USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: A Sizeable Grain Crop Reduces the Import Deficit in Spain

Country: Spain

Post: Madrid

Report Category: Grain and Feed

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Report Highlights:

Favorable weather conditions have allowed a second consecutive sizeable winter grains crop in Spain. Post pegs Spain's MY2021/22 total grain output, including corn, at nearly 24 MMT. In MY2021/22, Spain's grain deficit is estimated at 13 MMT of grains, up from the almost 11 MMT of grains imported in the previous season when production registered a historical record but still below average import levels.

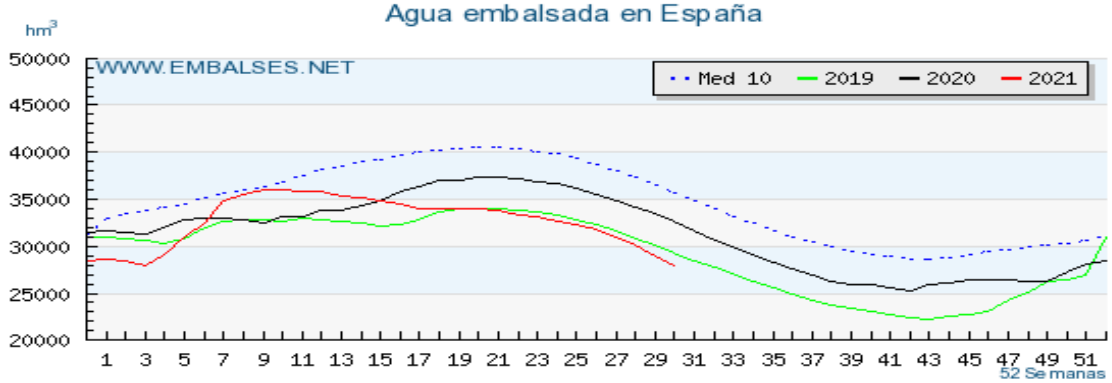
Abbreviations used in this report

EU European Union
FAS Foreign Agricultural Service
IPAD International Production Assessment Division
Ha Hectares
HRI Hotels, Restaurants, and Institutions
MAPA Ministry of Agriculture, Fisheries and Food.
MY Marketing Year
MT Metric Ton (1,000 kg)
MMT Million Metric Tons
MY Marketing Year.
MS EU Member State(s)
TDM Trade Data Monitor
TMT Thousand Metric Tons

Area and Production

After a long-term decline trend with tree crops competing with arable land, Spain's area planted to grains has stabilized around 5.8 million hectares. Compared to the previous season, area planted to wheat has increased, minor grains (rye, oats, mixed grains, and sorghum) area remained stable compared to the previous season, whereas barley area is below previous year's levels. In the case of corn, which is mostly grown under irrigation, the combination of sufficient levels of storage water, improved margins, and the extensive use of corn as a second crop, especially in the Ebro Valley, have resulted in a slightly larger area. Dams in Spain (**Graph 1**) are currently at just over 50 percent of total storing capacity, well below the previous year's availability and the 10-year average. Nevertheless, to date, only farmers in the Guadalquivir basin, which has just over one third of its capacity, are facing limits for irrigation purposes. These restrictions have negatively affected cotton, rice and corn plantings in Andalucía, in favor of less water-demanding crops such as sunflower.

Graph 1. Water Reservoirs



Source: Embalses.net

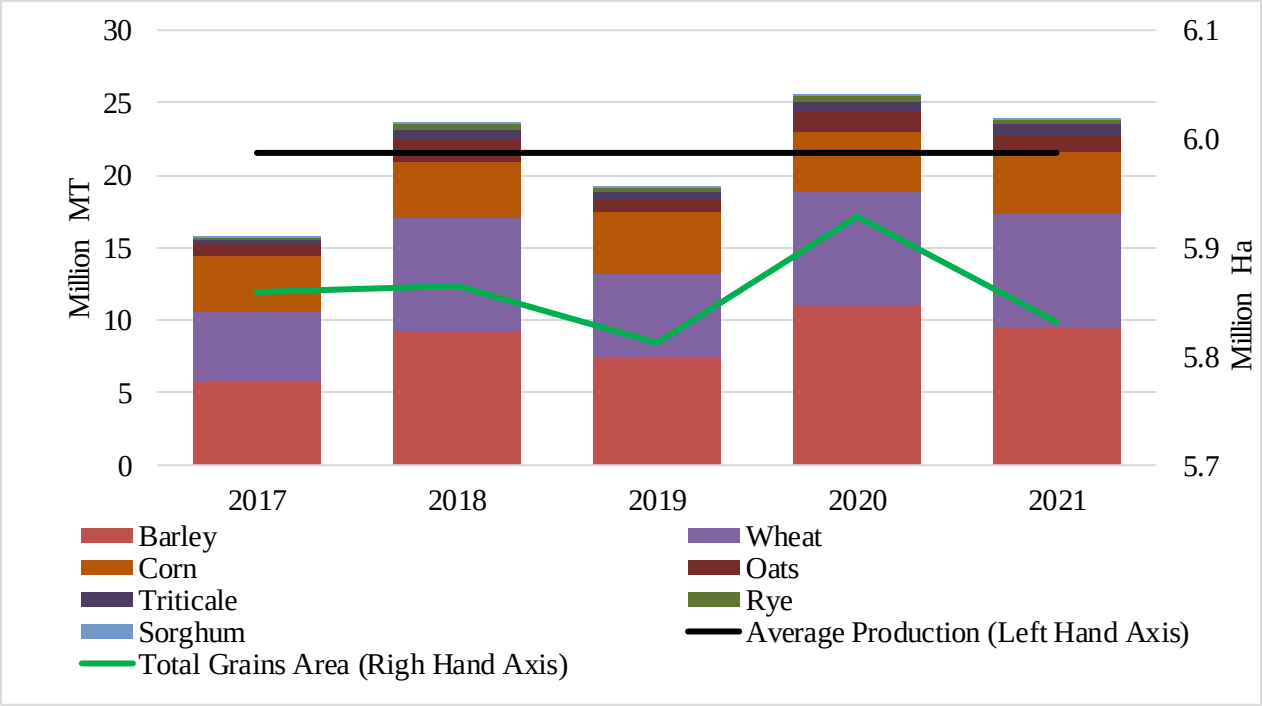
With winter grains harvest operations nearly finished, Spanish grain analysts (**Table 3**) concur that in MY2021/22, Spanish grain production (including winter grains and corn) will be sizeable, although below last year's bumper crop when historically high yields were recorded (**Graph 2** and **Graph 3**). Post pegs Spain's MY2021/22 total grain output, including corn, at nearly 24 MMT.

Table 1. Spain's Winter Grain Production Estimates (1,000 MT)

Crop	MAPA	COCERAL	Cooperatives	ACCOE	ASAJA	Infomarket
Wheat	7,511	7,597	8,196	6,707	6,100	6,923
Soft	6,781	6,760	7,452	6,083	5,600	6,263
Durum	730	837	744	624	500	660
Barley	8,870	10,151	9,435	9,406	8,000	9,298
Oats	1,150	1,212	1,378	1,127	1,000	-
Rye	297	354	300	353	300	-
Triticale	802	728	917	762	600	-
Total Winter Grains	**18,630**	**20,042**	**20,226**	**18,355**	**16,000**	**N/A**

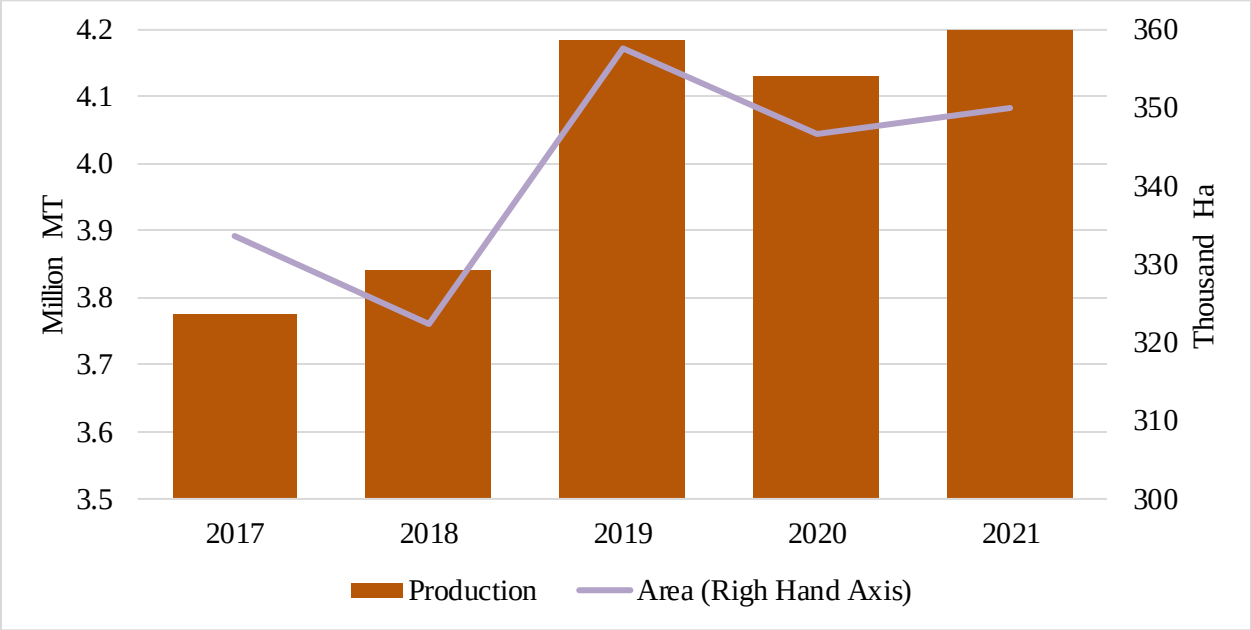
Source: MAPA, COCERAL, Agricultural Cooperatives, ACCOE (Grain Elevators Association), ASAJA (Young Farmers Union) and Infomarket (Private Market Analyst)

Graph 2. Spain Grain Area and Production



Source: FAS Madrid based on MAPA data.

Graph 3. Spain Corn Area and Production

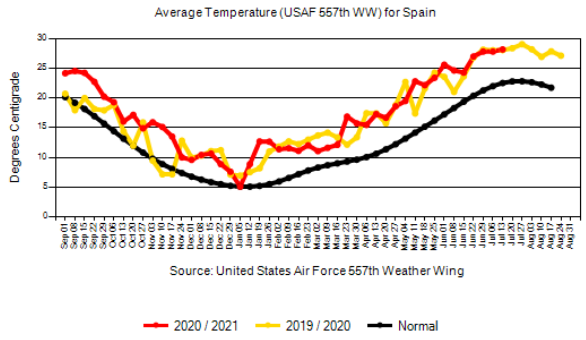


Source: FAS Madrid based on MAPA data.

Weather Conditions and Crop Development

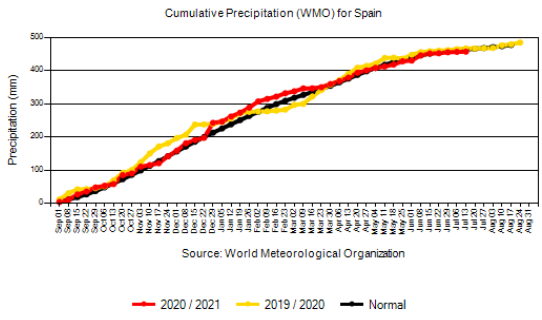
Weather conditions during fall and winter were favorable for crop establishment. Timely precipitations during the fall allowed proper planting operations. Lower than average early winter temperatures (**Graph 4**) were accompanied by abundant precipitations (**Graph 5**) and snowfall, especially in Spain's central plain, which contributed to replenish soil moisture as well as water storage levels in dams (**Graph 1**).

Graph 4. Average Temperatures



Source: IPAD/FAS/USDA

Graph 5. Cumulative Precipitation

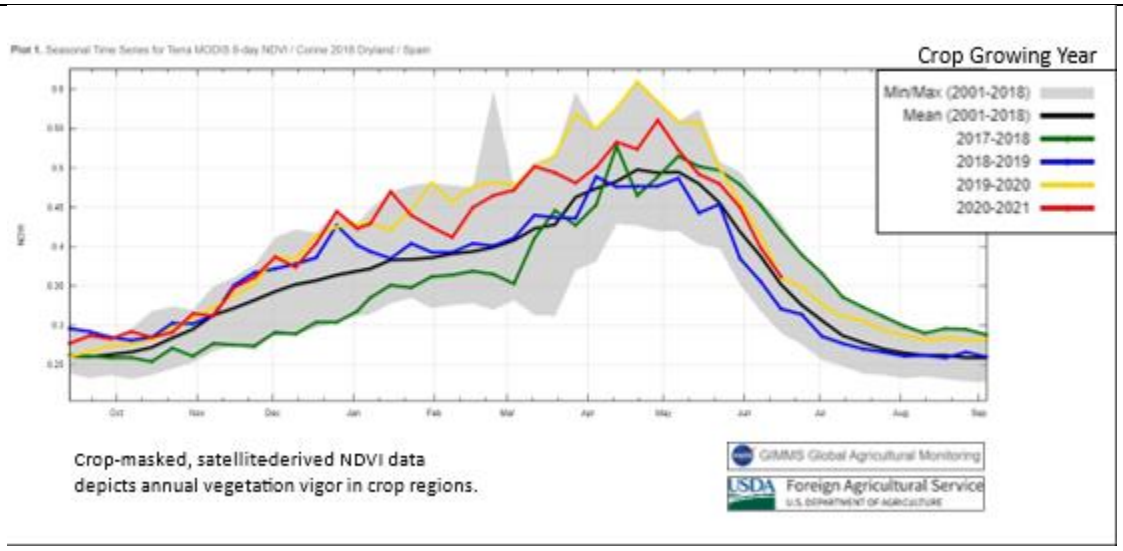


Source: IPAD/FAS/USDA

Warm and dry conditions in early spring triggered concerns over moisture stress. However, mild temperatures during the critical window between mid-April and mid-May delayed winter grains crop development. This resulted in lower water demand by the grain crops, which prevented productivity losses, despite the below average rainfall in main grain growing regions. Aragon in the country´s northeast constitutes an exception to the rule, as over average rainfall was recorded. In the case of Andalucía, Spain's southernmost grain growing region where harvest operations have already finished, industry sources report uneven results: despite the limited rainfall, close to average yields were registered in areas with good soil moisture retention, whereas in other areas significant reductions in yields have been confirmed. End of May and June precipitations restored soil moisture favoring grain fill in Spain's central plain grain producing regions. June warm temperatures and hailstorms are not anticipated to have had significant impact on yields.

The Crop Vegetation Health Index (VHI) for the MY2021/22 crop in Spain has been over average, despite somewhat below the exceptional VHI registered in MY2020/21, which coincided with the largest VHI recorded within the 2001-2018 historical series (**Graph 6**).

Graph 6. Vegetation Index Evolution



Source: IPAD/FAS/USDA

Consumption

Spain's total grain consumption in MY2021/22 is currently projected at nearly 36 MMT, very similar to previous marketing year's levels. Animal feed is Spain's primary grain destination, accounting for over 75 percent of the country's demand. In MY2021/22, Spain's feed grain consumption hinges on livestock products demand in key export markets like China, the status of outbreaks of animal diseases in other EU Member States, and the pace of recovery in the hospitality sector as public-health related restrictions are lifted. In MY2019/20, grain usage was severely affected by the COVID-related strict lockdown that limited in-country consumption of value-added HRI-oriented livestock products. In MY2020/21, the still low HRI activity, combined with the ample pasture availability, prevented the record feed production levels registered in CY2019 from being repeated. While struggling with the commodity prices surge, the export-oriented swine sector coped better with the sanitary crisis than HRI-oriented producers, managing to offset to a certain extent the reductions in the internal market caused by the slowdown in HRI activity and the lack of tourists. For additional information regarding the Spanish Livestock and Poultry situation, see Post's latest GAIN reports.

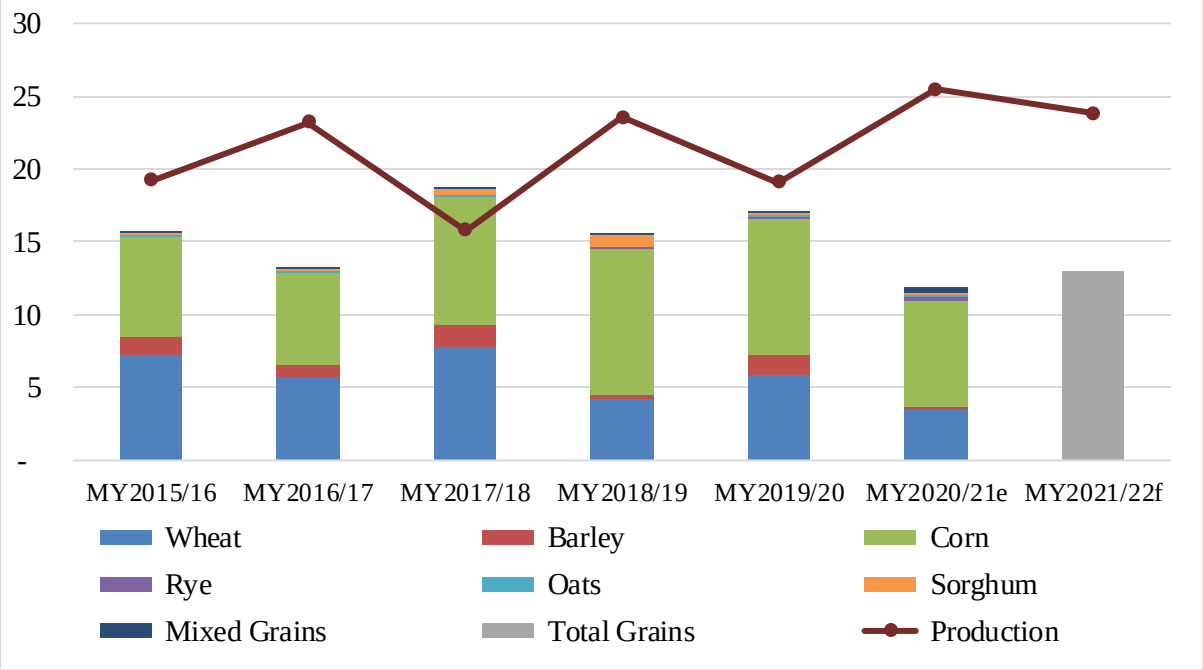
In MY2021/22, grain-based food product consumption is expected to return to a more average pattern as the economy reopens, with Spain's vaccination campaign moving forward although the impact of the new COVID-19 variants needs to be closely monitored. Industry sources report that in MY2020/21, the pandemic resulted in a related increase in retail sales of grain-based food products despite the reduction of sales through HRI channels and tourism. For additional information regarding the Spanish food processing industry, HRI and retail sector situation, see Post's latest GAIN reports.

The Spanish bioethanol industry demand for grain is projected to increase in MY2021/22 after the decline registered in MY2020/21. In MY2020/21, the Spanish bioethanol industry saw the size of their market shrink given reduced fossil fuel consumption in-country and in its main export destinations. The Spain-based bioethanol industry switched to delivering ethanol for medical purposes. This switch, however, only offset a small portion of the decline in bioethanol production. While corn has traditionally been the sole feedstock used in Spain's bioethanol producers, the hike in corn prices triggered barley use in the inland plant since spring 2021. Additional information regarding EU's Bioethanol Sector is available in the latest EU Biofuels Report and in the latest Biofuel Mandates in the EU by Member State Report and Spain Biofuel Policy and Market.

Trade

In MY2021/22, the sizeable crop is anticipated to temper Spain's grain imports, which are currently forecast at 13 MMT, slightly below the average import need of 14 MMT. As the production prospects from drought-affected Brazil deteriorate, Spain is anticipated to shift towards a larger use of domestic grains in the feed formula, followed by intra EU grain purchases (from EU Member States such as France, Romania, Bulgaria, Poland and the Baltic States). In MY2021/22, the larger exportable and more competitive corn supply in Ukraine opens up the possibility of resuming sizeable imports from this origin later in the season, once the Ukrainian crop becomes available.

Graph 7. Spain's Grains Imports and Production (MMT)



Source: FAS Madrid based on TDM data.

Stocks

The over-average crop outlook for MY2021/22 is expected to contribute to a recovery from the low ending stocks registered in MY2020/21, when the tight supply and good prices incentivized grain producers to sell out their stocks. The slow pace of Brazilian *safrinha* corn imports anticipated for the summer months is expected to lead to low corn storage levels in port locations.

Attachments:

No Attachments.