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Rice Market in the Iberian Peninsula – Spanish Rice Producers to switch to Japonica Varieties

Report Categories:
Grain and Feed

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Report Highlights:
Spain is the EU's second largest rice growing Member State after Italy. Limited water availability in certain growing regions limited area planted to rice in MY2012/13. However, rice production remains competitive when compared to alternative crops. Also, the Spanish rice sector has faced new challenges such as decoupled payments starting in MY2012/13. Industry sources indicate that in MY2013/14 there will be a switch from indica rice to japonica varieties productions to reduce the surplus of long-rice in the market, which faces stiff competition from extra EU imports. Portugal, whose area planted to rice is expected to remain stable in MY2012/13 is a net importer and has one of the largest per capita consumption rates within the EU.

General Information:

Abbreviations used in this report

EU European Union
FAS Foreign Agricultural Service
MS Member State(s)
MT Metric ton (1,000 kg)
Ha Hectares (1 ha = 2.471 acres)
N/A: Not available
MAGRAMA Ministry of Agriculture, Food and Environment
MY Marketing Year: January to December
HS Harmonized Codes (for Rice: 100610, 100620, 100630 and 100640)

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

Area and Production

The large majority of rice production in the EU is concentrated in a few Member States, namely Italy, Spain, Greece, Portugal, France, Romania, Bulgaria and Hungary. EU internal rice production contributes to alleviate EU's dependency on rice imports. Also, rice cultivation is critical to protect certain areas from salinization of the soil.

Spain accounts for 30 percent of the rice production in the EU is the EU's second largest rice producer, after Italy (50 percent). Both countries account for approximately 80 percent of EU rice production. Portugal's rice production represents about 6 percent of total EU-27 rice production.

The main rice producing regions in Spain include Andalucía, Extremadura, Cataluña, Comunidad Valencia, Aragón and Navarra. In Portugal, rice production is mainly located in the Alentejo and central region.

In most of the rice growing areas, rice production provides environmental benefits, since rice can be grown in salty soils. In certain areas with high salinity risk, rice cultivation is the only way to keep sea salt water away from the land, by cultivating in rice flooded conditions. Rice cultivation in the Iberian Peninsula implies the use of heavy machinery to level soil. This, combined with the extended use of certified seed, fertilizers, herbicides and pesticides makes Iberian Peninsula's rice production input intensive. In the main rice producing areas, integrated farming practices are carried out. The lack of

herbicides and pesticides approved to manage weed and insect pests is one of the longstanding challenges faced by farmers. Each year's area planted to rice depends strongly on the amount of water available. Area planted to rice can vary from zero, if there is no dam water stored, up to the maximum irrigated land available for rice plantings.

While water availability in Andalucía, the major rice producing region with over 30 percent of the rice area in Spain, allowed for maximum planting levels in MY2012/13, a decline in rice plantings has taken place in other areas such as the Navarra and Aragon where enough water supplies were not guaranteed. Extremadura, Spain's second largest rice growing region, has registered a marginal decline on plantings of about 5 percent, with farmers switching from rice to corn, whose water requirements are lower. This has resulted in an overall decline of about 6 percent in rice area in Spain, with production expected to fall accordingly. Normal yields are anticipated despite the drought conditions in Aragon and the impact of the apple snail presence in the Ebro Valley plantings.

In Portugal, area planted to rice has followed an upward trend over the last five years, due to its higher profitability compared to other irrigated crops such as corn. According to Portugal's National Statistics Institute, a stable area compared to MY 2011/12 is projected for MY 2012/13 since water availability, in the Alentejo region in particular, would not allow for further area increases.

Spain's national average yield stands at nearly 8 MT of paddy per hectare while in Portugal rice yields are somewhat lower, standing around 6 MT of paddy per hectare. While traditionally Japonica varieties have obtained higher yields than indica, certain indica varieties, namely Puntal, reach very good output levels too.

According to the latest official estimates Spain's rough rice production in MY 2012/13 could reach 863,000 MT. Rice plantings and emergence progressed without problems. Official Portuguese Statistics indicate production at 181,000 MT. The dry and sunny weather continues to favor rice crop development in both Spain and Portugal. Pest incidence during summer will be critical to determine final yields.

Table 1. Iberian Peninsula acreage planted to rice (1,000 Ha)

Country	MY2008/09	MY2009/10	MY2010/11	MY2011/12	MY2012/13e
Spain	95	119	123	122	114
Portugal	26	28	29	31	31

Source: MAGRAMA, Portugal's National Statistics Institute and FAS estimates.

Table 2. Production expressed in rough rice (1,000 MT)

Country	MY2008/09	MY2009/10	MY2010/11	MY2011/12	MY2012/13e
Spain	635	914	926	920	863
Portugal	151	162	170	179	181

Source: MAGRAMA, Portugal's National Statistics Institute and FAS Madrid estimates.

Production of indica rice in Spain, grown mainly in Andalucía and Extremadura, experienced a substantial increase in production driven by the demand of indica varieties by other EU MS and stabilized over the last five years period, throughout which indica and japonica represent roughly fifty percent of total production each. The most cultivated varieties include Puntal, Gleva, Gladio and Guadiamar. In Portugal, the Carolino variety is the most extended variety of rice planted and it is consumed domestically.

Table 3. Farm Gate Rough Rice prices (Euros/100 kg)

Price	2009	2010	2011
Spain	30.13	25.73	27.61

Source: MAGRAMA (Ministry of Agriculture, Food and Environmental Affairs)

Future Trends in Production

Industry sources indicate that in MY2013/14 there will be a switch from indica rice to japonica to reduce the surplus of long-rice in the market, which faces stiff competition of extra EU imports. Industry sources in Spain reckon that about 13,000 Ha could switch from indica to japonica rice production. This will reduce the surplus of long-rice in the market, which faces stiff competition of extra EU-imports, and increase production of round rice, which is preferred by Spanish and Portuguese consumers and is increasingly demanded by the export market.

Rice Processing Industry

Official conversion rates are available at EU Regulation (EC) 467/1967. 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

Spain and Portugal's rice consumption has marginally grown throughout the last three years, very likely driven by consumers switching from a higher protein content diet to a higher carbohydrate diet as a result of the reduced purchase power caused by the economic recession.

According to official data, rice consumption increased by 2% in 2010 and grew again marginally in 2011. Rice consumption in Spain throughout 2012 is expected to remain strong. Portugal has one of the highest per capita consumption in the EU (nearly 15 Kg per year) and it is anticipated to remain high strong. While japonica rice is preferred indica consumption continues to grow due to changing eating habits.

Spanish domestic rice consumption equals to approximately 60 percent of total milled production, whereas Portuguese domestic production only covers half of the country's rice demand.

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

Country	2009	2010	2011
Spain	204	209	210
Portugal	164	164	168

Source: MAGRAMA (Ministry of Agriculture, Food and Environmental Affairs), and INE.pt

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

Trade

Spain is a net exporter of rice. At a global level Spain is the seventeenth world largest exporter of rice, including intra EU exports, and only third to Italy and Belgium in exports, within the EU-27.

Other EU Member States such as Belgium, United Kingdom, France, Netherlands, Germany and Portugal are the main destination of the Spain's rice exports. Spain's indica rice production competes with third countries exports to other European Member States, largely dependent on imports. In MY2012/13, as a result of the lower area planted to rice, Spanish exportable supplies have been marginally reduced. Spain mainly exports semi-milled or milled rice (HS code 100630), which on average, represent nearly 50 percent of total exports expressed in milled equivalent.

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

Country of Destination	2007	2008	2009	2010	2011	Jan- May 2012
EU-27	216,314	161,264	127,446	260,124	220,781	98,921
Syria	1,782	2,162	974	7,886	12,230	7,249
United States	2,242	843	1,593	2,867	7,196	2,120
Others	25,260	10,985	18,395	30,997	22,653	4,168
Total	**245,598**	**175,254**	**148,408**	**301,874**	**262,860**	**112,458**

Source: GTA. HS code 1006.

Rice imports to Spain are limited due to the considerable domestic rice production. However, due to rising consumption levels of long grain rice, rice imports have increased. Over 50 percent of Spain's imports – expressed in milled equivalent- consist on husked brown rice (HS code 100620). Spain's main rice suppliers are Brazil, Thailand, Argentina, Uruguay and Pakistan.

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

Country of Origin	2007	2008	2009	2010	2011	Jan- May 2012
EU-27	30,956	19,997	15,648	20,218	15,772	2,285
Brazil	0	772	2,891	488	38,480	1,671
Argentina	0	830	9,951	0	27,613	5,205
Uruguay	71,628	27,156	38,073	8,511	15,883	2,728
Thailand	13,882	15,986	15,286	12,703	10,841	4,753
Pakistan	13,260	14,606	5,148	11,166	10,420	1,091
Others	41,453	30,466	25,225	8,430	9,062	10,478
Total	**171,179**	**109,813**	**112,222**	**61,516**	**128,071**	**51,657**

Source: GTA. HS code 1006.

Portugal is a net importer of rice. Over 75 percent of Portuguese imports – expressed in milled equivalent - consist on husked brown rice (HS code 100620). Other EU Member States are Portugal's main rice suppliers (mainly Spain Italy and France). Main extra EU origins to Portugal include Guyana, Uruguay, Brazil and Argentina.

Table 7. Country of Origin of Portugal's Imports (MT)

Country of Origin	2007	2008	2009	2010	2011	Jan- May 2012
EU-27	25,883	37,148	27,757	32,599	20,656	10,057
Guyana	48,333	43,919	55,763	61,524	33,040	0
Uruguay	6,747	11,186	5,206	5,913	29,085	4,635
Brazil	33	887	2,226	229	9,151	4,552

Argentina	0	251	987	0	5,599	5,322
Cambodia	0	0	0	1,366	4,941	1,224
Suriname	3,078	3,777	46	4,519	4,930	3,523
India	7,791	2,335	938	805	2,610	1,955
Thailand	6,196	17,886	10,038	4,131	1,996	633
Pakistan	2,832	338	240	1,549	1,311	23
Other	70	19,886	6,056	453	649	101
Total	**100,963**	**137,613**	**109,257**	**113,088**	**113,968**	**32,025**

Source: GTA. HS code 1006.

The large majority of Portuguese rice exports consist on broken rice (HS Code 100640), which on average represents over 60 percent of rice exports expressed in milled equivalent. Other EU Member States such as the United Kingdom, France and Belgium are the main destination of the Portuguese's rice exports. As it pertains to third countries, Syria and Angola are Portugal's main buyers.

Table 8. Country of Destination of Portugal's Exports (MT)

Country of Destination	2007	2008	2009	2010	2011	Jan- May 2012
EU-27	17,444	8,082	33,973	25,905	21,444	8,161
Syria	0	0	0	2,425	1,865	0
Angola	507	684	671	1,274	1,760	790
Other	437	244	336	1,104	561	452
Total	**18,388**	**9,010**	**34,980**	**30,708**	**25,630**	**9,403**

Source: GTA. HS code 1006.

While the United States is not among the main suppliers of rice to the Iberian Peninsula, it holds some potential in certain market niches such as specialty rice.

Policy

Between MY2005/06 and MY2011/12 the specific payment for rice amounted to 476.25 Euros per hectare for a maximum of 104,973 hectares, with a total allocated budget of 49,993 million Euros. Direct payments to rice producers were reduced by about 15 percent in MY2011/12 because the production area was over Spain's EU quota. The remaining 647.70 Euros per hectare were integrated into the single payment in MY2005/06, based on production levels in the reference period (years 2000, 2001 and 2002).

Since MY2012/13 the direct payment is integrated in the single payment scheme. Payments are calculated based on reference period MY2007/08 and MY2008/09. According to sources, no changes in terms of area are anticipated as a consequence of the decoupling of the subsidy in 2012, especially in

producing areas where no viable alternative crops to be grown in salty conditions.

Since 2005, direct payments for rice producers in Portugal amount to 453.75 Euros per hectare for a maximum granted area of 24,667 ha. The remaining 617.10 Euros per hectare were integrated into the single payment, regardless or not the farmer to cultivate rice based on production levels in the reference period (years 2000, 2001 and 2002). Since 2012 rice payments in Portugal are fully integrated in the Single Payment Scheme, assistance is calculated based in the reference period 2006, 2007 and 2008.

Rice Industry Contacts

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