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Spain

Cotton and Products

Annual

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Approved by:

Lloyd J. Fleck

U.S. Embassy

Prepared by:

Diego Perez Ascanio

Report Highlights: Cotton production is expected to drop 6 percent in 2002, to 96,000 metric tons, due to a reduction in the area planted. The trend in declining imports has continued in the current MY 2001/02 due to increased yarns imports, greater utilization of domestic cotton and lower utilization of mill capacity. Although U.S. cotton shipments into Spain have practically disappeared, current low U.S. prices may help them resume next season.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Madrid [SP1], SP

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Executive Summary

Spain's cotton harvest in 2002 is forecast at 96,000 metric tons (lint basis), down 6 percent from year-earlier levels, reflecting lower area planted.

Although textile sales have shown steady growth over the past several years, lately it has been mainly due to strong growth in export sales (attaining a Euro 6 billion record) since the growth in domestic sales has slowed down. Moreover, there is a continued growth in clothing imports.

Despite historically low prices, cotton use in Spain has remained rather depressed during the past three calendar years, showing only a slight increase in CY 2001 to about 106,000 metric tons. Man-made fiber use has stopped its tendency of continued growth last year. Since spinning activity has declined since the second half of last year, cotton mill use is expected to decline in the current MY 2001/02.

Cotton yarn production in 2001 amounted to 140,100 metric tons, a 3 percent decline from 2000. Continued growth in imports of cotton yarns are taking place to meet the growing needs of fabric mills, whose output amounted to 141,525 tons in 2001, a 9.5 pct. increase from 2000. While the demand for denim has continued to be strong due mainly to fashions for young women, the demand for other cotton fabrics and home furnishings dropped last year.

Cotton imports during MY 2000/01 fell to 31,273 metric tons, a 13 percent. decrease from year earlier levels due largely to increased cotton yarn imports, greater utilization of domestic cottons and lower mill utilization. Africa's Franc Zone Area (FZA), Syria, Zimbabwe, the New Independent States (NIS), and Australia were the leading suppliers. While cotton imports declined from most sources in both terms of volume and market share, FZA and Syria cotton imports increased notably. U.S. cotton shipments to Spain declined to just 382 metric tons from 1,699 metric tons in the preceding year.

During the current MY 2001/02, total cotton imports are so far running behind of the comparable period of a year earlier. Shipments from most sources are declining but Brasil, Chad and Australia are showing substantial gains. U.S. cotton shipments to Spain are plummeting this season. According to trade sources, this was due to the fact that when U.S. cotton prices dropped, Spanish mills had already covered orders for cotton from other sources. They expect a resumption of U.S. cotton imports later on in the year.

Cotton exports in MY 2000/01 fell to 28,920 metric tons, a 47 pct. decrease from year earlier levels. The European Union, Algeria, Switzerland and Morocco continue to be the main export markets for Spanish cotton.

The GOS has approved a set of measures for trimming cotton production in Spain and making cotton a more environmental-friendly crop. The area planted to cotton should not exceed 100,000 hectares, a level that would trigger the new mechanism of high penalization for overproduction approved in the last EU reform of the cotton regime.

Cotton PS&D

PSD Table						
Country	Spain					
Commodity	Cotton				(HECTARES)(MT)	
	Revised		Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	91000	0	91000	0	86000
Area Harvested	90000	90000	95000	90000	0	85000
Beginning Stocks	44852	25526	29393	13579	28304	9579
Production	92098	91800	103420	102000	0	96000
Imports	31353	31273	32659	30000	0	35000
TOTAL SUPPLY	168303	148599	165472	145579	28304	140579
Exports	28958	28920	27216	33000	0	31000
USE Dom. Consumption	109952	106100	109952	103000	0	103000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	109952	106100	109952	103000	0	103000
Ending Stocks	29393	13579	28304	9579	0	6579
TOTAL DISTRIBUTION	168303	148599	165472	145579	0	140579

Production

The expected decline in the cotton harvest in 2002 reflects a reduction in the area planted to cotton. Ninety-five percent of Spain's cotton acreage is in the Guadalquivir river basin of Andalusia, which includes the provinces of Seville, Cordoba, Cadiz and Jaen. There is also a small cotton producing area in Cartagena, a location in eastern Spain, with about 3,000 hectares planted to cotton

Production Policy

The basic mechanism of the EU support scheme for cotton provides a payment to compensate processors for the price that must be paid to producers. The scheme includes a target and a minimum price. The target price is supposed to provide farmers with a reasonable income (currently set at 106.30 Euros/100 kg, raw cotton basis). The minimum price is the level which ginner must pay growers in order to be eligible for subsidies (currently set at 100.99 Euros/100 kg, raw cotton basis). Subsidies are then given to ginner to cover the gap between world market prices and the target price. The level of subsidies fluctuates depending on world prices.

In April 2001, the EU Council of Ministers approved a reform of the cotton scheme. With the aim of trimming overproduction in the EU, a new penalization mechanism, in addition to the existing one, was adopted. The existing mechanism includes an EU-wide 1,031,000 metric ton Maximum Guarantee Raw Cotton Quantity (MGQ), of which 249,000 metric tons applies to Spain. As was the case in the past, a 50 percent reduction in the target price will apply to production overshooting the MGQ, up to a limit of 1.5 million tons per year for all of the EU (including 362,250 tons for Spain). Beyond that 1.5 million ton ceiling, the new mechanism includes an extra reduction of 2 percent for every additional 20,000 tons.

The Spanish Government has also issued a regulation with the aim at controlling and trimming cotton production and setting up a package of environmental measures. The area planted to cotton should not exceed 100,000 hectares, a level that would trigger the new mechanism of high penalization for overproduction approved in the last EU reform of the cotton regime.

Among the environmental measures approved, rotation is required; cotton may not be planted in the same field during two consecutive years. The Autonomous regions, however, may give small cotton farmers (of less than 10 hectares) a waiver. Irrigation efficiency and lower use of pesticides are among the environmental measures approved.

Inputs

About 95 percent of the crop is watered, generally with drip irrigation systems. The main seed varieties currently used are Crema 111, Coker 310, Vulcano, Acala SJ-2, Coker 312 and Tabladilla-16. No GMO cotton varieties are approved for planting in Spain.

Cotton rows are generally covered with plastic to elicit early emergence and to avoid the adverse effects of rains during the normal harvest time. Practically all the crop is machine-picked.

Yields

The average yield for the 2001 cotton crop is 3.48 metric tons of seed cotton per hectare. Average fiber yield is estimated at about 32.2 percent. Average yield for the 2002 crop is projected at about 3.5 tons of seed cotton per hectare.

Consumption

Despite historically low prices, cotton use in Spain has remained rather stable during the last three calendar years. By contrast, man-made fiber use has steadily grown. This trend, however, seems to have paused last year when cotton's share of the total fiber use increased one percentage point, to 22 percent, from the previous year.

A breakout of industrial use of fiber in the cotton spinning system in Spain is as follows:

	CY 1998	CY 1999	CY 2000	CY 2001	01/00
	000 Metric Tons				Pct.
COTTON	114.0	105.3	105.6	106.6	0.9
SYNTHETIC FIBERS	44.7	43.2	40.3	39.4	(2.2)
CELLULOSIC FIBERS	8.7	11.2	17.8	11.1	(37.6)
OTHER	4.6	4.7	4.7	5.1	8.5
INDUSTRIAL USE	172.0	164.4	168.4	162.2	(3.7)

As shown in the table above, cotton's share increased to 65.7 percent in 2001 from 62.7 percent in 2000.

Cotton yarn production in 2001 amounted to 140,100 metric tons, a 3 percent decline from 2000. However, while 100 pct.-cotton yarn production rose 1.1 percent to 97,321 metric tons, blended yarn production declined 11 pct. to 42,779 metric tons.

Spain's yarn trade balance continued to deteriorate. Last year, cotton yarn imports grew 12.4 pct. to 99,929 tons, while cotton yarn exports grew only 3.4 percent to 95,370 tons. This resulted in a negative trade balance of 4,559 tons in CY 2001 compared with a positive trade balance of 3,305 tons in CY 2000 and 5,682 tons in 1999. These data reflect an apparent domestic consumption of cotton yarns of 144,659 tons in CY 2001, up 2.4 pct. from 2000.

Cotton fabric production in 2001 increased once again to 141,525 tons, a 9.5 pct. increase from 2000. Production of 100 percent cotton fabrics rose 13.3 pct. to 100,245 tons while blended fabric production rose 1.2 percent to 41,280 metric tons.

The tendency of strong demand for denim continued last year when it increased by 10 percent or more due largely to the young women's segment. Flat fabric use, however, dropped due in large part to the increased use of denim. The home furnishing market dropped slightly in 2001 from the preceding year.

Cotton fabric imports last year increased 13 pct. to 103,713 tons and cotton fabric exports grew 20.4 pct. to 104,069 tons. This resulted in a trade surplus of 356 tons, compared with a deficit of 5,336 in 2000. This leads to an apparent use of cotton fabrics of 141,881 tons in 2001, a 14.4 pct. increase from 2000.

Both imports and exports of cotton textile products continued to grow last year, as follows: exports grew 11.9 percent to 211,127 tons and imports rose 12.3 percent to 227,110 tons. This led to an overall cotton textile trade deficit of 15,983 tons in 2001, up 18 pct. from year earlier levels.

Domestic per capita textile use has grown sharply over the past several years from 14.6 kilograms in 1997 to 17.6 kilograms in 2000 and 17.7 kilograms in 2001.

During the second half of 2001, spinning activity declined significantly over the first half and it is expected to continue be weak during the first half of 2002, leading to a projected decline in the cotton mill use during the current MY 01/2002.

Trade

Cotton imports during the 2000/01 marketing year fell to 31,273 metric tons, a 13 percent. decrease from year earlier levels reflecting increased cotton yarn imports and greater utilization of domestic cottons. In comparison with the preceding year, imports from most sources declined, including the New Independent States (NIS), Australia, Zimbabwe, United States, Turkey, Greece and Argentina. The NIS share of the market in MY 2000/01 halved to 8 percent to equal the Australia's share which lost 3 percentage points from the preceding year. While Zimbabwe's share of the market lost 1 percentage point to 12 percent, the U.S. share of the market declined to 1.2 percent from 4.8 percent in the two preceding years.

By contrast, cotton imports from Africa's Franc Zone Area (FZA), Syria and Pakistan grew notably in MY 2000/01. FZA cotton imports rose to 9,417 tons from 6,004 tons in the preceding year. FZA's share of the market increased to 30 percent in MY 2000/01 from 17 percent in MY 1999/00. Syria's share of the market increased 5 percentage points to 18 percent.

During the first 7 months (August-February) of the current MY 2001/02, cotton imports declined 22 percent to about 15,500 metric tons. Substantial declines are recorded for Syria, Pakistan, Zimbabwe, and the NIS which were not offset by increased shipments from Brasil, Chad and Australia. U.S. cotton exports to Spain have practically disappeared. For all of the MY 2001/02, cotton imports are projected at 30,000 metric tons, about 1,300 tons less than in the preceding year.

Cotton exports in MY 2000/01 fell to 28,920 metric tons, a 47 percent decrease from year earlier levels. The European Union is the main destination with a market share of 66 percent, followed by Algeria (14 percent), Switzerland (5 percent) and Morocco (4 percent). Cotton exports are expected

to increase to 33,000 metric tons, some 4,000 tons more than in the preceding year.

Import Trade Matrix					
Country	Spain				
Commodity	Cotton				
Time period	August-July	Units:	August-July		August-Feb
Imports for:	1999	Metric Tons	2000		2001
U.S.	1699	U.S.	382		43
Others		Others			
FSU	5596	FSU	2476	Chad	2407
Zimbabwe	4706	Syria	5710	Zimbabwe	2122
Syria	4674	Zimbabwe	3909	Australia	2013
Australia	3949	Chad	2987	Brasil	1839
Benin	2054	Australia	2458	Syria	1422
Greece	1587	Pakistan	2302	FSU	1292
Pakistan	1345	Cameroon	1809	Ivory Coast	685
Chad	1180	U.K.	1603	Burkina Faso	619
Egypt	1167	Benin	1551	Benin	314
Burkina Faso	850	Togo	1071	Cameroon	298
Total for Others	27108		25876		13011
Others not Listed	7218		5015		2431
Grand Total	36025		31273		15485

Export Trade Matrix					
Country	Spain				
Commodity	Cotton				
Time period	August-July	Units:	August-July		August-Feb
Exports for:	1999	Metric Tons	2000		2001
U.S.	0	U.S.	0	U.S.	0
Others		Others			
France	16373	France	8583	Algeria	7397
Algeria	10201	Algeria	4001	France	4189
U.K.	5478	U.K.	2781	U.K.	2336
Belgium	4258	Portugal	2384	Morocco	2093
Morocco	2796	Austria	2202	Portugal	1637
Brasil	2057	Turkey	1587	Belgium	1061
Germany	2014	Belgium	1456	Germany	783
Indonesia	1907	Switzerland	1413	Switzerland	539
Portugal	1894	Morocco	1168	Italy	517
Italy	1635	Italy	929	Cuba	307
Total for Others	48613		26504		20859
Others not Listed	6621		2416		444
Grand Total	55234		28920		21303

Marketing

Spain generally imports cotton from a number of countries. Grades, staple lengths and other specifications coupled with price competitiveness are the determining factors when importers make purchasing decisions. Higher U.S. prices relative to cotton sourced from other countries (such as Australia, the New Independent States (NIS), Syria, Africa's Franc Zone and Argentina) are the main reason why U.S. market share has been declining.

Spain used to import U.S. upland cotton, SJV and some Pima. The main competition for SJV cotton is domestic cotton (which enjoys less stickiness) as well as Australian cottons. In the last two years, however, U.S. exports to Spain have been limited to upland cotton – short staple cotton of less than 1" in particular – as SJV and Pima cottons have practically disappeared from the U.S. export mix to Spain. Greater use of domestic cottons coupled with the suspension of payments of a leading Spanish spinner which used to import U.S. cotton are two factors explaining the discontinuation of exports of these two U.S. cotton types to Spain.

During the current MY 2001/02, U.S. cotton shipments to Spain have practically disappeared. According to trade sources, this was due to the fact that when U.S. cotton prices dropped, Spanish mills had already covered orders for cotton from other sources. They expect, however, a resumption of U.S. cotton imports later on the year.

Domestic cottons are increasingly being used by Spanish spinners due reportedly to its improved quality, with little contaminants, and to improved ginning. Spinners are learning use blends of Spanish cottons with Uzbek cottons – which are also appreciated – and African FZA cottons. These hand-picked cottons from FZA enjoy high price/quality ratios and cheap freights.

None of the major cotton exporting countries are conducting significant promotional activities in Spain.

Cotton agents and traders who import raw materials directly are grouped in an entity called the Spanish National Cotton Exchange, which is based in Barcelona at the following address: CENTRO ALGODONERO NACIONAL; Via Layetana, 32-34 - 3; 08003 Barcelona; Phone:(34-93) 319-8950; Fax: (34-93)319-8962; E-mail: can@teleline.es. U.S. exporters desiring to sell in this market may contact the organization directly.

Average exchange rates (Euros/\$U.S.)

1999:	1.06
2000:	0.92
2001:	0.89

Current: 0.94