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Spain

Grain and Feed Update

Barley vs. Wheat Use for Ethanol Production

2006

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Report Highlights:

One of Spain's major ethanol producers recently announced a change in sourcing feedstock for its ethanol production plants. The announcement could have implications for already-lagging exports of North American high-quality wheat.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1]
[SP]

The prospects for additional North American high-quality wheat shipments to Spain may be further dampened as a result of Abengoa's, Spain's largest producer of ethanol, recently-announced decision to switch from wheat-to-barley as its primary raw-material source for ethanol production. This decision will mean an additional 50 thousand tons of wheat per month available within the Spanish market. While the wheat in question is very likely to have been of the poorest quality available on the Spanish market, it may free-up better-quality Spanish wheat to be milled, which, in turn, may require less high-protein, high-quality Hard Red Spring wheat as a compliment to produce the required flour quality.

U.S. high-quality wheat exports to Spain this year have been languishing because; Spanish importers and flour millers have been resisting the very high world prices for high-quality wheat. The Abengoa decision may favor of local wheat importers/millers, now with additional wheat available to the local market place. The barley vs. wheat decision results certainly from the price dynamics in the local market, where both local barley and wheat production have rebounded from last year's drought reduced crop, and from the local price affects of the world wheat market. Regarding local pricing, barley vs. wheat, the Spanish Ministry of Agriculture currently estimates the 2006 wheat crop at about six million tons, up from about four million in 2005, and estimates the 2006 barley crop at almost double last year's 4.4 million ton crop.