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Spain

Canned Deciduous Fruit Annual

2011

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Report Highlights:
In MY 2011/12 Spanish canned peach production is forecast at 95,000 MT, similar to previous year figures. The canning industry in Spain is going through rough adjustments and consolidation of the sector continues due to the financial crisis, the difficulties in the access to credit and the increasing competition from countries like China.

Canned Peaches:

Production:
The latest figures from Spain's Ministry of the Environment and Rural and Marine Affairs (MARM) expect a good fruit crop for MY 2011/12. Table 1 shows Spain's annual harvested production for peaches and pears:

Table 1. Annual Fresh Fruit Production (MT)

	MY 2009/10	MY 2010/11	MY 2011/12
Fresh Peaches	796,100	782,300	854,900
Fresh Pears	464,000	454,000	467,600

Source: MARM

Clingstone peach crops continue their gradual descent, as the demand for fruit intended for processing continue to decrease, although deliveries to processors have remained relatively flat in the last years. This is a result of robust demand in both the domestic fresh market as well as for export, as fresh peaches almost always command a premium price relative to that offered by processors. Furthermore, the inclusion of new varieties in the Spanish productive program (such as the flat peaches or *Paraguaya*) also explains this increase in production. The common factor for current MY in most Spanish producing regions is that the quality and size of the fruit are very acceptable.

In Spain, the canning fruit industry is concentrated in the Murcia Region, particularly for peaches. In this region, during the 2011 summer, the average price for peaches paid by the processing industry was 0.27€/kg for the higher quality fruit. Prices this year were well above those received last year, which barely covered production costs. The causes for this price increase was, in the case of cling peaches, the important reduction in production due to the uprooting of these varieties to pursue more lucrative crops or the fresh market and the damage suffered by the trees from hail in the months of April and May, that affected the main production areas of cling peaches in the Murcia region.

The sector has experienced significant consolidation in the last decade. Market and financial pressure have left around 10 peach and pear processors in the market. The canned fruit industry in Spain is going through a tough situation. The decrease in sales, the increase in costs of production, impossible in some cases to pass on to consumers, the companies' liquidity problems and the lack or the difficult access to credit pushed some traditional companies out of business.

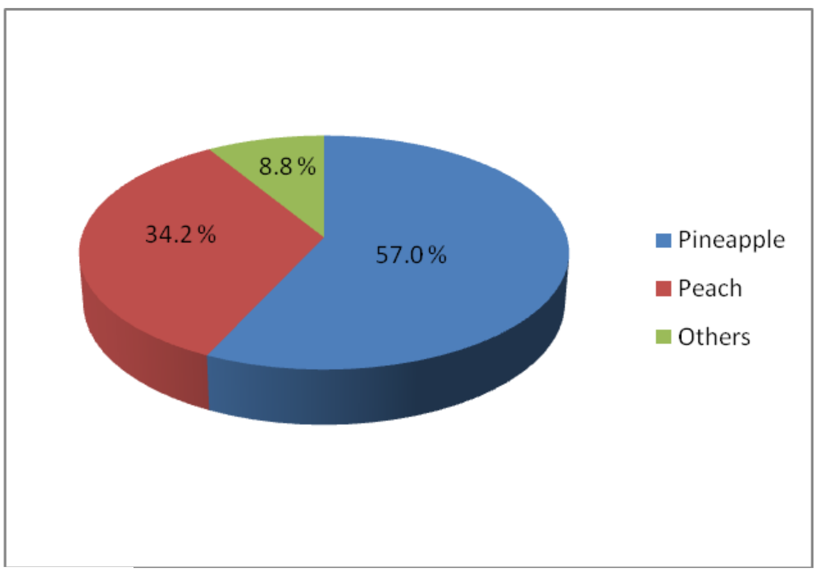
Furthermore, the strong euro makes it difficult for Spanish packers to compete with other canned peach producers. The dollar/euro exchange rate has reduced Spain's competitiveness in the United States with respect to other countries, particularly China.

Thanks to advances in packaging and transportation, consumers can now enjoy fresh peaches throughout much of the year. Processed product innovations - like peach puree - may provide greater margins and, thus, increased incentive for processors to pay higher prices to secure raw product.

Table 2. Canned Peach Production

Peaches, Canned Spain	2009/10	2010/11	2011/12	
Beginning Stocks	20,000	20,000	20,000	(MT, Net Weight)
Production	94,000	100,000	95,000	(MT, Net Weight)
Imports	5,275	3,026	4,000	(MT, Net Weight)
Total Supply	119,275	123,026	119,000	(MT, Net Weight)
Exports	44,359	46,575	50,000	(MT, Net Weight)
Domestic Consumption	54,916	56,451	49,000	(MT, Net Weight)
Ending Stocks	20,000	20,000	20,000	(MT, Net Weight)
Total Distribution	119,275	123,026	119,000	(MT, Net Weight)

Chart 1. Market share of canned fruit by category



Source: Alimarket

Consumption:
Canned fruit consumption has remained stagnant in Spain as consumers prefer fresh fruit when available. In 2010, according to some studies, the consumption of canned peaches plummeted by almost 16 percent, as the result of lower prices of fresh fruit and the availability of more attractive refrigerated products.

According to industry sources, market promotion has not been effective in the past. Canned fruit is a commodity with a mature market and traditional uses. Individual companies have sponsored market promotions and diversified product packaging, but it is difficult to promote the consumption of such products.

Trade:

In 2010, Spain was the second largest EU exporter of canned peaches after Greece and the sixth in the world. Almost all Spanish canned peaches trade occurs within the EU; on the export side, the Spanish industry exports to the Middle East and Switzerland. However, EU countries like France, Portugal and Germany are the major export markets. All of these export markets can also be easily serviced by competitors from within the European Union, as well as from other world exporters, including increasingly tough competitors like China.

Table 3. Spain Canned Peach Imports (MT)

	MY 2008/09	MY 2009/10	MY 2010/11
Germany	1,900	1,492	818
China	978	1,278	570
Portugal	589	768	542
France	313	632	422
South Africa	248	278	256
Greece	679	531	246
Italy	71	98	153
Netherlands	39	31	17
Others	106	168	2
World	**4,924**	**5,275**	**3,026**

Table 4. Spain Canned Peach Exports (MT)

	MY 2008/09	MY 2009/10	MY 2010/11
France	6,377	8,602	10,128
Portugal	8,618	8,376	7,636
United Arab Emirates	3,772	2,790	6,698
Germany	5,250	5,236	4,349
United Kingdom	5,588	5,222	3,097
Switzerland	386	309	1,839
Belgium	1,515	1,515	1,591
Iran	966	2,956	1,547
Others	12,175	9,352	9,709
World	44,646	44,359	46,575

Source: Global Trade Atlas (GTA)
Unit: Gross canned weight converted into net weight by application of a 0.83 conversion factor.

Stocks:
There are no official stock figures available.

Policy:
On January 1, 2008, the Single Farm Payment (SFP) Scheme for peach and pear processing was implemented – initiating the full decoupling of subsidy payments from production. This shift from production support to direct aid to producers is intended to create a more competitive and market-oriented sector and increase the use of eco-friendly cultivation and production techniques. Commission Regulation (EC) No 1580/2007 lays down the rules for the implementation of the reform.

The SFP will be based on the average of the subsidy payments received by producers during the reference period 2003/04, 2005/06 and 2006/07. Only qualified farmers who received a price subsidy during the reference period are eligible to participate in the SFP scheme.

Marketing:
The purée market is expending in Spain and the most important producers have opened a purée line, as it is probably the most interesting product for the industry at the moment. Purée is intended for industrial use to produce fruit yogurt, fruit creams, smoothies, jams, ice creams, etc.

Canned Pears:

Production:

Table 5. Canned Pear Production

Pears, Canned Spain	**2009/10**	**2010/11**	**2011/12**	
Beginning Stocks	2,000	2,000	2,000	(MT, Net Weight)
Production	16,000	15,000	15,000	(MT, Net Weight)
Imports	4,441	4,241	5,000	(MT, Net Weight)
Total Supply	22,441	21,241	22,000	(MT, Net Weight)
Exports	11,363	9,775	10,000	(MT, Net Weight)
Domestic Consumption	9,078	9,466	10,000	(MT, Net Weight)
Ending Stocks	2,000	2,000	2,000	(MT, Net Weight)
Total Distribution	22,441	21,241	22,000	(MT, Net Weight)

Trade:

Table 6. Canned Pear Imports (MT)

	MY 2008/09	**MY 2009/10**	**MY 2010/11**
China	2,675	2,820	2,501
South Africa	32	513	747
Germany	377	526	515
Italy	266	256	293
Portugal	54	76	134
Greece	19	20	20
Others	113	231	31
World	3,536	4,441	4,241

Table 7. Canned Pear Exports (MT)

	MY 2008/09	MY 2009/10	MY 2010/11
France	4,792	5,120	4,122
United Kingdom	662	810	895
Germany	1,185	689	824
Portugal	800	1,143	639
Belgium	543	491	388
Netherlands	291	235	324
Switzerland	208	217	291
Austria	119	100	286
Others	2,423	2,558	2,007
World	11,023	11,363	9,775

Source: Global Trade Atlas (GTA)
Unit: Gross canned weight converted into net weight by application of a 0.83 conversion factor.

Canned Peach Purée:

Trade:

Table 8. Canned Peach Purée Imports (MT)

	MY 2008/09	MY 2009/10	MY 2010/11
Costa Rica	1,856	1,709	2,505
Germany	1,531	2,064	2,398
France	1,133	1,326	1,862
Netherlands	1,267	1,610	1,150
Guatemala	0	590	1,116
Ecuador	432	557	691
Turkey	403	508	535
Switzerland	0	278	512
Others	1,750	1,606	1,640
World	8,370	10,248	12,407

Table 9. Canned Peach Purée Exports (MT)

	MY 2008/09	MY 2009/10	MY 2010/11
Czech Republic	206	115	16,715
France	8,043	5,966	6,182
Netherlands	2,541	3,668	4,985
Germany	4,082	2,356	2,882
Portugal	2,613	2,802	2,024
United Arab Emirates	286	1,443	1,799
Saudi Arabia	639	1,278	1,653
Russia	10	10	1,256
Others	8,096	6,550	6,872
World	26,515	24,188	44,367

Source: Global Trade Atlas (GTA)
Unit: Gross canned weight converted into net weight by application of a 0.83 conversion factor.