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Report Highlights: Due to favorable weather, the almond harvest is projected at 69,000mt, about 21 percent (12,000 mt) more than last year. During the current MY 2001/02, imports of almonds and hazelnuts are running well above last year's pace. Depressed prices have placed the hazelnut industry in a critical situation. The Common Agricultural Policy (CAP) Mid Term Review proposal includes a new support scheme for tree nuts.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Favorable weather conditions are expected to increase Spanish almond production to about 69,000 metric tons in 2002, some 12,000 tons more than in the previous year. The hazelnut crop is projected at 28,000 tons, 2,000 tons more than in 2001.

For the current marketing year (MY 2001/02, September-August), Spanish almond exports are projected to increase to 54,000 metric tons (mt), up 3,000 mt from MY2000/01. Spanish almond imports in MY 2001/02, which are running well above last year's pace, are projected at 42,000 mt.

Like almonds, hazelnut imports in the current MY 2001/02 are also running well above last year's pace. Hazelnut exports, however, continue in its declining trend.

While current almond prices are firm due to reports of reduced inventories of California almonds and strong domestic and export demand, hazelnut prices have declined dramatically during MY 2001/02 as a result of the large domestic harvest and increased Turkish hazelnut shipments to Europe, placing the hazelnut industry in a critical situation.

As currently proposed, the CAP Mid Term Review (MTR) includes a new support scheme for tree nuts that tree nut growers have been long seeking to replace the "temporary" tree nut improvement 10 year-program which ended in June 2002. However, growers are voicing concern about the reduction of the support in comparison with the previous scheme.

The detection of unacceptable levels of aflatoxin in shipments of U.S. almonds imported into the EU has led to the implementation in Spain of two EU alerts during calendar year 2002.

NOTE: The conversion rate used for almonds, in-shell to shelled is 1 = 0.27. Conversion rate for hazelnuts, in-shell to shelled is 1 = 0.45.

Current exchange rate: 1 EURO = \$1.00; a year earlier: 1 EURO = \$0.8764.

PRODUCTION

Almonds

Due to the absence of frost coupled with rainy weather, the Spanish almond harvest in 2002 is forecast at about 69,000 tons, some 12,000 tons more than the previous year.

Almond production takes place mainly in regions bordering the Mediterranean, primarily in Andalucia and Valencia. The regions of Murcia, Catalonia, Aragon, Balearic Islands and Castilla-La Mancha are also significant production areas.

Only about 44,000 hectares (ha) are irrigated, so rainfall is crucial to the level of output. Marcona, Desmayo Largueta and Desmayo Rojo are the most important almond varieties, comprising about 55-65 percent of total production.

Producer prices in 2001 for in-shell almonds averaged 0.67 Euros per kilogram, a three percent decline from 2000. Current wholesale almond prices (3.9 Euros/kg. for "largueta" shelled almonds) are firm due to reports of reduced inventories of California almonds and strong domestic and export demand.

Hazelnuts

The hazelnut harvest in MY 2001/02 (September-August) is expected to reach about 28,000 metric tons (mt), in-shell basis, 2,000 mt more than in the preceding MY.

About 60 percent of Spanish hazelnut orchard area is under irrigation. Catalonia is the leading hazelnut producing region, accounting for approximately 93 percent of the total area planted. Within this autonomous region, the province of Tarragona accounts for 88 percent of the total, with the rest in the provinces of Gerona and Barcelona. Negreta is the principal variety of hazelnut grown in Spain, comprising nearly 80 percent of total production.

Although the average producer price for the in-shell Negreta variety in 2001 was 1.25 Euros per kilogram, practically unchanged from year earlier levels, it has declined dramatically since the beginning of the current MY 2001/02 as a result of the large domestic harvest and increased Turkish hazelnut shipments to Europe. Current hazelnut prices (July 2002) have declined to 2.25 Euros per kilogram, shelled Negreta basis, from 3.67 Euros/kg from the same month of a year earlier. This represents a nearly 40 percent decline, placing the Spanish hazelnut industry in a critical situation.

CONSUMPTION

Almonds

As in the preceding year, domestic almond consumption is projected to increase in MY 2002/03 due to a general upward tendency in nut consumption and the larger sizes of the last two domestic harvests. Tree nuts are a traditional component of the "Mediterranean diet" which is being heavily promoted as a particularly healthy diet. As a result, due to increased health awareness, tree nut consumption has grown in Spain over the past several years. (Peanuts and almonds are the leading products, followed by walnuts, pistachios, sunflowerseeds, hazelnuts and squash seeds. In the current MY 2001/02, almonds, peanuts, pistachios and pinenuts are the products showing increased growth in supermarket food sales. Walnut sales are, however, declining.)

The confectionery industry accounts for about 70 to 80 percent of Spanish consumption of almonds, and most of the balance is consumed as snacks. The nougat industry is a major consumer of almonds. Nearly all of the industry's consumption occurs in the months before Christmas, since nougat a traditional holiday treat. As snacks, the main almond items consumed are unblanched roasted almonds and blanched fried almonds. They are mainly marketed in the form of snack packs.

The domestic Marcona variety is generally used for premium brands of almond products like nougat because of its distinctive taste and higher oil content. Domestic almonds are also generally used for snack products, roasted unblanched almonds in particular, because they are easily peeled by consumers. U.S. almonds are used for most other almond products. Relative prices generally determine the proportion of domestic and U.S. almonds used in almond-based products.

Due to their uniformity and low breakage, U.S. almonds are generally preferred by processors for food ingredients, including almond flour, dices and fillets. A significant proportion of these products is exported. In fact, trade sources estimate that at least half of all U.S. almonds imported into Spain are subsequently re-exported -- in one form or another -- to other EU countries. U.S. almonds are also generally preferred for the production of sugared almonds.

Hazelnuts

As is the case of almonds, hazelnut consumption is expected to grow in the current MY 2001/02, commensurate with the size of the crop.

The confectionery and chocolate industries use about 60 - 70 percent of domestic supplies. Hazelnuts are also used for snacks and are often marketed in snack packs.

TRADE

Almonds

During the current MY 2001/02, almond imports are running well above last year's pace. Thus, over the same period a year ago, almond imports during the period September 2001-March 2002 increased 45 percent to 26,552 mt, shelled basis, of which 24,559 mt (92 percent of total) were imported from the United States. U.S. export data to Spain show an even larger increase (47 percent through May 2002). For the entire MY 2001/02, Spanish almond imports are projected at 42,000 mt, about 10,000 mt more than in the preceding year.

During the first seven months (September-March) of MY 2001/02, Spanish almond exports reached 32,111 mt, down seven percent from the same period of the previous MY (34,803 mt). However, due to increased export demand during the last part of the season, total exports in MY 2001/02 are expected to increase to 54,000 mt, about 3,000 mt more than the previous MY. Other EU countries are the major destinations of Spanish almond shipments, representing about 92 percent of total exports.

Two tariff categories for non-bitter almonds are listed in the Integrated Tariff of the European Union (TARIC). The current import duty rates are as follows:

0802.11.90 In-shell almonds: 5.6 percent

0802.12.90 Shelled almonds: 3.5 percent

However, A WTO global EU annual tariff quota of 90,000 tons at a reduced import duty rate of two (2) percent is applicable, and Spanish almond importers may benefit from this tariff quota for imports from outside the EU. As is the case with locally produced food products, a seven (7) percent Value Added Tax (VAT) is imposed on almond imports.

For now on, trade matrices will be given on a MY basis as monthly trade data have become more readily available.

Hazelnuts

Like almonds, Spanish hazelnut imports in the current MY 2001/02 (September-August) are running well above last year's pace. Thus, during the period September 2001-March 2002 (first seven months of the MY), imports increased 49 percent to 9,622 mt from the comparable period of a year earlier. For the entire MY 2001/02, they are projected at 12,000 mt, 3,000 mt more than in the preceding year. Turkey is by far the major supplier (with a 65 percent import market share in MY 00/01). U.S. hazelnut exports to Spain decreased to 446 mt in MY 00/01 from 647 tons in MY 1999/00.

Spanish hazelnut exports during the first seven months of the current MY 2001/02 were down 55 percent to 3,987 mt, in-shell basis, from the comparable period a year earlier. However, for the entire marketing year MY 2001/02, exports are projected at 9,000 mt, some 3,000 mt less than in the previous MY. This is in addition to the 14 percent decline in the previous MY 2000/01 from MY 1999/00).

Two tariff categories for hazelnuts are listed in the Integrated Tariff of the European Union (TARIC). The current import duty rates are as follows:

0802.21.00.0	In-shell hazelnuts	3.2 percent
0802.22.00.0	Shelled hazelnuts	3.2 percent

As with domestic products, a seven (7) percent Value Added Tax (VAT) applies to imports.

Factors Affecting Trade - Mycotoxin Limits

On January 1, 1999, stricter EU limits on aflatoxin on nut products became applicable in Spain. These limits were set in Commission Regulation EC 1525/98, and more recently in Commission Regulation EC 466/2001. For nuts (including almonds) and dried fruit intended for direct human consumption or as an ingredient in foodstuffs, the maximum limits are 2 PPB (2 parts-per-billion or 2 micrograms/kilogram) for aflatoxin B1 and 4 PPB (4 micrograms/kilogram) for aflatoxin B1, B2, G1 and G2 combined. The Regulations, however, establish 5 and 10 micrograms/kilogram limits respectively for nuts and dried fruit to be subject to sorting or other physical treatment before human consumption or use as an ingredient in foodstuffs. Needless to say, the sorting or the physical treatment applied must reduce the aflatoxin levels down to the 2 and 4 PPB limits described above.

The detection of unacceptable levels of aflatoxin in shipments of U.S. almonds imported into the EU has triggered two EU alerts during the current year 2002. The first alert was triggered by a shipment to Greece which was implemented in early April 2002 and lifted in early June 2002. The second alert was due to a shipment to Finland and was implemented in mid July 2002 as is currently still in effect. As a result, about 20 percent of U.S. almond shipments to Spain may be under increased surveillance during the MY 2001/02.

In Spain, the implementation of the alert consists of systematic testing of aflatoxin in all subsequent incoming almond shipments and shipments are held in port until test results are obtained. Such alerts are normally lifted after ten subsequent shipments entering the country are tested within the established limits. This procedure has been standard in Spain since the implementation of the EU regulation but proves costly and time consuming for importers.

POLICY

The EU fruit and vegetable (F&V) regime is based on producer organizations (POs) which are voluntarily formed by groups of growers and cooperatives. However, less than half of all Spanish fruit and vegetable production is under POs. Moreover, only the larger POs that are able to set-up operational funds are eligible to receive EU support. Operational funds which are set voluntarily by the POs each year are equally funded by the EU and the PO, can be up to 4.1 percent of the PO's annual sales. These funds are generally used for the financing of fruit and vegetable withdrawal operations (not nuts), and may be used for investments in operational programs such as improvement of irrigation systems, upgrading technical systems and environmental protection measures.

The EU has recognized the importance of the tree nut sector in Spain (140,000 families derive income from this activity, many of them located in some of Spain's poorest areas) and has acknowledged that a lack of support specifically for tree nuts could have a major effect on the sector. As a result, the Mid Term Review (MTR) of the Common Agricultural Policy (CAP), as currently proposed by the EU Commission, includes a new support scheme for tree nuts that nut growers have been long seeking to replace the "temporary" tree nut improvement 10 year-program which after 2 extensions finally ended in June 2002. However, they claim that the subsidy rate of 100 Euros/ha is clearly insufficient given current increased production costs and depressed market prices. Member countries would have the option of supplementing this payment with up to an additional 109 Euros/ha, but even the maximum payment (209 Euros/ha) is lower than what they were getting from the tree nut improvement program (a minimum of 242.6 Euros/ha).

MARKETING

Almonds

Domestic growers are generally grouped into cooperatives which process and market their almonds both domestically and internationally.

Almonds and hazelnuts are the base of three important industries in Spain, as follows: 1) roasters for the production of almond and hazelnut snacks, generally in packs; 2) candy producers such as nougat, marzipan, ice-creams and chocolate products; and 3) bakers. Although there has been some consolidation, the industry is still composed of a large number of companies. The location of the industry is now more spread throughout the country, as is less concentrated in the two traditional areas of Valencia and Catalonia.

Three companies specialize in processing almonds into food ingredients. Although they also utilize domestic almonds, they are the main importers of U.S. almonds into Spain. As indicated above, they export more than half of their production made with U.S. almonds to other European destinations. Tradition and know-how, but above all logistics-- immediate delivery in particular-- are the reasons explaining their competitiveness in other European market versus their U.S. counterparts.

Hazelnuts

The bulk of the domestic crop is traded in-shell, as are imports of U.S. hazelnuts. In contrast, all Turkish hazelnut imports are shelled. Located in the hazelnut producing area, Reus (near the city of Tarragona in Catalonia) is a leading Spanish wholesale market for nuts, including hazelnuts and almonds.

TABLES**Production, Supply & Distribution Table - Almonds, Shelled**

PSD Table						
Country	Spain					
Commodity	Almonds, Shelled Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	794	794	794	792	0	790
Area Harvested	780	780	780	780	0	778
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	500	500	500	500	500	3000
Production	59000	57000	59000	69000	0	58000
Imports	42000	42000	43000	40000	0	43000
TOTAL SUPPLY	101500	99500	102500	109500	500	104000
Exports	55000	54000	55000	56500	0	54000
Domestic Consumption	46000	45000	47000	50000	0	49000
Ending Stocks	500	500	500	3000	0	1000
TOTAL DISTRIBUTION	101500	99500	102500	109500	0	104000

Import Trade Matrix - Almonds, Shelled

Import Trade Matrix			
Country	Spain		
Commodity	Almonds, Shelled Basis		
Time period	Calendar Year	Units:	Marketing Year
Imports for:	2000	Metric Tons	2001
U.S.	28478	U.S.	26591
Others		Others	
EU countries	940	EU countries	2240
Tunisia	20	Australia	224
Equador	20	Iran	208
Morocco	16	Morocco	198
Norway	13	Algeria	37
Australia	6	Switzerland	14
Egypt	5	Norway	13
		Israel	4
		Japan	3
Total for Others	1020		2941
Others not Listed	8		1
Grand Total	29506		29533

Export Trade Matrix - Almonds, Shelled

Export Trade Matrix			
Country	Spain		
Commodity	Almonds, Shelled Basis		
Time period	Calendar Year	Units:	Marketing Year
Exports for:	2000	Metric Tons	2001
U.S.	1	U.S.	20
Others		Others	
Germany	13252	Germany	17140
France	8294	France	8885
Italy	5985	Italy	7987
Netherlands	2793	Netherlands	3909
Belgium	2593	Belgium	3751
Portugal	1130	Portugal	1522
United Kingdom	1023	United Kingdom	1205
Switzerland	929	Switzerland	1104
Austria	577	Greece	690
Sweden	500	Sweden	643
Total for Others	37076		46836
Others not Listed	2599		4275
Grand Total	39676		51131

Production, Supply & Distribution Table - Hazelnuts, In-Shell

PSD Table						
Country	Spain					
Commodity	Filberts, Inshell Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	27	24	27	23	0	23
Area Harvested	21	22	21	21	0	21
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	1500	1500	1000	10500	1000	15500
Production	23000	26000	20000	28000	0	20000
Imports	9000	12000	10000	10000	0	11000
TOTAL SUPPLY	33500	39500	31000	48500	1000	46500
Exports	14200	9000	12000	12000	0	12000
Domestic Consumption	18300	20000	18000	21000	0	21000
Ending Stocks	1000	10500	1000	15500	0	13500
TOTAL DISTRIBUTION	33500	39500	31000	48500	0	46500

Import Trade Matrix - Hazelnuts, In-Shell

Import Trade Matrix			
Country	Spain		
Commodity	Filberts, Inshell Basis		
Time period	Calendar Year	Units:	Marketing Year
Imports for:	2000	Metric Tons	2001
U.S.	563	U.S.	446
Others		Others	
Turkey	6760	Turkey	5871
Italy	734	France	1436
France	657	Netherlands	415
Azerbaijan	443	Italy	397
Georgia	417	Azerbaijan	138
Germany	333	Georgia	129
Egypt	183	Greece	106
Greece	140	Germany	59
Netherlands	83	Egypt	33
Russia	68	Venezuela	15
Total for Others	9818		8599
Others not Listed	65		19
Grand Total	10446		9064

Export Trade Matrix - Hazelnuts, In-Shell

Export Trade Matrix			
Country	Spain		
Commodity	Filberts, Inshell Basis		
Time period	Calendar Year	Units:	Marketing Year
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Germany	8146	Germany	6679
Italy	1688	Poland	1280
Poland	817	Denmark	757
Austria	646	France	732
France	599	Italy	722
Czech Republic	521	Austria	387
Denmark	316	Venezuela	337
Venezuela	303	Portugal	161
Portugal	162	Mexico	95
Mexico	121	Czech Rep.	88
Total for Others	13319		11238
Others not Listed	385		361
Grand Total	13704		11599