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# EU-27

# Cotton and Products Annual

# Cotton and Products Annual 2011

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**Report Highlights:**
Only two European Union (EU-27) Members States (MS)—Greece (80 percent) and Spain (20 percent)—grow significant amounts of cotton commercially. EU-27 cotton production, which has declined about 50 percent since the 2006 reforms, represents less than 1 percent of world production, consumption, and trade. MY 2011/12 EU-27 cotton production is forecast to increase in response to record world prices of cotton. MY 2011/12 EU-27 cotton imports are forecast to remain steady at low levels, as the EU-27 industry remains uncompetitive. MY 2011/12 EU-27 cotton exports are forecast to increase to 304,000 MT due to increased production.

## **Cotton and Products**

## **EU-27**

**EU-27 Cotton Lint Production (Hectares, Metric Tons)**

| | **2009/10** | **2010/11** | **2011/12** |
|---|---|---|---|
| Area Harvested | 259,000 | 293,000 | 370,000 |
| Beginning Stocks | 57,000 | 7,000 | 2,000 |
| Production | 229,000 | 249,000 | 357,000 |
| Imports | 36,000 | 29,000 | 29,000 |
| **TOTAL Supply** | **322,000** | **285,000** | **388,000** |
| Exports | 236,000 | 206,000 | 304,000 |
| Use | 66,000 | 66,000 | 64,000 |
| Loss | 13,000 | 11,000 | 10,000 |
| TOTAL Dom Cons | 79,000 | 77,000 | 74,000 |
| Ending Stocks | 7,000 | 2,000 | 10,000 |
| **Total Distribution** | **322,000** | **285,000** | **388,000** |

Source: FAS Rome and Madrid estimates
PS&Ds for all EU-27 MS may be found at: http://www.fas.usda.gov/cots/cotton.asp

### **Production**

The EU-27 is a minor producer of raw cotton. Current EU-27 cotton policy is detailed in Regulation 1782/2003, revised by Regulation 864/2004, and amended by Regulation 637/2008. EU-27 cotton production has declined by more than 50 percent following Common Agricultural Policy (CAP) reforms effective in 2006 that decoupled payments and reduced support and market barriers for a number of crops, including cotton (see "*Study on the Cotton Sector in the European Union"* at www.lmc.co.uk). Production may stabilize through 2013 when additional reforms are expected to be implemented that could further reduce incentives to produce cotton.

The EU-27 does not permit farmers to cultivate biotech cotton. Only two EU-27 Members States—Greece (80 percent) and Spain (20 percent) —grow significant amounts of cotton commercially. MY 2010/11 EU-27 harvested area increased to 293,000 hectares due mainly to increased area in Greece to earn foreign exchange. MY 2011/12 EU-27 cotton area and production area expected to increase in response to record world prices of cotton.

### **Consumption**

EU-27 cotton lint consumption is forecast to remain steady at low levels. Stiff competition from lower-cost Asian and South East Asian spinners has resulted in a steady decline in the EU-27 spinner and textile industries, which was accelerated by the global financial crisis. This declining trend is expected to continue for the foreseeable future. As a result, EU-27 textile and apparel processors source most of their products offshore. Some EU-27 processors split production between the EU-27 and third countries to take advantage of marketing opportunities. In Italy, for example, goods sourced overseas may carry the 'Made in Italy' label provided more than 50 percent of the value was added in Italy. Cotton Council

International works with EU-27 entities to source products made with U.S. cotton.

**Trade**

MY 2010/11 EU-27 lint exports declined due largely to reduced production and low carry-in stocks in Greece. MY 2011/12 EU-27 cotton lint exports are forecast to increase to 304,000 MT due to increased production. Turkey and Egypt represent about 80 percent of the export market for EU-27 cotton. MY 2011/12 EU-27 cotton import demand is forecast to remain steady at the low level of the previous year, as the EU-27 industry remains uncompetitive. There are no restrictions on importing lint or products produced from biotech cotton.

**EU-27 Cotton Lint Trade**

**EU-27 Cotton Lint Imports (MT)**

| | Aug-Jul 08/09 | Aug-Jul 09/10 | Aug-Dec 09/10 | Aug-Dec 10/11 |
|---|---|---|---|---|
| **EU-27** | **10,534** | **7,861** | **3,001** | **3,319** |
| France | 3,935 | 693 | 218 | 181 |
| Portugal | 2,208 | 1,790 | 701 | 484 |
| Germany | 1,076 | 1,538 | 612 | 814 |
| **Extra EU-27** | **28,636** | **30,654** | **10,788** | **12,539** |
| Turkey | 11,410 | 14,542 | 4,074 | 5,243 |
| Honduras | 2,328 | 2,938 | 988 | 1,735 |
| Mauritius | 2,545 | 2,201 | 869 | 800 |
| Thailand | 1,960 | 1,982 | 846 | 710 |
| Bangladesh | 1,811 | 1,117 | 556 | 499 |
| Pakistan | 992 | 1,081 | 597 | 389 |
| **World** | **39,170** | **38,515** | **13,789** | **15,858** |

Source: GTA

**EU-27 Cotton Lint Exports (MT)**

| | Aug-Jul 08/09 | Aug-Jul 09/10 | Aug-Dec 09/10 | Aug-Dec 10/11 |
|---|---|---|---|---|
| **EU-27** | **53,058** | **36,045** | **15,609** | **19,434** |
| Italy | 16,388 | 10,971 | 6,164 | 4,343 |
| Germany | 10,718 | 6,473 | 2,432 | 5,596 |
| Portugal | 6,168 | 5,781 | 1,424 | 2,123 |
| Bulgaria | 3,535 | 4,390 | 2,691 | 1,442 |
| France | 6,541 | 4,260 | 1,732 | 2,112 |
| **Extra EU-27** | **279,968** | **211,252** | **128,556** | **132,873** |
| Turkey | 138,449 | 148,710 | 83,252 | 78,304 |
| Egypt | 74,666 | 26,748 | 7,521 | 21,115 |
| Indonesia | 15,271 | 13,494 | 2,797 | 8,045 |
| Morocco | 10,102 | 7,318 | 2,543 | 4,022 |
| Pakistan | 12,220 | 3,488 | 2,187 | 3,623 |
| **World** | **333,026** | **247,297** | **120,137** | **152,307** |

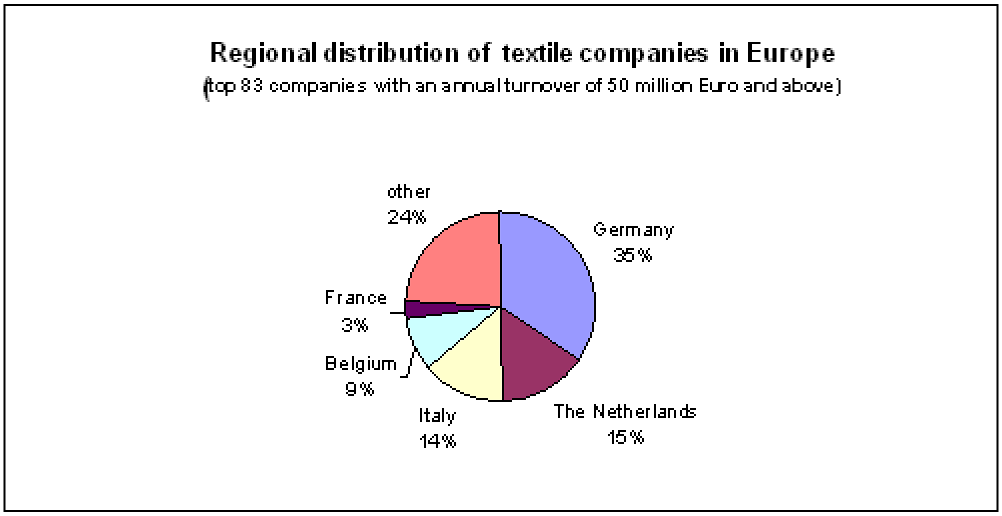
Source: GTA

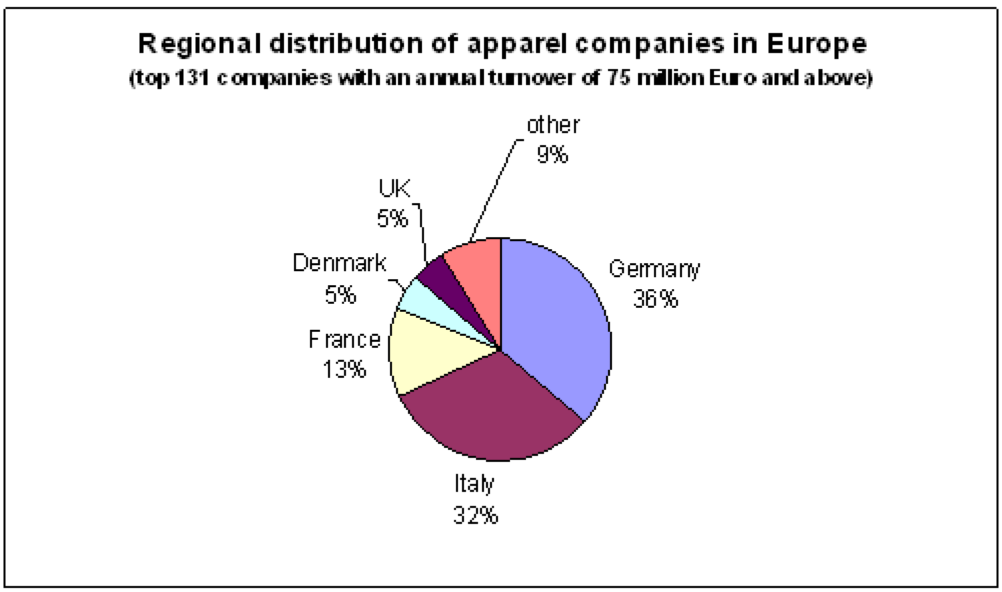
**Stocks**

Ending stocks for MY 2011/2012 are expected to be slightly up from the previous year.

**<u>EU-27 Cotton Products</u>**

Major European textile and apparel producers include Germany and Italy. Textile production across Western Europe is declining due to lower manufacturing costs in Eastern Europe, Asia, and elsewhere.




Source: German textile and fashion confederation

**EU-27 Cotton Yarns Trade**

**EU-27 Cotton Yarns Imports (MT)**

| | 2008/09 | 2009/10 |
|---|---|---|
| India | 84,045 | 106,840 |
| Turkey | 74,007 | 72,247 |
| Pakistan | 38,852 | 37,106 |
| Egypt | 11,432 | 19,145 |
| Uzbekistan | 14,293 | 18,814 |
| China | 12,041 | 17,077 |
| Syria | 6,551 | 12,338 |
| Indonesia | 9,566 | 8,775 |
| Bosnia | 3,755 | 7,222 |
| Thailand | 3,432 | 2,994 |
| **World** | **275,595** | **319,790** |

Source: GTA

**EU-27 Cotton Yarns Exports (MT)**

| | 2008/09 | 2009/10 |
|---|---|---|
| Tunisia | 4,838 | 4,457 |
| Algeria | 1,456 | 3,001 |
| Morocco | 2,658 | 2,989 |
| Croatia | 2,623 | 2,499 |
| Turkey | 2,838 | 2,067 |
| Egypt | 808 | 1,428 |
| Albania | 506 | 1,189 |
| Serbia | 747 | 1,006 |
| United States | 1,125 | 914 |
| Hong Kong | 881 | 860 |
| **World** | **31,740** | **32,527** |

Source: GTA

## EU-27 Cotton Fabrics Trade

**EU-27 Cotton Fabrics Imports (MT)**

| | 2008/09 | 2009/10 |
|---|---|---|
| Pakistan | 96,477 | 94,695 |
| China | 67,453 | 63,156 |
| Turkey | 51,039 | 48,914 |
| India | 26,040 | 23,196 |
| Thailand | 9,496 | 8,873 |
| Indonesia | 8,686 | 8,018 |
| Uzbekistan | 6,947 | 7,320 |
| Morocco | 6,485 | 5,432 |
| Tunisia | 4,258 | 5,805 |
| Kazakhstan | 3,166 | 4,172 |
| **World** | **316,039** | **299,958** |

Source: GTA

**EU-27 Cotton Fabrics Exports (MT)**

| | 2008/09 | 2009/10 |
|---|---|---|
| Tunisia | 39,417 | 40,803 |
| Morocco | 28,370 | 29,268 |
| Turkey | 14,127 | 15,185 |
| United States | 6,883 | 6,006 |
| Ukraine | 5,336 | 5,004 |
| Hong Kong | 3,090 | 3,004 |
| Mexico | 2,630 | 2,834 |
| Albania | 2,374 | 2,796 |
| Mali | 2,594 | 2,540 |
| Russia | 2,337 | 2,379 |
| **World** | **158,528** | **159,832** |

Source: GTA

## GREECE

**Cotton Lint Production (Hectares, Metric Tons)**

| | **2009/10** | **2010/11** | **2011/12** |
|---|---|---|---|
| Area Harvested | 200,000 | 230,000 | 300,000 |
| Beginning Stocks | 52,000 | 2,000 | 0 |
| Production | 204,000 | 204,000 | 306,000 |
| Imports | 5,000 | 5,000 | 5,000 |
| **TOTAL Supply** | **261,000** | **211,000** | **311,000** |
| Exports | 217,000 | 171,000 | 266,000 |
| Use | 34,000 | 34,000 | 34,000 |
| Loss | 8,000 | 6,000 | 6,000 |
| TOTAL Dom Cons | 42,000 | 40,000 | 40,000 |
| Ending Stocks | 2,000 | 0 | 5,000 |
| **Total Distribution** | **261,000** | **211,000** | **311,000** |

Source: FAS Athens estimates

**Production**

Cotton is a major agricultural crop in Greece, accounting for more than 8 percent of total agricultural output. More than 75,000 farmers grow cotton, producing about 80 percent of the EU-27 crop. Cotton is planted from March 1 to April 15; the harvest occurs from October 1 to November 30. Most cotton is irrigated and machine harvested. Thessaly, Macedonia, and Mainland Greece are the major cotton-producing areas.

Area, yields, and production have trended downward in recent years, especially following the 2006 EU cotton reforms. However, following the global financial crisis and the Greek debt crisis, farmers made a concerted effort to maximize MY 2010/11 production, especially since cotton is a major foreign exchange earner. Despite these efforts, severe insect damage (green boll worm) and late-season rains, particularly in northern Greece, reduced the crop approximately 30 percent.

Despite reduced profits from original expectations, overall income from cotton production has been good and observers expect MY 2011/12 to expand in response to record world prices. Even so, the Greek government reportedly has requested that the EU allow it to provide state aid to the hardest hit cotton growers.

There are approximately 30 ginning companies in Greece with a total of about 50 ginning units. About 80 percent of the companies are private and the remainder are cooperatives. About 60 percent of ginning capacity is owned by the top 5 companies. Based on pre-damage forecasts, merchants (largely ginners) pre-sold about 25 percent of the forecast crop, which equates to a much larger share of the actual crop. Because many of these sales were made before the steep escalation in world cotton prices, many ginners face difficulties covering costs and obtaining credit.

Ginners generally do not contract with growers, but compete with each other to purchase the crop. Seed cotton prices have increased from $0.90/lb at the beginning of the season to nearly $1.20/lb in mid-November. Current lint process are reported to be around $2.00/lb FOT, with a slight premium for pre-rain ‘white’ lint over post-rain ‘dull’ lint.

Approximately 70 percent of the Greek lint production had been sold by mid-November. The MY 2010/11 ginning ration is reported to be around 33-to-34 percent. Ginning characteristics of the pre- and post-rain cotton reportedly are essentially the same, except for color.

**Consumption**

Domestic spinners consume approximately 15 percent of lint production and the remainder is exported. About 50 percent of cottonseed production is exported (mainly to Italy) and the remainder is crushed for oil (and oilseed cake) or retained for seed.

Textile products

According to the Association of Hellenic Textile Industries (SEVK), the Greek textile industry is bouncing back. Greek production of textiles increased 8 percent, compared to a 20 percent decline last year. Accordingly, Greek textile products exports increased 9 percent in the current year.

**Trade**

Greece is a major cotton exporter. Small amounts of cotton are imported for blending in the domestic spinning industry.

**Cotton Lint Exports (MT)**

| | **Aug-Jul 08/09** | **Aug-Jul 09/10** | **Aug-Dec 09/10** | **Aug-Dec 10/11** |
|---|---|---|---|---|
| **EU-27** | **40,732** | **24,908** | **13,002** | **13,024** |
| Italy | 16,388 | 10,971 | 6,164 | 4,343 |
| Germany | 8,850 | 4,819 | 1,870 | 4,488 |
| Bulgaria | 3,535 | 4,390 | 2,691 | 1,442 |
| France | 4,520 | 2,772 | 1,245 | 1,203 |
| **Extra EU-27** | **269,340** | **203,433** | **125,987** | **117,334** |
| Turkey | 138,449 | 148,710 | 83,252 | 78,304 |
| Egypt | 74,666 | 26,748 | 7,521 | 21,115 |
| Indonesia | 15,271 | 13,494 | 2,797 | 8,045 |
| Pakistan | 10,781 | 3,352 | 2,093 | 1,529 |
| Morocco | 2,541 | 1,905 | 986 | 552 |
| **World** | **310,072** | **228,341** | **114,961** | **130,358** |

Source: GTA

**Cotton Lint Imports (MT)**

| | **Aug-Jul 08/09** | **Aug-Jul 09/10** | **Aug-Dec 09/10** | **Aug-Dec 10/11** |
|---|---|---|---|---|
| **World** | **4,744** | **6,706** | **2,087** | **2,374** |

| | | | | |
|---|---|---|---|---|
| **EU-27** | **1,058** | **1,547** | **656** | **659** |
| Italy | 366 | 438 | 287 | 96 |
| Bulgaria | 345 | 433 | 173 | 126 |
| **Extra EU-27** | **3,686** | **5,159** | **1,431** | **1,715** |
| Turkey | 1,975 | 4,039 | 812 | 1,285 |
| Pakistan | 992 | 1,081 | 597 | 389 |

Source: GTA

## SPAIN

**Cotton Lint Production (Hectares, Metric Tons)**

| | **2009/10** | **2010/11** | **2011/2012** |
|---|---|---|---|
| Area Harvested | 59,000 | 63,000 | 70,000 |
| Beginning Stocks | 5,000 | 5,000 | 2,000 |
| Production | 25,000 | 45,000 | 51,000 |
| Imports | 31,000 | 24,000 | 24,000 |
| **TOTAL Supply** | **61,000** | **74,000** | **77,000** |
| Exports | 19,000 | 38,000 | 38,000 |
| Use | 32,000 | 30,000 | 30,000 |
| Loss | 5,000 | 4,000 | 4,000 |
| TOTAL Dom Cons | 37,000 | 34,000 | 34,000 |
| Ending Stocks | 5,000 | 2,000 | 5,000 |
| **Total Distribution** | **61,000** | **74,000** | **77,000** |

Source: FAS Madrid estimates

### Production

Spain's cotton area is concentrated in the region of Andalusia, with minor production in Murcia and Extremadura. Cotton is grown on some of the best agricultural land, competing with other irrigated crops such as corn and, to a lesser extent, forage. Approximately 6,500 farmers grow cotton.

In Andalusia, the largest cotton producing region, a new regulation establishes a minimum yield of 1,000 kg/ha that must be achieved before farmers are eligible for payments. Thus, yields were higher than for the previous season.

MY 2010/11 yields and production were good mainly due to the low incidence of pests, such as the cotton bollworm and the cotton pink bollworm, during the crop development. Hail in mid-August damaged some cotton the Seville province. Rains in mid-September, while beneficial for most of the arable crops, caused some bolls dropping. However, the impact of quality and yields was limited.

Good prices for cotton would likely encourage next year's plantings; however, the production increase will be limited by the ginning capacity available.

**Farm Gate Raw Cotton Prices (€/100kg)**

| Market Year | **2007/08** | **2008/09** | **2009/10** | **2010/11***  |
|---|---|---|---|---|
| **Price** | 32.95 | 29.90 | 22.62 | 48.00 |

Source: MARM (Ministry of Environment and Rural and Marine Affairs) and FAS Madrid* estimates.

**Consumption**

After long term contraction, cotton yarn and fabric production seems to have stabilized. Latest estimates from the Association for Industrial Textile Cotton Processing (AITPA), show a slight increase in cotton yarn and fabrics production during 2010, due to the increased exports.

**Cotton Yarn and Fabric Production (MT)**

| | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|---|---|
| **Yarn** | 110,768 | 79,527 | 72,507 | 65,949 | 44,013 | 38,030 | 40,198 |
| **Fabrics** | 112,466 | 96,501 | 80,608 | 47,766 | 30,815 | 27,888 | 29,059 |

Source: AITPA (Association for Industrial Textile Cotton Processing)

Textile products

Since 2006, EU-27 and extra-EU-27 imports of cotton products have declined steadily reflecting reduced domestic supplies and increased competition in world markets.

Texfor, the association of the Spanish textile industry, an umbrella association that groups the cotton, silk, wool, and tints industries associations, believes that it is necessary to develop the presence of Spain's textile products in third countries markets to reinsure its continuity.

According to data from the Ministry of Commerce, Industry, and Tourism, textile exports to China have increased about 78 percent between January and July 2010 amounting to 57.6 million Euros in value. The Chinese demand for textile products throughout the first half of 2010 was encouraged by a favorable exchange rate.

**Trade**

Turkey remains Spain's main supplier of cotton lint, representing one third of total imports. The second largest supplier is the EU-27, led by Portugal.

Exports from Spain to other EU-27 MS (mostly Portugal) represent more than 50 percent of total cotton lint exports, followed by Morocco where some Spanish textile companies have relocated their plants to produce finished products – much of which is then re-exported back to the EU-27.

**Cotton Lint Imports (MT)**

| | **Aug-Jul 08/09** | **Aug-Jul 09/10** | **Aug-Dec 09/10** | **Aug-Dec 10/11** |
|---|---|---|---|---|
| **EU-27** | **9,476** | **6,314** | **2,345** | **2,660** |
| Portugal | 2,208 | 1,790 | 701 | 484 |

| | | | | |
|---|---|---|---|---|
| France | 1,076 | 1,538 | 218 | 181 |
| Germany | 3,935 | 693 | 612 | 814 |
| **Extra EU-27** | **24,950** | **25,495** | **9,357** | **10,824** |
| Turkey | 9,435 | 10,503 | 3,262 | 3,958 |
| Honduras | 2,328 | 2,938 | 988 | 1,735 |
| Mauritius | 2,545 | 2,021 | 869 | 800 |
| Thailand | 1,960 | 1,982 | 846 | 710 |
| Bangladesh | 1,811 | 1,117 | 556 | 499 |
| **World** | **34,426** | **31,809** | **11,702** | **13,484** |

Source: GTA

**Cotton Lint Exports (MT)**

| | Aug-Jul 08/09 | Aug-Jul 09/10 | Aug-Dec 09/10 | Aug-Dec 10/11 |
|---|---|---|---|---|
| **EU-27** | **12,326** | **11,137** | **2,607** | **6,410** |
| Portugal | 6,178 | 5,781 | 1,424 | 2,123 |
| United Kingdom | 1,262 | 1,846 | 28 | 1,612 |
| Germany | 1,868 | 1,654 | 562 | 1,108 |
| France | 2,021 | 1,488 | 487 | 909 |
| **Extra EU-27** | **10,628** | **7,819** | **2,569** | **15,539** |
| Morocco | 7,561 | 5,413 | 1,557 | 3,470 |
| United States | 487 | 774 | 278 | 207 |
| Pakistan | 1,439 | 136 | 94 | 2,094 |
| **World** | **22,954** | **18,956** | **5,176** | **21,949** |

Source: GTA

**Policy**

Since MY 2009/10 the national guaranteed area was reduced to 48,000 ha. As a result, the budget is fully used even though correction factors are needed. The coupled aid has increased in value, but less acreage can benefit from this payment. The budget under Article 69 payment remains the same, although the value of this payment for farmers will depend on total cotton acreage.

To be eligible for coupled aid, cotton can be grown only on land authorized by the Member State, using authorized varieties of seed, and the cotton must be harvested under normal growing conditions. This coupled element has been kept to avoid abandonment of production.

The future of the cotton sector in Spain is strictly related to the further development in the subsidy scheme, especially after that the CAP reform ─currently under discussion─ will be implemented.

**Cotton Policy**

| | MY 2008/09 | MY 2009/10 | MY 2010/11 | MY 2011/12 | MY 2012/13 |
|---|---|---|---|---|---|
| National Guaranteed | 70,000 | 48,000 | 48,000 | 48,000 | 48,000 |

| | | | | | |
|---|---|---|---|---|---|
| Area (ha) | | | | | |
| Coupled payment | 1,039 €/Ha. | 1,400 €/Ha. | 1,400 €/Ha. | 1,400 €/Ha. | 1,400 €/Ha. |
| Budget for coupled payment | €72,730,000 | €67,200,000 | €67,200,000 | €67,200,000 | €67,200,000 |
| Budget for Article 69 aid | €13,430,000 | €13,430,000 | €13,430,000 | €13,430,000 | €13,430,000 |
| National envelope for cotton gin restructuring process and machinery contractors | - | €6,134,000 | €6,134,000 | €6,134,000 | €6,134,000 |

**Subsidies per Hectare**

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| Coupled payment (€/ha) | 1,039 | 1,039 | 1,039 | 1,400 | 1,400 | 1,400 |
| Coupled payment adjusted (€/ha) | 1,039 | 1,039 | 1,039 | 1,190 | 1,123* | N/A |
| Article 69 payment (€/ha) | 259.35 | 323.81 | 562.85 | 480.47 | N/A | N/A |
| Integrated farming aid:<br>Under 40 ha.<br>Between 40 and 80 ha.<br>More than 80 ha. | 350<br>210<br>105 | 350<br>210<br>105 | 350<br>210<br>105 | 350<br>210<br>105 | 350<br>210<br>105 | 350<br>210<br>105 |

FAS Madrid estimates*

**Restructuring process**

As a result of the cotton gin restructuring program, regulated at the Member State level by the Royal Decree 169/2010, only 8 ginning plants processed cotton in MY2009/10. In MY 2010/11, the number of working gins has been reduced to seven.

**Number of Cotton Gins**

| | Total | Working | Temp Closed | Dismantled |
|---|---|---|---|---|
| **2007/08** | 28 | 24 | 4 | |
| **2008/09** | 28 | 20 | 8 | |
| **2009/10** | 8 | 8 | - | 20 |
| **2010/11** | 7 | 7 | 1 | |
| **2011/12** | 7 | 7 | 1 | |

The PSD tables are prepared based on an August 1 to July 31 marketing year.
HS codes considered for Lint Cotton trade data: 5201, 5202, 5203.
HS codes considered for Yarn Cotton trade data: 5204, 5205, 5206, 5207.

HS codes considered for Fabric Cotton trade data: 5208, 5209, 5210, 5211, 5212.