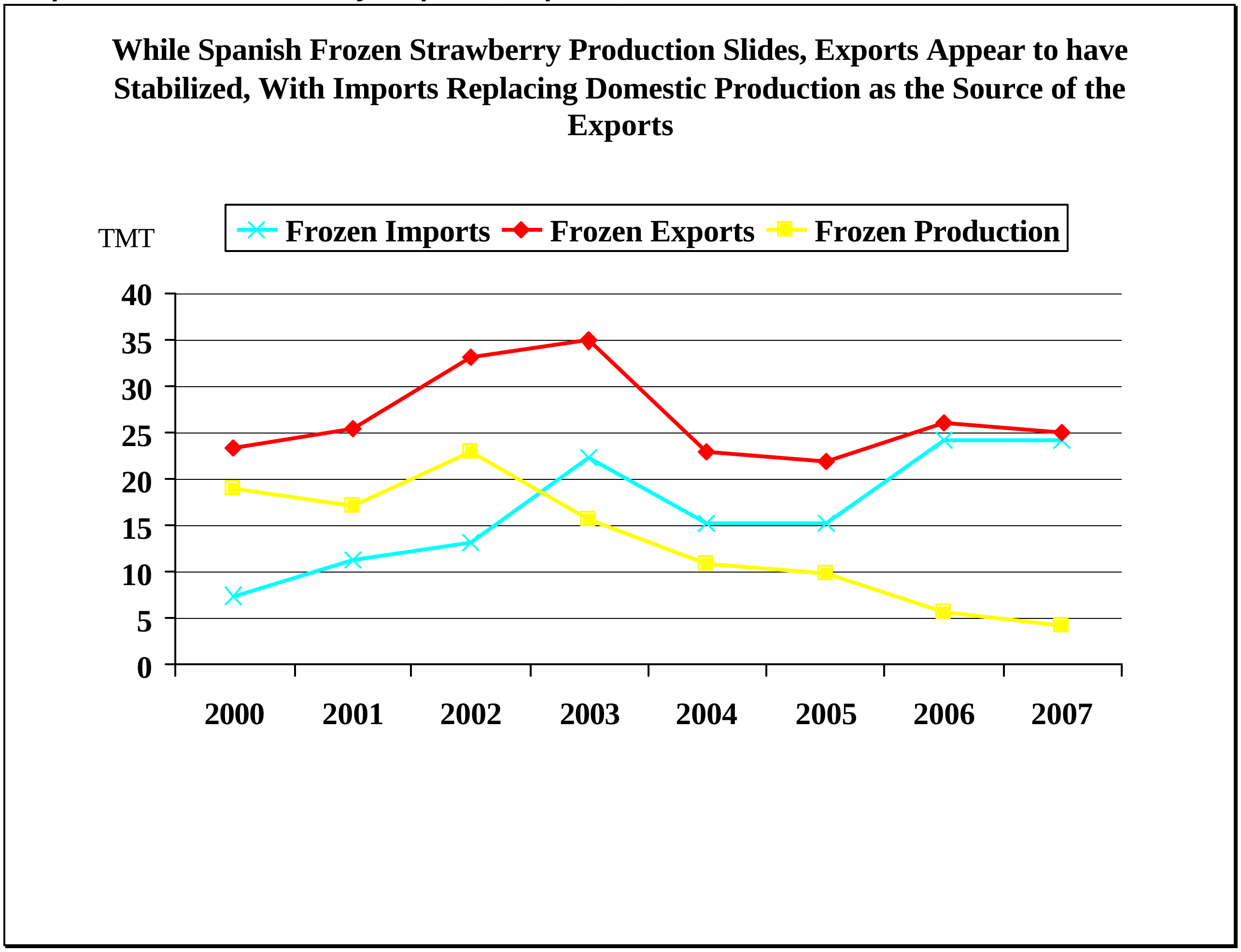
In addition to reducing the overall estimated consumption in the supply and demand table since IY 2000, we have also chosen to hold it relatively steady across the years. There isn't any evidence to suggest that Spanish consumers are increasing per capita consumption of frozen strawberries. The level at which we have "fixed" the frozen-strawberry consumption may be lower than actual, but keeping it low and stable represents actual market conditions.

Trade

Increasing frozen strawberry imports, at the expense of domestic production, feature strongly in the Spanish frozen-strawberry trade balance. Morocco is having success in the market, because they have lower production costs and a good product. Morocco has increased plantings from 1,000 to 3,000 hectares in the last seven years, and much of the production is being processed, including into frozen strawberries.

Spanish exporters have substituted lower cost imported strawberries for more expensive domestically produced frozen strawberries to maintain export markets in Europe and around the world, where they face difficult pricing vis-à-vis China, and Morocco for that matter. As a case in point, the European Commission imposed anti-dumping duties on Chinese frozen strawberry exporters in October 2006, because of complaints of unfair export practices by Polish producers (please see GAIN PL6067). Apparently a deal was struck to allow the Chinese to continue exporting to Europe at a specified minimum price over the next five years. China's share of the EU's frozen strawberry market climbed to 20 percent in 2005.

Graph—Frozen Strawberry Imports, Exports, and Domestic Production



Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Strawberries, Frozen		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2006		**2007**
U.S.	19	U.S.	25
Others		Others	
Morocco	13,658	Morocco	18,000
Belgium	438	Belgium	500
Poland	282	Poland	300
France	223	France	200
Netherlands	160	Netherlands	200
China	140	China	200
Germany	105	Germany	100
Total for Others	15,006		19,500
Others not Listed	205		4,475
Grand Total	15,230		24,000

Export Trade Matrix

Country	Spain		
Commodity	Strawberries, Frozen		
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2006		**2007**
U.S.	192	U.S.	200
Others		Others	
Netherlands	6,763	Netherlands	7,000
France	5,158	France	5,000
Germany	4,851	Germany	5,000
UK	1,331	UK	1,300
Switzerland	957	Switzerland	900
Austria	621	Austria	600
Belgium	491	Belgium	500
Total for Others	20,172		20,300
Others not Listed	1,511		5,800
Grand Total	21,875		26,300