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Cotton and Products Annual

Rains delay Cotton Plantings in Spain

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Report Highlights:

Spain is the EU’s second largest cotton growing Member State after Greece representing about 20 percent of the total EU-27cotton production. However, at the world level, Spain is a minor producer and consumer of cotton. In MY 2013/14 area planted to cotton in Spain is expected to decline since better prices anticipated for cereals will encourage farmers to switch to plant corn instead of cotton.

Executive Summary:

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.

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)
MY Marketing year (Aug/Jul)
PS&D Production, Supply and Demand
Ha Hectares
N/A Not Available
GE Genetically engineered
Harmonized Codes for Lint Cotton (HS code): 5201

Spain is the EU's second largest cotton growing Member State representing about 20 percent of the total EU-27cotton production. In terms of production, area planted to cotton in Spain in MY2013/14 is expected to decline at the expenses of corn. As far as cotton processing is concerned, cotton yarn and fabric production is anticipated to continue its shrinking trend.

Production:

Cotton production in Spain suffered a significant decline in 2006 due to the implementation of the EU cotton reform, reaching a record low in MY2008/09. Favorable prices paid to farmers and the modification of the payment system in MY 2009/10 resulted in a progressive increase of the area planted to cotton. However, it seems quite unlikely that production levels previous to the 2006 reform will be recovered. In MY 2013/14 area planted to cotton in Spain is expected to decline since farmers will likely switch to plant corn based on better price expectations.

Table 1. Spain's Farm Gate Raw Cotton Price

MY	2008/09	2009/10	2010/11	2011/12	2012/13e
Price (Euros/100 kg)	29.90	22.62	46.03	56.35	42.00

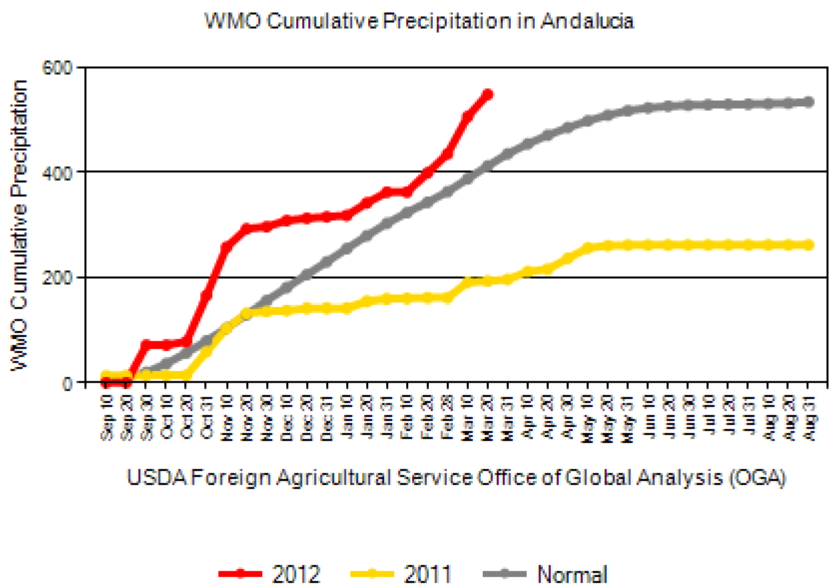
Source: Ministry of Agriculture, Food and Environmental Affairs) and FAS Madrid estimates

Andalucía is the only cotton growing region in Spain and production is fairly concentrated in two of its provinces (Cadiz and Seville), where less than 7,000 farmers grow cotton. Cotton growers take their planting decisions based on price expectations and water availability. In MY2013/14, better prices for corn and abundant water availability will likely increase corn plantings at the expense of cotton. Lower prices for raw cotton received by farmers have also contributed to the anticipated decline in plantings in MY2013/14. Support schemes such as the integrated farming payment will no longer available after MY2013/14.

Final yields are determined by the absence of pests and weather conditions at the harvest season. Insect-resistant GE cotton varieties (Bt cotton) are not allowed for planting in the EU, so farmers rely exclusively on the use of pesticides to reduce pest incidence. More information regarding biotechnology acceptance in the EU and Spain can be found in FR9105 and SP1221 respectively.

The incidence of pests in MY2012/13 was very low, however the optimum conditions that occurred in MY2011/12 were not repeated, as a consequence final yields have been somewhat lower. In the MY2012/13 growing season, cotton suffered from a delay in schedule compared to an average year. April rains delayed plantings and in some areas re-planting was needed after April's rains. This situation could be repeated in MY2013/14 since persistent rains are impeding farmers to proceed with the cotton planting operations (See **Graph 1**).

Graph 1. Cumulative precipitation in Andalucía



Source: IPAD/Foreign Agricultural Service/USDA

Consumption:

As raw cotton processing is concerned, the EU's gin restructuring program reduced the number of ginning plants in Spain from 28 in MY2007/08 to only seven in MY2010/11. In MY2013/14 a total of eight ginning plants will be operational.

According to industry in Spain 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.

As per the spinning industry, after showing some stability in 2011, available data show that the volume of yarn production might have been reduced further in 2012. Also domestic fabrics production continues to decline.

Table 2. Cotton Yarn and Fabric Production (MT)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 p
Yarn	110,768	79,527	72,507	65,949	44,013	38,030	40,198	39,275	35,425
Fabrics	112,466	96,501	80,608	47,766	30,815	27,888	29,059	29,666	28,330

Source: AITPA (Association for Industrial Textile Cotton Processing)

p: provisional data

Higher Value Products - Textile Products

The Spanish textile industry, as other sectors in Spain, is weathering the crisis replacing the constrained domestic consumption by increased exports. The reduced demand has resulted in a 7 percent reduction of Spain's textiles imports. Nevertheless, the textile and clothing industry reports some 8 percent growth of clothing exports to other EU countries and Morocco.

Trade:

Spain is a net but modest exporter of cotton lint. China and Morocco are the main extra EU destination for Spanish cotton lint. France, the United Kingdom and Portugal are the main intra-EU buyers, whereas Turkey and Pakistan are Spain's largest suppliers of cotton lint.

Table 3. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2010/11	MY2011/12	MY2012/13 up to Dec
EU-27	257	1,024	190
Turkey	758	381	430
Pakistan	726	900	195
Brazil	-	49	294
Argentina	1,724	422	-
Burkina Faso	91	266	47
Korea South	-	238	-
Cote d'Ivoire	222	232	100
Others	1,806	370	148
TOTAL IMPORTS	**5,584**	**3,882**	**1,404**

Source: GTA

Table 4. Spain Exports of Cotton Lint (MT)

Country of Destination	MY2010/11	MY2011/12	MY2012/13 up to Dec
EU-27	13,228	19,359	7,161
China	3,131	23,385	12,936
Morocco	6,747	4,432	1,951
Bangladesh	970	3,174	1,019
Indonesia	3,124	1,781	864
Vietnam	942	1,105	994
Malaysia	-	1,064	1,019
Others	6,634	2,433	6,202
TOTAL EXPORTS	**34,776**	**56,733**	**32,146**

Source: GTA

Policy:

Cotton production in Spain suffered a significant decline in 2006 due to 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. The level of coupled payments varies every year depending on the final eligible cotton area. A higher area planted to cotton in MY2012/13 would lead to a reduced coupled payment that would amount about 983 Euros per hectare. Likewise, cotton payments under Article 69 (Regulation (EC) 73/2009) vary every year. Integrated farming payments have not been extended to MY2013/14. Future prospects for Spain's cotton sector will be tied to developments in the subsidy scheme, especially when the CAP reform currently under discussion will be implemented.

Table 5. Subsidies per Hectare

	2009/10	2010/11	2011/12	2012/13e	2013/14f
Coupled payment adjusted (€/ha)	1,190	1,105	1,024	983	1,022
Article 69 payment (€/ha)	480.47	289.81	224.75	N/A	N/A
Integrated farming aid:					
Under 40 ha.	350	350	350	350	-
Between 40 and 80 ha.	210	210	210	210	
More than 80 ha.	105	105	105	105	

Source: FEGA and FAS Madrid estimates.

Production, Supply and Demand Data Statistics:

Table 6. Cotton Lint Production (Hectares, Bales)

Cotton Spain	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	67	68	68	70		68
Beginning Stocks	55	55	53	46		50
Production	276	260	250	282		256
Imports	18	13	15	9		10
MY Imports from U.S.	0	0	0	0		0
Total Supply	349	328	318	337		316
Exports	261	260	230	269		251
Use	35	22	35	18		18
Loss	0	0	0	0		0
Total Dom. Cons.	35	22	35	18		18
Ending Stocks	53	46	53	50		47
Total Distribution	349	328	318	337		316
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Source: FAS estimates

Other Related Reports:

Report Title	Date Released
[EU Agricultural Biotechnology Annual]	9/10/2012
[Spain Agricultural Biotechnology Annual]	4/13/2012