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GAIN Global Agricultural Information Network

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Report Name: Spanish Fodder Exports Break New Ceiling

Country: Spain

Post: Madrid

Report Category: Grain and Feed, Dairy and Products

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Report Highlights:

Competition by other crops continues to force Spain's fodder area down. In MY 2022/23 the dry spring is anticipated to have negatively affected yields in non-irrigated land. On the processor side, energy prices will keep forcing margins down. Exports will remain the main outlet for dried fodder production, as internal demand continues shrinking. Despite logistic challenges, Spain's dried fodder exports in MY 2021/22 managed to break a new ceiling, amounting to 1.6 million metric tons (MT), an all-time record.

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Abbreviations and References

AEFA	National Dried Alfalfa Producers Association
CAP	Common Agricultural Policy
EU	European Union
FAS	Foreign Agricultural Service
Ha	Hectares
MAPA	Ministry of Agriculture, Fisheries and Food
MS	EU Member State(s)
MT	Metric ton (1,000 kg)
MY	Marketing year (May/April)
N/A	Not Available
PS&D	Production, Supply and Demand

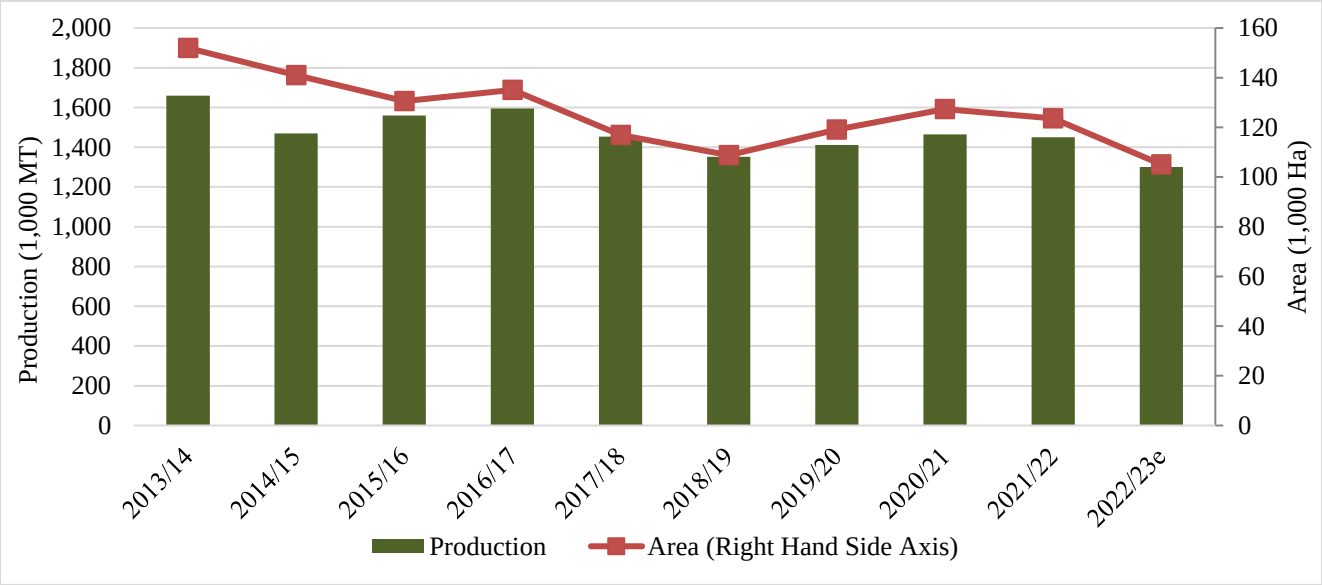
HS Code (Harmonized System) 1214: Rutabagas (Swedes), mangolds, fodder roots, hay alfalfa (Lucerne), clover, sainfoin, forage kale, lupines, vetches, and similar forage products, whether or not in the form of pellets.

Area and Production

In MY 2022/23, area planted to fodder in Spain is expected to continue its downwards trend. In response to soaring prices, farmers have increased their oilseeds plantings, which adds to the competition that fodder crops already face by tree crops or the combination of winter grains with second-crop corn, especially in the Ebro Valley fodder growing area.[1] Industry sources estimate that area planted to fodder may decline by nearly 15 percent in MY 2022/23.

A rainy beginning of spring delayed MY 2022/23 harvest operations, as soil moisture prevented silage harvesters from accessing the alfalfa fields. Additionally, excessive moisture negatively affected the quality of the first cut. The quality of the second cut is expected to improve due to the warmer temperatures and drier conditions prevailing in May and June. However, in non-irrigated fodder growing areas like Castilla y León, the dry conditions prevailing in May negated the initially good yields expectations. The lower planted area and yield expectation is anticipated to force Spain's total dried fodder production down. Post currently estimates Spain's fodder production in MY 2022/23 at 1.3 million MT.

Graph 1. Dried Fodder Area and Production under Contract with Processing Plants



Source: FEGA (Spanish Agricultural Guarantee Fund), AEFA and FAS Madrid estimates.

[1] There are two major alfalfa growing areas in Spain: Castilla y Leon and the Ebro Valley (Aragon and Catalonia). Agricultural practices differ among the above-mentioned alfalfa producing regions.

- In the Ebro Valley area (Aragon and Catalonia), the most cultivated alfalfa variety is "Aragón," with about 75 percent of it cultivated land under irrigation. This is an area oriented to export markets, with the Port of Barcelona as its main exit port.
- In Castilla y Leon, where nearly 70 percent of the alfalfa is non-irrigated, production is devoted to feed the domestic dairy herd. The most popular variety of alfalfa cultivated is known as "Tierra de Campos," which perform well in heavy clay soils.

Processing Industry

Spanish fodder producers use both sun-drying and mechanical dehydration to create dried fodder:

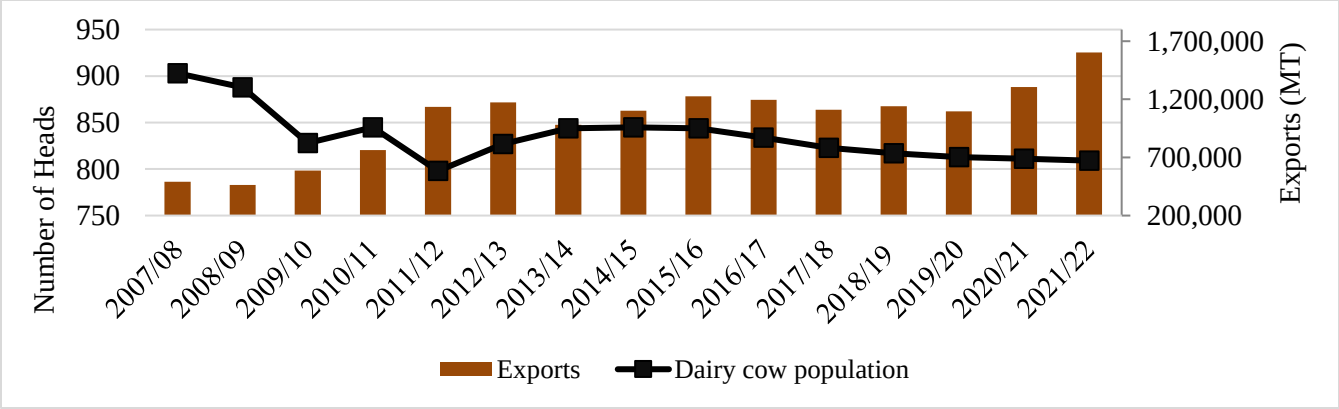
- **Sun-cured fodder:** Sun-cured fodder is normally less homogeneous and is for the domestic market. Sun-cured fodder operations include mowing, which may be combined with conditioning, turning, and tedding to allow an even drying, windrowing, collection, and baling.
- **Dehydrated fodder:** Alfalfa destined for dehydration is cut in the field. After a pre-drying phase in the field, the alfalfa is windrowed and transported to the fodder processing plants. The large majority (85 percent) of the alfalfa is collected and transported by fodder wagons, while the remaining 15 percent is chopped and collected by forage harvesters and transported via trucks to the plant.

Dehydrated fodder represents about 85 percent of the country's fodder production. It is domestically consumed and largely exported. In the fodder processing plants, the alfalfa is classified by quality and moisture. The alfalfa then goes through the processing plant drier (one step trommel), which dries the fodder out with a 300ºC air flow. Moisture levels of the final product fall between 12-14 percent. This process is highly dependent on gas and electricity, prices of which have soared over the past year. The fodder processing industry is making progress in reducing its energy dependency, turning to more affordable sources such as biomass or solar panels. However, the higher operation costs, on top of the increasing prices of maritime freight, are negatively affecting processors and exporters' margins, as only part of the cost increase is being transmitted to the customers.

Consumption

Domestic demand for dried fodder continues to be weak, given the long-term inventory contraction of the Spain's dairy herd initiated in 2013 (**Graph 2**).

Graph 2. Dairy Cow population and Dried Fodder Exports



Source: FAS Madrid based on Eurostat data and FAS Madrid estimates.

For more information, see the latest GAIN reports on the EU Dairy and Products Sector, HRI and Retail Sector situation in Spain.

Trade

Exports are Spain's fodder production main destination. The country continues narrowing the gap with the United States and Australia, the world's two largest fodder exporters.

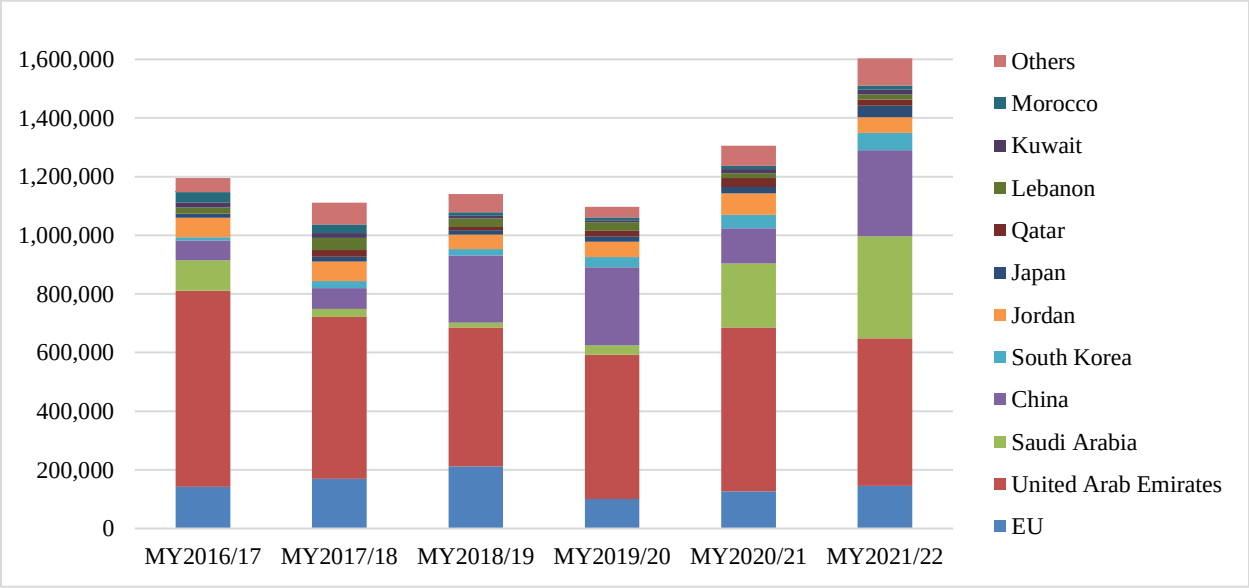
In MY 2021/22, despite struggling with increasing prices of freight, limited availability of containers, and the closure of some Asian ports, Spanish dried fodder exports amounted to 1.6 MMT, setting a new historical record level. However, the constant increase in freight rates have forced exporters to increase their share of sales in the spot market at the expense of longer-term sales.

Again, in MY 2021/22, the Middle East continued to be the largest regional market for Spanish fodder, accounting for 58 percent of export sales. Of special relevance is the increased purchases by Saudi Arabia, which nearly doubled in MY 2021/22.

Despite Middle East dominance as a fodder export destination, Spain's sales to Asian markets have resumed the pace of expansion in MY 2021/22. Since China's retaliatory tariffs on U.S. alfalfa in mid-2018 triggered a three-fold increase, Spanish fodder exports to China have continuously expanded, except for MY 2020/21, when the reduced availability of containers forced sales down, given the country's preference for bales, normally shipped in containers. On a smaller scale, exports to Japan and South Korea continue to expand.

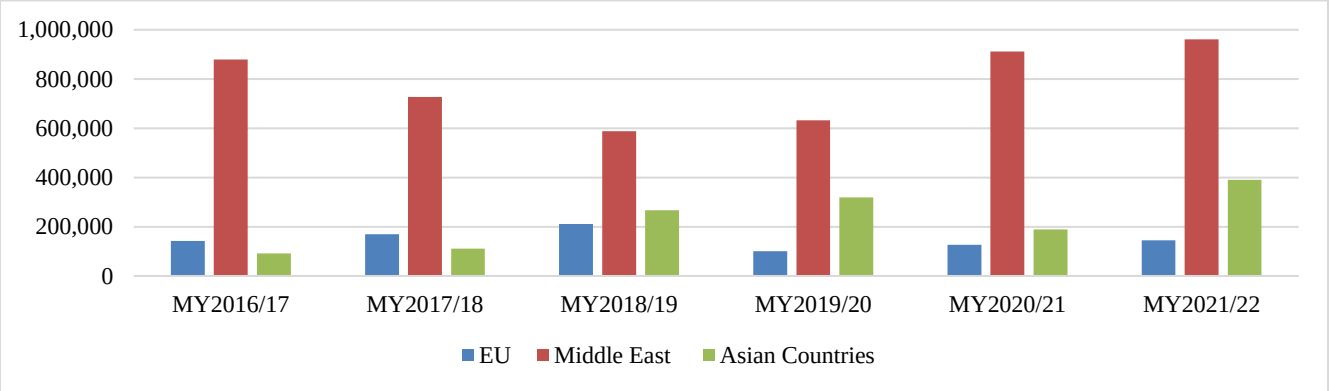
Additional information regarding China's fodder market is available in GAIN Report CH2022-0067.

Graph 3. Total Spanish Exports of Fodder by Country of Destination (MT)*



Source: Trade Data Monitor LLC. * Includes both bales and pellets.

Graph 4. Total Spanish Exports of Fodder by Region of Destination (MT)*



Source: Trade Data Monitor LLC. * Includes both bales and pellets.

Policy

Between 2015 -2022, fodder crops in Spain are eligible for the so-called Basic Payment (BP), which is not crop specific. In the irrigated land of the Ebro basin, where most of the export-oriented alfalfa is grown, industry sources estimate that the Basic Payment would add up to nearly 250 Euros per hectare. In the case of Castilla y León, the other main alfalfa producing region, where alfalfa is grown in non-irrigated land, the amount of support under the Basic Payment may add up to 90 Euros per hectare. Specific payments for fodder crops include the legume specific payment (for vetch, soybeans, *lathyrus cicera*, *lathyrus sativus* and non-irrigated alfalfa). However, support levels (less than 60 Euros per hectare) are not sufficient to significantly influence planting decisions, which are ultimately based on crop margin expectations. According to Spain's Strategic Plan Draft presented for EU Commission's approval for 2023-2027, as of MY 2023/24, Spain's fodder growers will be eligible for the Basic Income Support for Sustainability Payment, the Redistributive Payment, and will be able to adhere on a voluntary basis to the appropriate eco-schemes.

Related Reports

Report Title	Date Released
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Spanish Alfalfa Consolidates Its Presence in China	06/25/2020
Spanish Dried Fodder Exports to China hit Record Levels	07/26/2019
Spanish Fodder Continues to Seek New Export Markets	09/12/2018
Fodder Demand in the Middle East Drives Spanish Export Growth	06/16/2017
Saudi Arabia: Saudi Arabian Alfalfa Hay Market	02/27/2017

Attachments:

No Attachments.