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GAIN Report #SP1030

Spain

Grain and Feed

Spanish Wheat and Barley Market

2001

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Report Highlights:
Hot, dry, spring weather has severely cut most of Spain's 2001 winter grain crops. The shortfall in production will have to be offset by imports of about 4 million tons of wheat and 1.5 million tons of barley in marketing year 2001/2. An unusual combination of events may permit U.S. soft red winter wheat to fill as much as 300,000 tons of these needs. Spain's durum wheat crop, which matured before the hot weather set in, is ample. Given the poor quality reported by other EU durum producers this year, Spanish durum exports may reach record levels.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1], SP

EXECUTIVE SUMMARY

Most of Peninsular Spain suffered very dry weather since April and hot weather during May and June, damaging most winter grain crops. The CY 2001 production forecasts for wheat and barley have been reduced again to reflect more accurate numbers for production, imports and exports. Poor pasture conditions could boost consumption of feed grains and corn by-products by Spain's extensive livestock sector. The EU's cuts in grain threshold prices, which took effect on July 1, were not expected to change trade flows. However, unexpectedly high EU market prices, coupled with a strong dollar, have actually opened the EU market to third country soft wheats. As a consequence, U.S. soft red winter (SRW) wheat (as well as U.S. barley) has been sold in Spain for the first times in decades.

WHEAT

PSD Table						
Country	Spain					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	2442	2442	2370	2370	2210	2214
Beginning Stocks	297	297	250	250	250	250
Production	4900	4900	7000	7000	5200	5000
TOTAL Mkt. Yr. Imports	3003	3003	1750	1750	3000	4000
Jul-Jun Imports	3003	3003	1750	1750	3000	4000
Jul-Jun Import U.S.	251	251	225	225	250	600
TOTAL SUPPLY	8200	8200	9000	9000	8450	9250
TOTAL Mkt. Yr. Exports	297	297	700	700	600	1150
Jul-Jun Exports	297	297	700	700	600	1150
Feed Dom. Consumption	3653	3653	4050	4050	3600	3850
TOTAL Dom. Consumption	7653	7653	8050	8050	7600	7850
Ending Stocks	250	250	250	250	250	250
TOTAL DISTRIBUTION	8200	8200	9000	9000	8450	9250

Production

Unfavorable weather conditions during much of the growing season will result in a Spanish wheat crop of about 5 million tons for 2001, about 2 million tons below last year. Spain will need to import about 4 million tons of wheat in MY 2001/2, split evenly between feed and mill consumption.

Consumption

The deficit of wheat for human consumption is expected to be about 1.5 million tons of which 500,000 tons of hard wheat and about 1 million tons of soft wheat. Due to the short crop, prices for bread wheat have risen dramatically in domestic markets during the last few weeks. Prices for hard wheat are ranging between 28,000 pesetas ($145) and 30,500 pesetas ($158) per ton; those for soft wheat, between 25,500 pesetas ($132) and 28,000 pesetas ($145) per ton; those for feed wheat, about 25,000 pesetas ($ 129) per ton. Higher prices should prevail in the domestic market for the next few months.

Trade

During the years before the Margin of Preference (MOP) Agreement, Spain primarily imported feed wheat from other EU countries. After the MOP was implemented, Spain’s need for hard wheat for blending created a market for around 250,000 tons annually for U.S. hard wheats.

At the beginning in MY 2001/2 (July 1, 2001), a further reduction in the EU intervention prices for most grains has resulted in lower threshold prices and import duties.   The threshold price for wheat for the next few months has been established at 26,127 pesetas ($135) per ton. Due to high prices in both the Spanish and EU markets (mainly in the UK market) for soft and hard wheat, the new EU threshold price permits imports of both US hard and soft wheats with little or no duty. Because of this remarkable circumstance, local grain traders believe Spain could import 300,000 tons of U.S. SRW by January 2002. In the past few days, Spanish trade sources have confirmed purchases of about 150,000 tons of U.S. SRW. If current relative pricing continues into next year, additional imports of U.S. SRW could be made for January-May 2002.   Spain is also likely to import soft from Sweden, Russia and, beginning CY 2002, from Argentina.

According to trade sources the CIF price for U.S. hard wheat is about 32,000 pesetas ($166) per ton, which makes it uncompetitive for Spanish millers. The quality of the imported soft wheat, the quality and price of German hard wheat and the price of U.S. hard wheats will be key factors to determine U.S. hard weheat participation in the Spanish market. In any case, the forecast indicates minimum imports of about 150,000 MT of U.S. hard wheat for marketing year 2001/2.

Most of the feed wheat is expected to be imported from France and the U. K.

DURUM

PSD Table						
Country	Spain					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	0	500	0	864	838	866
Beginning Stocks	0	0	0	0	0	0
Production	0	450	0	1900	1600	1500
TOTAL Mkt. Yr. Imports	0	250	0	10	200	50
Jul-Jun Imports	0	250	0	10	200	50
Jul-Jun Import U.S.	0	50	0	0	20	0
TOTAL SUPPLY	0	700	0	1910	1800	1550
TOTAL Mkt. Yr. Exports	0	100	0	500	500	950
Jul-Jun Exports	0	100	0	500	500	950
Feed Dom. Consumption	0	330	0	1140	1000	100
TOTAL Dom. Consumption	0	600	0	1410	1300	600
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	700	0	1910	1800	1550

Production.

The impact of the hot weather on the durum crop was limited, since most of the crop is raised in Southern Spain where harvesting began before the hot spell began. The quality of the durum crop is said to be good. The test weight is high, protein content about 12 percent and the vitreous percentage is ranging between 80 and 87 percent. Prices for Spanish durum rose toward the end of MY 2000/01. In May 2001, the price of old crop durum was about 28,000 pesetas ($145) per ton. Later, at the beginning of June, the price declined to about 25,500 pesetas ($132) per ton as new crop production became available. As news of the problems of other EU durum producers became known in late June, prices reversed, and are now at about 29,000 pesetas ($150) per ton. Further increases are likely during the next few weeks.

Consumption.

About 100,000 tons of durum are expected to be used in feed formulas in marketing year 2001/02. The high price for durum is preventing its use in feed formulas. An addition 180,000 tons will be used as seed and an estimated 320,000 tons will go to millers.

Trade

The forecast indicates a new record in Spanish durum wheat exports due to the short EU durum crop and the reported poor quality of French durum. According to trade sources, Spain could export about 950,000 tons of durum before January 2002. No durum is expected to be imported from the U.S. due to the high dollar prices.

BARLEY

PSD Table						
Country	Spain					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	3107	3107	3215	3215	2210	2923
Beginning Stocks	1200	1200		200	700	700
Production	7434	7434	10500	10500	7500	6500
TOTAL Mkt. Yr. Imports	600	600	150	150	1000	1500
Oct-Sep Imports	600	600	150	150	1000	1500
Oct-Sep Import U.S.	0	0	0	0	0	40
TOTAL SUPPLY	9234	9234	10850	10850	9200	8700
TOTAL Mkt. Yr. Exports	300	300	200	200	100	100
Oct-Sep Exports	300	300	200	200	100	100
Feed Dom. Consumption	7634	7634	8950	8950	7900	7400
TOTAL Dom. Consumption	8734	8734	9950	9950	9000	8500
Ending Stocks	200	200	700	700	100	100
TOTAL DISTRIBUTION	9234	9234	10850	10850	9200	8700

The same spring weather pattern that hurt winter wheat also hurt the winter barley crop. The poor crop has boosted prices in production areas to about 21,500 pesetas ($108) per MT, which is 4,500 pesetas ($235) above the intervention price established for the next few months. Domestic consumption is expected to decline in comparison with the previous year due to higher price. Large imports are expected to compensate the short crop. According to trade sources, about 40,000 MT of U.S. barley may have been purchased recently for the Spanish market. If so, this would be the first barley imported into Spain for feeding in the last 25 years. According to trade sources, the EU’s barley import duty seems to have been increased artificially in the last few days to prevent additional sales from the U.S.