Voluntary Report – Voluntary - Public Distribution

Date: March 29, 2023

Report Number: SP2023-0012

Report Name: Cotton and Products Annual 2023

Country: Spain

Post: Madrid

Report Category: Cotton and Products

Prepared By: Marta Guerrero

Approved By: Karisha Kuypers

Report Highlights:

The drought in Andalucía is anticipated to prevent further expansion of Spain’s cotton area in MY 2023/24. Irrigation water allocation will be critical for farmer’s planting decisions, and temperatures and pest incidence during the summer months will also determine final yields. The shorter cotton output in MY 2022/23 is limiting the country’s export possibilities.
Disclaimer: This report presents the cotton sector situation in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

Table of Contents:

Abbreviations used in this report ........................................................................................................2
Production, Supply and Demand Data Statistics ..................................................................................3
Area and Production ..............................................................................................................................3
Cotton Ginning Industry ..........................................................................................................................5
Cotton Lint Processing Industry: Higher Value Products – Textile Products ......................................5
Trade .....................................................................................................................................................7
Policy ....................................................................................................................................................8
Related Reports ....................................................................................................................................10

Abbreviations used in this report

AITPA Association for Industrial Textile Cotton Processing
Bales 1 Bale = 217.724 kg =480 lbs
EU European Union
FAS Foreign Agricultural Service
GE Genetically engineered
Ha Hectares (1 Ha = 2.471 acres)
HS Code Harmonized Codes (for Lint Cotton 5201)
IPAD International Production Assessment Division
MAPA Ministry of Agriculture, Fisheries and Food
MS Member State(s)
MT Metric ton (1,000 kg)
MY Marketing year (Aug/Jul)
N/A Not Available
PS&D Production, Supply and Demand
Production, Supply and Demand Data Statistics

Table 1. Cotton Lint Production, Supply and Demand

<table>
<thead>
<tr>
<th>Cotton Market Year Begins</th>
<th>2021/2022</th>
<th>2022/2023</th>
<th>2023/2024</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aug 2021</td>
<td>Aug 2022</td>
<td>Aug 2023</td>
</tr>
<tr>
<td></td>
<td>USDA Official</td>
<td>New Post</td>
<td>USDA Official</td>
</tr>
<tr>
<td>Area Planted (1000 HA)</td>
<td>58</td>
<td>57</td>
<td>52</td>
</tr>
<tr>
<td>Area Harvested (1000 HA)</td>
<td>59</td>
<td>59</td>
<td>28</td>
</tr>
<tr>
<td>Beginning Stocks 1000 480 lb. Bales</td>
<td>261</td>
<td>261</td>
<td>180</td>
</tr>
<tr>
<td>Production 1000 480 lb. Bales</td>
<td>18</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>MY Imports from U.S. 1000 480 lb. Bales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Supply 1000 480 lb. Bales</td>
<td>338</td>
<td>338</td>
<td>228</td>
</tr>
<tr>
<td>Exports 1000 480 lb. Bales</td>
<td>295</td>
<td>295</td>
<td>190</td>
</tr>
<tr>
<td>Use 1000 480 lb. Bales</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Loss 1000 480 lb. Bales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Dom. Cons. 1000 480 lb. Bales</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Ending Stocks 1000 480 lb. Bales</td>
<td>28</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Total Distribution 1000 480 lb. Bales</td>
<td>338</td>
<td>338</td>
<td>228</td>
</tr>
<tr>
<td>Stock to Use % (PERCENT)</td>
<td>9.03</td>
<td>9.03</td>
<td>11.22</td>
</tr>
<tr>
<td>Yield (KG/HA)</td>
<td>980</td>
<td>997</td>
<td>754</td>
</tr>
</tbody>
</table>

(1000 HA), (1000 480 lb. Bales), (PERCENT), (KG/HA)

Source: FAS Madrid.

Area and Production

In MY 2023/24¹, Spain’s cotton area is anticipated to decline for the third consecutive year due to the tight water supply in the Guadalquivir basin (Graph 1) and amount to 50,000 Ha. The country’s cotton area is very inelastic, as it is virtually the only alternative for the salty and warm areas where it is grown. On average years, area planted to cotton in Spain amounts to 63,000 hectares. Normally only slight area variations occur, depending on price relations and competition from other crops, but the limited water supplies have been forcing planted area down since MY 2021/22. Spain is the EU’s second largest grower of cotton after Greece, accounting for just above 20 percent of the EU cotton output. Virtually all cotton in Spain is concentrated in the Guadalquivir River basin and cultivated under irrigation.

Regarding output in MY 2023/24, given the role that irrigation farming plays in stabilizing production, yields are projected below the historical average. Final irrigation water allocation amounts will be critical to determine final yields. With the levels of water storage in the Guadalquivir basin, cotton producers could see their yield potential limited further. Other factors to monitor include temperatures and pest incidence during the summer months.

¹ Forecasts contained in this report are based on agronomic and economic factors that affect farmer’s planting intentions, since as of the date of this report, cotton in Spain has not been yet planted and final irrigation water allocation have not yet been released.
In MY 2022/23, irrigation water limitations in the Guadalquivir basin resulted in lower area planted to cotton (see GAIN Report SP2022-0023) and a significant drop in yields (See Graph 2). Cotton production has also been negatively affected by the higher-than-average temperatures pushing up irrigation needs, combined with pest incidence. The Regional Government of Andalucia, where most of the Spanish cotton is grown, granted farmers with an exception so that even farmers not reaching the minimum yields required are eligible for cotton specific support. Harvest operations took place in September, given the earlier than normal boll opening.
Cotton Ginning Industry

Spain’s cotton ginning capacity remains stable. The country has eight ginning plants in Andalucía, out of which seven are currently operational. According to the Spanish industry, raw cotton processing rates are as follows:

- **Cotton Lint yield** = 32-33 percent (national weighted average) of total Seed Cotton delivered to ginneries
- **Cottonseed yield** = 54 percent (national weighted average) of total Seed Cotton delivered to ginneries
- The remaining 13-14 percent is moisture and waste.²

Cotton Lint Processing Industry: Higher Value Products – Textile Products

In MY 2023/24, consumption of cotton by Spain’s textile industry is expected to suffer the consequences of soaring inflation negatively affecting consumers’ disposable income (Graph 3). According to the latest statistics by the Spanish National Statistics Institute (INE), the Consumer Prices Index (CPI) to amounted to 6.2 percent in February 2023.

Graph 3. Harmonized Consumers Price Index (HICP) Evolution in Spain by Category

² Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.
Spain’s cotton processing industry is concentrated in Catalonia. According to information provided by the Association for Industrial Textile Cotton Processing (AITPA), industrial cotton consumption decreased by 15 percent in 2022 (Graph 4), in a year marked by increasing energy costs (Graph 3) that reduced industry’s margins. Likewise, since 2023, the development of new Spanish packaging regulations\(^3\) are also anticipated to have an impact in this industry’s costs.

Graph 4. Cotton Consumption (1,000 MT)

Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing) and FAS Madrid estimates.

AITPA reports that yarn production declined by 2.5 percent in 2022 compared to the previous year. In contrast, fabric production increased by 2 percent (see Graph 5).

Graph 5 Cotton Yarn and Fabric Production (1,000 MT)*

Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

\(^*\)AITPA numbers include blends with synthetic yarns.

---

\(^3\) For additional information on regulations in place affecting packaging please, see GAIN Report Tax on Non-Reusable Plastic Enters into Force.
In 2022, main destinations for Spanish yarns and fabric continued to be Morocco and other EU Member States, such as France, Italy, Portugal, Poland, and Germany. The main origins of imported cotton products in 2022 included China, Turkey, and Bangladesh.

**Trade**

In MY 2023/24, cotton lint exports are expected to continue the downward trend initiated in MY 2028/19 as the projected reduction of in-country cotton supply will likely limit export opportunities. However, the improved domestic production levels are projected to result in somewhat larger exports than in MY 2022/23.

Spain is normally a net exporter of cotton lint, with exports largely exceeding imports. Exports are the main outlet for Spain’s cotton lint production. Other EU Member States along with countries such as Turkey and Bangladesh were Spain’s main cotton lint exports destinations in MY 2021/22 (Graph 6).

![Graph 6. Spanish Exports of Cotton Lint (1,000 MT)](source: Trade Data Monitor, LLC.)

MY 2023/24 cotton lint imports are anticipated to continue shrinking despite the smaller domestic supply, as internal demand is anticipated to continue to decline as price-sensitive consumers respond to soaring inflation by moderating their textiles consumption. Nevertheless, this reduction is compensated by Spanish textile products’ increased presence in third country markets.

Likewise, in MY 2022/23, despite the shorter domestic crop, data available show that Spain may see its cotton imports reduced after peaking in MY 2020/21 as a result of increased opportunities in apparel for sanitary purposes. Main origins of Spain cotton imports outside the EU include Turkey, Argentina, and India.
Policy

Given its agronomic diversity and decentralized organization, Spain has opted for a Strategic Plan for the 2023-2027 period (PEPAC) that reconciles its numerous interests and productive realities. Key aspects of the new CAP, in place since January 2023, include the introduction of a results-focused\(^4\) approach and increased environmental focus compared to the previous policy. The enhanced conditionality merges cross-compliance\(^5\) with mandatory greening payment requirements. Additionally, on a voluntary basis, farmers can adhere to eco-schemes defined at the Member State level. Another novelty includes the introduction of "social conditionality" to ensure social and labor regulation are incompliance for those businesses benefiting from CAP subsidies. Spain’s cotton farmers will be eligible for the Basic Income Support for Sustainability Payment, the Redistributive Payment, and the Cotton Specific Support and they may adhere on a voluntary basis to the defined eco-schemes.

---

\(^4\) The CAP’s key objectives across the EU include: to ensure a fair income to farmers, increase competitiveness, rebalance the power in the food chain, take action on climate change, care for the environment, preserve landscapes and biodiversity, support generational renewal vibrant rural areas, protect food quality and health. An additional crosscutting objective aims to foster farm modernization through knowledge, innovation, and digitalization in rural areas.

\(^5\) Including Statutory Management Requirements (SMR), applicable to all farmers whether or not they receive support under the CAP and Good Agricultural and Environmental Conditions (GAEC), only applicable to farmers receiving CAP support.
• **Basic Income Support for Sustainability Payment and Redistributive Payment**: Spain intends to achieve full convergence of the Basic Income Support for Sustainability Payment allocated to each of the 20 agronomic regions by 2029 by capping payments and degresivity. The Redistributive Payment intends to shift support from large farms towards medium and small farms. Initial funding allocation for redistributive payments combined with funds collected throughout payments capping and degresivity will be used for redistributive payments, allocated to the first hectares of each farm.

• **Cotton Specific Support**: Direct payments contained in Spain’s Strategic Plan count with a total allocated budget of 24.3 billion Euros for the period 2023-2027. The Cotton Specific Support, as established by Spain’s EC Accession Treaty, serves as the only specific policy incentive for cotton production. In 2010, Regulation (EC) 637/2008 introduced some amendments to the cotton regime: the national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 59.7 million Euros, increasing the value per hectare with less acreage benefiting from this payment.

Additionally, since 2022, according to Royal Decree 41/2021 (Spanish language only), the specific cotton payment amounts to 1,241.55 Euros/Ha. When area planted to cotton exceeds the national guaranteed area, correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area (See Table 1). Specific conditions to be eligible to receive this coupled support are defined annually by a Ministerial Order (Spanish language only) in Spain’s National Gazette.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific payment (€/ha)</td>
<td>978</td>
<td>1,028</td>
<td>996</td>
<td>960</td>
<td>953</td>
<td>990</td>
<td>1,046</td>
<td>1,164</td>
<td>1,195</td>
</tr>
</tbody>
</table>

Source: FEGA and FAS Madrid estimates.

*Industry estimate

• **Eco-Schemes Regimes**: The enhanced conditionality merges cross-compliance with greening payment requirements. All direct payments are subject to the observance of these practices as they represent the baseline requirements to be met, whereas the eco-schemes are optional and go a step further. Farmers can adhere to eco-schemes on a voluntary basis. Spain has defined seven agricultural practices grouped in two big groups of eco-schemes: Low Carbon Agriculture and Agroecology. All Spanish agricultural holdings will have the option to adhere to at least to one eco-scheme. The eco-schemes have been defined as achievable targets that increase farms’ environmental commitments. Cotton farmers will likely opt for the crop rotations in arable land regime (with sustainable management of inputs in irrigation systems).
Related Reports

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Date Released</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton and Products – Spain Update 2022</td>
<td>10/18/2022</td>
</tr>
<tr>
<td>Cotton and Products – Spain Annual 2022</td>
<td>04/01/2022</td>
</tr>
<tr>
<td>Cotton and Products – Spain Update 2021</td>
<td>10/01/2021</td>
</tr>
<tr>
<td>Cotton and Products – Spain Annual 2021</td>
<td>04/01/2021</td>
</tr>
<tr>
<td>Cotton and Products – Spain Update 2020</td>
<td>10/27/2020</td>
</tr>
<tr>
<td>Cotton and Products – Spain Annual 2020</td>
<td>03/16/2020</td>
</tr>
<tr>
<td>Cotton and Products – Spain Update 2019</td>
<td>11/12/2019</td>
</tr>
<tr>
<td>Cotton and Products – Spain Annual 2019</td>
<td>03/11/2019</td>
</tr>
<tr>
<td>Cotton and Products – Spain Update 2018</td>
<td>11/02/2018</td>
</tr>
<tr>
<td>Cotton and Products – Spain Annual 2018</td>
<td>04/06/2018</td>
</tr>
</tbody>
</table>

Attachments:

No Attachments.