

Required Report: Required - Public Distribution

Date: April 23, 2021

Report Number: SP2021-0012

Report Name: Cotton and Products Annual

Country: Spain

Post: Madrid

Report Category: Cotton and Products

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Report Highlights:

The lack of alternative crops keeps Spanish cotton area highly inelastic. Despite good price expectations, tight water supplies in the Guadalquivir river basin and lower cotton specific payments may prevent Spanish cotton acreage from expanding. Absent a recovery in the domestic textile industry, exports will remain Spain's main outlet for cotton lint. In 2020, while yarn production declined, higher apparel demand for sanitary purposes in response to COVID-19 increased fabric production by 8 percent.

Disclaimer: This report presents the cotton 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.

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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

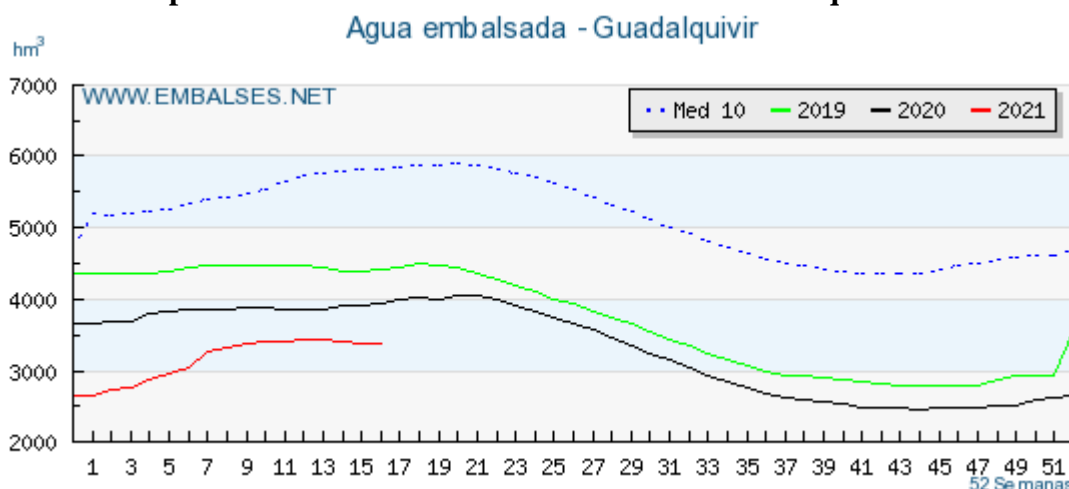
Area and Production

Spain's cotton area is anticipated to level off in MY2021/22. Despite good price expectations, the tight water supply in the Guadalquivir basin may prevent cotton area from expanding (**Graph 1**). Note that as of the drafting of this report, most of the cotton in the Spain has not been yet planted. Thus, forecasts are based on farmer's planting intentions.

Spain is the EU's second largest grower of cotton after Greece, accounting for just above 20 percent of the EU cotton output. Cotton production in Spain is concentrated in the Guadalquivir Valley, in the autonomous region of Andalucía, Spain's southernmost peninsular region; in the provinces of Seville and Cadiz; and, to a lesser extent in Cordoba and Jaen. Other regions that produce cotton, but at a much lower scale, include Murcia, Castile-La Mancha, and Extremadura.

Cotton is a critical crop in the areas where it is grown given limited availability of viable crop alternatives from an environmental, social, and economic perspective. Hence, Spain's cotton area is highly inelastic. Since MY2015/16, cotton area in Spain has stabilized at around the 63,000 hectares. Cotton is grown under irrigation in salty and warm conditions. Only slight area variations can occur, depending on water supplies, price relations, and competition from other crops.

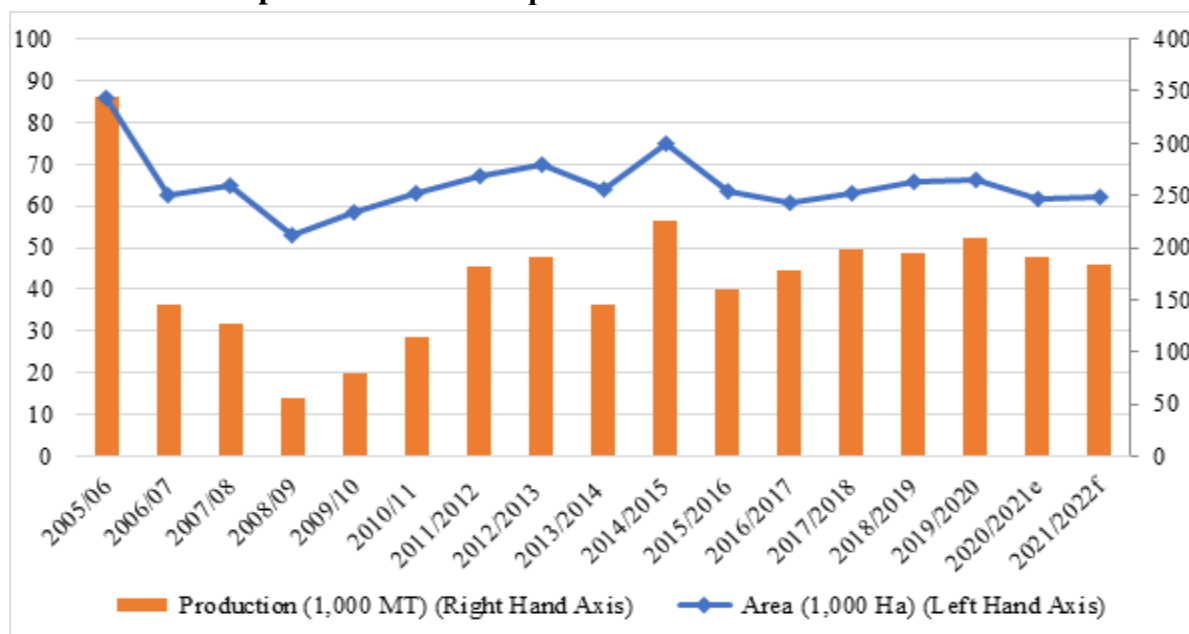
Graph 1. Water Reservoirs Evolution in the Guadalquivir Basin



Source: Embalses.net

In MY2020/21, persistent spring precipitation resulted in extremely challenging planting conditions, narrowing opportunities for planting (see [GAIN Report SP2020-0016](#)). This ultimately resulted in a 7 percent decline in cotton planted area. The difficulties faced during plantings in the spring combined with the incidence of pests during the summer are expected to have reduced the yields for the MY2020/21 cotton crop. (See **Graph 2**).

Graph 2. Evolution of Spain's Cotton Area and Production



Source: MAPA, Junta de Andalucía and FAS Madrid estimates.

Spain's cotton ginning capacity remains stable. The country has eight ginning plants in Andalucía, out of which, only 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 waste¹

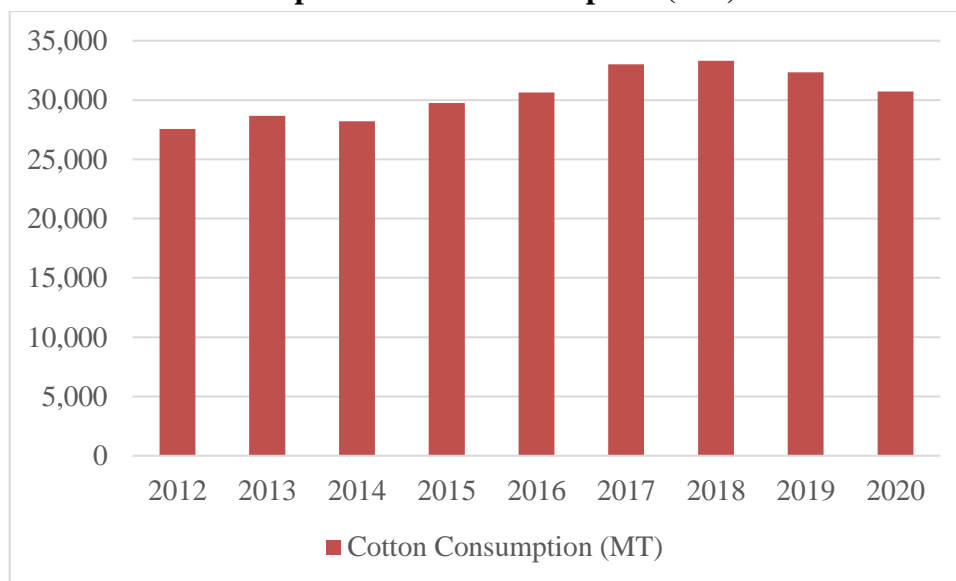
Consumption: Higher Value Products – Textile Products

In MY2021/22, in absence of a recovery in demand by the domestic textile industry, yarn production and textile consumption are expected to remain stagnant. COVID-19 related restrictions, and the increase of telework has further reduced the demand of textile products, which already faced constraints due to changes in consumption patterns as consumer shift away from fast fashion, and textile companies and retailers introduce sustainability as part of their marketing strategy.

The cotton processing industry in Spain is concentrated in Catalonia. According to the information provided by the Association for Industrial Textile Cotton Processing (AITPA), industrial cotton consumption decreased by 5 percent in 2020 (**Graph 3**).

¹ Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.

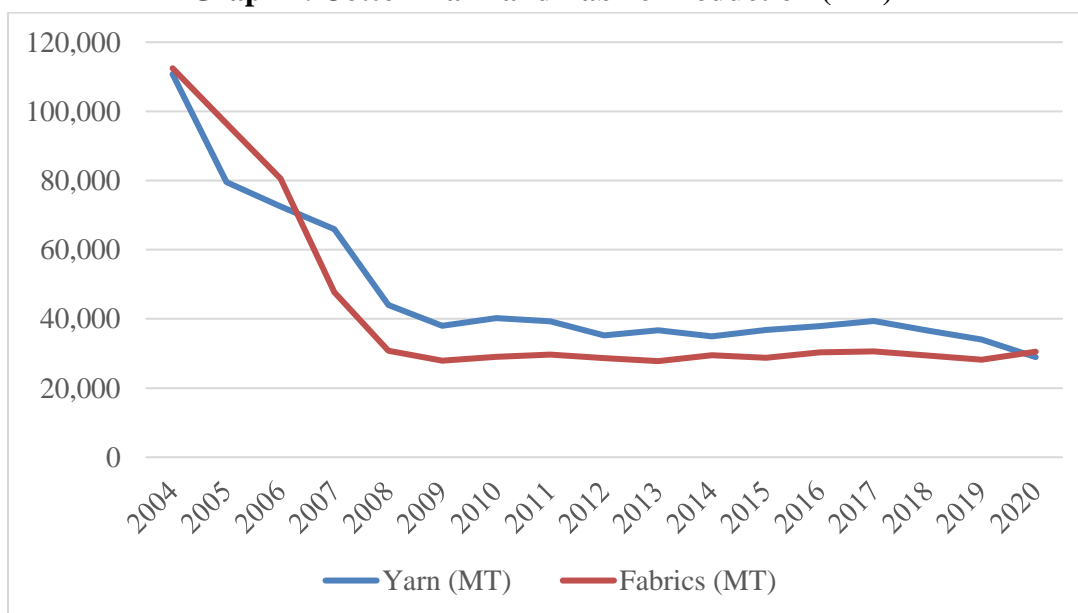
Graph 3. Cotton Consumption (MT)



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

AITPA reports that yarn production dropped 15 percent in 2020 compared to the previous year. In contrast, fabric production increased 8 percent (see **Graph 4**). Despite the market's lower economic activity, the rise in fabrics production is attributed to increased opportunities in apparel for sanitary purposes in response to the COVID-19 crisis.

Graph 4. Cotton Yarn and Fabric Production (MT)*



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

* AITPA numbers include blends with synthetic yarns.

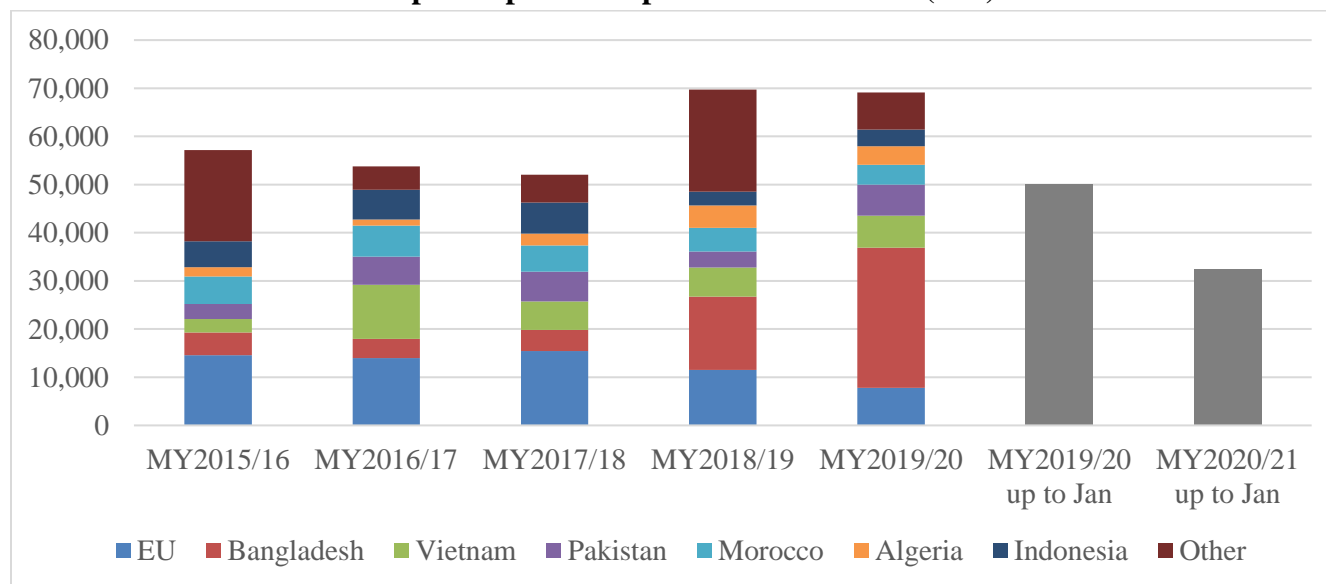
In 2020, main destinations for Spanish yarns and fabric continued to be Morocco and other EU Member States, such as France, Portugal, and Germany. The main origins of imported cotton products in 2020 included China, Italy, and Turkey.

Trade

MY2021/22 cotton lint exports are expected to marginally recover as vaccination campaigns advance world-wide, easing of COVID-related restrictions, and consequently economic activity picks up in main destination markets. Spain is a net exporter of cotton lint, with exports largely exceeding imports. In the absence of strong domestic demand, exports remain the chief outlet for Spain's cotton lint production. During the first quarter of MY2019/20, weak domestic demand combined with a bumper crop led to higher than anticipated exports of cotton lint. These conditions were not repeated in MY2020/21 and slowed the start of exports. In MY2019/20, Bangladesh was once again Spain's main cotton export destination, absorbing over 40 percent of the country's export. Other key markets include other EU countries along with Turkey, Vietnam, and Morocco (**Graph 5**).

Given the EU cotton sector's focus on exports, the European Cotton Alliance is working to communicate the identity features of European cotton to manufactures, retailers and consumers. Since 2020, all the raw cotton bales produced in ginning mills located within the EU are eligible to utilize the EU cotton label.

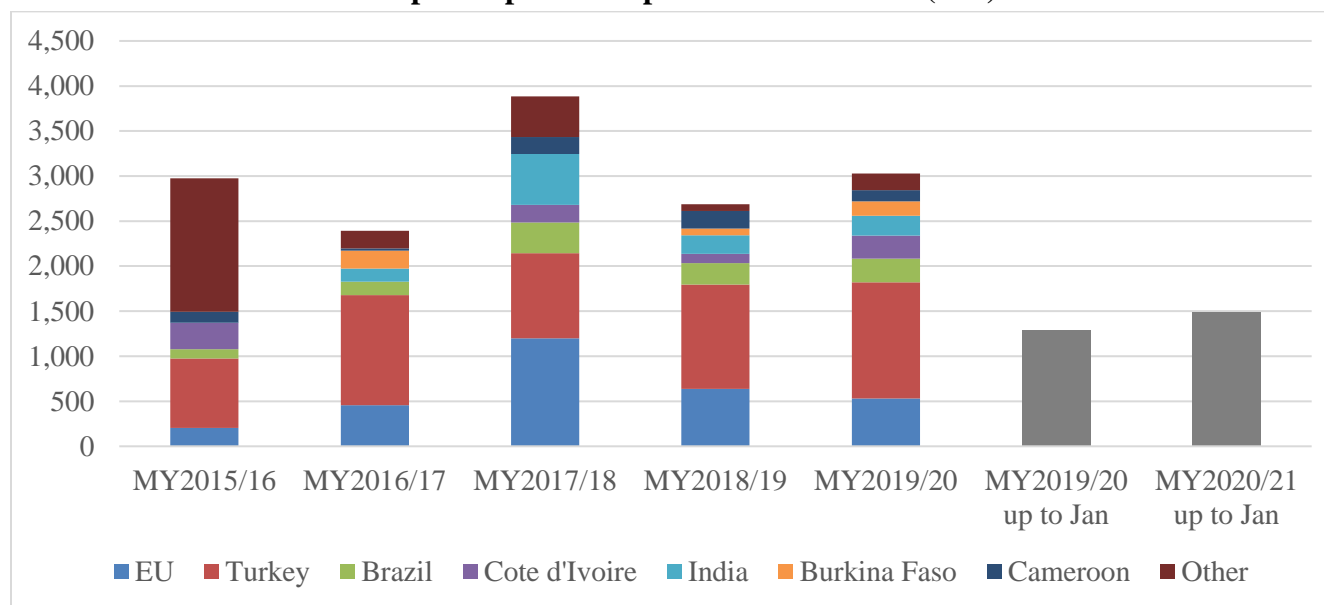
Graph 5. Spanish Exports of Cotton Lint (MT)



Source: Trade Data Monitor, LLC.

MY2021/22 cotton lint imports are anticipated to shrink given the larger domestic supply, the projected stability in domestic consumption and the only tepid recovery in exports. Spain cotton lint imports remained stable at relatively low levels, and originated mainly from Turkey, accounting for over 50 percent of Spain's cotton imports in MY2019/20. Brazil along with other EU Member States followed Turkey as Spain's main a supplier but to a much lesser extent (**Graph 6**).

Graph 6. Spanish Imports of Cotton Lint (MT)



Source: Trade Data Monitor, LLC.

Policy

The **Cotton Specific Support**, as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 3**). Since MY2015/16, the **Cotton Quality Premium** and the **Integrated Farming Payments** were phased out in MY2013/14.

In 2015, the **Single Payment Scheme** was replaced by the **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that the Basic Payment would add up to about 450 Euros per hectare. A large part of the support farmers received is linked to compliance with greening measures.

Cotton Specific Support

In 2006, Spain's cotton planted area declined significantly because of the implementation of the EU cotton reform, reaching a record low in MY2008/09. In MY2009/10 the 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 67.2 million Euros. Since MY2009/10, the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Since MY2014/15, the reference amount for area payment has been lowered from 1,400 Euros/Ha to 1,267.53 Euros/Ha.

Specific conditions to be eligible to receive this coupled support are defined annually in Spain's National Gazette. As 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**).

Additionally, [Royal Decree 41/2021](#) (Spanish language only) on CAP implementation reduced the amount of the cotton payments by 1.9 percent in 2021 and by 1.96 in 2022. Hence, in MY2021/22, the new reference amount for area payment would be 1,243 Euros/Ha. However, this reduction is not anticipated to impact planting decisions.

Table 1. Subsidies Available for Cotton Growers

Support Scheme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22e
Specific payment adjusted (€/ha)	978	1,027.97	995.64	959.94	953.18	990	985
Basic Payment	450*	450*	450*	450*	450*	450*	440
Basic agro-environmental Support 2015-2020 (€/ha) (with additional Commitment)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)

Source: FEAGA and FAS Madrid estimates.

**Industry estimate*

[Ministerial Order APA/90/2020](#) (Spanish language only) establishes the requirements to receive the cotton specific premium in MY2021/22, which consist of:

- Only agricultural plots that were not planted with cotton² during the previous season, but that at least were planted with cotton once in the marketing years 2000/01, 2001/02 or 2002/03, are eligible for this specific support.
- Only cotton varieties contained in the EU Plant Varieties Common Catalogue can receive the cotton-specific support premium.
- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.

² Plots below 10 Hectares are exempted from this requirement.

- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

The regional government of Andalucía has extended the agro environmental measures for sustainable industrial crops (cotton and sugar beet) to 2021 and 2022. Commitments must be observed for a period of five years. Eligibility requirements to receive the Basic agro-environmental support Aid (290.27 €/ha) are as follows:

- Farmers must comply with integrated farming requirements.
- Land under eligible crops³ must be at least 0.5 Ha.
- Farmers must attend two courses of mandatory training on agro-environmental commitments within the four-year period.
- Crop waste, such as stocks, should be shredded and uniformly distributed.
- Farmers must comply with agro-environmental commitments.
- Farmers must grow a legume crop at least once within the five years period of commitment as a second crop to cotton. The legume crop should be grown between autumn and up to at least February 28 of the following year once the legume crop has reached a milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the five years period of commitment as a second crop to cotton. The crucifer crop should be grown between autumn and up to at least February 28 of the following year. Participating farmers can receive a total amount of 433.44 €/Ha as agro-environmental support. Adherence to this additional commitment is limited.

³ *Eligible crops include cotton and sugar beets.*

Production, Supply and Demand Data Statistics

Table 2. Cotton Lint Production, Supply and Demand

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
Spain	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	66	66	62	62	0	62
Beginning Stocks 1000 480 lb. Bales	33	33	23	22	0	27
Production 1000 480 lb. Bales	314	313	270	269	0	273
Imports 1000 480 lb. Bales	12	12	15	12	0	11
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	359	358	308	303	0	311
Exports 1000 480 lb. Bales	318	318	260	260	0	273
Use 1000 480 lb. Bales	18	18	17	16	0	16
Loss 1000 480 lb. Bales	0	0	0	0	0	0
Total Dom. Cons. 1000 480 lb. Bales	18	18	17	16	0	16
Ending Stocks 1000 480 lb. Bales	23	22	31	27	0	22
Total Distribution 1000 480 lb. Bales	359	358	308	303	0	311
Stock to Use % (PERCENT)	6.85	6.55	11.19	9.78	0	7.61
Yield (KG/HA)	1,036	1,033	948	945	0	959

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

Related Reports

Report Title	Date Released
Cotton and Products – Spain Update 2020	10/27/2020
Cotton and Products – Spain Annual 2020	03/16/2020
Cotton and Products – Spain Update 2019	11/12/2019
Cotton and Products – Spain Annual 2019	03/11/2019
Cotton and Products – Spain Update 2018	11/02/2018
Cotton and Products – Spain Annual 2018	04/06/2018

Attachments:

No Attachments.