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SPAIN'S DEHYDRATED FODDER SECTOR

Report Categories:

Grain and Feed

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Report Highlights:

Spain's hay production forecast for MY 2010/11 rose to 1.7 million MT. Favorable prices for dried fodder coupled with low grain prices triggered the production increase. As internal demand for hay within Spain remains weak due to the current dairy sector crisis, Spanish producers see the recent growth in third-country exports, particularly to the United Arab Emirates, as a solution to balancing their supply/demand situation.

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
SPS Single payment Scheme

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

General Information:

Production

Spain is the EU leader in dried fodder production. This is a result of favorable climatic conditions for dehydrating and aid provided to growers and processors under the EU’s Common Organization of the Market in Dried Fodder.

While Spain’s warm and dry climate is more favorable than other EU Member States for the dehydration process, there is a self-imposed requirement to deliver Spanish fodder to dehydration plants with at least 25 percent moisture content.

Fodder cultivation expanded when Spain joined the European Union in 1986 and became subject to the Common Organization of Dried Fodder Markets (CMO). Since then, fodder production, and dehydrated alfalfa in particular, have generally been on the rise.

In 2007/2008, production of dried fodder declined. A sharper decline occurred in MY 2008/2009, as alternative arable crops, including grains, offered better prices early in the season - resulting in reduced planted area for fodder.

Table 1. Spain: Area Planted to Subsidized Dried Fodder (Hectare)

Market Year	Alfalfa	Vetch	Sainfoin	Fescue Grass	Corn	Rye Grass	Other	Total
2005/06	165,989	2,162	285	N/A	762	5,649	11,254	186,102
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

Source: FEGA (Spanish Agricultural Guarantee Fund)

In MY 2009/2010, production is expected to reach higher levels as reduced grain prices have encouraged growers to shift to alfalfa. Current prices of alternative crops indicate a recovery in fodder production for MY 2010/2011.

Table 2. Spain: Production of Subsidized Dried Fodder (MT)

Market Year	Dehydrated Fodder	Sun Dried Fodder	Total
2005/06	1,801,596	120,393	1,921,989
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	1,600,000	145,000	1,745,000

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

Processing

There are different techniques in preserving fodder through reducing moisture content, mainly dehydration, sun-drying and milling. The resulting product includes pellets and bales. Bales are the most common product, representing up to 75 percent of total production.

Table 3. Spain: Dried Fodder Product by Production Type (MT)

Market Year	Pellets	Bales	Total
2005/06	634,256	1,287,732	1,921,989
2006/07	671,381	1,303,269	1,974,651
2007/08	605,995	1,176,343	1,782,339
2008/09	534,625	534,625	1,527,500
2009/10	427,652	1,282,956	1,710,609
2010/11	436,250	1,308,750	1,745,000

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

There were 100 dried fodder processing plants in Spain in 2005. In 2008, only 76 were operational. All of these remaining plants are expected to continue operating through 2010. The processing plants are only open during the April to October fodder harvesting period.

Table 4. Spain: Location of Processing Plants

Region	Number of Plants	Production in MY 2008/2009
Aragon	38	847,000
Cataluña	13	355,000
Castile y Leon	12	156,000
Castile-La Mancha	5	64,000
Navarra	4	64,000
Andalusia	2	34,000
Extremadura	1	4,000
Balearic Islands	1	3,000
Total	76	1,527,000

Source: AEFA (National Dried Alfalfa Producers Association)

Table 5. Spain: Number of Processing Plants by MY

Marketing Year	Number of Processors
2005/06	94
2006/07	86
2007/08	80
2008/09	77
2009/10	76
2010/11	76

Source: AEFA (National Dried Alfalfa Producers Association)

Consumption

The main consumers of dehydrated forage are dairy cows. The current crisis in the domestic dairy sector and the resulting inventory decline has resulted in a drop in Spain's demand for forage.

Table 6. Spain: Dairy Cow Population (1,000 heads)

Year	Dairy Cow Population
2006	982
2007	932
2008	888
2009	853

Source: Eurostat

Trade

According to GTA data, the EU-27 is among the world's three largest exporters of hay. Over the past four years, Spain accounted for more than 45 percent of total EU hay exports and is the EU Member State with the largest volume of hay exports to non-EU markets.

Table 7. World: Major Hay Exporters

Country	2005	2006	2007	2008
United States	2,847,112	2,967,814	2,846,196	2,899,766
Australia	2,009,545	1,296,182	1,342,338	783,674
EU-27	228,419	316,455	425,354	717,087
Canada	679,266	615,947	676,928	746,138

Source: GTA

Imports of hay into Spain are minimal as compared to exports and are mainly sourced from other EU Member States. The major neighboring sources for dehydrated fodder are France and Portugal.

Bales are the preferred product in third-country markets. In MY 2008/2009, bales represented about 65% of total exports.

Spain's hay exports have grown remarkably since MY 2005/2006. In 2008, the United Arab Emirates (UAE) represented over 57 percent of Spain's total exports and 80 percent of extra-EU exports. Export data for MY 2009/2010 through October 2009 indicates an even higher percentage of Spanish fodder delivered to the UAE this marketing year.

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Table 8. Spain: Total Imports of Fodder by Origin in MT *

Country of Origin	MY 2005/06	MY 2006/07	MY 2007/08	MY 2008/09	MY 2009/10
EU-27	119,415	11,091	17,089	26,787	17,800
Others	254	863	899	54	1,200
TOTAL IMPORTS	**120,640**	**11,954**	**18,218**	**28,028**	**19,000**

Source: GTA and FAS estimates

* Includes both bales and pellets.

Table 9. Spain: Total Exports of Fodder by Destination in MT *

Country of Destination	MY 2005/06	MY 2006/07	MY 2007/08	MY 2008/09	MY 2009/10
United Arab Emirates	27,568	157,376	202,804	297,304	372,000
EU-27	182,459	213,033	208,672	149,758	107,000
Morocco	0	32,844	44,508	25,828	41,000
Others	5,405	16,224	36,132	50,141	50,000
TOTAL EXPORTS	**215,432**	**419,477**	**492,116**	**523,031**	**570,000**

Source: GTA and FAS estimates.

* Includes both bales and pellets.

Table 10. Spain: Imports of Fodder by Origin in MT (Bales)

Country of Origin	MY 2005/2006	MY 2006/2007	MY 2007/2008	MY 2008/2009	MY 2009/2010
EU-27	17,545	9,148	15,674	18,168	14,800
Others	1,224	863	1,129	1,219	1,200
TOTAL	**18,769**	**10,011**	**16,803**	**19,387**	**16,000**

Source: GTA and FAS estimates

Table 11. Spain: Exports of Fodder by Destination in MT (Bales)

Country of Destination	MY 2005/2006	MY 2006/2007	MY 2007/2008	MY 2008/2009	MY 2009/2010
EU-27	121,680	136,921	69,777	48,750	44,000
United Arab Emirates	27,393	151,187	177,462	266,859	350,000
Saudi Arabia	0	0	1,036	8,153	45,000
Kuwait	249	473	1,037	5,569	1,000
Others	2,403	9,652	4,641	10,108	10,000
TOTAL	**151,725**	**298,233**	**253,953**	**339,439**	**450,000**

Source: GTA and FAS estimates

Table 12. Spain: Imports of Fodder by Origin in MT (Pellets)

Country of Origin	MY 2005/2006	MY 2006/2007	MY 2007/2008	MY 2008/2009	MY 2009/2010
EU-27	101,870	1,942	1,417	5,967	3,000
Others	0	0	0	0	0
TOTAL	**101,870**	**1,942**	**1,417**	**5,967**	**3,000**

Source: GTA and FAS estimates

Table 13. Spain: Exports of Fodder by Destination in MT (Pellets)

Country of Destination	MY 2005/2006	MY 2006/2007	MY 2007/2008	MY 2008/2009	MY 2009/2010
EU-27	60,782	76,110	138,893	88,306	63,000
Morocco	0	32,796	44,437	25,593	25,000
United Arab Emirates	175	6,189	25,344	22,835	22,000
Others	2,751	6,150	29,489	24,855	10,000
TOTAL	**63,708**	**121,245**	**238,163**	**161,589**	**120,000**

Source: GTA and FAS estimates

Policy

In 2006, the existing EU support for the dried fodder sector was redistributed between growers and the processing industry on a 50/50 basis. Direct support to growers was integrated into the Single Payment Scheme (SPS), based on their historical deliveries to the industry and within national support ceilings.

As of 2006, aid to processors was fixed at EUR 33 per ton within the Maximum Guaranteed Quantity (MGQ) system for both dehydrated and sun-dried fodder.

A single dried fodder MGQ for the EU-15 of 4,855,900 MT merges the previous maximum guaranteed quantities for dehydrated and sun-dried fodder. For the new Member States, there is a separate MGQ of 104,823 MT. The total EU-25 MGQ is 4,960,723 MT.

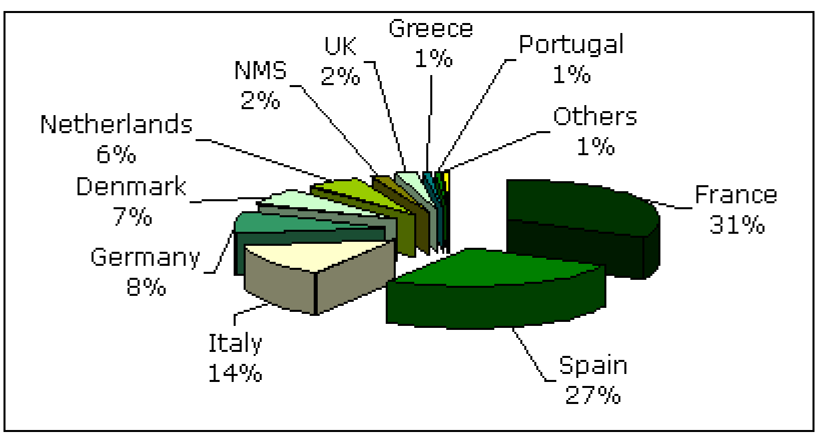
The MGQ is split into Guaranteed National Quantities (GNQ) by Member State. Under this system, penalties are imposed (reductions in aid) if the EU MGQ is exceeded by any Member State for one year. Penalties are applied in those countries which are responsible for the overrun. If EU dried fodder production during a given marketing year does not exceed the MGQ, the full aid is paid.

Table 14. Guaranteed National Quantities for Dehydrated and/or Sun-Dried Fodder

Member State	GNQ (MT)	MGQ (MT)
Belgium-Luxemburg	8,000	4,855,900
Denmark	334,000	
Germany	421,000	
Greece	37,500	
Spain	1,325,000	
France	1,605,000	
Ireland	5,000	
Italy	685,000	
Netherlands	285,000	
Austria	4,400	
Portugal	30,000	
Finland	3,000	
Sweden	11,000	
UK	102,000	
Czech Republic	27,942	104,823
Lithuania	650	
Hungary	49,593	
Poland	13,538	
Slovakia	13,100	
Total	**4,960,723**	**4,960,723**

Source: Regulation (EC) 1786/2003 and Regulation (EC) 1234/2007

Graph 1. Guaranteed National Quantities for Fodder



Source: Regulation (EC) 1786/2003 and Regulation (EC) 1234/2007

Requirements for Dried Fodder Aid in Spain

To be granted a production subsidy of 33 Euros per MT, the processing industry must have contracts with farmers which establish price and acreage. In the event that the dehydrating plant has its own fodder production or acquires fodder from authorized buyers, delivery declarations are required.

Regarding quality standards, fodder to be dehydrated or milled in the plant must have a minimum moisture content of 25%. The product obtained must have a maximum moisture content of 12% in the case of sun-dried fodder or dehydrated fodder that has undergone a milling procedure. The maximum moisture content can be up to 14% for other dehydrated products. In addition, sun-dried fodder must undergo a milling procedure within the processing plant to be eligible for the subsidy. The minimum protein content as compared to dry matter must be 15%.

According to Spain's proposed implementation of the Common Agricultural Policy Health Check, the current dried fodder processing support will be included in the national single payment scheme for 2012.

Production, Supply and Demand

Table 15. Spain: Production, Supply and Demand for Dehydrated Fodder

Market Year	MY 2005/2006	MY 2006/2007	MY 2007/2008	MY 2008/2009	MY 2009/2010	Units
Beginning Stocks	0	0	0	0	0	(1000 MT
Production	1,921,989	1,974,651	1,782,339	1,527,500	1,710,609	(1000 MT
Imports	120,639	11,953	18,220	25,354	19,000	(1000 MT
Total Supply	**2,042,628**	**1,986,604**	**1,800,559**	**1,552,854**	**1,732,609**	(1000 MT
Domestic Consumption	1,827,195	1,567,126	1,308,443	1,051,826	1,162,609	(1000 MT
Exports	215,433	419,478	492,116	501,028	570,000	(1000 MT
Ending Stocks	0	0	0	0	0	(1000 MT
Total Demand	**2,042,628**	**1,986,604**	**1,800,559**	**1,552,854**	**1,732,609**	(1000 MT

Source: FAS estimates

As a result of higher production and lower domestic consumption, Spain's self-sufficiency rate for dehydrated fodder exceeded 140% for MY2007/2008. Weak domestic demand was supplemented with increased third-country exports, in particular the UAE.

Future prospects for Spain's dehydrated fodder sector will be tied to developments in substitute crops, such as corn. The domestic livestock situation and third-country demand will determine the viability of dehydrated fodder in Spain, especially starting in 2012 when support provided to the dried fodder processing industry will be decoupled.