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Spain

Dairy and Products

Annual

2000

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Report Highlights:

Increases in the Spanish production quota of 350,000 mt for MY 2000/01 and 200,000 mt for MY2001/02, could result in larger production of processed dairy products for the next few years. Abundant rains during the spring of 2000, resulted in good pasture conditions and lower prices for grains and alfalfa. Spanish imports of dairy products are equivalent to 1 million mt of fluid milk. Spanish exports of cheeses to the United States rose by 36 percent in 1999, while, Spain's imports of U.S. dairy products remain minimal.

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

Executive Summary

Spanish dairy production could rise marginally in 2000, and is expected to remain stable in marketing year (MY) 2001/2002 (March/February) due to new increases in the Spanish milk quota. According to trade sources, in a scenario without quotas, Spain could increase milk production dramatically in southern Spain. The increase in the price of NDFM is preventing sales to intervention, at present intervention stocks of NFDM in Spain are minimal. According to the Spanish Ministry of Agriculture, fluid milk production in 1999/00 was again marginally over Spain's 5.6 million metric ton (mt) quota of milk production, and will result in a penalty of about 2.4 billion pesetas to be paid by Spanish dairy farmers. Total milk production from all species in 1999 is expected to reach about 6.5 million mt. Fueled by this high production of milk, cheese and NFDM could rise in CY 2001 and 2002. In addition, current prices for NFDM are profitable and could result in new increases in production. According to the Spanish dairy sector, Spain has a deficit of about 1 million mt of fluid milk. The overwhelming majority of Spain's dairy product trade is with other EU countries. New statistics for sheep and goats milk reflect a higher production of these types of milk

Under Agenda 2000, Spain's EU assigned dairy quota has been increased by 350,000 mt in MY 2000/01 followed by another increase of 200,000 mt in MY 2001/2002. Thus, by 2002, Spain's quota will be 6.11 million mt. The sector hopes that this increase will allow Spain to avoid over-production penalties, which have plagued the sector in recent years.

With an aging population and zero population growth, dairy product consumption remains relatively stable. Spain's thriving tourist industry is the only source of demand growth for dairy products.

Regarding marketing, EU duties on dairy products limit export opportunities for most U.S. dairy products in Spain. On the other hand Spanish export of high quality cheeses rose dramatically to 606 ton in 1999, 36 percent more that in 1998.

(The exchange rate for dairy products applicable for October 2000 is 1 EURO = 166.38 pesetas; U.S. dollar = 190 pesetas.)

Fluid Milk

PSD Table						
Country	Spain					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Cows In Milk	1313	1257	1350	1228	0	1210
Cows Milk Production	5800	5844	5900	6050	0	6250
Other Milk Production	560	625	570	620	0	620
TOTAL Production	6360	6469	6470	6670	0	6870
Intra EC Imports	380	313	380	300	0	280
Other Imports	0	0	0	0	0	0
TOTAL Imports	380	313	380	300	0	280
TOTAL SUPPLY	6740	6782	6850	6970	0	7150
Intra EC Exports	150	154	150	180	0	190
Other Exports	4	3	5	4	0	4
TOTAL Exports	154	157	155	184	0	194
Fluid Use Dom. Consum.	3700	3740	3750	3720	0	3700
Factory Use Consum.	2786	2785	2845	2966	0	3156
Feed Use Dom. Consum.	100	100	100	100	0	100
TOTAL Dom. Consumption	6586	6625	6695	6786	0	6956
TOTAL DISTRIBUTION	6740	6782	6850	6970	0	7150
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Spain's 5.56 million metric ton (mt) production quota (5.2 million mt for sales to processors/distributors and 366,950 mt for direct sales to consumers) has been increased to 5.91 million mt for marketing year 2000/01 (March/February). This increase could result in avoided penalties in the current marketing year. Some over-quota production is sold in the parallel market, albeit at lower prices.

Goat and sheep milk production is not limited by production constraints. Prices for milk from these species have been profitable during the last few years. Despite this fact the census for sheep is declining due to difficulties in finding shepards. The forecast indicates stable production of sheep and goats milk for the next few years. New statistics published by the Ministry of Agriculture reflect large increases in sheep milk over the last few years. The production of goats and sheep milk amounted to 308,000 and 316,800 mt respectively in 1998.

From the United States exporter's perspective, the most important element of Spain's dairy producing sector is its reliance on imported genetics. In 1999, the value of imported semen amounted to about $ seven million, of which about $3.5 million was imported from the United States Still heavily dependent on imported genetic material, in 1999, the dairy sector imported about 20,000 head of dairy cattle for breeding purposes. Only 362,000 dairy cows (mainly Holstein) are registered in Spain. The number of dairy farms declined to 68,664 in 1999, 5,256 farms less than in 1998. The average milk production by farm is about 78 mt a year.

Due to abundant rains in April and May, 2000 , pasture conditions have been good during the spring and summer of 2000. As a result, the price for alfalfa declined by about 25 percent relative to 1999. The grain crop has been excellent and grain prices are about ten percent lower than in 1999.

Prices Table

Country	Spain		
Commodity	Dairy, Milk, Fluid		
Prices in	Pesetas	per	Liter
Year	1998	1999	% Change
Jan	49	49	0.00%
Feb	49	49	0.00%
Mar	49	49	0.00%
Apr	49	48	-2.04%
May	49	47	-4.08%
Jun	49	47	-4.08%
Jul	48	46	-4.17%
Aug	48	46	-4.17%
Sep	47	45	-4.26%
Oct	48	46	-4.17%
Nov	48	47	-2.08%
Dec	49	47	-4.08%
Exchange Rate	190	Local currency/US $	

Consumption

Total consumption of fluid milk is expected to be decrease for the next few years and demand for dairy products in general is relatively stagnant. The consumption of sterilized milk amounted to 97.4 percent of the total direct fluid milk consumption. The consumption of yogurt totaled 560,000 mt in 1999.

Trade

There is very little U.S. dairy product exported to Spain, and almost all of Spain's dairy trade is confined within the EU. Fluid milk imports are forecast to decline as a result of the expectations for higher production under the new quotas for MY 2000/01 and 2001/02.

Milk Import Trade Matrix

Import Trade Matrix	
Country	Spain
Commodity	Dairy, Milk, Fluid
Time period	CY
Imports for:	1999
United States	0
Others	
EU Countries	312798
Australia	128
Total for Others	312926
Others not Listed	0
Grand Total	312926

Milk Export Trade Matrix

Export Trade Matrix	
Country	Spain
Commodity	Dairy, Milk, Fluid
Time period	CY
Exports for:	1999
United States	0
Others	
EU Countries	154406
Andorra	1562
Gibraltar	973
Total for Others	156941
Others not Listed	310
Grand Total	157251

Policy

Under the Agenda 2000 package of agricultural reforms, Spain obtained a 550,000 mt increase in its dairy quota to be phased in two parts: 350,000 mt in MY 2000/2001, and 200,000 mt in MY 2001/2002. After both increases are implemented, Spain's quota will total 6.11 million mt, nearly ten percent above its current quota. It is hoped that the increase will allow the sector to avoid the quota over-shoot penalties, which have occurred in recent years. Fluid milk production in 1999/00 was 40,453 mt over the quota. This production over the quota resulted in a penalty of 2.4 billion pesetas ($12.6 million). The penalty will be paid by the dairy farmers that produced over their individual quotas.

The 1999/2000 intervention price schedules for butter and NFDM are 546,079 ($2,874) and 341,596 ($1,800) pesetas/mt ($/mt), respectively.

Marketing

With restrictive EU duties and regulations limiting U.S. dairy product export opportunities in Spain, U.S. exporters' primary marketing interest in Spain's dairy sector lies in its demand for U.S. genetics. The dairy sector continues to demand United States semen and embryos to maintain and expand stock of efficient and highly productive cattle. Technical seminars and presence at selected dairy show have been and will continue to be an effective tool to promote U.S. genetics.

Dairy, Cheese

PSD Table						
Country	Spain					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	28	30	28	30	28	30
Production	180	198	181	210	0	220
Intra EC Imports	95	106	97	105	0	100
Other Imports	3	1	3	1	0	1
TOTAL Imports	98	107	100	106	0	101
TOTAL SUPPLY	306	335	309	346	28	351
Intra EC Exports	27	32	28	35	0	37
Other Exports	4	2	5	3	0	4
TOTAL Exports	31	34	33	38	0	41
Human Dom. Consumption	247	271	248	278	0	280
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	247	271	248	278	0	280
TOTAL Use	278	305	281	316	0	321
Ending Stocks	28	30	28	30	0	30
TOTAL DISTRIBUTION	306	335	309	346	0	351
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	1	1	1	1	1	1

Production

A moderate expansion in cheese output is forecast in line with expectations for an increase in fluid milk production discussed above. Production for 1999 has been modified due to new statistics recently published by the Ministry of Agriculture in May 2000. In 1999, total Spanish cheese production amounted to 198,000 mt of which 103,000 mt were made with a blend of different classes of milk, 28,000 mt were made of sheep milk , 4,500 ton were made with of goat milk and the balance (62,500 mt) were made of cow milk. In addition, the production of cottage cheese and other soft curd fresh cheese amounted to about 83,000 mt.

Trade

The overwhelming majority of Spain's cheese trade is confined to the rest of the European Union. Imports from the United States are minimal, while Spain exported 606 mt of sheep cheese to the United States in 1999, up 36 percent from 1998. The expected higher production of cheese in 2000 and 2001 could result in lower imports from the EU.

Cheese Import Trade Matrix

Import Trade Matrix	
Country	Spain
Commodity	Dairy, Cheese
Time period	CY
Imports for:	1999
United States	0
Others	
EU Countries	106203
Switzerland	1081
Total for Others	107284
Others not Listed	226
Grand Total	107510

Cheese Export Trade Matrix

Export Trade Matrix	
Country	Spain
Commodity	Dairy, Cheese
Time period	CY
Exports for:	1999
United States	609
Others	
EU Countries	31716
Andorra	1407
Total for Others	33123
Others not Listed	635
Grand Total	34367

Dairy, Butter

PSD Table						
Country	Spain					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	10	11	13	15
Production	30	37	28	39	0	41
Intra EC Imports	5	8	5	5	0	5
Other Imports	3	3	3	3	0	3
TOTAL Imports	8	11	8	8	0	8
TOTAL SUPPLY	38	48	46	58	13	64
Intra EC Exports	8	7	13	14	0	18
Other Exports	2	1	2	2	0	2
TOTAL Exports	10	8	15	16	0	20
Domestic Consumption	18	29	18	27	0	27
TOTAL Use	28	37	33	43	0	47
Ending Stocks	10	11	13	15	0	17
TOTAL DISTRIBUTION	38	48	46	58	0	64
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production/Consumption

Butter production is forecast to increase in 2000/001 and in 2001/02 due to expectations of higher NFDM production and increased consumption of both semi-skimmed milk and skimmed milk. The direct consumption of butter is minimal. The use of butter in food processing depends primarily on price.

Trade

Butter Import Trade Matrix

Import Trade Matrix	
Country	Spain
Commodity	Dairy, Butter
Time period	CY
Imports for:	1999
United States	0
Others	
EU Countries	8486
New Zealand	2220
Total for Others	10706
Others not Listed	33
Grand Total	10739

Butter Export Trade Matrix

Export Trade Matrix	
Country	Spain
Commodity	Dairy, Butter
Time period	CY
Exports for:	1999
United States	0
Others	
EU Countries	7014
Morocco	945
Cuba	119
Total for Others	8078
Others not Listed	192
Grand Total	8270

Dairy, Milk, Nonfat Dry

PSD Table						
Country	Spain					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	1	1	1	0
Production	14	12	14	14	0	16
Intra EC Imports	32	27	32	25	0	24
Other Imports	4	1	4	1	0	1
TOTAL Imports	36	28	36	26	0	25
TOTAL SUPPLY	50	40	51	41	1	41
Intra EC Exports	7	9	8	12	0	12
Other Exports	3	10	3	2	0	2
TOTAL Exports	10	19	11	14	0	14
Human Dom. Consumption	34	17	34	24	0	24
Other Use, Losses	5	3	5	3	0	3
Total Dom. Consumption	39	20	39	27	0	27
TOTAL Use	49	39	50	41	0	41
Ending Stocks	1	1	1	0	0	0
TOTAL DISTRIBUTION	50	40	51	41	0	41
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production/Consumption

In 1999, production of non-fat dry milk (NFDM) rose due to lower prices for raw milk. For 2000, an additional increase is expected due to higher prices for NFDM in the EU market and relatively low prices for raw milk. According to trade sources, intervention stocks in Spain are minimal and no sales to intervention are expected for the next few months.

When NFDM from intervention is available, the price is usually very low and the use of NFDM in the food processing industry rise dramatically. Because the intervention stock in the EU are currently reduced, the consumption in Spain is expected to be moderate for CY 2000 and 2001.

Trade

NFDM Import Trade Matrix

Import Trade Matrix	MT
Country	Spain
Commodity	Dairy, Butter
Time period	CY
Imports for:	1999
United States	0
Others	
EU Countries	8486
New Zealand	2220
Total for Others	10706
Others not Listed	33
Grand Total	10739

NFDM Export Trade Matrix

Export Trade Matrix	MT
Country	Spain
Commodity	Dairy, Butter
Time period	CY
Exports for:	1999
United States	0
Others	
EU Countries	7014
Morocco	945
Cuba	119
Total for Others	8078
Others not Listed	192
Grand Total	8270