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Report Highlights:

The drought in Andalucía is anticipated to drive down area planted to cotton in Spain in MY2022/23. However, cotton crop area is highly inelastic given the few alternative crops available, and the fact that a significant part of the CAP payment to cotton continues to be linked to production partially offsets the potential area reduction. However, a steeper decline in cotton production is projected as irrigation water limitations will push yields down.

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

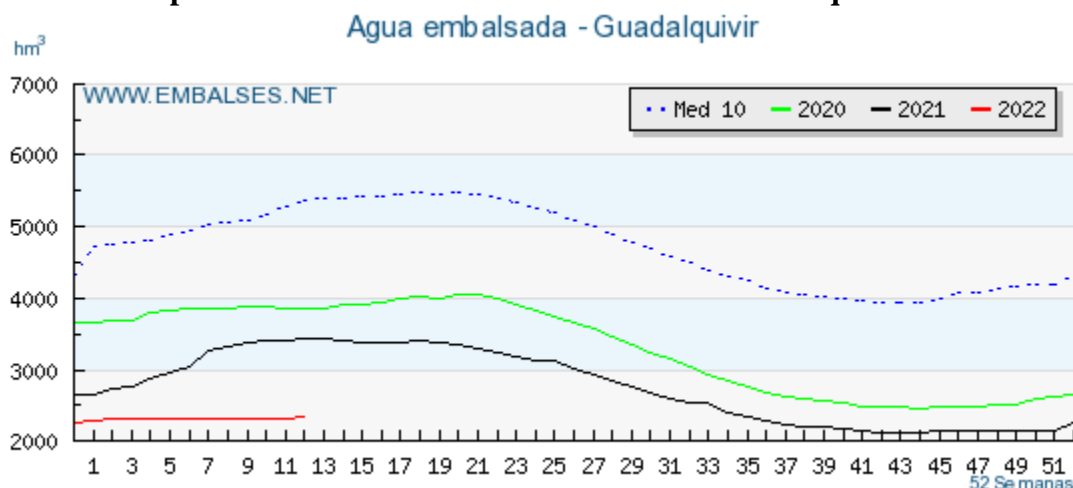
AITPA	Association for Industrial Textile Cotton Processing
Bales	1 Bale = 217.724 kg =480 lbs
EU	European Union
FAS	Foreign Agricultural Service
GE	Genetically engineered
Ha	Hectares (1 Ha = 2.471 acres)
HS Code	Harmonized Codes (for Lint Cotton 5201)
IPAD	International Production Assessment Division
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 decline compared to the five-year average and amount to 57,000 Ha in MY2022/23¹ due to the tight water supply in the Guadalquivir basin for the second consecutive season (**Graph 1**). Notwithstanding, the incentive to receive the full amount of the EU's cotton specific support preempts a steeper decline in plantings despite the small quantities of water allocated. Production could be as low as 80,000 MT, as limits in water for irrigation are projected to be detrimental for yields.

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 River Basin. Cotton in Spain is grown under irrigation in salty and warm conditions. Cotton cultivation is virtually the only alternative in these areas from an environmental, social, and economic perspective. Only slight area variations can occur, depending on water supplies, price relations, and competition from other crops. Consequently, the country's cotton area is very inelastic, and on average years, it amounts to 63,000 hectares.

Graph 1. Water Reservoirs Evolution in the Guadalquivir Basin

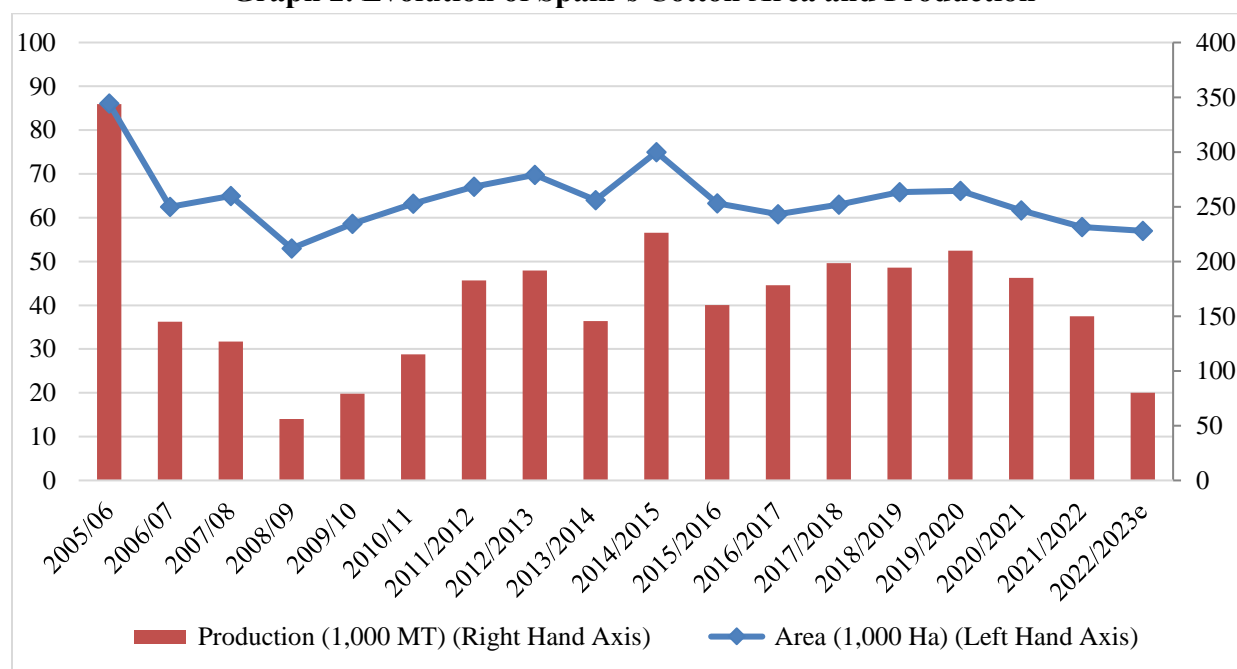


Source: Embalses.net.

In MY2021/22, irrigation water limitations in the Guadalquivir basin resulted in lower area planted to cotton (see GAIN Report [SP2021-0022](#)). Additionally, the lower volumes allocated for irrigation purposes pushed yields down, despite the good phytosanitary situation under which the cotton plants developed (See **Graph 2**).

¹ Forecasts contained in this report are based on agronomic and economic factors that may determine farmer's planting intentions, and as of drafting of this report, most of the cotton in the Spain has not been yet planted.

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 waste²

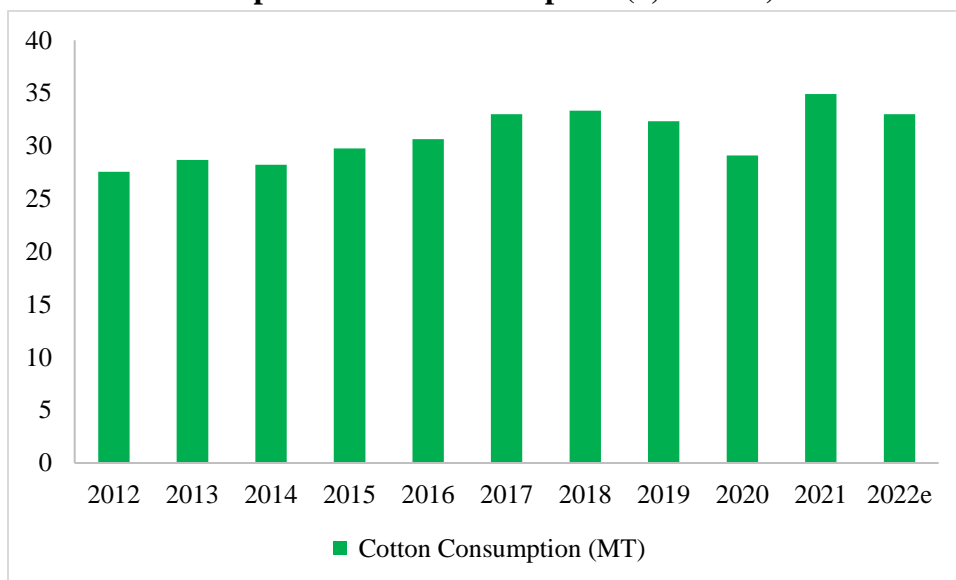
Consumption: Higher Value Products – Textile Products

In MY2022/23, production and textile consumption of cotton is expected to remain strong. However, despite the increased opportunities in apparel for sanitary purposes, the textile sector faces challenges from the supply side, as the cost of electricity and raw materials grow, and transport logistics become increasingly difficult. From the demand side, the textile industry may also suffer the consequences of a reduction in disposable income, as according to the latest statistics by the Spanish National Statistics Institute (INE), the Consumer Prices Index CPI reached 7.6 percent in February.

² Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.

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 increased by 20 percent in 2021 (**Graph 3**).

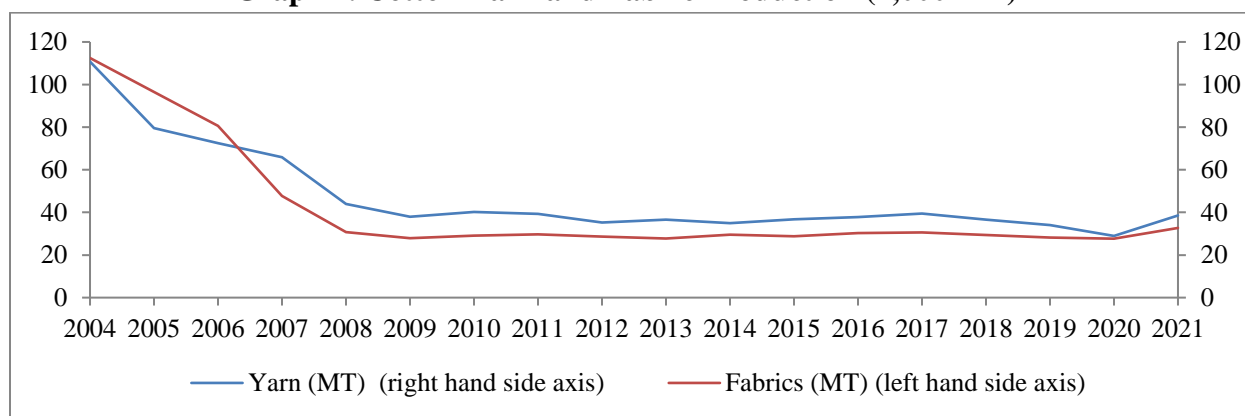
Graph 3. Cotton Consumption (1,000 MT)



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

AITPA reports that yarn production increased by 23 percent in 2021, compared to the previous year. In contrast, fabric production increased by 18 percent (see **Graph 4**).

Graph 4. Cotton Yarn and Fabric Production (1,000 MT)*



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

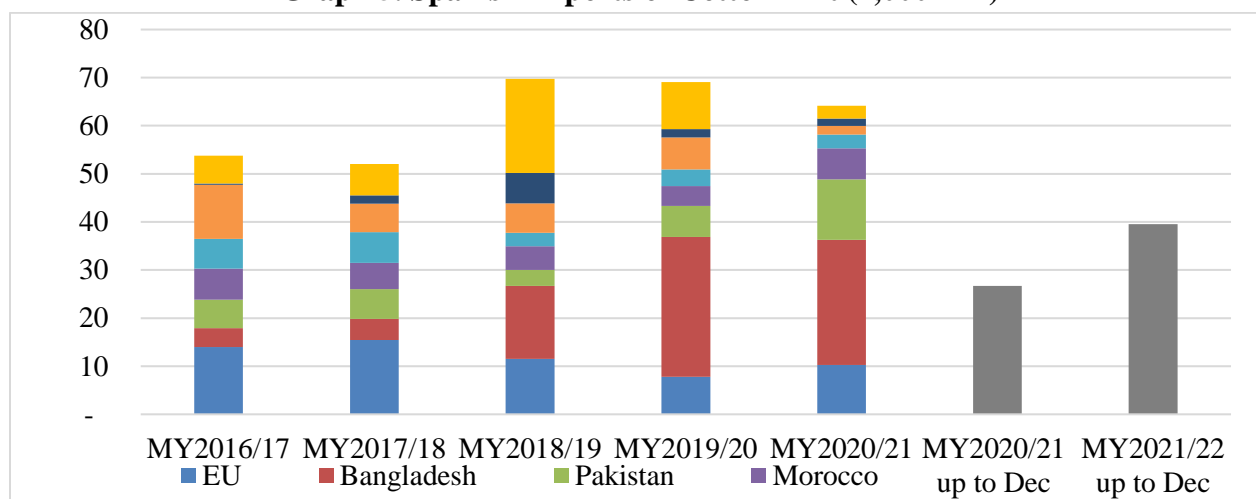
* AITPA numbers include blends with synthetic yarns.

In 2021, main destinations for Spanish yarns and fabric continued to be Morocco and other EU Member States, such as France, Italy, Portugal, and Germany. The main origins of imported cotton products in 2021 included China, Italy, and Turkey.

Trade

MY2022/23 cotton lint exports are expected to be significantly down. Spain is normally a net exporter of cotton lint, with exports largely exceeding imports. However, the projected reduced in-country cotton supply will likely limit export opportunities. Increased sales to [Turkey](#) fueled cotton lint exports during the first quarter of MY2021/22, however, the pace of exports is anticipated to return to average levels during the remainder of the marketing year. Other key markets for Spain's cotton lint include other EU Member States along with [Bangladesh](#), [Pakistan](#), Morocco, [Indonesia](#), and [Vietnam](#) (Graph 5).

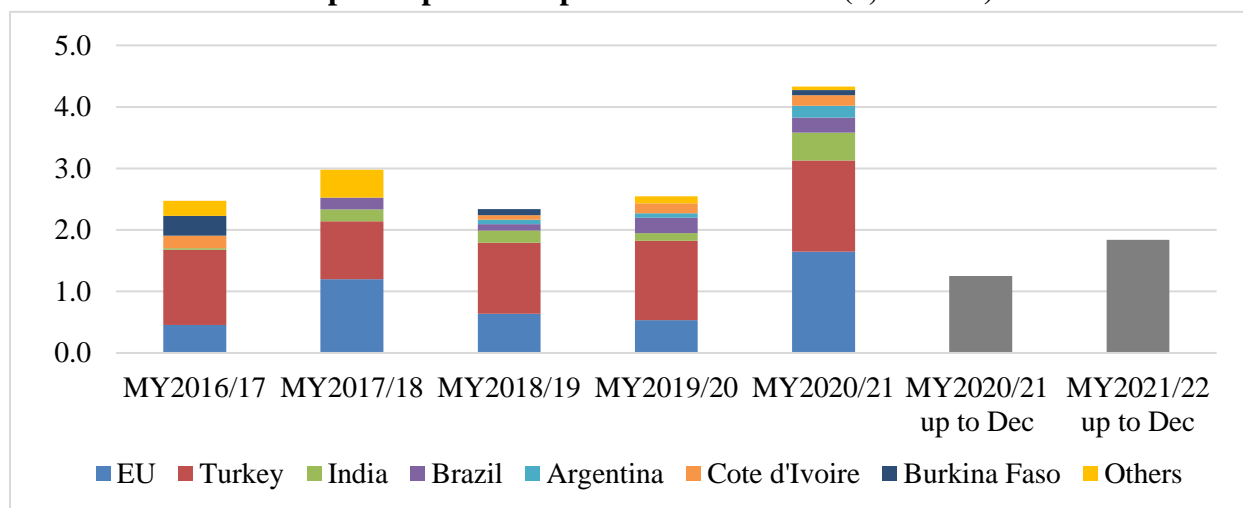
Graph 5. Spanish Exports of Cotton Lint (1,000 MT)



Source: Trade Data Monitor, LLC.

MY2022/23 cotton lint imports are anticipated to increase given the smaller domestic supply combined with the projected stability in domestic consumption. Spain cotton lint imports also expanded during the first quarter of MY2021/22 in response to the growing apparel demand for sanitary purposes.

Graph 6. Spanish Imports of Cotton Lint (1,000 MT)



Source: Trade Data Monitor, LLC.

Policy

- Current Regime

In the 2013-2022 period, cotton farmers are eligible for the **Basic Payment**, which is not crop specific. 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 receive is linked to compliance with greening measures.

Additionally, the **Cotton Specific Support**, as established by Spain's EC Accession Treaty, serves as the only specific policy incentive for cotton production. In MY2009/10, 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. Additionally, [Royal Decree 41/2021](#) (Spanish language only) on CAP implementation reduced the amount of the cotton payments to 1,241.55 Euros/Ha in 2022.

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. 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**).

Table 1. Subsidies Available for Cotton Growers

Support Scheme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23e
Specific payment adjusted (€/ha)	978	1,028	996	960	953	990	1,046	1,050

Source: FEGA and FAS Madrid estimates.

**Industry estimate*

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.

³ Eligible crops include cotton and sugar beets.

- 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.

- Regulatory framework for the 2023-2027 Period

According to [Spain's Strategic Plan Draft](#) presented for EU Commission's approval for 2023-2027, as of MY2023/24, Spain's cotton farmers will be eligible for the Basic Income Support for Sustainability Payment and the Redistributive Payment and can adhere on a voluntary basis to the defined eco-schemes. Additionally, in the 2023-2027 period, cotton will continue to receive the specific support as it was established by Greece EU's Accession Treaty in 1979. National Guaranteed Area for the Cotton Specific Support amounts to 48,000 ha with a total annual budget of 59.7 million Euros. Specific conditions to be eligible to receive this coupled support are defined by a Ministerial Order on a yearly basis in Spain's National Gazette.

Production, Supply and Demand Data Statistics

Table 2. Cotton Lint Production, Supply and Demand

Cotton	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Spain	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	0	0	0		0
Area Harvested (1000 HA)	62	62	57	58		57
Beginning Stocks 1000 480 lb. Bales	24	24	3	14		10
Production 1000 480 lb. Bales	269	284	230	231		119
Imports 1000 480 lb. Bales	19	20	20	21		25
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0		0
Total Supply 1000 480 lb. Bales	312	328	253	266		154
Exports 1000 480 lb. Bales	295	295	235	240		130
Use 1000 480 lb. Bales	14	19	13	16		16
Loss 1000 480 lb. Bales	0	0	0	0		0
Total Dom. Cons. 1000 480 lb. Bales	14	19	13	16		16
Ending Stocks 1000 480 lb. Bales	3	14	5	10		8
Total Distribution 1000 480 lb. Bales	312	328	253	266		154
Stock to Use % (PERCENT)	0.97	4.46	2.02	3.91		5.48
Yield (KG/HA)	945	997	879	867		455

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

Related Reports

Report Title	Date Released
Cotton and Products – Spain Update 2021	10/01/2021
Cotton and Products – Spain Annual 2021	04/01/2021
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