

Required Report: Required - Public Distribution

Date: March 16,2020

Report Number: SP2020-0004

Report Name: Cotton and Products Annual

Country: Spain

Post: Madrid

Report Category: Cotton and Products

Prepared By: Marta Guerrero

Approved By: Jennifer Clever

Report Highlights:

The slowdown in economic activity, in domestic and export markets, lowered the Spanish textile industry consumption of cotton lint. This encouraged larger exports of cotton lint in MY2018/19 and MY2019/20. The lack of alternative crops available to grow in salty soils conditions keeps Spanish cotton area inelastic. Hence, in MY2020/21, despite weak overall demand, farmers are expected to plant a similar cotton acreage.

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.

Table of Contents:

Abbreviations used in this report.....2
Area and Production2
Consumption and Marketing.....4
Higher Value Products – Textile Products.....4
Policy.....8
Production, Supply and Demand Data Statistics.....11
Related Reports.....11

Abbreviations used in this report

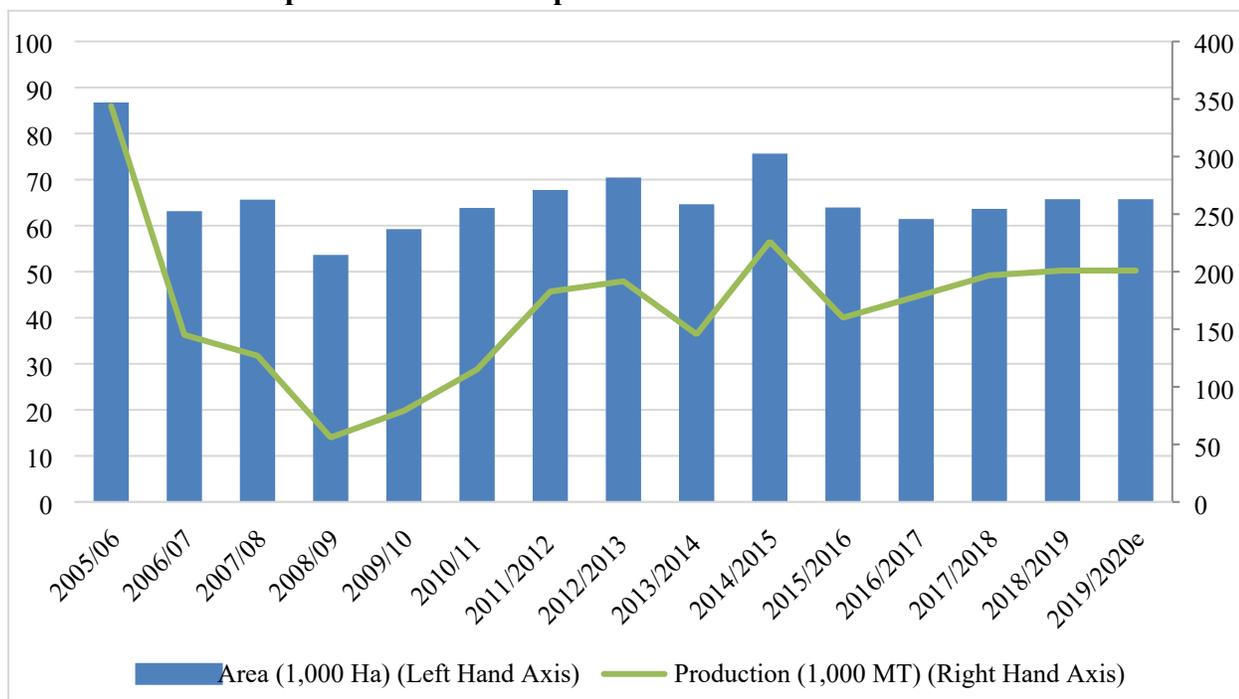
AITPA	Association for Industrial Textile Cotton Processing
Bales	1 Bale = 217.724 kg =480 lbs
EU	European Union
FAS	Foreign Agricultural Service
GE	Genetically engineered
Ha	Hectares (1 Ha = 2.471 acres)
HS Code	Harmonized Codes (for Lint Cotton 5201)
IPAD	International Production Assessment Division
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 production accounts for just above 20 percent of the EU cotton output. Cotton production in Spain is concentrated in the Guadalquivir Valley, Andalucía, Spain’s southernmost region. Most of the production is located in the Andalusian provinces of Seville and Cadiz, and to a lesser extent, Cordoba and Jaen. From an environmental, social and economic perspective, cotton is a critical crop in the areas where it is grown as viable crop alternatives are limited. Virtually all cotton in Spain is cultivated under irrigation.

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 salty and warm conditions, and there are little alternative crops that can be profitable under these circumstances. However, slight area variations can occur, depending on water supplies, price relations, and competition from other crops. In MY2020/21, despite the water availability for irrigation, slightly lower prices reported by industry in MY2019/20 led to a slight decrease in area (**Graph 1**).

Graph 1. Evolution of Spain’s Cotton Area and Production



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

In **MY2019/20**, cotton planting conditions were good as spring 2019 was extremely dry. However, dam water availability allowed farmers to plant 66,000 Hectares of cotton. Crop development was optimal due to the prevailing warm and sunny summer conditions, and the low incidence of pests. Therefore, in MY2019/20, above average yields were achieved.

Consumption and Marketing

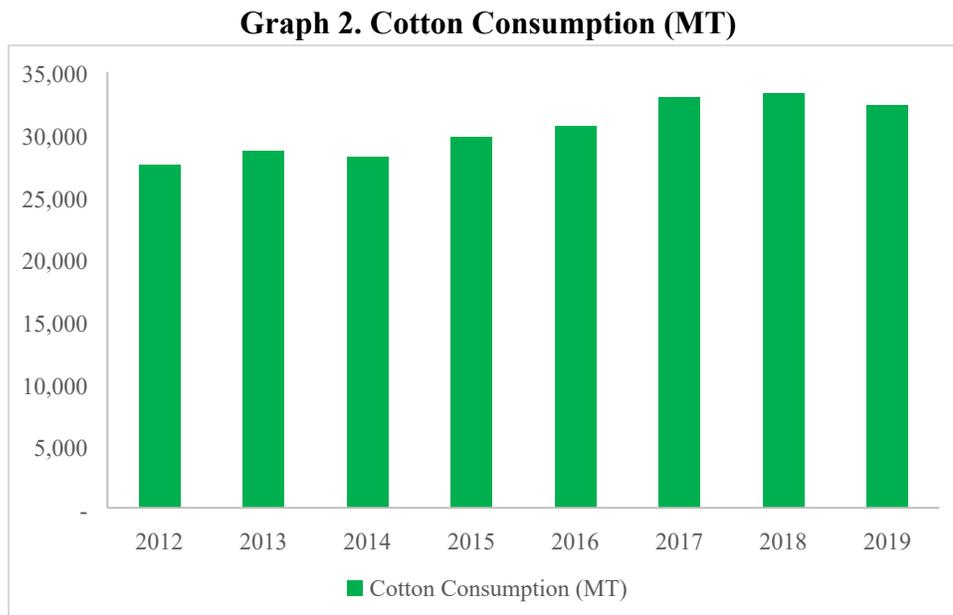
Spain has eight ginning plants in Andalucía, of which only seven are currently operational.

According to Spanish industry, raw cotton processing rates are as follows:

- Cotton Lint yield = 32-33percent (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54percent (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14percent is moisture and waste¹.

Higher Value Products – Textile Products

The cotton processing industry in Spain is concentrated in Catalonia. According to the information provided by the Association for Industrial Textile Cotton Processing (AITPA), a 3 percent reduction in cotton consumption by the industry was registered in 2019 (**Graph 2**). The slowdown in economic activity, in domestic and export markets is the driver for the weaker demand for cotton lint by the of Spanish textile industry.

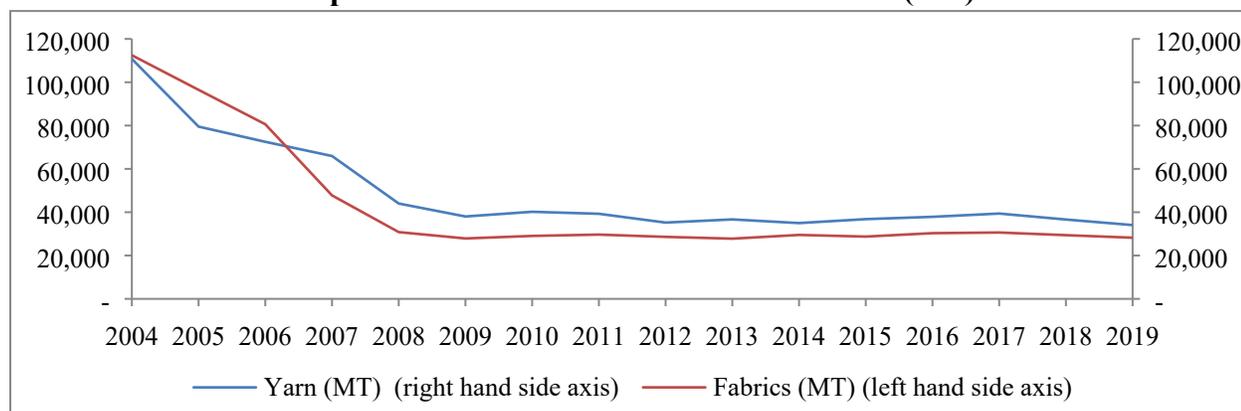


Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

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

In terms cotton yarn and fabric production, (see **Graph 3**) AITPA reports a 7 and 4 percent production decline in **2019** compared 2018.

Graph 3. 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.

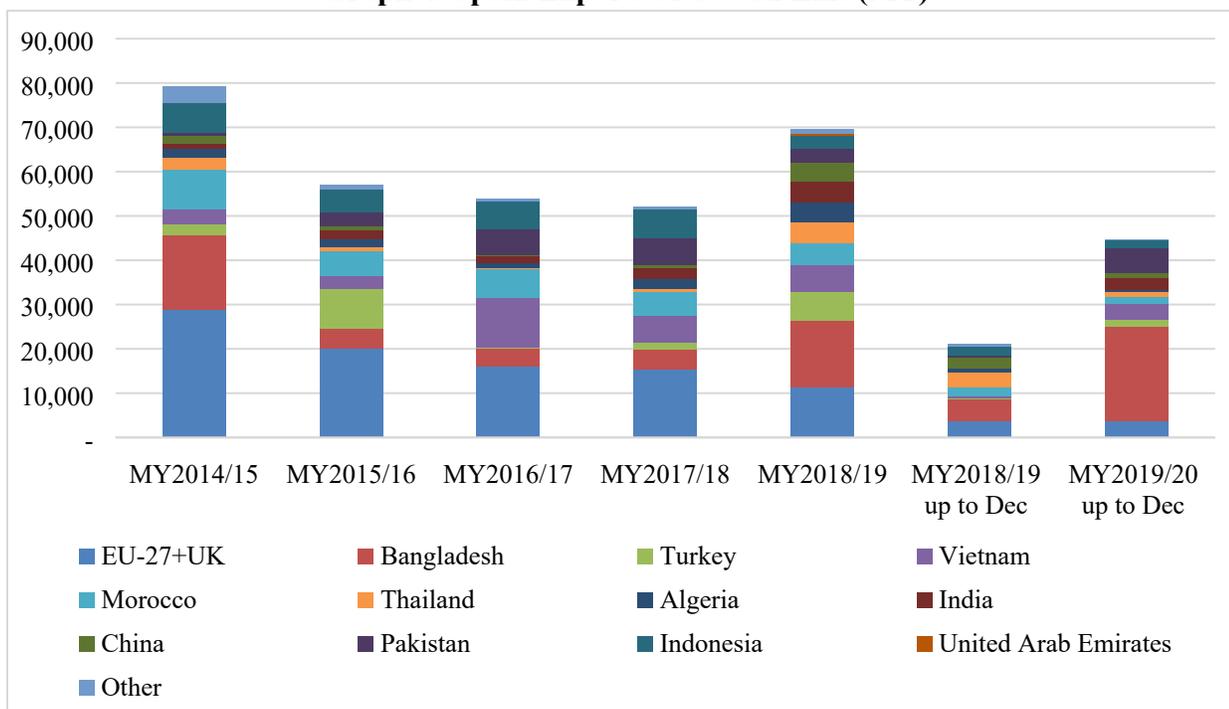
In 2019, main destinations for Spanish yarns and fabric continued to be Morocco (27 percent) and other EU Member States, such as Italy (10 percent), Portugal (10 percent), France (9 percent) and Germany (6 percent). The main origins of imported cotton products in 2019 included Pakistan (21 percent), China (18 percent), Turkey (16 percent), Portugal (11 percent), and Italy (10 percent).

Trade

Spain is a net exporter of cotton lint, with exports largely exceeding imports. The absence of a strong domestic demand, combined with a bumper crop, resulted in higher-than-anticipated exports of cotton lint during the first quarter of MY2019/20 (**Graph 4**).

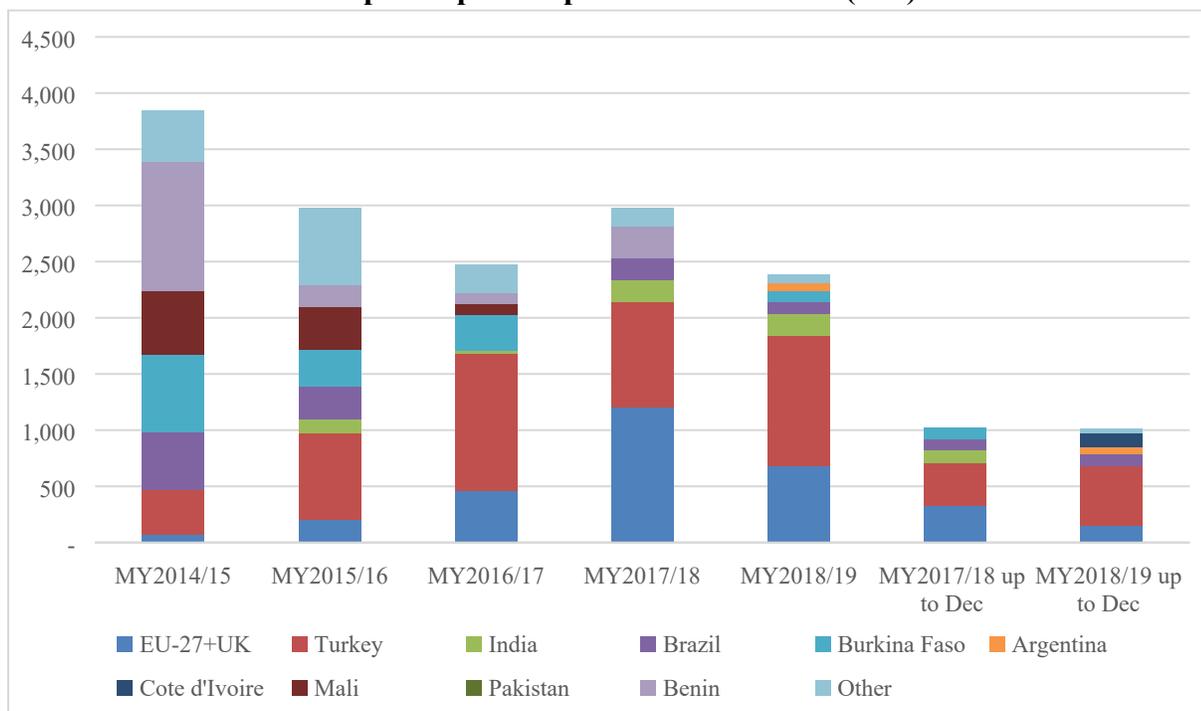
In MY2018/19, Bangladesh was the main destination for Spanish cotton, surpassing the volumes exported to other EU Member States. Other large export markets include Turkey, Vietnam and Morocco (**Graph 5**). Spain cotton lint imports originate normally mainly in Turkey and Burkina Faso, India and Brazil to a lesser extent (**Graph 4**).

Graph 4. Spain Exports of Cotton Lint (MT)



Source: Trade Data Monitor, LLC.

Graph 5. Spain 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** was phased out in MY2015/16 and the **Integrated Farming Payments** in **MY2013/14**.

In **2015**, the **Single Payment Scheme** was replaced by the so-called **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 Basic Payment would add up to about 450 Euros per hectare. A large part of the support received by farmers will be linked to compliance with greening measures.

Cotton Specific Support

In 2006, Spain's cotton planted area declined significantly as a result 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.

[Ministerial Order APA/90/2020](#) establishes the requirements to receive the cotton specific premium in MY2020/21, 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 2002/13, 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.
- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

² Plots below 10 Hectares are exempted from this requirement.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area. Subsidies allocated each Marketing Year can be consulted in **Table 3**.

Table 3. Subsidies Available for Cotton Growers

Support Scheme	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Specific payment adjusted (€/ha)	1,105	1,024	983	1,060	825	978	1,027.97	995.64	959.94	953.18
Article 69 payment (€/ha)	289.81	224.75	-	-	-	-	-	-	-	-
Article 68 payment (Euros/MT)	-	-	77.68	95.12	57	-	-	-	-	-
Basic Payment	-	-	-	-	-	450*	450*	450*	450*	450*
Integrated farming aid (€/ha):										
Under 40 ha.	350	350	350							
Between 40 and 80 ha.	210	210	210	-	-	-	-	-	-	-
More than 80 ha.	105	105	105							
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)

Source: FEAGA and FAS Madrid estimates.

**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for sustainable industrial crops (cotton and sugar beet). Commitments must be observed for a period of five years.

Between 2015 and 2020, eligibility requirements to receive the Basic Agro-environmental support Aid (290.27 €/ha) are as follows:

- Integrated farming practices must be carried out and accredited.
- 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 accredit compliance 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 carried out 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 carried out between autumn and up to at least February 28 of the following year. Those 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 4. Cotton Lint Production, Supply and Demand

Cotton Market Begin Year Spain	2018/2019		2019/2020		2020/2021	
	Aug 2018		Aug 2019		Aug 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	65	66	65	66	0	64
Beginning Stocks	75	75	43	43	0	28
Production	300	316	300	327	0	290
Imports	10	11	15	10	0	10
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	385	402	358	380	0	328
Exports	322	319	275	322	0	270
Use	20	40	20	30	0	28
Loss	0	0	0	0	0	0
Total Dom. Cons.	20	40	20	30	0	28
Ending Stocks	43	43	63	28	0	30
Total Distribution	385	402	358	380	0	328
Stock to Use %	12.57	11.98	21.36	7.95	0	10.07
Yield	1005	1042	1005	1079	0	987

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

Related Reports

Report Title	Date Released
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
Cotton and Products – Spain Annual 2017	04/03/2017
Cotton and Products – Spain Update 2016	10/21/2016
Cotton and Products – Spain Annual 2016	04/01/2016
Cotton and Products – Spain Update 2015	11/04/2015
Cotton and Products – Spain Annual 2015	03/25/2015

Attachments:

No Attachments