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Report Name: Spain Fodder Exports Reach an All-Time Record

Country: Spain

Post: Madrid

Report Category: Grain and Feed, Dairy and Products

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Report Highlights:

With nearly 1.3 million metric tons (MT) of exports in MY2020/21, Spain hit an all-time record in fodder exports. An ample domestic crop and steady purchases of dried fodder and fodder-based products by Middle East Countries and other EU Member States countered the effects of COVID-related trade disruptions and the weaker demand in Asian markets. Post anticipates a smaller supply for MY2021/22 given competition in the area by other crops and a return to more average export sales.

Executive Summary

Competition by other crops is anticipated to reduce Spain's fodder area in MY2021/22 and yields are expected to be below the previous banner marketing year. On one hand, spring precipitation is seen as favorable to boost yields in non-irrigated producing areas like Castilla y León. On the other, in the Ebro Valley, the main producing and exporting area, the excessive rainfall has negatively affected the quality of the first cut. Hence, given the shorter production anticipated, Spain's exports are expected to return to average levels in MY2021/22. In MY2020/21, Spanish dried fodder and fodder-based products exports registered an all-time record, reaching nearly 1.3 million MT. With an ample crop and shrinking domestic demand, the exports/production ratio in MY2020/21 climbed to 88 percent, despite the COVID-related trade disruptions. The poorer quality of the MY2020/21 first cut resulted in larger pellet availability, which led to increased purchases by the Middle East Countries, where this format is preferred, compensating the market lost in Asia, where bales are the most demanded format.

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Abbreviations and References

AEFA	National Dried Alfalfa Producers Association
CAP	Common Agricultural Policy
EU	European Union
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

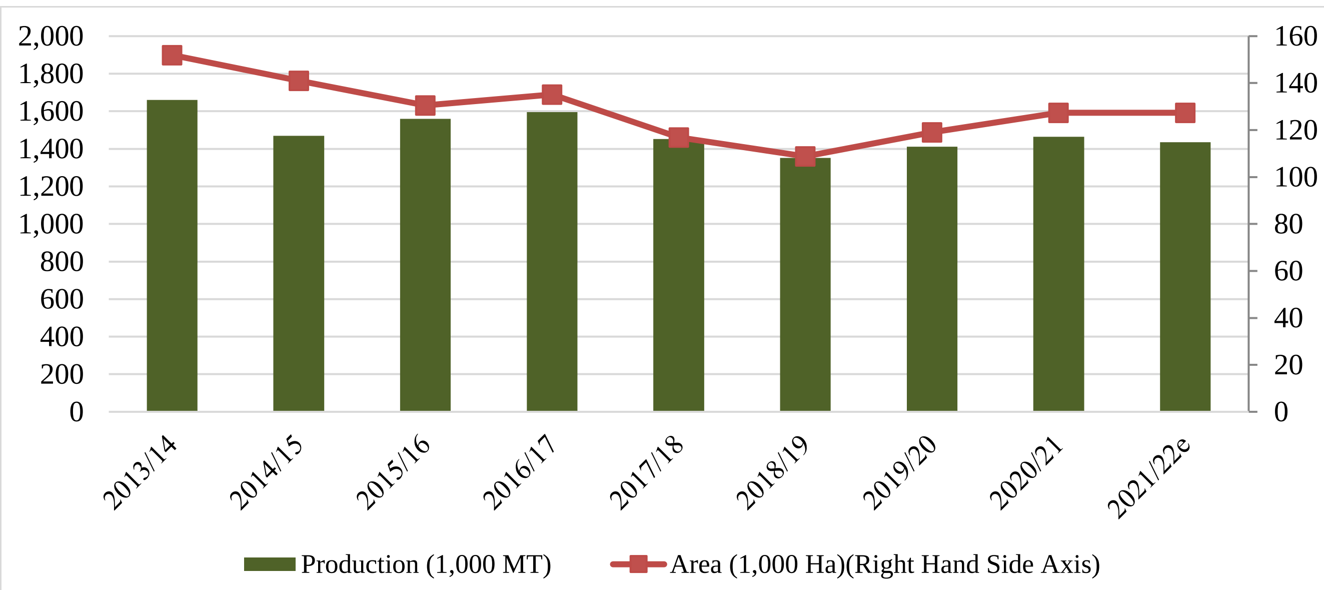
HS Code (Harmonized System) 1214: Rutabagas (Swedes), mangolds, fodder roots, hay alfalfa (Lucerne), clover, sainfoin, forage kale, lupines, vetches and similar forage products, whether or not in the form of pellets.

Area and Production

In MY2021/22, area planted to fodder in Spain is expected to decline, due to competition by other crops such as tree crops, or the combination of winter grains with corn as a second crop. This is particularly true in the export-oriented Ebro Valley fodder growing area[1]. In this producing area, excessive rainfall in Spring 2021 negatively affected the quality of the first cut, even though it was better than in MY2020/21. The moderate cold snaps in winter and spring reduced pest infestations and the warmer temperatures registered in June allowed quality to go back to average for the second cut. In the case of non-irrigated fodder growing areas like Castilla y León, spring precipitations allowed for over average yields, although below MY2020/21 banner levels. Consequently, Post currently pegs fodder production for MY2021/22 down from previous season levels, at 1.42 million MT.

In MY2020/21, the alfalfa area under contracts with dehydrating plants registered an increase for the second consecutive year (**Graph 1**). As previously reported, in MY2020/21 production grew by 4 percent, as abundant spring precipitations boosted yields, especially in non-irrigated land.

Graph 1. Dried Fodder Area and Production under Contract with Processing Plants



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

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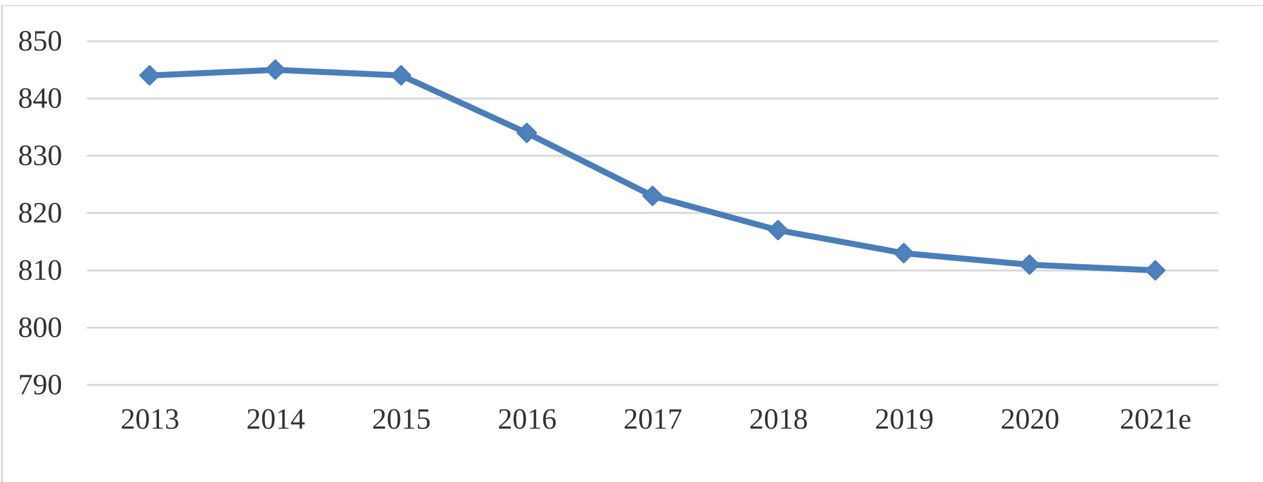
[1] *There are two major alfalfa growing areas in Spain: Castilla y Leon and the Ebro Valley (Aragon and Catalonia). Agricultural practices differ among the above-mentioned alfalfa producing regions.*

- *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. This is an area 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.*

Consumption

Despite a recovery in consumption projected for MY2021/22, domestic demand for fodder continues to be weak, given the long-term inventories' contraction of the Spain's dairy herd initiated back in 2013 (**Graph 2**). Additionally, in MY2020/21, the ample pasture available, combined with the impact of COVID in HRI-oriented customers such as lamb and goat sectors, further reduced internal demand.

Graph 2. Dairy Cow population (1,000 Heads)



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

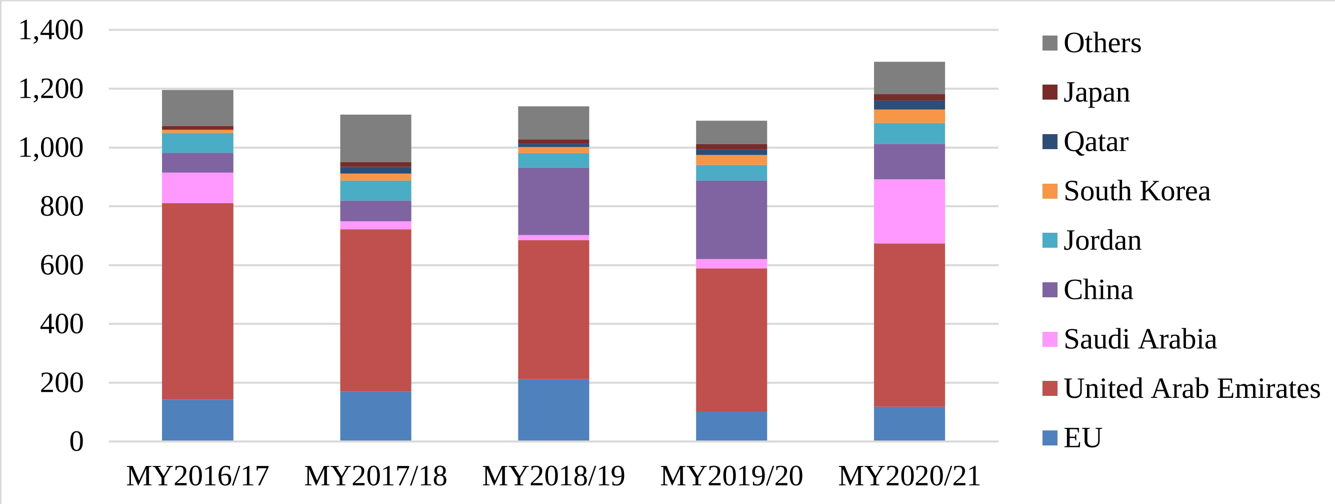
For more information, see the latest GAIN reports on the EU Dairy and Products Sector, HRI and Retail Sector situation in Spain.

Trade

Exports are Spain's fodder production main destination. The country has consolidated its position as the world's third largest fodder exporter, after the United States and Australia. Dried fodder exports in MY2021/22 are anticipated to return to average levels, after the all-time record registered during the previous season.

In MY2020/21, the export-oriented Spanish dried fodder sector struggled with COVID-related trade disruptions, such as the increasing prices of maritime freight, and the limited availability of containers. The lack of containers had a greater impact in exports to Asia, given the region's preference for bales, which are normally shipped in containers. Conversely, exports of alfalfa-blend pellets in bulk to Middle East Countries surged in MY2020/21, more than offsetting the losses registered in Asian markets (**Graph 3**). The combination of a good pace of exports and limited in country consumption drove the exports/production ratio in MY2020/21 up to 88 percent.

Graph 3. Total Spanish Exports of Fodder by Country of Destination (1,000 MT)*



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

Production, Supply and Demand

Table 1. Spain Production, Supply and Demand for Dehydrated Fodder (MT)

Market Year	MY2017/18	MY2018/19	MY2019/20	MY2020/21	MY2021/22e
Production	1,453,076	1,352,505	1,411,422	1,465,043	1,420,000
Imports	18,868	17,238	25,021	21,734	18,000
Total supply	**1,471,944**	**1,369,743**	**1,436,443**	**1,486,777**	**1,438,000**
Dom. Cons.	360,307	229,501	344,930	195,273	273,000
Exports	1,111,637	1,140,242	1,091,513	1,291,504	1,165,000
Total Demand	**1,471,944**	**1,369,743**	**1,436,443**	**1,486,777**	**1,438,000**

Source: FAS Madrid estimates.

Policy

The implementation of the new Common Agricultural Policy in Spain as of 2023 is yet to be defined. Between 2015 -2023, fodder crops in Spain are eligible for the so-called Basic Payment (BP), which is not crop specific. In the irrigated land of the Ebro basin, where most of the export-oriented alfalfa is grown, industry sources estimate that the Basic Payment would add up to nearly 250 Euros per hectare. In the case of Castilla y León, the other main alfalfa producing region, where alfalfa is grown in non-irrigated land, the amount of support under the Basic Payment may add up to 90 Euros per hectare. Specific payments for fodder crops include the legume specific payment (for vetch, soybeans, *lathyrus cicera*, *lathyrus sativus* and non-irrigated alfalfa). However, support levels (less than 60 Euros per hectare) are not sufficient to significantly influence planting decisions, which are ultimately based on crop margin expectations.

Related Reports

Report Title	Date Released
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
Saudi Arabia: Saudi Arabian Alfalfa Hay Market	02/27/2017
Spanish Dried Fodder Exports Continue to Soar	06/29/2016

Attachments:

No Attachments.