USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/23/2007

GAIN Report Number: SP7027

Spain

Tree Nuts

Annual

2007

Approved by:
Stephen Hammond
U.S. Embassy

Prepared by:
Stephen Hammond

Report Highlights:
California almond producers and exporters have taken a proactive approach to testing for aflatoxin in almond exports to the European Union, which will very likely lead to fewer almond container rejections at Spanish ports of import during marketing year 2007. Spanish importers and almond processors need U.S. almonds to sustain their domestic and export markets and will likely import near-record levels during marketing year 2007, including at an increased pace in early marketing year 2007.

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

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Executive Summary

The European Commission's (EC) new almond aflatoxin testing requirements (SP7008) will not likely reduce marketing year (MY) 2007 exports of California almonds to Spain. While the EC has implemented many health/precaution-related regulations that have reduced or eliminated U.S. agricultural products from the European market, that will not be the case for U.S. almonds. Spanish almond processors and almond-product manufacturers need California almonds to meet the demand for their almond-based products, and the California almond exporters need the Spanish market. The two groups have undertaken complementary efforts designed to keep California almonds in the Spanish market (please see section on trade).

Spain is the world's second most important producer of almonds; second only to California. The most prominent California-grown almond variety is the Nonpareil, while the most prominent varieties grown in Spain are the 'Marcona' and 'Desmayo Largueta' (about 50 percent of production combined). Because the varieties are so distinct, they are not necessarily "in competition" for the same market space in Spain and many other European markets where Spanish almonds/products are marketed. The result is that Spanish almond exports tend to track domestic production and domestic stocks, with stocks showing a lagged effect (please see production and stocks), while imports tend to track almond products consumption and exports (please see section on domestic consumption).

Additionally and complimentarily, Spanish almond exports and imports are at near-equivalent levels, with notable variances registered only when Spanish production falls precipitately, as was the case with MY 2004 production (please see trade section for further information). For MY 2007, we expect Spanish exports to drop somewhat from MY 2006, when Spanish almond producers harvested a near-record 82.6 thousand ton crop, because we expect MY 2007 production to be down by more than 20 thousand tons from MY 2006 production (please see section on production and stocks for additional information).

Commodity Name: Almonds

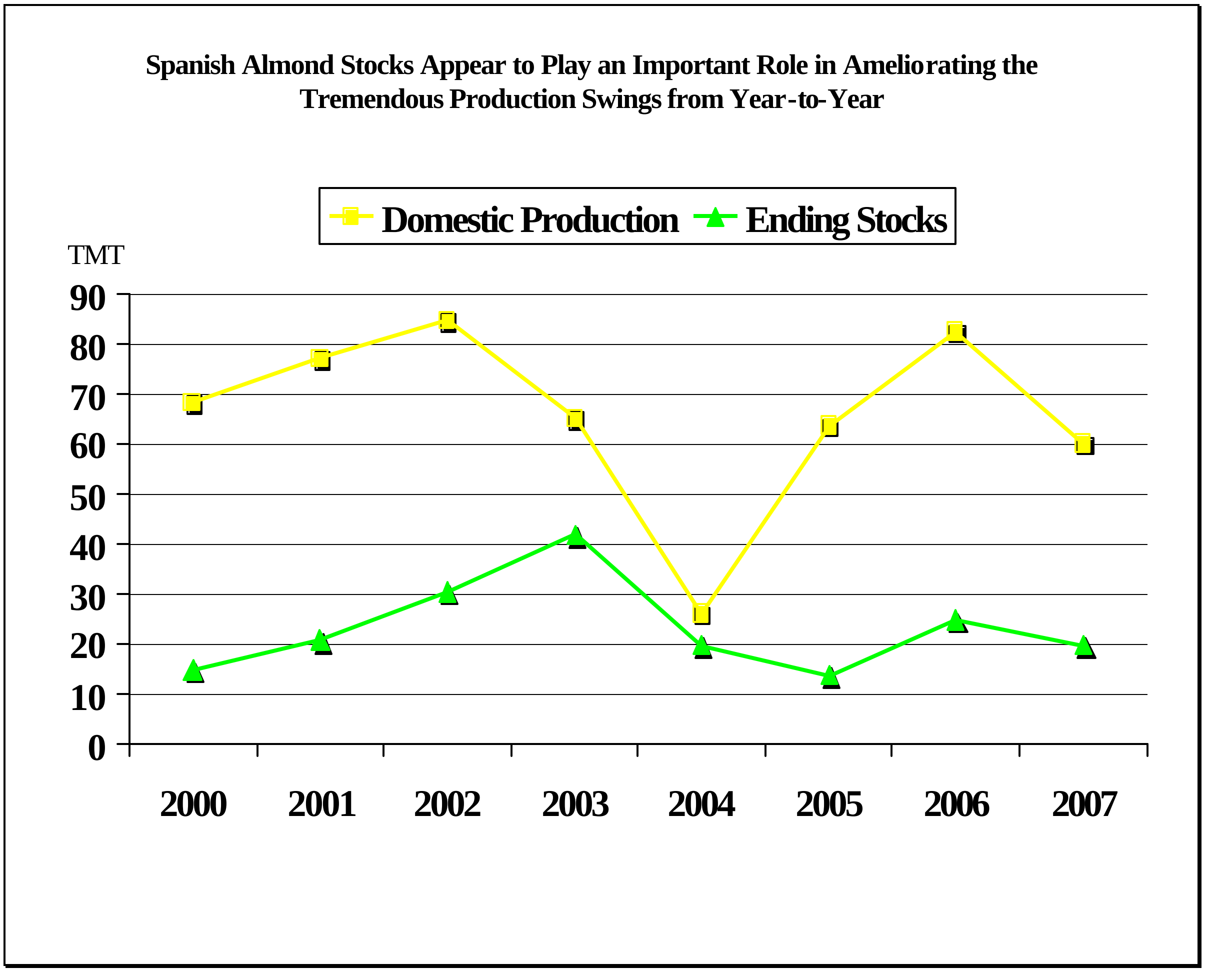
Production, Supply & Distribution (PSD) Table

PSD Table

Commodity	**Almonds, Shelled Basis**						(HA)(1000 TREES)(MT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	728613	660000	625500	728613	660000	617832	0	0	617832	(HA)
Area Harvested	660461	641700	585300	660461	641700	521085	0	0	521085	(HA)
Bearing Trees	0	0	0	0	0	0	0	0	0	(1000 TREI
Non-Bearing Trees	0	0	0	0	0	0	0	0	0	(1000 TREI
Total Trees	0	0	0	0	0	0	0	0	0	(1000 TREI
Beginning Stocks	5667	5182	19824	6000	4182	13720	5000	3182	24795	(MT)
Production	63485	61000	63485	68000	65000	82575	0	0	60000	(MT)
Imports	49245	40000	49283	44000	37000	55500	0	0	57000	(MT)
Total Supply	118397	106182	132592	118000	106182	151795	5000	3182	141795	(MT)
Exports	59397	50000	50872	61000	51000	58000	0	0	52000	(MT)
Domestic Consumption	53000	52000	68000	52000	52000	69000	0	0	70000	(MT)
Ending Stocks	6000	4182	13720	5000	3182	24795	0	0	19795	(MT)
Total Distribution	118397	106182	132592	118000	106182	151795	0	0	141795	(MT)

Sources:
Note--All almond data in this report are shelled-weight basis, with in-shell data divided by 3.3 to convert to a shelled basis
--Area Planted/Area Harvested and Production: MAPA through MY 2006--MY 2007 FAS/Madrid
--Domestic Consumption and Stocks: FAS/Madrid
--Trade – Global Trade Atlas (GTA) through MY 2005--FAS/Madrid MY 2006 and 2007

Production and Stocks



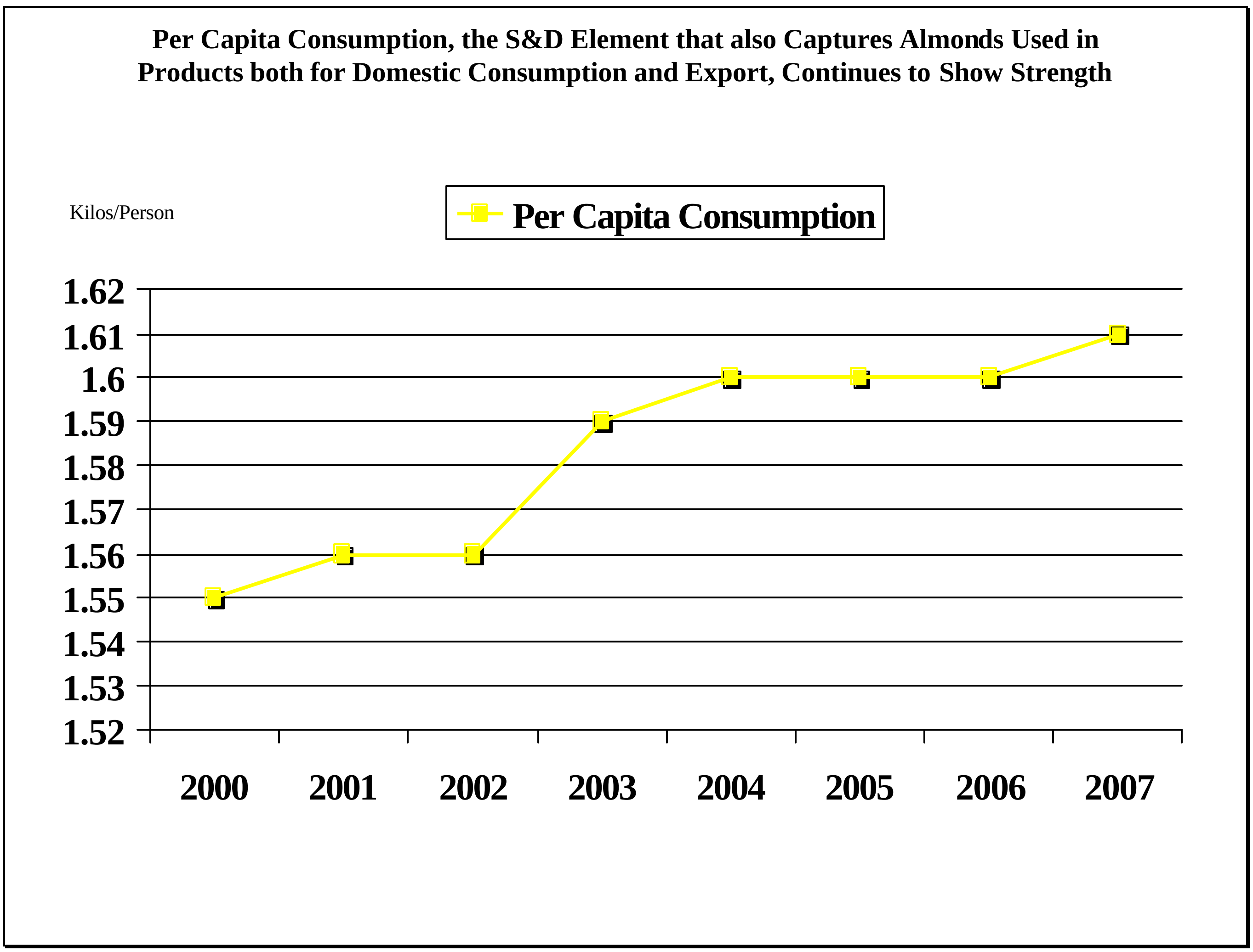
Note--With reference to the data series in the above, and subsequent graphs, we converted all of the data in previous FAS almond reports using the 3.3 conversion ratio mentioned in the "Source" section following the PSD table, and adjusted the PSD tables to accommodate the resulting differences.

The above graph very clearly shows the tremendous production swings in Spain and the resulting swings in ending stocks. Although many of Spain's almond producers still dispute the MY 2006 near-record production estimate, MAPA has held this estimate constant for nearly a full year. We understand that the estimate is based on production numbers provided by the various producing/reporting regions, and as a result do not have any concrete information that would suggest an alternative.

For the crop just now being harvested, MY 2007, producers have reported frost, excessive rain, wind, and hail, at critical stages in the crop's development, undercutting the likelihood of a repeat performance of last year's production. As a result, we are estimating production at about 60 thousand tons, close to average production for the seven years included in the above graph.

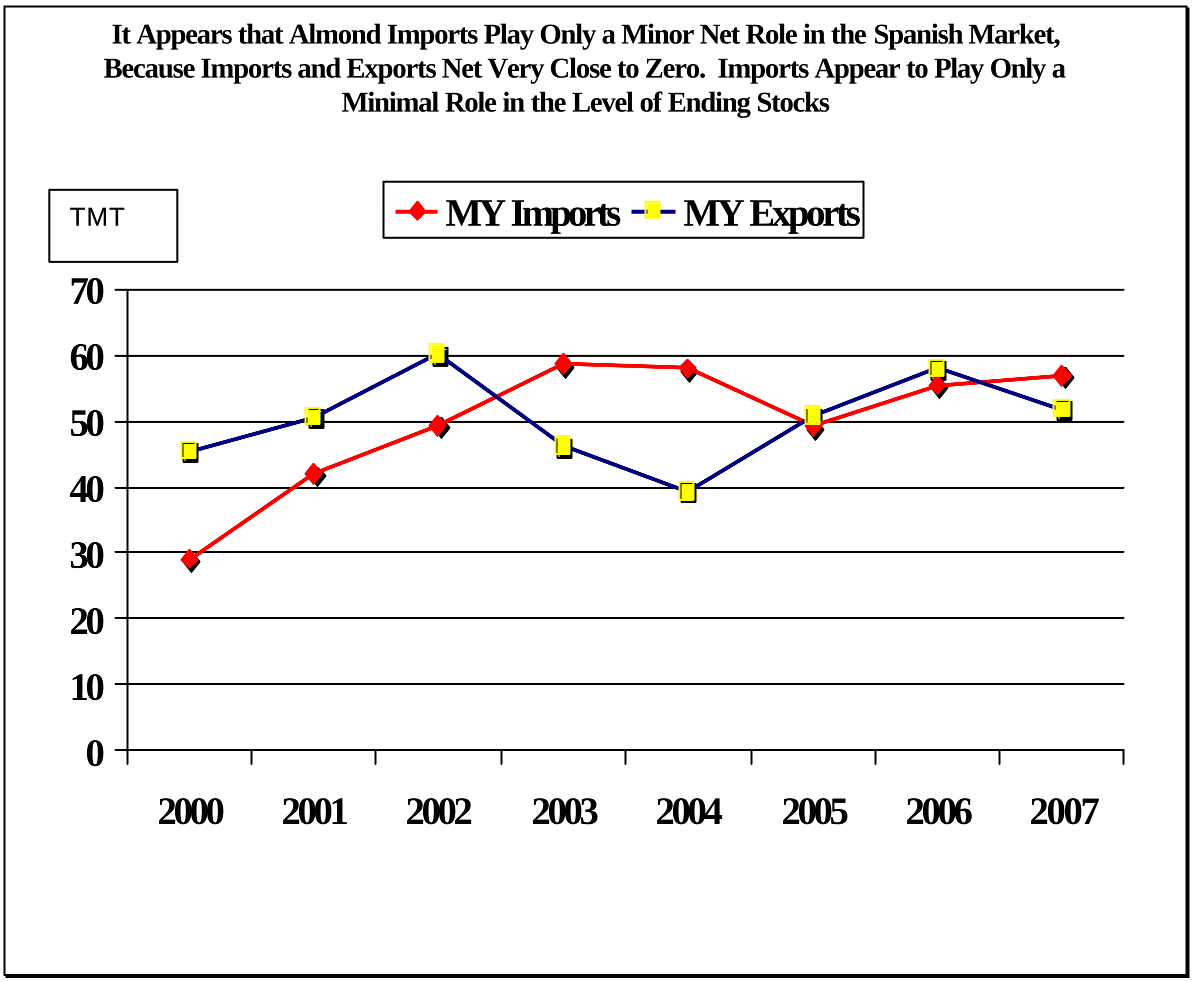
Consumption

Almonds and almond products are tremendously popular in Spain. The graph below captures almonds for direct human consumption and almonds consumed in products. It also captures almonds that are used in the manufacture of products that are then exported, because we do not make an attempt in the trade data in this report to capture almonds in products. As a result, the per capita consumption levels presented below are likely to exceed those anticipated for even the most enthusiastic of almond consumers. Apart from suspected per capita increases in consumption of almonds in direct human consumption, almond product manufacturers and exporters indicate that they are increasing their products exports with every passing year—increases that are also captured in the graph below.

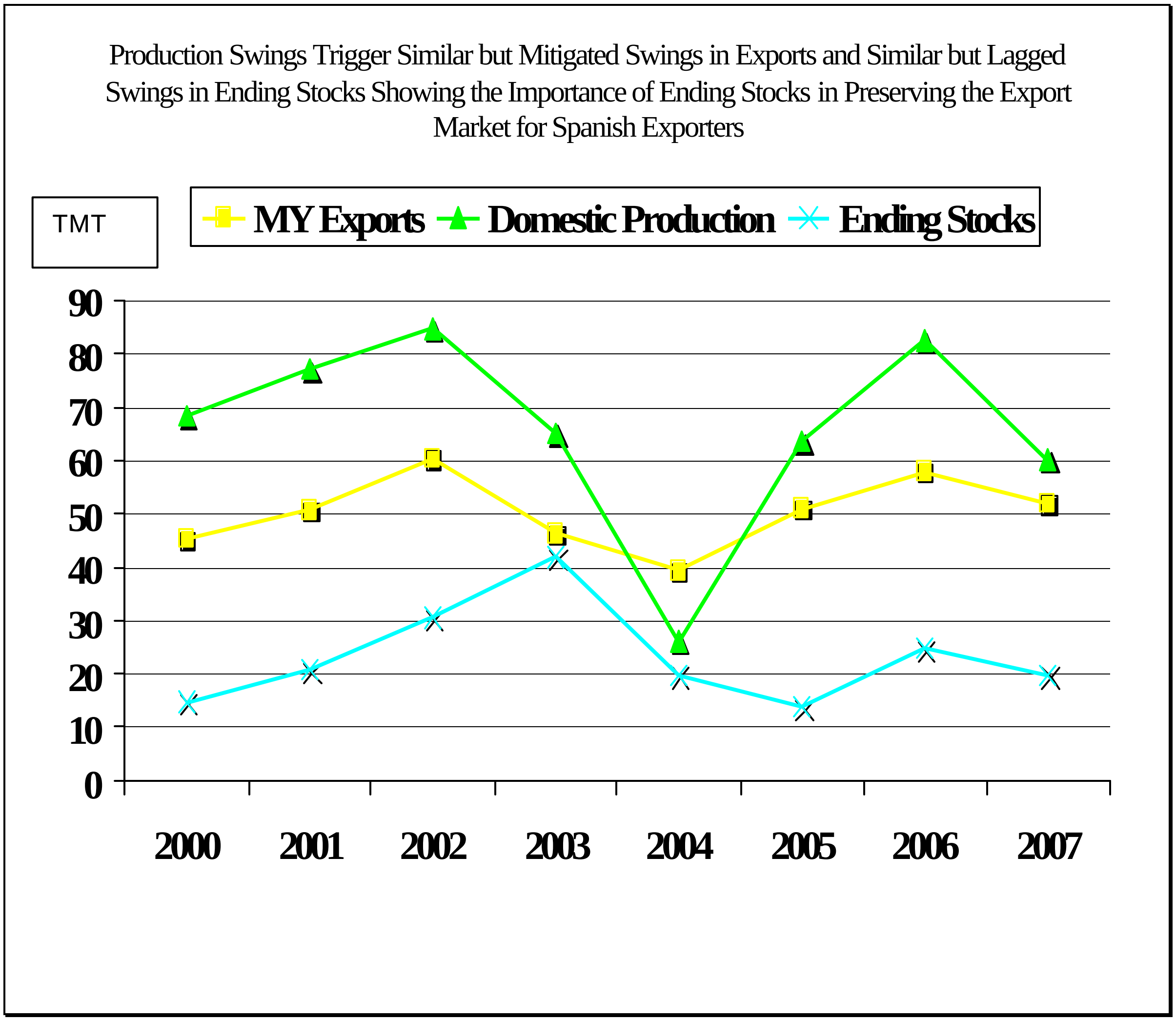


Trade

Local almond producers have at times reacted negatively to almond imports from California, but as the graph below, which captures only almonds in shell and shelled (no products included) clearly demonstrates, almond imports and exports are almost equal. Spanish almond-product producers need California almonds for the manufacture of certain products. They tell us that Spanish almonds will not substitute, because of differences in oil content, texture, density, and taste. However, Spanish-produced almonds are not only important to the domestic market, but also to the export market, where, based in the same factors previously mentioned for California almonds, they are preferred by many European consumers for direct consumption.



While Spanish importers import almost exclusively California almonds, Spanish exporters export domestically-produced almonds for direct human consumption and almonds imported from California that they don't sufficiently transform so as to require a change in their harmonized tariff code. The export-percentage mix changes from year-to-year, with stocks playing an important role in mitigating the domestic production swings, as demonstrated in the below graph.



Based on the trade history represented in the above graphs, we would have expected Spanish importers to be replenishing stocks during MY 2006 and they have indeed. In addition, they have ordered greater-than-normal import quantities for arrival in September and early October for the MY 2007 campaign. The decision to "hurry" imports may have been based in concerns that Spanish health inspectors will begin to inspect U.S. almonds under the new inspection regime ordered by the European Commission (Decision 2007/563/EC) for shipments with date of export from September 1, 2007.

The uncertainty of how the new inspection regime will affect port inspection delays is an understandable incentive for importers to get their California almonds into their warehouses before the measure takes effect. While uncertain as to how the new inspection measures will affect port delays, importers are certain of the demand for the products they produce with California almonds. Importers and exporters have apparently taken evasive action and California exporters registered record monthly exports for the month of August 2007, nearly double exports of August 2006.

However, because most U.S. almond exporters will have begun shipping almonds to Spain that will have been tested for aflatoxin in California by certified laboratories under the

Voluntary Aflatoxin Sampling Program (VASP) beginning September 1, 2007, we do not expect exceptional changes in port of import delays. The California producers initiated VASP as a means to minimize almond exports that may otherwise have had an elevated level of aflatoxin, and as a means of avoiding the threat of 100 percent shipment testing at the EU port of import if the testing had not been accomplished in California. Because they have taken this proactive approach, we do not expect a great change in the rates at which imports will be tested, and because they have been previously tested in California, we are anticipating fewer container rejections during MY 2007 as compared to previous years.

Trade Matrix

Import Trade Matrix

Country	Spain		
Commodity	Almonds, Shelled Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Imports for:	2005		**2006**
U.S.	38,629	U.S.	47,100
Others		Others	
France	2,823	France	2,500
Italy	1,537	Italy	1,500
Germany	1,058	U.K.	1,000
Portugal	1,692	Germany	900
Netherlands	1,003	Netherlands	700
U.K.	930		
Total for Others	9,043		6,600
Others not Listed	1,611		1,800
Grand Total	49,283		55,500

Export Trade Matrix

Country	Spain		
Commodity	Almonds, Shelled Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Exports for:	2005		**2006**
U.S.	556	U.S.	220
Others		Others	
Germany	15,171	Germany	13,800
France	8,076	Italy	8,400
Italy	7,995	France	8,000
Netherlands	4,068	Netherlands	5,000
Belgium	3,313	Belgium	3,000
U.K.	1,834	Greece	2,000
Greece	1,784	U.K.	2,000
Total for Others	42,241		41,700
Others not Listed	8,075		9,580
Grand Total	50,872		52,000

Marketing

Almond importers/users are concentrated in three important industries:

- o Roasters for the production of almond and hazelnut snacks, generally in packs;
- o Candy producers, who make nougat, marzipan, ice-cream and chocolate products;
- o Bakers.

For the latest updates on the Spanish market, please check the FAS Website for Attaché Reports: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

Office of Agricultural Affairs
U.S. Embassy, Madrid
Tel.: + 34-91- 587 2555
Fax: + 34-91 587 2556
E-Mail: Agiberia@usda.gov

Commodity name: Hazelnuts

Production, Supply & Distribution (PSD) Table

PSD Table

Country	**Spain**									
Commodity	**Filberts, Inshell Basis**							(HA)(1000 TREES)(MT)		
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	26000	26000	26000	26000	26000	22600	0	0	22600	(HA)
Area Harvested	21600	21600	21600	21600	21600	21600	0	0	21600	(HA)
Bearing Trees	0	0	0	0	0	0	0	0	0	(1000 TREES
Non-Bearing Trees	0	0	0	0	0	0	0	0	0	(1000 TREES
Total Trees	0	0	0	0	0	0	0	0	0	(1000 TREES
Beginning Stocks	4200	4200	4200	3400	3400	3400	1900	1900	4700	(MT)
Production	18200	18200	22100	20000	20000	24500	0	0	20700	(MT)
Imports	14000	14000	9224	13000	13000	11000	0	0	11200	(MT)
Total Supply	36400	36400	35524	36400	36400	38900	1900	1900	36600	(MT)
Exports	6000	6000	5874	6500	6500	6200	0	0	6800	(MT)
Domestic Consump.	27000	27000	26250	28000	28000	28000	0	0	28000	(MT)
Ending Stocks	3400	3400	3400	1900	1900	4700	0	0	1800	(MT)
Total Distribution	36400	36400	35524	36400	36400	38900	0	0	36600	(MT)

SOURCE for all Hazelnut data:
All in-shell data converted to shelled by dividing in-shell data by 2.03
Area Planted/Area Harvested and Production- MAPA
Domestic Consumption, Beginning and Ending Stocks – FAS/Madrid
Imports/Exports – GTA through MY 2005—and partial year 2006--FAS/Madrid MY 2007

Production

Spain: Hazelnut Production, in-shell basis

MY	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
	Units: 1,000 MT							
1,000 MT	25.2	26.7	22.8	12.6	25.7	22.1	24.5	20.7

Trade

Spain: Hazelnut Imports (In-Shell Weight Basis)

MY:	2000	2001	2002	2003	2004	2005	2006	2007
	Metric Tons							
	8,609	13,237	14,624	15,005	9,681	9,224	11,000	11,200

Spain: Hazelnut Exports (In-Shell Weight Basis)

MY:	2000	2001	2002	2003	2004	2005	2006	2007
	Metric Tons							
	9,507	6,943	11,425	8,001	11,961	5,874	6,200	6,800

Trade Matrix

Import Trade Matrix

Country	Spain		
Commodity	Filberts, In-shell Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Imports for:	2005		**2006**
U.S.	554	U.S.	600
Others		Others	
Turkey	6,275	Turkey	7,000
Italy	661	France	870
Netherlands	658	Netherlands	860
France	489	Italy	680
Georgia	448		
China	83		
Austria	41		
Total for Others	8,655		9,410
Others not Listed	15		990
Grand Total	9,224		11,000

Export Trade Matrix

Country	Spain		
Commodity	Filberts, In-shell Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Exports for:	2005		**2006**
U.S.	0	U.S.	0
Others		Others	
Germany	1,964	Germany	2,000
Italy	1,428	Italy	1,500
France	889	France	900
Poland	448	Poland	570
Ceuta	254	Portugal	400
Brazil	242	Belgium	300
Belgium	132		
Total for Others	5,357		5,670
Others not Listed	517		530
Grand Total	5,874		6,200