USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 3/25/2015
GAIN Report Number: SP1503

Spain

Cotton and Products Annual

2015

Approved By:
Rachel Bickford
Agricultural Attaché

Prepared By:
Marta Guerrero
Agricultural Specialist

Report Highlights:

Last planting season, in order to secure the maximum CAP payments for the period 2015-2020, farmers boosted planted area and production. Area planted to cotton in MY 2014/15 in Spain is anticipated to decline and production to return to average levels. The cotton processing industry reports an increase in production of fabrics throughout 2014, while yarn production declined.

Disclaimer: This report presents the situation for cotton 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

EU European Union
FAS Foreign Agricultural Service
GTA Global Trade Atlas
MS EU Member State(s)
MT Metric ton (1,000 kg)
Bales (1 Bale = 226.8 kg)
MY Marketing year (Aug/Jul)
MAGRAMA: Ministry of Agriculture, Food and Environment
ESYRCE Annual Survey on Crop Area and Yields
PS&D Production, Supply and Demand
Ha Hectares (1 Ha = 2.471 acres)
N/A Not Available
GE Genetically engineered
Harmonized Codes for Lint Cotton (HS code): 5201
Q1 First Quarter

Executive Summary

Spain is the EU's second largest cotton growing Member State after Greece. Cotton production in Spain is concentrated in Andalucía, Spain's southernmost peninsular region. Cotton is a critical crop from the environmental, social and economic point of view in the areas where it is grown, as alternatives are limited.

Area and Production

Area planted to cotton varies depending on price expectations and water availability, competition by other crops and subsidies available. In MY2014/15 subsidies played a key role in planting decisions.

The MY2014/15 Cotton Quality Premium was used as a basis for Basic Payment calculation for 2015 under the reformed CAP for the period 2015-2020. As a consequence, in MY2014/15 farmers maximized area planted to cotton, in order to secure future payments and incorporate the full budget of 13.4 million of Euros to the Basic Payment.

To be granted with the Cotton Quality Premium, which would ultimately became part of the Basic Payment, certain minimum quality standards need to be met. Consequently; cotton farmers were especially careful with this crop development in MY2014/15.

Area planted to cotton in MY 2015/16 in Spain is anticipated to return to average levels, as securing CAP payments are no longer an incentive. Also, lower prices received by farmers in MY2014/15 would discourage cotton plantings in MY2015/16 (**Table 1**). Water availability will not represent a major constraint for cotton cultivation and competition by other crops (sugar beet, corn, tomatoes for processing) is limited.

Table 1. Spain's Farm Gate Raw Cotton Price

MY	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15e
Price (Euros/100 kg)	29.90	22.62	46.03	56.35	38.36	44.44	35.00

Source: MAGRAMA and FAS Madrid estimates.

Mild temperatures in August delayed cotton development by about two weeks. However, this had no significant impact on final yields as warm temperatures continued until mid-October, which facilitated development and harvesting operations. Actually, yields registered the highest levels since 2006 (**Table 2**).

Table 2. Cotton Area, Production and Yields

MY	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16f
Area (1,000 Ha)	58.6	63.2	67.1	69.8	64.0	75.0	65
Production (1,000 MT)	79.2	115.1	182.8	191.7	145.6	225.1	167
Yields (Kg/Ha)	1,352	1,821	2,724	2,745	2,272	3,000	2,565

Source: MAGRAMA and FAS Madrid estimates.

Currently, water reservoirs at the national level are at 74.9 percent of total storage capacity, which equals 41,911 hm3 of water. In the Guadalquivir basin, in which the large majority of the cotton is grown, water reservoirs are at 81.3%, somewhat below previous year levels but well above the 10 year average. Hence, no restrictions are anticipated for irrigation purposes. In mid-March rains ceased and above average temperatures dried out the soil surface. For optimum seeding, additional precipitation before early April would be needed.

Consumption

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

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

- Cotton Lint yield = 32-33% (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54% (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14% is moisture and waste[1].

Higher Value Products – Textile Products

The Association for Industrial Textile Cotton Processing reports an increase in fabric production throughout 2014, while yarn production has declined (**Table 3**). According to them, despite an increase of domestic demand in 2014, exports to other EU members in 2015, will be critical for the cotton industry evolution.

Additional textile sector information for previous years can be found in the following links: 2012 and 2013.

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

Table 3. Cotton Yarn and Fabric Production (MT)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 p
Yarn	110,768	79,527	72,507	65,949	44,013	38,030	40,198	39,275	35,215	36,659	34,473
Fabrics	112,466	96,501	80,608	47,766	30,815	27,888	29,059	29,666	28,620	27,790	29,735

Source: AITPA (Association for Industrial Textile Cotton Processing)
p: provisional data

Trade

Spanish cotton lint exports largely exceed imports. Other EU Member States are their main destination, followed by Morocco and Indonesia (**Table 4**). Spain cotton lint imports originate mainly in Cameroon, Pakistan and Turkey (**Table 5**).

Table 4. Spain Exports of Cotton Lint (MT)

Country of Destination	MY2011/12	MY2012/13	MY2013/14	MY2014/15 Q1
EU-28	19,299	17,674	12,710	13,198
Morocco	4,432	6,485	7,006	2,767
Indonesia	1,781	2,820	6,017	3,180
China	23,385	14,667	4,593	991
Bangladesh	3,174	5,254	3,196	13,319
Vietnam	1,105	1,094	3,194	2,368
Thailand	205	1,681	2,939	725
Pakistan	101	220	1,550	386
Turkey	452	620	1,330	949
Others	2,739	6,879	2,039	4,856
TOTAL EXPORTS	**56,673**	**57,394**	**44,574**	**42,739**

Source: GTA.

Table 5. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2011/12	MY2012/13	MY2013/14	MY2014/15Q1
EU-28	1,024	478	82	24
Cameroon	200	-	659	120
Pakistan	900	599	613	167
Turkey	381	728	160	196
Burkina Faso	266	47	75	-
Mali	100	-	25	-
Argentina	422	-	-	-
Korea, South	238	61	-	-

Cote d Ivoire	232	299	-	-
India	71	15	-	-
Others	48	1,128	1,351	599
TOTALIMPORTS	**3,882**	**3,355**	**2,965**	**1,106**

Source: GTA.

Policy

At the moment the **Cotton Specific Support,** as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 6**). Since MY2015/16 the **Cotton Quality Premium** is no longer available nor is the **Integrated Farming Payments** either since MY2013/14.

In 2015, the **Single Payment Scheme** has been replaced by the so-called **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. A total of 316 counties in Spain were considered. The Basic Payment calculation for these counties takes into account four different land uses: irrigated land, non-irrigated land permanent crops and pasture land. Other factors such as the amount of support previously received have been considered. As a result, a total of 50 regions have been defined. These regions will be granted with different levels of support, which will only be determined once the 2015 applications are submitted.

Broadly speaking, the amount of the Basic Payment allocated to each region defined will represent the support granted to the type of land use. The amount of support received will be calculated based on the subsidies received in 2014. 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. Also, a large part of the support received by farmers will be linked to greening measures compliance.

Cotton Specific Support

In 2006, area planted to cotton in Spain suffered a significant decline in 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: 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. Specific conditions to be eligible to receive this coupled support are defined on a yearly basis in Spain's National Gazette.

Ministerial Order AAA/188/2015 establishes the requirements to be granted with the cotton specific premium in MY2015/16, which consists on:

- Only agricultural plots that were not planted to cotton[2] in the previous season, but that at least were planted to cotton once in the marketing years 2000/01, 2001/02 or 2002/13, can be subject of this specific support.

- Only cotton varieties contained in the EU Plant Varieties Common Catalogue will be receiving 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.

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.

Since MY2014/15 the reference amount for the area payment has been revised down from 1,400 Euros/Ha to 1,267.53 Euros/Ha. This, together with the increase of area planted to cotton explains the reduction of the Cotton Specific Payment in MY2014/15.

Table 6. Subsidies

Support Scheme	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16f**
Specific payment adjusted (€/ha)	1,190	1,105	1,024	983	1,060	825	935
Article 69 payment (€/ha)	480.47	289.81	224.75	-	-	-	-
Article 68 payment (Euros/MT)	-	-	-	77.68	95.12	57	-
Basic Payment	-	-	-	-	-	-	N/A
Integrated farming aid: Under 40 ha. Between 40 and 80 ha. More than 80 ha.	350 210 105	350 210 105	350 210 105	350 210 105	-	-	-

Source: FEGA and FAS Madrid estimates.

[2] *Plots below 10 Hectares exempted from this requirement.*

Production, Supply and Demand Data Statistics

Table 7. Cotton Lint Production (Hectares, Bales)

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Spain	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	0	0	0	0	0	0
Area Harvested	64	64	75	75	0	65
Beginning Stocks	57	57	61	35	0	35
Production	220	220	325	340	0	251
Imports	14	13	10	13	0	13
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	291	290	396	388	0	299
Exports	204	194	300	287	0	207
Use	26	62	25	66	0	70
Loss	0	0	0	0	0	0
Total Dom. Cons.	26	62	25	66	0	70
Ending Stocks	61	35	71	35	0	22
Total Distribution	291	291	396	388	0	299
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Source: FAS estimates.