USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** August 01, 2023

Report Number: SP2023-0027

Report Name: Adverse Weather to Take a Toll on Dried Fodder Production in Spain

Country: Spain

Post: Madrid

Report Category: Grain and Feed

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Report Highlights:

For MY 2023/24, lower area and poor yields are expected to push production levels well below the previous year's levels. The reduced in-country crop is expected to prevent Spain's fodder exports from expanding in MY 2023/24. However, a new protocol for oat fodder exports to China approved in 2022, along with diversified use of different crops for dehydrated fodder production, is expected to support Spanish dried fodder presence in Asian and Middle East markets.

Disclaimer: This report presents the fodder sector situation 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.

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Abbreviations and References

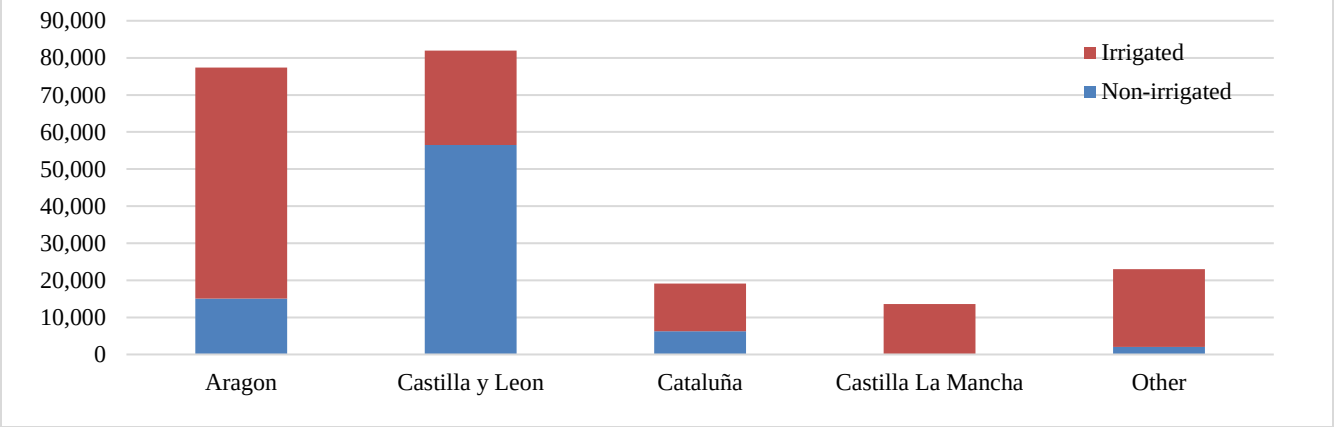
AEFA	National Dried Alfalfa Producers Association
CAP	Common Agricultural Policy
EU	European Union
ESYRCE	Annual Area and Yields Survey
FAS	Foreign Agricultural Service
Ha	Hectares
MAPA	Ministry of Agriculture, Fisheries and Food
MS	EU Member State(s)
MT	Metric ton (1,000 kg)
MY	Marketing year (May/April)
N/A	Not Available
PS&D	Production, Supply and Demand

HS Code (Harmonized System) 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.

Area and Production

In MY 2023/24, area planted to fodder in Spain is expected to decline and amount to 103,000 Ha. Normally fodder plantings face stiff competition from tree crops, or the combination of winter grains (barley) followed by a second-crop corn, especially in the Ebro Valley fodder growing area.[1] However, this season the area reduction is mainly caused by low precipitation levels. Moreover, in response to soaring input prices and new Common Agricultural Policy (CAP) incentives, farmers have turned to less input intensive oilseeds crop and protein crops.

Figure 1. Alfalfa Area by Autonomous Region – 2022 (Ha)



Source: Ministry of Agriculture, Fisheries and Food. ESRYCE 2022.

Post currently estimates Spain's fodder production in MY 2023/24 at barely 1 million MT due to a combination of a somewhat lower area planted and the lower yields anticipated.

The dry conditions prevailing at the beginning of the fodder crop season have significantly reduced the volume of fodder harvested in the first and second cut in MY 2023/24. While the decline is more significant in non-irrigated land,[2] irrigation restrictions in areas where water storage in dams is low may also compromise irrigated fodder yields.

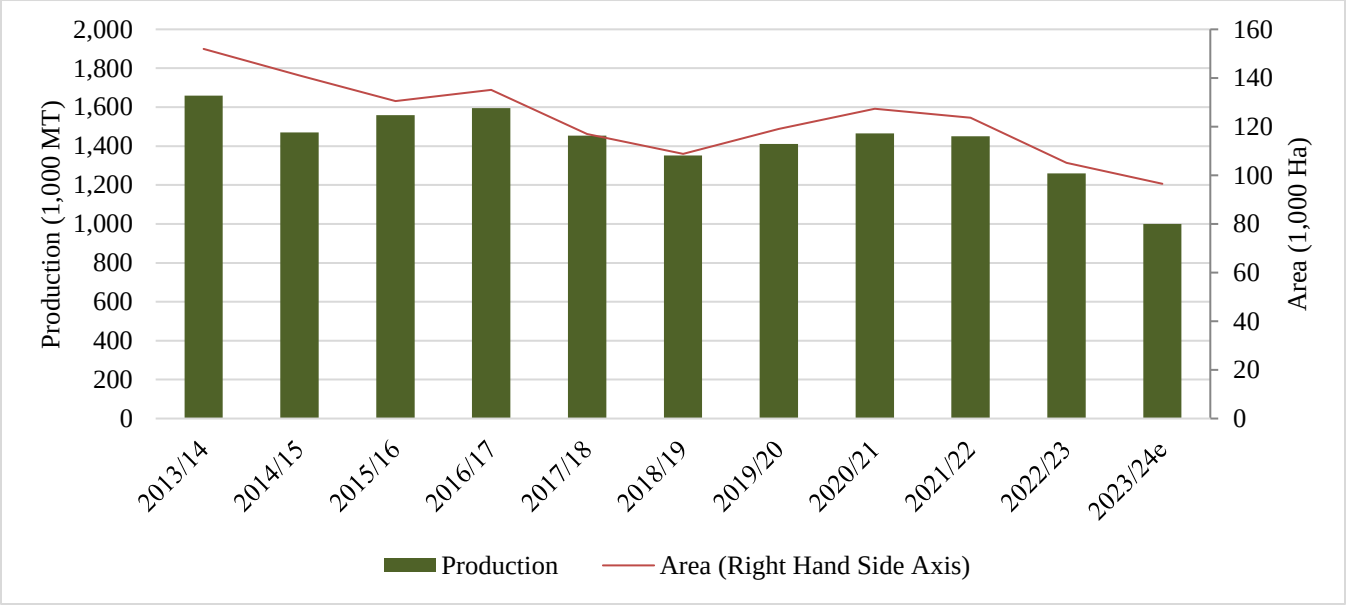
[1] There are two major alfalfa growing areas in Spain: Castilla y Leon and the Ebro Valley (Aragon and Catalonia) accounting respectively for 20 and 80 percent of Spain's dehydrated fodder production. Agricultural practices differ among the above-mentioned alfalfa producing regions.

- In the Ebro Valley area (Aragon and Catalonia), the most cultivated alfalfa variety is "Aragón," with about 75 percent of it cultivated land under irrigation. Irrigated fodder allows for up to 6 cuts per year. This producing region is largely oriented to export markets, with the Port of Barcelona as its main exit port.
- In Castilla y Leon, where nearly 70 percent of the alfalfa is non-irrigated, production is devoted to feed the domestic dairy herd. The most popular variety of alfalfa cultivated is known as "Tierra de Campos," which perform well in heavy clay soils. In non-irrigated conditions up to 3 cuts per year can be carried out.

[2] According to the 2022 National Crop Area and Yields Survey (ESYRCE), at the national level, almost 65 of the alfalfa acreage is grown under irrigation. In Aragón, the main producing region, the percentage of irrigated alfalfa amounted to 80 percent, while in other relevant producing region, such as Castile y León, the percentage of irrigated alfalfa is just over 30 percent of total area. The overall high rate of irrigated alfalfa results in stable yields per hectare throughout the years.

Precipitation between mid-May and mid-June came in too late for the first and second cut and delayed third cut harvest operations, as excessive soil moisture conditions prevented farmers from entering their fields. However, precipitation proved beneficial to restore soil moisture and improved yield expectations for the third and subsequent cuts. Interestingly, given the poor yield expectations for winter grains[3] and the low pasture availability, some farmers opted to harvest them for hay or dehydrated fodder purposes.

Figure 2. Dried Fodder Area and Production under Contract with Processing Plants

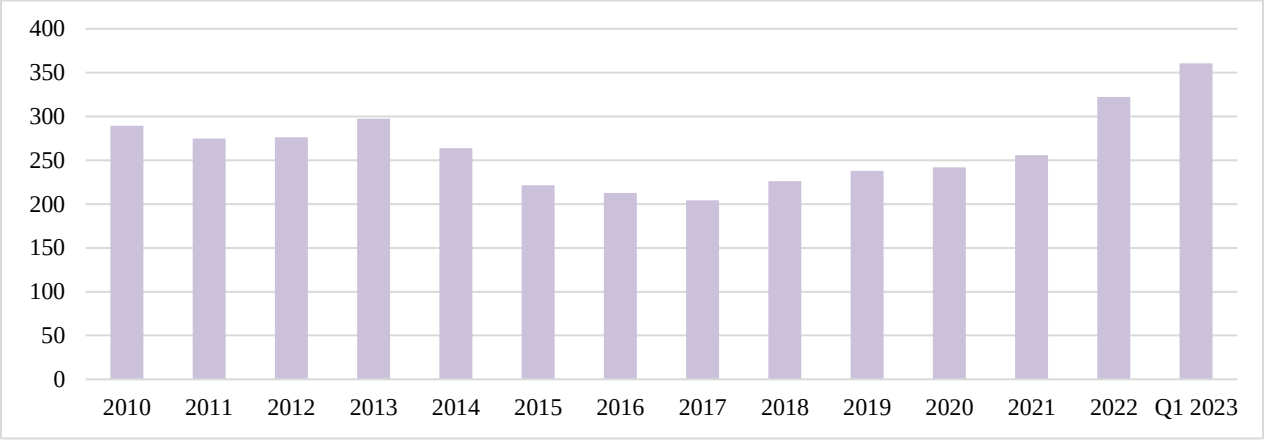


Source: FEGA (Spanish Agricultural Guarantee Fund), AEFA and FAS Madrid estimates.

MY 2022/23 production amounted to 1.2 million MT. The season was marked by high energy prices and soaring inflation. On a positive note, the reduction in freight costs and the Euro-Dollar exchange rate benefited EU exports and the good prices received (Figure 3) in export markets contributed to maintain processors' margins. The dehydrating process is highly dependent on gas and electricity, the prices of which have soared over the MY 2022/23. The fodder processing industry is carrying out investments to reduce its energy dependency, turning to more affordable sources such as biomass or solar panels.

[3] For additional details, please consult GAIN Report Grain Production Decline to Test Supply Chain Logistics Resilience in Spain.

Figure 3. Spain's Fodder Exports Unit Price Evolution (Dollars/MT)



Source: Trade Data Monitor LLC. * Includes both bales and pellets.

Processing Industry

Spanish fodder producers use both sun-drying and mechanical dehydration to create dried fodder:

- **Sun-cured fodder:** Sun-cured fodder is normally less homogeneous and is for the domestic market. Sun-cured fodder operations include mowing, which may be combined with conditioning, turning, and tedding to allow an even drying, windrowing, collection, and baling.
- **Dehydrated fodder:**[4] Alfalfa destined for dehydration is cut in the field. After a pre-drying phase in the field, the alfalfa is windrowed and transported to the fodder processing plants. The large majority (85 percent) of the alfalfa is collected and transported by fodder wagons, while the remaining 15 percent is chopped and collected by forage harvesters and transported via trucks to the plant. The dehydrating process provides fodder with quality homogeneity and stability, which is highly appreciated in export markets.

Traditionally dried fodder processors specialized in two product categories: bales, pellets, and cubes. Normally, the higher quality fodder was processed into bales, whereas the less uniform fodder lots were processed into pellets. The share of pellet versus bales production is an indicator of the quality standard in each season. However, in the past years, dehydrated fodder processors are expanding their product range by developing alternative fodder crops[5] to meet their export market demand. There is a growing demand for dehydrated grain crops such as oats and its blends with traditional fodder crops. This has been particularly common this season, as the dry conditions prevented grains from achieving full yielding potential.

[4] Dehydrated fodder represents about 85 percent of the country's fodder production. It is domestically consumed and largely exported. In the fodder processing plants, the alfalfa is classified by quality and moisture. The alfalfa then goes through the processing plant drier (one step trommel), which dries the fodder out with a 300ºC air flow. Moisture levels of the final product fall between 12-14 percent.

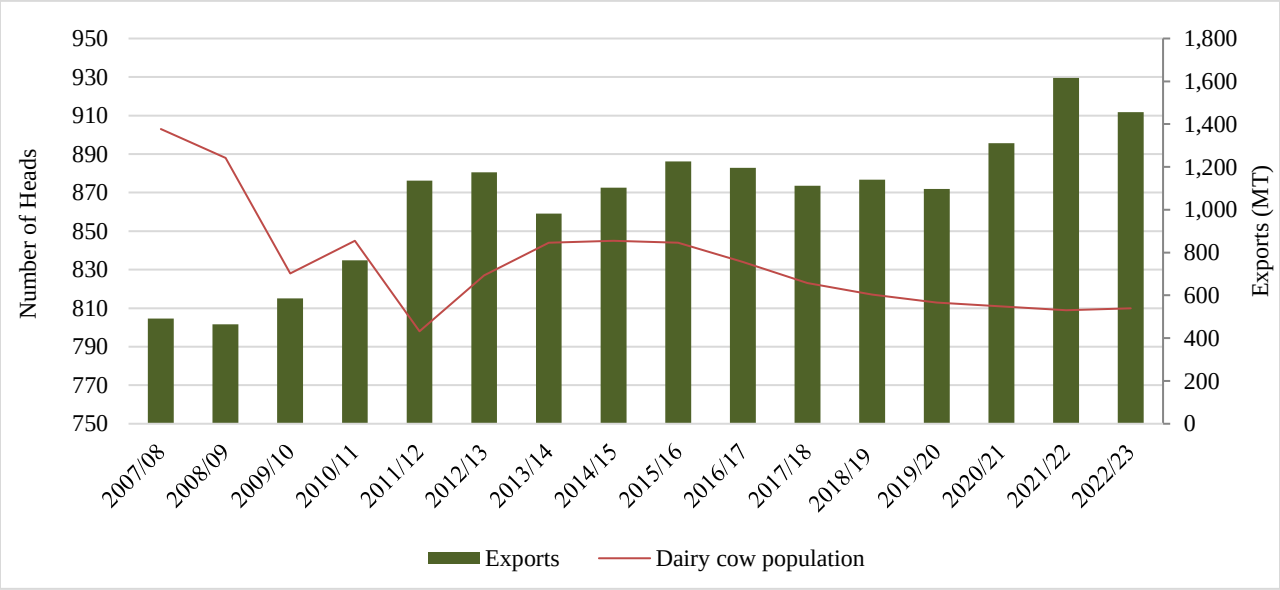
[5] While alfalfa remains the main crop, other fodder crops such as vetches, fescue, ray grass and oats are being increasingly used.

Information on the Spanish dried fodder product range can be found in the National Dried Alfalfa Producers Association's (AEFA)[6] website.

Consumption

Domestic demand for dried fodder continues to be weak. After the long-term decline initiated in 2013, dairy cow inventory has stabilized around 810 thousand heads in the past five years. (**Figure 4**). While the domestic market represents only a small part of the country's fodder supply, the tepid recovery registered in milk and dairy product prices and the drought-driven lack of pastures contributed to sustain in-country demand and fodder prices in MY 2022/23.

Figure 4. Dairy Cow Population and Dried Fodder Exports



Source: FAS Madrid based on Eurostat data and FAS Madrid estimates.

For more information, see the latest GAIN reports on the EU Dairy and Products Sector, HRI and Retail Sector situation in Spain.

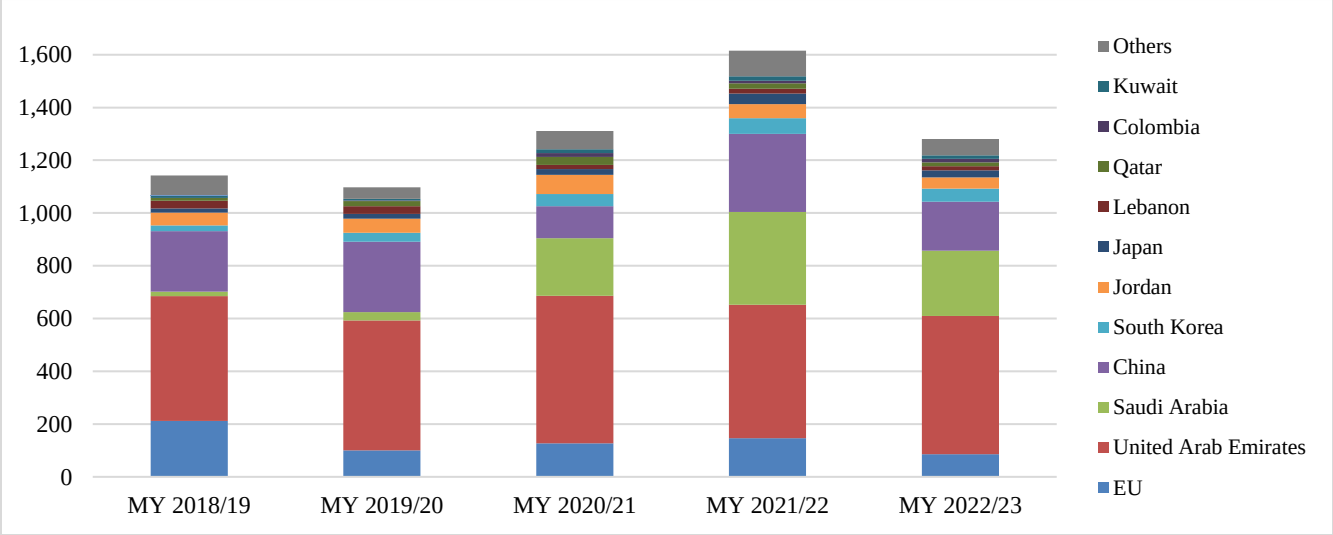
Trade

In MY2023/24, the lower output for the second consecutive season is expected to preempt exports from expanding further. However, the new protocol for oat fodder exports to China, with companies authorized since January 2023, and the diversification in use of different fodder crops for dehydrated fodder production is expected to support Spanish dried fodder presence in Asian and Middle East markets.

[6] AEFA is made up of 58 member companies and represents 90 percent of all dried fodder processors in Spain.

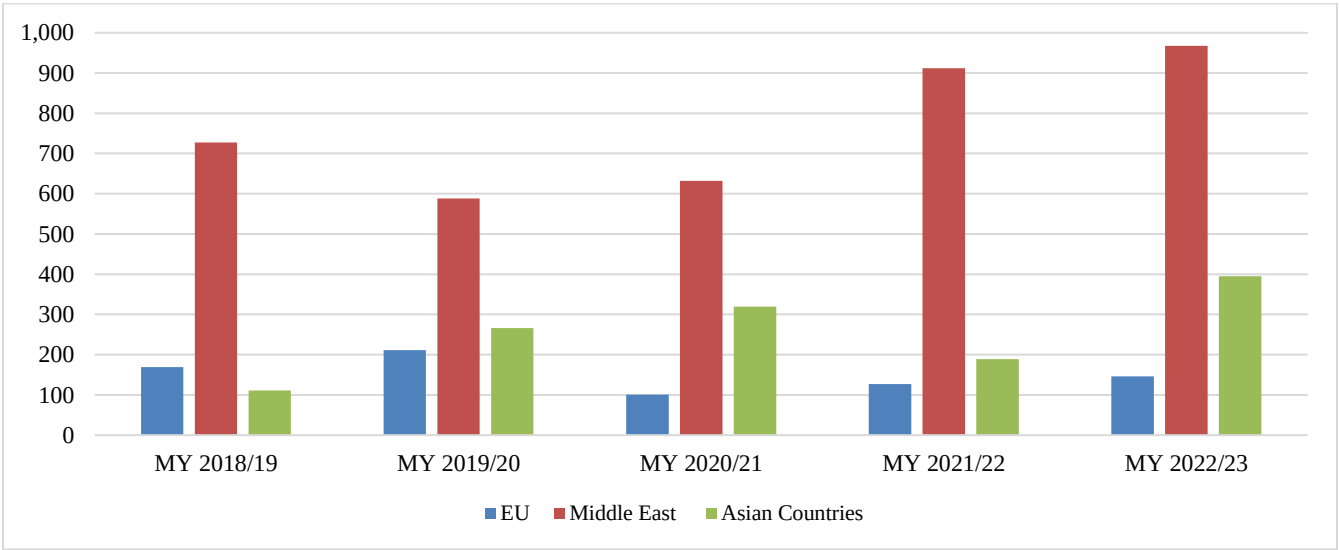
Spanish dried fodder exports hit a ceiling in MY 2021/22, when exports amounted to just over 1.6 million MT. The shorter fodder production in MY 2022/23 resulted in a reduction of exports, which settled at 1.2 million MT, leading industry-held ending stocks to minimum levels. Whereas sales to United Arab Emirates, Spain's largest export market, remained steady, virtually all exports to other destinations declined in line with the lower availability (**Figure 5**).

Figure 5. Total Spanish Exports of Fodder by Country of Destination (1,000 MT)*



Source: Trade Data Monitor LLC. * Includes both bales and pellets.

Figure 6. Total Spanish Exports of Fodder by Region of Destination (1,000 MT)*



Source: Trade Data Monitor LLC. * Includes both bales and pellets.

Policy

For the 2023-2027 period (PEPAC), given its agronomic diversity and decentralized organization, Spain has opted for a Common Agricultural Plan (CAP) that reconciles its numerous interests and productive realities. Key aspects of the new CAP in place since January 2023, include the introduction of a results-focused[7] approach and increased environmental focus compared to the previous policy. The enhanced conditionality merges cross-compliance[8] with greening payment requirements (mandatory). Additionally, on a voluntary basis, farmers can adhere to eco-schemes defined at the Member State level. Another novelty includes the introduction of "social conditionality" to ensure social and labor regulation compliance in those businesses benefiting from CAP subsidies. Spain's fodder growers are eligible for the Basic Income Support for Sustainability Payment and the Redistributive Payment and may adhere on a voluntary basis to eco-schemes. Likewise, fodder crops growers (including vetches and alfalfa) may receive the Coupled Payment for Protein Crops.

Related Reports

Report Title	Date Released
Spanish Fodder Exports Break New Ceiling	07/29/2022
China: Spanish-origin alfalfa hay pellets dominate Chinese consumption	05/27/2022
Spanish Fodder Exports Reach an All-Times Record	07/29/2021
Spanish Alfalfa Consolidates Its Presence in China	06/25/2020
Spanish Dried Fodder Exports to China hit Record Levels	07/26/2019
Spanish Fodder Continues to Seek New Export Markets	09/12/2018
Fodder Demand in the Middle East Drives Spanish Export Growth	06/16/2017

Attachments:

No Attachments.

[7] The CAP's key objectives across the EU include: to ensure a fair income to farmers, increase competitiveness, rebalance the power in the food chain, climate change action, environmental care, preserve landscapes and biodiversity, support generational renewal, vibrant rural areas, protect food quality and health. An additional crosscutting objective aims to foster farm modernization through knowledge, innovation, and digitalization in rural areas.

[8] Including Statutory Management Requirements (SMR), applicable to all farmers whether or not they receive support under the CAP and Good Agricultural and Environmental Conditions (GAEC), only applicable to farmers receiving CAP support.