

GAIN Report

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Spain

Tree Nuts

Annual

2003

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Report Highlights: Spain's 2003 almond production is projected at 52,000 tons (shelled basis) or about 21 percent less than last year. The hazelnut harvest is projected at about 17,000 tons (in shell basis), down 23 percent from 2002. During MY 2002/03 both almond imports and exports are growing significantly. Depressed hazelnut prices are causing increased pressure on farmers. The just-approved EU CAP Reform includes a new support scheme for tree nuts, which can be supplemented by national funds up to a level similar to the previous tree nut improvement program.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1], SP

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EXECUTIVE SUMMARY

Spanish almond production for MY 2003/04 is projected at about 52,000 tons, some 14,000 tons less than the previous year. The hazelnut crop is projected at 17,000 tons, or some 5,000 tons less than in 2002.

The trade in almonds, both imports and exports, is significantly increasing in the current MY 2002/03 (September-August). Almond exports are projected to increase to 60,000 tons, up 5,000 tons from MY 2001/02. Almond imports experienced an impressive growth MY 2001/02 when they increased to about 42,000 tons, some 12,000 tons more than in the preceding year. For the current MY 2002/03, a further growth is expected, to about 50,000 tons. Spain is increasingly the major processing and distribution center for California almonds in Europe. Trade sources say that between half to two-thirds of the California almonds imported into Spain are subsequently re-exported – in one form or another – to other EU countries.

Trade in hazelnuts is also growing: imports and exports in the current MY 2002/03 are also projected to grow to 14,000 tons and 12,000 tons, up 2 and 30 percent respectively.

Spanish almond prices are firm due to reports of lower California almond supplies and strong domestic and export demand. Hazelnut prices, however, have continued to decline during MY 2002/03 due largely to stiffened competition from Turkish hazelnuts in Europe. These low prices have placed the hazelnut industry in a critical situation.

The reform of the Common Agricultural Policy (CAP) approved at the end of June includes a new support scheme for tree nuts. Beginning with 2005, Spanish tree nut (including carob) producers will receive a payment of euro 120.75 per hectare from the EU which may be supplemented with Member State's funds with an additional payment up to euro 120.75 per hectare. The maximum payment that Spanish producers could receive (euro 241.50 per hectare) would be equivalent to the support given under the EU's previous tree nut improvement program. Under the new support system, Spain will have a Maximum Guarantee Area of 558,000 hectares, out of the EU total of 800,000 hectares.

Spain has recently eased its procedures for EU health alerts due to unacceptable levels of aflatoxins in nut shipments.

NOTE: The conversion rate used for almonds, in-shell to shelled is 1 = 0.27. Conversion rate for hazelnuts, in-shell to shelled is 1 = 0.45.

Current exchange rate: 1 EURO = \$1.14; a year earlier: 1 EURO = \$1.00.

PRODUCTION

Almonds

Spring frosts and a summer drought, coupled with a low year of the alternate bearing cycle, reduced the Spanish almond crop in 2003. The size of the harvest is currently forecast at about 52,000 tons, some 14,000 tons less than the previous year.

Almond production takes place mainly in regions bordering the Mediterranean, primarily in Andalucia and Valencia. The regions of Murcia, Catalonia, Aragon, the Balearic Islands and Castilla-La Mancha are also significant production areas.

Since only about 7 percent of almond orchards are irrigated, the level of output is highly dependent on rainfall. Marcona, Largueta, Planeta, Valencia (Comuna) and Mallorca are the most important almond varieties grown in Spain.

Producer prices in 2002 for in-shell almonds averaged euro 0.69 per kilogram, or about two cents more than in 2001. They have continued to increase during the first months of 2003. Wholesale almond prices have recently picked up. In July 2003, shelled "largueta" type nuts sold for euro 3.40 per kilogram. Despite this gain, wholesale prices are still 50 cents less than a year earlier.

Hazelnuts

The hazelnut harvest in MY 2003/04 (September-August) is expected to reach about 17,000 tons, in-shell basis, which is 5,000 tons less than in the preceding MY.

About 60 percent of Spain's hazelnut orchard area is under irrigation. Catalonia is the leading hazelnut producing region, accounting for approximately 93 percent of the total area planted. Within this region, the province of Tarragona accounts for 88 percent of the total, with the rest in the provinces of Gerona and Barcelona. "Negreta" is the principal variety of hazelnut grown in Spain, comprising nearly 80 percent of total production.

The average producer price for hazelnuts has dramatically declined since the beginning of the MY 2001/02 due largely to stiff competition from Turkish hazelnuts in European markets. Consequently, the average producer price for in-shell Negreta variety has declined from euro 1.17 per kilogram in October 2001 to euro 0.55 in March 2003. This has placed Spanish hazelnut growers in a critical situation. Wholesale prices have declined to euro 1.50 per kilogram, shelled Negreta basis, in July 2003, compared with euro 2.25 in July 2002 and euro 3.67 in July 2001.

CONSUMPTION

Almonds

There is a general upward tendency in nut consumption in Spain. Tree nuts are a traditional component of the "Mediterranean diet" which is being heavily promoted as a particularly healthy diet. As a result of increased health awareness, tree nut consumption has grown in Spain over the past several years. For CY 2002, total nut consumption reached 104,000 Mt, an 11 percent gain over the previous year. Peanuts and almonds are the leading products, followed by walnuts, pistachios, sunflower seed, hazelnuts and squash seeds.

Almond consumption in MY 2002/03, however, is likely to decline moderately due to the reduced domestic crop.

The confectionery industry accounts for about 70 to 80 percent of Spanish consumption of almonds; most of the rest is consumed as snacks. The nougat industry is a major consumer of almonds. Nearly all of the industry's consumption occurs in the months before Christmas, since nougat is a traditional holiday treat. As snacks, the main almond items consumed are unblanched roasted almonds and blanched fried almonds. They are mainly marketed in small snack packs.

The domestic Marcona variety is generally used for premium brands of almond products, such as nougat, because of its distinctive taste and higher oil content. Domestic almonds are also generally used for snack products, roasted unblanched almonds in particular, because they are easily peeled by consumers. U.S. almonds are used for most other almond products. Relative prices generally determine the proportion of domestic and U.S. almonds used in almond-based products.

Due to their uniformity and low breakage, U.S. almonds are generally preferred by processors for food ingredients, including almond flour, dices and fillets. U.S. almonds are also generally preferred for the production of sugared almonds.

Hazelnuts

During the current 2002/03, hazelnut consumption is expected to increase significantly in response to very low prices.

The confectionery and chocolate industries use about 60 - 70 percent of domestic supplies. Hazelnuts are also used for snacks and are often marketed in snack packs.

TRADE

General

Nut imports have practically doubled during the past four years – to nearly 120,000 tons in MY 2001/02. In that four-year period, both almond and hazelnut imports increased by over 60 percent, to 42,000 tons and 14,000 tons, respectively. Walnut imports more than doubled, to 35,000 tons. Pistachio imports have shown the most rapid growth, from 5,600 tons in MY 97/98 to 14,200 tons in MY 2001/02. Other nut imports growing rapidly into Spain include chestnuts and pine nuts.

Almonds and hazelnuts are the main exported nuts, averaging 47,000 tons, shelled basis, and 10,000 tons in shelled basis, during the last five marketing years (MY 97/98 through MY 01/02).

Almonds

During the current MY 2002/03, almond imports are running well above last year's pace. During the first eight months (September-April) of MY 2002/03, imports have totaled 31,574 tons, shelled basis, of which 29,580 tons (94 percent of total) were imported from the United States. This total is 11 percent higher than the same period of MY 2001/2002. ABC data for California export deliveries to Spain show an even larger increase (19 percent through May 2003). For the entire MY 2002/03, Spanish almond imports are projected at 50,000 tons, or about 8,000 tons more than in the preceding year.

Given the short crop expected this year, imports MY 2003/04 should reach a record 55,000 tons. A high proportion of this amount will come from California.

During the first eight months (September-April) of MY 2002/03, Spanish almond exports reached 42,763 tons, up 18 percent from the same period of the previous MY (36,147 tons). Total exports in MY 2002/03 are expected to increase to 60,000 tons, or some 5,000 tons more than the previous MY. Other EU markets are the major destinations of Spanish almond shipments, representing about 86 percent of total exports in MY 2002/03.

A significant part of the California almonds imported into Spain are subsequently re-exported in the form of whole or blanched almonds and processed almond products (flour, dices and fillets). Trade sources estimate that between 50 and 65 percent of California almond imports are re-exported to other EU countries.

Two tariff categories for non-bitter almonds are listed in the Integrated Tariff of the European Union (TARIC). The current import duty rates are as follows:

0802.11.90 In-shell almonds: 5.6 percent
0802.12.90 Shelled almonds: 3.5 percent

However, a WTO global EU annual tariff quota of 90,000 tons at a reduced import duty rate of 2 percent is applicable, and Spanish almond importers may benefit from this tariff quota for imports from outside the EU. As is the case with locally produced food products, a 7 percent Value Added Tax (VAT) is imposed on almond imports.

Hazelnuts

During the period September 2002-April 2003 (first eight months of the MY), hazelnut imports increased

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nearly 2 percent (to 10,661 tons) from the same period of a year earlier; for all of MY 2002/03, they are projected to remain stagnant at 14,000 tons. Turkey is by far the major supplier (with a 85 percent import market share in MY 01/02). U.S. hazelnut exports to Spain increased to 673 tons in MY 01/02 from 446 tons in MY 2000/01.

Spanish hazelnut exports during the first eight months of the current MY 2002/03 were up 29 percent (to 6,615 Mt), in-shell basis, from the comparable period a year earlier. For the entire marketing year MY 2002/03, exports are projected at 12,000 tons, or some 3,000 tons more than in the previous MY.

Two tariff categories for hazelnuts are listed in the Integrated Tariff of the European Union (TARIC). The current import duty rates are as follows:

0802.21.00.0	In-shell hazelnuts	3.2 percent
0802.22.00.0	Shelled hazelnuts	3.2 percent

As with domestic products, a 7 percent Value Added Tax (VAT) applies to imports.

Factors Affecting Trade - Mycotoxin Limits

On January 1, 1999, stricter EU limits on aflatoxin in nut products became applicable in Spain. These limits were set in Commission Regulation EC 1525/98, and more recently in Commission Regulation EC 466/2001. For nuts (including almonds) and dried fruit intended for direct human consumption or as an ingredient in foodstuffs, the maximum limits are 2 PPB (2 parts-per-billion or 2 micrograms/kilogram) for aflatoxin B1 and 4 PPB (4 micrograms/kilogram) for aflatoxins B1, B2, G1 and G2 combined. The Regulations, however, establish 5 and 10 micrograms/kilogram limits respectively for nuts and dried fruit to be subject to sorting or other physical treatment before human consumption or use as an ingredient in foodstuffs. Needless to say, the sorting or the physical treatment applied must reduce the aflatoxin levels down to the 2 and 4 PPB limits described above.

Until recently, when aflatoxin was detected in a shipment of imported almonds, **all** subsequent incoming almond shipments from the country of origin were required to be tested and were held in port until test results were obtained. Such alerts were normally lifted only after ten subsequent shipments from the country or origin were tested and found to be within the established limits. This procedure, which has been the standard in Spain since the implementation of the EU regulation, has been costly and time consuming for importers.

Spain has recently shifted its surveillance to individual companies. Now when aflatoxin is detected in a shipment of imported almonds, mandatory testing is required only on subsequent shipments from the originating grower or packer. This procedure can be applied only if the shipping documentation identifies the originating grower or packer (not the shipper). In addition, Spanish authorities have reduced the number of satisfactory tests for lifting alerts from ten to three. So far in CY 2003, alerts have been placed on two U.S. almond companies.

POLICY

The EU fruit and vegetable (F&V) regime distributes Operational Funds through producer organizations (POs), which are voluntarily formed by groups of growers and cooperatives. To obtain EU Operational Funds, each PO must determine how much it can contribute towards its own Operational Fund for the year. The EU will

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then match the PO's contribution. There is a maximum limit to the level of Operational Funds, which is 4.1 percent of the PO's annual sales. These funds are generally used for the financing of fruit and vegetable withdrawal operations (but not nuts), and may be used for investments in operational programs such as improvement of irrigation systems, upgrading technical systems and environmental protection measures. In Spain, less than half of all fruit and vegetable production is under POs. Moreover, only the larger POs that are able to set-up operational funds are eligible to receive EU support.

The EU has recognized the importance of the tree nut sector in Spain (some 140,000 families derive income from this activity, many of them located in some of Spain's poorest areas) and has acknowledged that a lack of support specifically for tree nuts could have a major effect on the sector. As a result, the reform of the Common Agricultural Policy (CAP) just approved, includes a new support scheme for tree nuts that growers have been long seeking to replace the "temporary" tree nut improvement, a 10 year-program which after 2 extensions finally ended in June 2002.

Beginning with 2005, Spanish tree nut (including carob) producers will receive a payment of euro 120.75 per hectare from the EU. Member States will have the option of supplementing this payment with an additional payment up to euro 120.75 per hectare. This will apply to a Maximum Guarantee Area for Spain of 558,000 hectares, out of the EU total of 800,000 hectares. The maximum payment that Spanish producers could receive (euro 241.50 per hectare) would be equivalent to the support given under the previous tree nut improvement program.

Although farmers' organizations have welcomed the new support scheme, some have claimed that the rate is not sufficient as to maintain all the existing tree nut farms in Spain. While Spanish farmers can count on the EU payment, obtaining the supplement from their own government may not be easy. Under Spain's decentralized system, funding for the supplement will have to come from both the National and Regional Governments. Since neither is eager to take on new outlays, just how much farmers will end up receiving is still up in the air. Conceivably, the supplement could vary from Region to Region.

MARKETING

Almonds

Domestic growers are generally grouped into cooperatives, which process and market their almonds both domestically and internationally.

Almonds and hazelnuts are the base of three important industries in Spain: 1) roasters for the production of almond and hazelnut snacks, generally in packs; 2) candy producers, who make nougat, marzipan, ice-cream and chocolate products; and 3) bakers. Although there has been some consolidation, these industries are still composed of a large number of companies. The location of these industries is now more widespread throughout the country; in years past, they were more concentrated in the two traditional areas: the Regions of Valencia and Catalonia.

Three companies specialize in processing almonds into food ingredients. Although they also utilize domestic almonds, they are the main importers of U.S. almonds into Spain. As indicated above, they export more than half of their production made with U.S. almonds to other European destinations. Tradition and know-how, but

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above all logistics – immediate delivery in particular -- are the reasons they are competitive in other European markets.

Hazelnuts

The bulk of the domestic crop is traded in-shell, as are imports of U.S. hazelnuts. In contrast, all Turkish hazelnut imports are shelled. Located in the hazelnut producing area, Reus (near the city of Tarragona in Catalonia) is a leading Spanish wholesale market for nuts, including hazelnuts and almonds.

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TABLES

Production, Supply & Distribution Table - Almonds, Shelled

PSD Table						
Country	Spain					
Commodity	Almonds, Shelled Basis		(HA)(1000 TREES)(M T)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		09/2002		09/2003		09/2004
Area Planted	792	670	790	670	0	670
Area Harvested	780	650	778	650	0	650
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	500	500	6000	5500	4000	4500
Production	68000	66000	58000	52000	0	59000
Imports	45000	50000	45000	55000	0	50000
TOTAL SUPPLY	113500	116500	109000	112500	4000	113500
Exports	56500	60000	55000	58000	0	59000
Domestic Consumption	51000	51000	50000	50000	0	50000
Ending Stocks	6000	5500	4000	4500	0	4500
TOTAL DISTRIBUTION	113500	116500	109000	112500	0	113500

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Import Trade Matrix - Almonds, Shelled

Import Trade Matrix			
Country	Spain		
Commodity	Almonds, Shelled Basis		
Time period	Marketing Year	Units:	Marketing Year
Imports for:	2000	Metric Tons	2001
U.S.	26591	U.S.	37768
Others		Others	
EU countries	2240	EU countries	3519
Australia	224	Chile	193
Iran	208	Morocco	154
Morocco	198	Australia	146
Algeria	37	Switzerland	41
Switzerland	14	Algeria	33
Norway	13	Argentina	32
Israel	4	Iran	17
Japan	3	India	10
		Brazil	10
Total for Others	2941		4155
Others not Listed	1		6
Grand Total	29533		41929

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Export Trade Matrix - Almonds, Shelled

Export Trade Matrix			
Country	Spain		
Commodity	Almonds, Shelled Basis		
Time period	Marketing Year	Units:	Marketing Year
Exports for:	2000		2001
U.S.	20	U.S.	76
Others		Others	
Germany	17140	Germany	19125
France	8885	France	8982
Italy	7987	Italy	5009
Netherlands	3909	Belgium	3322
Belgium	3751	Netherlands	2893
Portugal	1522	Portugal	1425
United Kingdom	1205	United Kingdom	1378
Switzerland	1104	Switzerland	1211
Greece	690	Greece	1018
Sweden	643	Tunisia	735
Total for Others	46836		45098
Others not Listed	4275		5305
Grand Total	51131		50479

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Production, Supply & Distribution Table - Hazelnuts, In-Shell

PSD Table						
Country	Spain					
Commodity	Filberts, Inshell Basis		(HA)(1000 TREES)(M T)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		09/2002		09/2003		09/2004
Area Planted	23	24	23	23	0	23
Area Harvested	21	21	21	21	0	21
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	12000	12000	9000	11000	5000	8000
Production	22000	22000	20000	17000	0	24000
Imports	10000	14000	11000	14000	0	13000
TOTAL SUPPLY	44000	48000	40000	42000	5000	45000
Exports	12000	12000	12000	10000	0	13000
Domestic Consumption	23000	25000	23000	24000	0	25000
Ending Stocks	9000	11000	5000	8000	0	7000
TOTAL DISTRIBUTION	44000	48000	40000	42000	0	45000

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Import Trade Matrix - Hazelnuts, In-Shell

Import Trade Matrix			
Country	Spain		
Commodity	Filberts, Inshell Basis		
Time period	Marketing Year	Units:	Marketing Year
Imports for:	2000	Metric Tons	2001
U.S.	446	U.S.	673
Others		Others	
Turkey	5871	Turkey	12133
France	1436	Italy	486
Netherlands	415	Netherlands	411
Italy	397	France	359
Azerbaijan	138	Greece	101
Georgia	129	Azerbaijan	78
Greece	106	Georgia	12
Germany	59	Germany	7
Egypt	33	Belgium	2
Venezuela	15		
Total for Others	8599		13589
Others not Listed	19		0
Grand Total	9064		14262

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Export Trade Matrix - Hazelnuts, In-Shell

Export Trade Matrix			
Country	Spain		
Commodity	Filberts, Inshell Basis		
Time period	Marketing Year	Units:	Marketing Year
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Germany	6679	Germany	3779
Poland	1280	Italy	924
Denmark	757	Poland	713
France	732	France	598
Italy	722	Venezuela	361
Austria	387	Mexico	249
Venezuela	337	Russia	176
Portugal	161	Denmark	132
Mexico	95	Portugal	123
Czech Rep.	88	Hungary	55
Total for Others	11238		7110
Others not Listed	361		303
Grand Total	11599		7413