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Declining Rice Area and New Eating Habits Create Opportunities in Spain's Rice Market

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Report Highlights:

Rice cultivation is input intensive as it needs high initial investments for land preparation and a significant amount of working capital to cover input costs. Low farm prices and competition from third countries are forcing Spanish rice farmers to switch to more profitable crops. Latest official statistics confirm that the decline in total rice planted in Spain continued in MY2016/17 and also that some farmers made a switch to the better-priced Japonica varieties. The reduced area planted, along with high summer temperatures negatively impacted rice production levels in 2016. Despite the overall rice consumption decline, there still are opportunities to supply market niches for both domestic producers and exporters.

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Reference

- Abbreviations:

CAP Common Agricultural Policy

EBA Everything But Arms

EU European Union

FAS Foreign Agricultural Service

Ha Hectares (1 ha = 2.471 acres)

HS Harmonized Codes

MAPAMA Ministry of Agriculture, Fisheries, Food and Environment

MS Member State(s)

MT Metric ton (1,000 kg)

MY Marketing Year: January to December

N/A: Not available

OEVV Spanish Office for Plant Varieties

- (HS) Harmonized Codes for Rice:
 - 100610 -Rice in The Husk (Paddy Or Rough):
 - 100620 - Rice Husked (Brown):
 - 100630 - Milled rice
 - 100640 - Milled rice, broken kernels

- Conversion factor used in this report:
 Rough or Paddy rice (100610) trade data x 0.70 = milled equivalent basis
 Brown rice (100602) trade data x 0.88 = milled equivalent basis

Executive Summary

The vast majority of EU rice production is concentrated in the Southern Members States, namely Italy, Spain, Greece, Portugal, France, Romania, Bulgaria and Hungary. Spain accounts for nearly 30 percent of rice production in the EU, while the largest rice producer is Italy with about 50 percent of the total EU output.

Area planted to rice in Spain has been declining since 2011 except for in the traditional growing areas as there are no viable alternatives. Pesticides restrictions, import competition, and a highly competitive domestic market dominated by supermarket brands are the driving factors behind this decline.

Despite the overall decline in rice consumption, there are opportunities for both domestic producers and exporters to supply new market niches.

Area and Production

The main rice producing regions in Spain are Andalucía, Extremadura, Comunidad Valencia, Cataluña, Aragón, and Navarra.

In Spain, there are two main types of rice growing areas:

- **Traditional Growing Areas:** Alternatives to rice are limited as no viable alternative crops can be grown in the salty conditions. In these areas with high salinity, rice production provides environmental benefits. Namely by cultivating rice in the flooded areas it keeps the salt water away from neighboring fertile land. These traditional areas include autonomous regions of Andalucía, Comunidad Valenciana and Cataluña (See **Map 1**).
- **Non-traditional Growing Areas:** While extensive land preparation operations need to be carried out for rice cultivation, in this type of growing areas rice is a part of the crop rotation, which includes other crops such as tomatoes for processing or corn. These areas include rice production in the autonomous regions of Extremadura, Aragón and Navarra (See **Map 1**).

Map 1. Spain's Rice Producing Regions



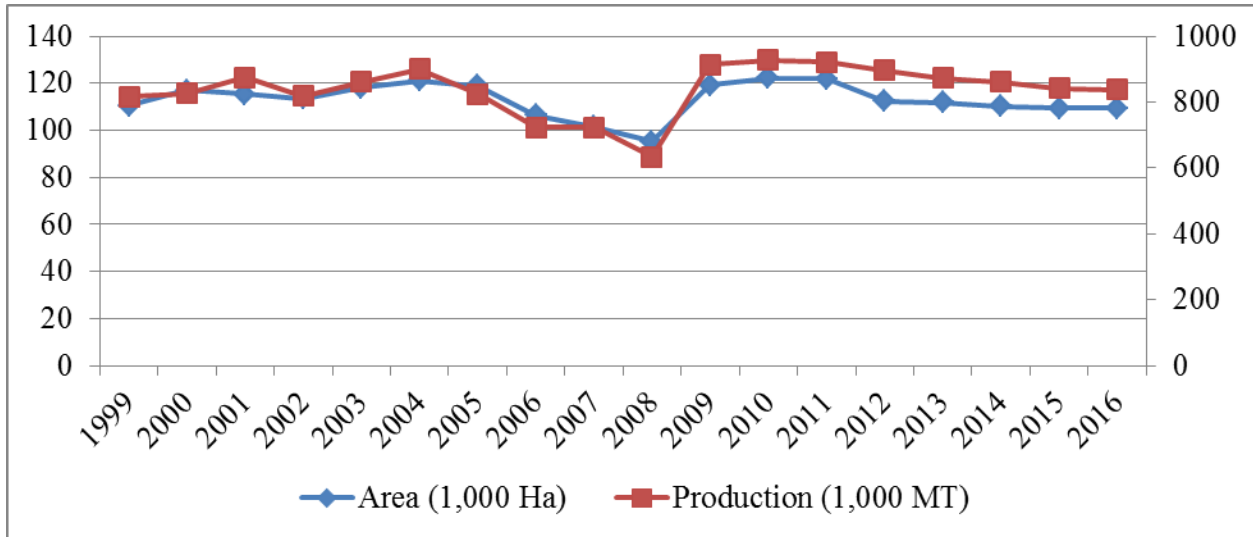
Source: FAS Madrid based on Industry Sources.

Area planted to rice in Spain has been in decline since 2011 (**Graph 1**). While it has remained fairly stable in traditional growing areas, as there are no viable alternatives, it has continuously declined in non-traditional growing areas (**Table 1**). Low market prices combined with high input costs and increased limitations in the use of modern inputs for rice crop protection are seen as the main drivers for the area reduction. While rice is a crop with high irrigation needs, there has not been a water shortage over the last few years; irrigation considerations did not influence planting decisions.

Rice cultivation in Spain is input intensive due to the use of heavy machinery to level soil, and the cost of the certified seed, fertilizers, herbicides and pesticides. The reduced number of rice-specific pesticides represents one of the main rice sector challenges. Producers end up relying on the so-called exceptional authorization of pesticides to deal with rice specific pests and plagues.

Alternatives to rice in traditional areas are limited. Only cotton can be grown under the salty conditions where rice is usually grown. Alternatives in non-traditional areas consist mostly of corn or tomatoes for processing. In some areas, high quality wheat could potentially replace rice.

Graph 1. Historical Evolution of Rice Area in Spain



Source: FAS Madrid based on MAPAMA

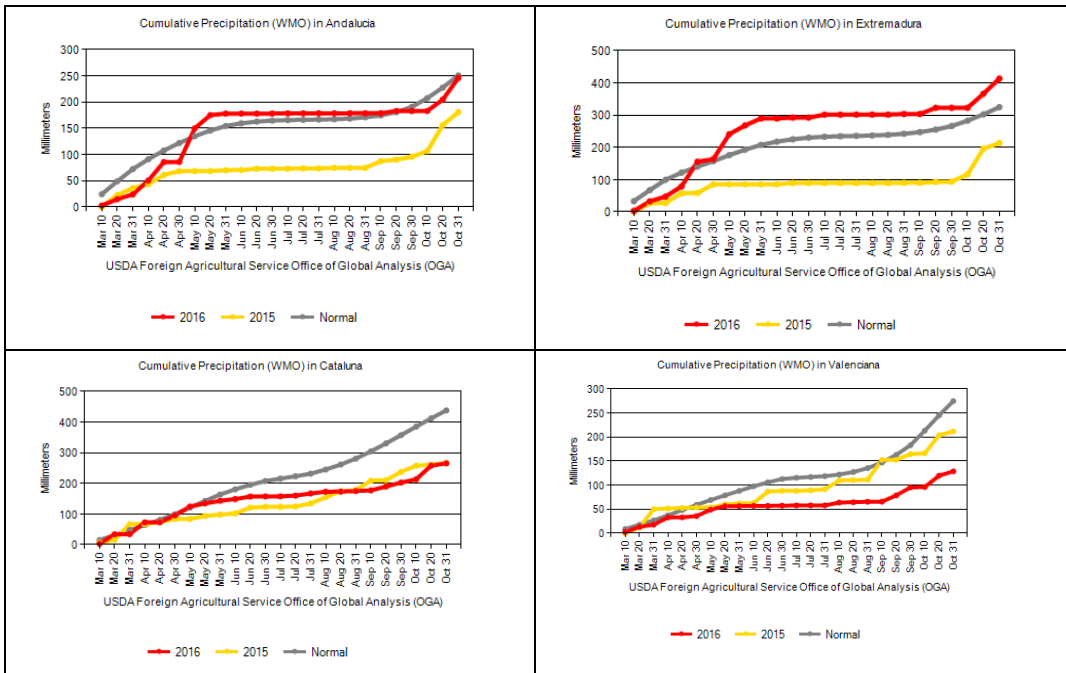
Table 1. Rice Area by Region (Ha)

Region	2014	2015	2016
Catalonia	20,779	20,989	20,669
Andalucía	40,384	40,165	40,196
C. Valenciana	15,059	15,087	15,383
Total - Traditional Areas	76,222	76,241	76,248
Navarra	1,829	2,173	2,155
Aragón	6,735	5,971	5,596
Extremadura	25,054	24,570	24,700
Total - Non-traditional areas	33,618	32,714	32,451
Other	579	528	626
Total	110,419	109,483	109,325

Source: MAPAMA and FAS estimates

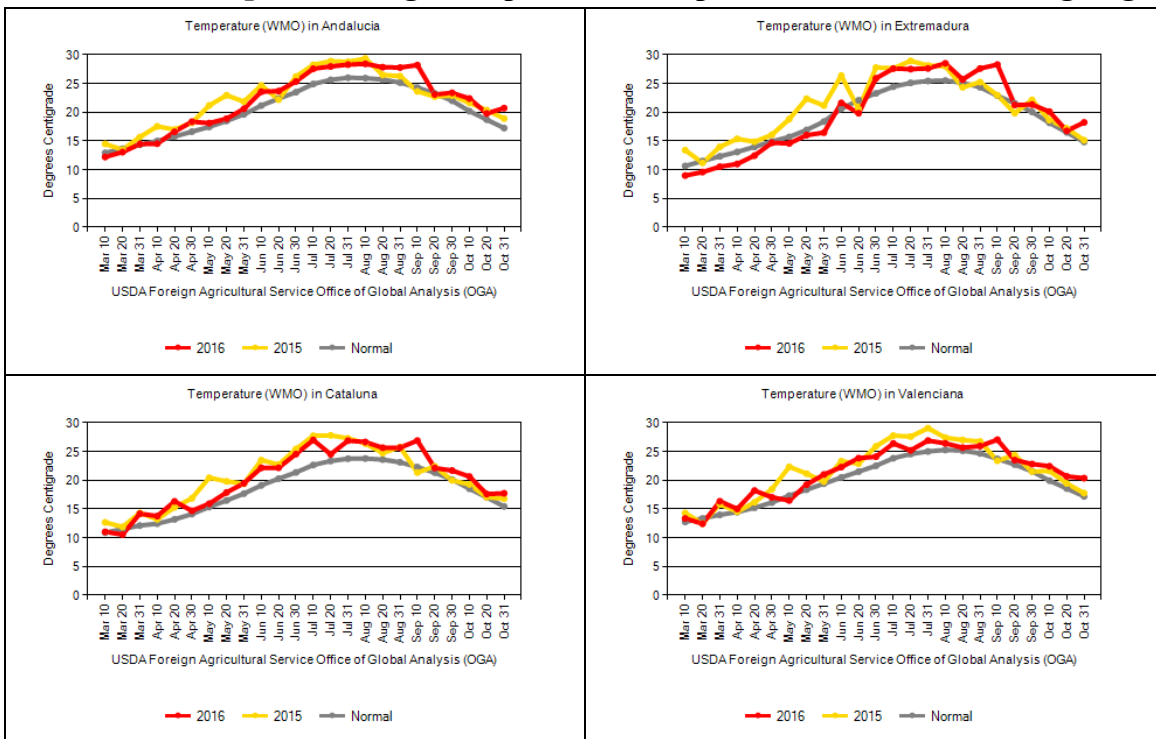
In 2016, excessive rainfall during the rice planting season (See **Graph 2**) delayed sowing operations, especially in Andalucía and Extremadura. Nevertheless, rice plantings and emergence recovered without problems. Warmer than usual temperatures (**Graph 3**), boosted crop development throughout summer, but negatively affected yields in the Southern producing regions. Harvest operations were somewhat delayed in those areas where rains impeded timely plantings.

Graph 2. Cumulative precipitation in Spain's main Rice Producing Regions



Source: IPAD/Foreign Agricultural Service/USDA

Graph 3. Average Temperatures in Spain's main Rice Producing Regions



Source: IPAD/Foreign Agricultural Service/USDA

According to the latest official estimates Spain's rough rice production in 2016 reached 828,000 MT (**Table 2**). The sharper decline in production compared to the area reduction is partially explained by the switch towards lower-yielding Japonica varieties (See **Rice Varieties** Section).

Table 2. Rice Production by Region (MT of Rough Rice)

Region	2014	2015	2016
Andalucía	377,207	377,651	362,534
Catalonia	131,889	136,832	124,702
C. Valenciana	122,964	99,375	115,935
Total Traditional areas	632,060	613,858	603,558
Extremadura	177,236	176,500	167,000
Aragón	36,254	33,883	30,025
Navarra	12,364	16,005	14,704
Total Non-traditional areas	225,854	226,388	221,626
Other	3,189	2,255	2,563
Total	861,103	842,501	821,464

Source: MAPAMA.

Rice Varieties

Rice varieties grown in Spain can be classified under the following groups according to the size/shape of the rice kernel:

Table 3. Main Rice Varieties Grown in Spain

Group	Size of the kernel	Length/width ratio	Representative Varieties	Region	Share of area* (%)
Round Grain Japonica	(<5,2 mm).	<2	Bomba Balilla x Sollana	Valencia, Cataluña Murcia	2%
Medium Grain Japonica	(5,2 - 6 mm)	<3	Gleva JSendra Fonsa	Valencia, Cataluña and Andalucía	55%
Long Grain Japonica (Long grain A)	(>6 mm)	>2 and <3	Guadamar Marisma	Aragón, Navarra Andalucía, Extremadura	6%
Long Grain Indica (Long grain B)	(>6 mm)	≥3	Puntal	Andalucía Extremadura	37%

Source: FAS Madrid based on OEVV and industry sources

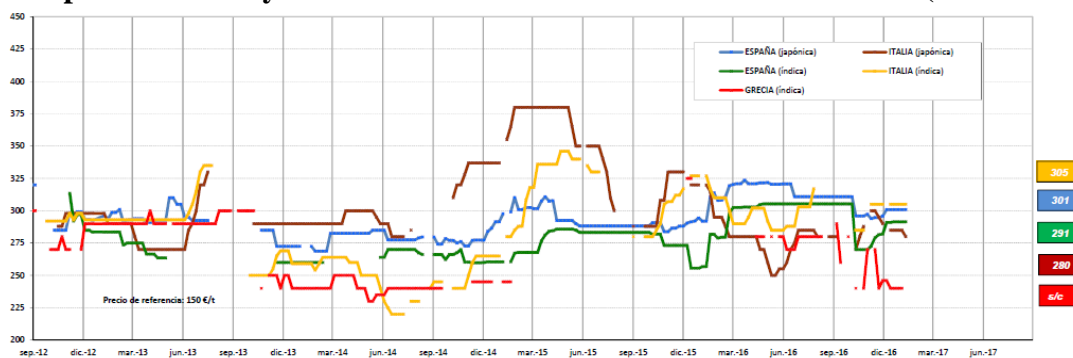
*Average based on FEGA information from MY11/12 to MY14/15

According to official statistics (**Graph 4** and **Graph 5**) paddy and milled rice prices in Spain are below those received by farmers and rice processors in Italy for both variety types (Indica and Japonica). The price spread between Spanish Japonica rice and Spanish Indica rice sends a signal to Indica producers to convert to Japonica varieties, despite its somewhat lower yields in the field.

According to the Spanish Ministry of Agriculture, area devoted to Indica rice in **MY2015/16** in Spain represented just over 45 percent of total production, while Japonica rice production is nearly 55 percent. Data for **MY2016/17** indicate Indica rice share has gone down to just 40 percent, while Japonica has registered an equivalent increase, representing 60 percent of rice plantings.

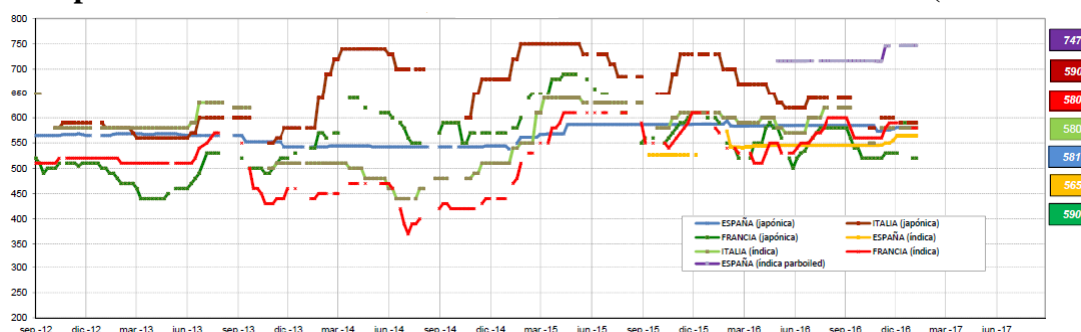
On top of the downward trend in rice plantings, Spanish producers are switching from Indica varieties to Japonica varieties, as Indica growers face stiff competition from imports. Consequently, the surplus of long-grain, Indica, rice in the market caused by increasing imports is being transferred to the round-grain, Japonica, rice market in the shape of increased Japonica rice plantings, which results in higher competition and pressures domestic prices down.

Graph 4. EU Paddy Rice Prices Evolution MY2012/13-MY2016/17 (Euros/MT)



Source: MAPAMA based on EU Commission data

Graph 5. EU White Rice Prices Evolution MY2012/13-MY2016/17 (Euros/MT)



Source: MAPAMA based on EU Commission data

Rice Processing Industry

Agricultural Cooperatives manage nearly 60 percent of the field rice production. However, at the processing level Cooperatives' market share is far smaller, representing just over 15 percent of the dehusking, whitening and packaging process. The remaining percentage of the industrial process is fairly concentrated in a handful of private companies that supply major retailer groups.

Official conversion rates are available at EU [Commission Regulation \(EC\) 1312/2008](#). According to industry sources, the conversion factor to from rough rice into milled rice is estimated to rank from 0.7 to 0.72, including whole and broken kernels. The polishing process approximately represents 2 percent losses. As a consequence, the overall rice milling rate ranks from 0.68 to 0.7.

Consumption and Marketing

Spain's per capita rice consumption amounts to about 6 Kg per year, somewhat above the EU's average per capita consumption. However, according to MAPAMA's consumption panel, Spain's rice household consumption has continued to decrease over the last 5 years. Japonica varieties are preferred by the Spanish consumers as its cooking characteristics, namely its capacity to absorb flavors, make them more suitable for traditional food preparation. Nevertheless, Indica consumption, along with other non-traditional rice varieties¹ and ready-to-eat rice portions continue to grow due to its adaptation to new eating habits, and the adoption of non-traditional dishes.

Table 4. Consumption expressed in milled rice (1,000 MT)

Year	2010	2011	2012	2013	2014	2015
Spain	209	210	185	180	174	172

Source: MAPAMA

At the retail level, the rice market in Spain is heavily dominated by large retail groups, whose brands are well established in the market that face stiff competition from store brands, which represents nearly 60 percent in value of total domestic consumption.

Additional information on Spain's Retail Sector can be found at [SP1635](#).

Trade

Spain is a net exporter of rice with exports largely exceeding imports. Indica rice production, grown in the regions of Andalucía and Extremadura, is export oriented. Japonica round or medium grain

¹ *i.e. Basmati rice, wild rice blends, brown rice, glutinous rice or starchy rice.*

varieties, mostly grown in Valencia, Catalonia, Navarra and Aragon are intended for the domestic market.

The vast majority of Spanish rice is exported to other EU Member States. Lower domestic availability and stiff competition by third countries in the EU markets are making intra-EU exports increasingly challenging (**Table 5**). Spain’s Indica rice production competes with third countries exports (EBA countries such as Cambodia and Myanmar) to other European Member States who largely dependent on imports. This stiff competition is driving the switch in cultivation towards better-priced Japonica varieties intended for the domestic market.

Table 5. Country of Destination of Spain’s Exports (MT)

Country of Destination	2011	2012	2013	2014	2015	Jan-Oct2016
EU-28	221,896	274,661	260,725	215,903	243,722	179,842
Turkey	6,296	384	250	16,551	5,970	100
Albania	2,401	990	893	2,895	5,819	3,991
United States	7,196	4,375	3,543	3,953	5,514	4,277
Syria	12,230	12,669	1,860	6,280	4,565	3,661
Others	14,087	13,847	10,686	21,321	16,219	15,779
Total	264,106	306,926	277,957	266,903	281,809	207,650

Source: GTA. HS code 1006

Imports originate in third countries such as Pakistan, Cambodia, Thailand or Myanmar. Data available for January through October 2016 indicate that imports during the first 10 months of the year exceed 70 percent of imports in 2015. EBA countries such as Cambodia and Myanmar are seen as a major threat by Spanish rice producers (**Table 6**).

Additional information on EU’s Rice Import Preferential Regimes can be found in **Annex I**.

Table 6. Country of Origin of Spain's Imports (MT)

Country of Origin	2011	2012	2013	2014	2015	Jan- Oct 2016
EU-28	15,778	25,738	20,657	21,767	23,816	38,004
Pakistan	10,420	2,204	10,392	15,262	29,007	19,949
Cambodia	1,234	633	11,356	12,605	9,629	6,914
Thailand	10,841	10,774	8,872	9,255	8,755	8,907
Myanmar	0	0	5,014	6,750	6,860	12,315
Egypt	955	825	624	2,072	5,597	9,053
India	3,939	34,073	11,091	4,731	4,496	2,660
Uruguay	15,883	5,193	5,111	3,168	3,368	3,686
Morocco	723	514	624	1,038	1,615	3,393
United States	1,074	948	1,269	1,308	1,196	1,362
Brazil	38,480	3,286	1,115	0	139	475
Guyana	0	0	0	0	3,700	11,827
Others	28,758	8,204	2,094	1,876	4,488	16,896
Total	128,085	92,392	78,219	79,832	98,966	123,614

Source: GTA. HS code 1006.

While the United States is not among the main suppliers of rice to the Iberian Peninsula, its exports to Spain average over 1,100 metric tons on a calendar year basis, and this figure continues to grow. The United States holds potential as a supplier in certain market niches such as specialty rice (Calrose, Jupiter, Wild rice). Also, in particular market scenarios, where a low domestic supply or production shortage in main supplier countries occurred, some other US grown varieties (medium grain varieties) could meet Spanish demand for domestic consumption. Spain could also be used for transshipment purposes.. Commercial exchanges of rice among the two countries consist mostly on HS code 100630 (Semi-Milled or Wholly Milled Rice).

According to Eurostat, the United States rice export profile to Spain consists of:

Table 7. United States Rice Exports to Spain (MT)

Product	2011	2012	2013	2014	2015	Average
Round Grain in Husk 10061021	0	4	28	2	27	12
Semi milled long 10063025	496	423	647	896	879	668
Wholly milled medium 10063094	25	37	2	20	41	25
Wholly milled long 10063096	472	312	251	369	248	331
Wholly milled long 10063099	0	112	0	0	0	22
Other Rice Exports	283	261	279	21	0	169
Total Rice excl. seed	1,275	1,149	1,206	1,308	1,196	1,227

Source: Eurostat

Spain Specific Rice Policy

In Spain, between **MY2005/06** and **MY2011/12** rice growers received a specific payment of 476.25 Euros per hectare for a maximum of 104,973 hectares, with a total EU allocated budget of 49,993 million Euros. In addition, farmers received a Single Payment based on production levels in the reference period (years 2000, 2001 and 2002). Starting in **MY2012/13** the direct payments were integrated into the Single Payment scheme. Payments were calculated based on reference period MY2007/08 and MY2008/09.

Under the current CAP (Common Agricultural Policy) reform, the Single Payment Scheme has been replaced by the Basic Payment, which is not crop specific. This system started in **MY2015/16**. Industry sources state that, on average, Basic Payment for rice producers could amount to about 900 Euros per hectare. As rice is grown under flooded conditions, agricultural holdings specialized on rice are not required to meet crop diversification. Rice farms automatically comply with greening and no additional requirements are needed to be eligible for green payments. On top of the Basic Payment, rice producers in Spain, given the high risk of abandonment, are eligible to receive funds via coupled payments. Funds allocated to the specific payment for Spanish rice producers amount to 12,206,000 Euros for a Maximum Guaranteed Area of 122,060 Ha.

In **2015**, only 108,070.47 Ha deemed eligible to receive rice payments. Consequently the specific support for rice in 2015 amounted to 112.94 Euros/Ha. Amount per hectare for **2016** has increased up to 111.7 Euros/Ha as a result of the overall area reduction.

Related Reports

Report	Date Released
Rice Area Update 2016	12/04/2016
Italy's Rice Production to Increase in MY 2015-16	12/24/2015
Rice Market in the Iberian Peninsula	08/29/2012
Italian Grain and Feed Report 2012	05/10/2012

Annex I. Summary of EU Rice Import Preferential Regimes

A summary of the EU's preferential rice import regimes can be found in **Table 8**. All quantities but the 100,000 MT² under [Regulation \(EC\) 1273/2011](#) may be imported to the EU at a zero duty.

Table 8. EU-28 Rice Import Preferential Regimes

Regulation	Origin	Type of rice	Quantity (MT)
Regulation (EC) 1273/2011	United States Thailand Australia Guyana India Pakistan All origins Other origins	100630 100620 100640	63,000* & 40,216 1,634 100,000 ² & 31,788
Regulation (EC) 972/2006	India Pakistan	Basmati (10062017 & 10062098)	No limit**
Regulation (EC) 480/2012	All origins	100640 for food preparations	1,000
Regulation (EC) 1964/2006	Bangladesh	Rice	Equivalent to 4,000 MT of husked rice
Regulation 978/2012	EBA countries	1006	No limit
Regulation 449/2010 (First come first served basis)	Egypt	100620 100630 100640	22,510 81,149 92,742

Source: FAS Madrid based on EU law.

*Export Certificate required

** Certificate of Authenticity required.

² Reduction of 30.77 % in the duty fixed. When the country of origin is Thailand, an Export Certificate is required.