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## Spain

### Cotton and Products

#### Annual

#### 2003

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**Report Highlights:** Cotton use has increased slightly during the past three calendar years. With a passive domestic demand and depressed export markets, cotton yarn and fabric production decreased last year but cotton's share of fiber usage increased. A declining tendency in cotton imports has reversed in the current MY 2002/03 and U.S. cotton imports are rebounding from last year's low level.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Madrid [SP1], SP

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## Executive Summary

Spain's cotton harvest in 2003 is forecast at 98,000 metric tons (lint basis) 2,000 tons more than in 2002. As was the case in the preceding year, this forecast meets the target for avoiding the high penalties of the new mechanism against overproduction approved in the last reform of EU cotton regime.

Textile domestic demand remained stagnant in 2002 but imported textiles are gaining market share and causing a reduction in domestic textile mill activity. Cotton yarn production in 2002 declined once again to about 138,000 metric tons, a 1.4 percent decline from 2001, although the trend of growing imports of cotton yarns reversed last year. Cotton fabric production declined for the first time in several years to about 136,000 metric tons in 2002, down 4.1 percent from 2001.

Cotton use has increased slightly during the past three calendar years to 107,000 metric tons in 2002. Cotton's share last year increased in both total textile and cotton textile fiber usage.

After several years of growth, domestic clothing demand declined slightly last year. The demand for denim, especially fashion garments for young women, however, continued to increase. Due to bullish residential construction activity, the home furnishing segment remained strong offsetting weaker clothing sales.

Cotton imports during MY 2001/02 fell once again to 28,359 metric tons, a 9.3 percent decrease from year earlier levels. Increased cotton yarn imports, greater utilization of domestic cottons and lower mill utilization were behind the steady decline in cotton imports over the past several years. Africa's Franc Zone Area (FZA), the New Independent States (NIS), Australia and Zimbabwe were the leading suppliers. While FZA cottons continued to increase, NIS cotton imports broke its previous long declining trend and Syria and Pakistan cotton imports declined dramatically. U.S. cotton shipments to Spain declined to just 310 metric tons from 382 metric tons in the preceding year.

During the current MY 2002/03, total cotton imports are so far running above the pace of the comparable period of a year earlier, with FZA cottons showing steady growth. U.S. cotton imports are rebounding from year earlier low levels.

Cotton exports in MY 2001/02 increased to 31,954 metric tons, a 10 pct. increase from year earlier levels. The European Union, Algeria, and Morocco are the main export markets for Spanish cotton. Unlike imports, cotton exports in MY 2002/03 are running well behind last year's pace.

**Cotton PS&D**

PSD Table						
Country	Spain					
Commodity	Cotton					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	0	91000	0	86000	0	87000
Area Harvested	90000	90000	85000	85000	0	8600
Beginning Stocks	32877	13579	32659	10081	30482	12081
Production	106904	106904	95800	96000	0	98000
Imports	28304	28359	28304	29000	0	30000
TOTAL SUPPLY	168085	148842	156763	135081	30482	140081
Exports	32006	31954	25039	16000	0	20000
USE Dom. Consumption	103420	106807	101243	107000	0	107000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	103420	106807	101243	107000	0	107000
Ending Stocks	32659	10081	30482	12081	0	13081
TOTAL DISTRIBUTION	168085	148842	156764	135081	0	140081

**Production**

Ninety-five percent of Spain's cotton acreage is in the Guadalquivir river basin of Andalucia, 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 rate which ginners 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 ginners 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 two 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 penalizations 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 biotech cotton varieties are approved for planting in Spain.

Cotton rows are generally covered with plastic to encourage 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 2002 cotton crop is 3.47 metric tons of seed cotton per hectare. Average fiber yield is estimated at about 32 percent. Average yield for the 2003 crop is projected at about 3.5 tons of seed cotton per hectare.

## **Consumption**

Cotton use in Spain has only increased slightly during the last three calendar years in spite of low prices for cotton fiber. Total fiber usage in 2002 declined due to a drop in manmade and wool fibers as so did fiber usage in the cotton spinning system, as follows:

	CY 1999	CY 2000	CY 2001	CY 2002	02/01
	000 Metric Tons				Pct.
- Cotton	105.3	105.6	106.6	107.0	0.4
- Synthetic fibers	43.2	40.3	39.4	37.7	(4.3)
- Cellulosic fibers	11.2	17.8	11.1	12.2	9.9
- Other	4.7	4.7	5.1	3.2	(37.2)
Cotton Spinning System, Subtotal	164.4	168.4	162.2	160.1	(1.3)
- Manmade fibers, rest	n/a	n/a	301.5	284.9	(5.5)
- Wool	n/a	n/a	22.3	20.0	(10.3)
TOTAL FIBER USE	n/a	n/a	486.0	465.0	(4.3)

Thus, cotton fiber's share increased last year in the total fiber industrial usage to nearly 23 percent. Within the cotton spinning system, cotton is showing steady growth to 66.8 percent in 2002 from 65.7 percent in 2001 and 62.7 percent in 2000. This growth is mainly due to increased production of 100 pct.-cotton yarns versus blend yarns.

Cotton yarn production in 2002 declined once again to 138,224,100 metric tons, a 1.4 percent decline from 2001. Last year's decline was due mainly to weak cotton yarn export demand since domestic demand remained rather stable. Order books have declined for the seven consecutive semesters. In 2002, cotton yarn trade declined, with imports declining 7.7 percent and exports declining 2.3 percent. This resulted in a rather balanced cotton yarn trade, with imports and exports amounted to about 92,000 metric tons each. The apparent domestic consumption of cotton yarns was 138,124 tons in CY 2002, down 5.1 pct. from CY 2001.

Cotton fabric production reversed its previous upward trend last year, when it declined to 135,762 metric tons, down 4.1 percent from 2001. Cotton fabric production significantly deteriorated during the second half of 2002, reflecting a flat domestic market and weaker export demand. Order books declined significantly during the year 2002. Last year, cotton fabric imports once again increased to 141,055 metric tons, up 4.7 pct. from 2001 (the growth rate in 2001 was 13 pct.). Last year, cotton fabric exports declined 2.4 pct, to 171.162 metric tons. This resulted in a negative trade balance of cotton fabrics of 35,400 metric tons, compared with a surplus of 356 metric tons in 2001. The apparent use of cotton fabrics in 2002 was 171,162 tons, up 2.4 pct. from 2001.

After several years of growth, domestic demand for clothing declined slightly last year.

The tendency of strong demand for denim which began in 2000 continued last year and remained firm in 2002 due largely to the young women's segment in particular and the youth and children's segments as well. The demand for other sport/casual wear such as flats and corduroy, however, dropped due in large part to the increased use of denim. Although the home furnishing market continued to be weak throughout Europe, sales in Spain were sustained by bullish residential construction.

Total textile products trade increased once again last year, but the growth in imports outpaced the growth in exports, as follows: imports grew 4.7 percent and exports rose 2.5 percent. Both growth in imports and exports were due to increased clothing trade. Cotton textile exports in 2002, however, declined 2.7 percent due mainly to a drop in home furnishing exports. Cotton textile imports remained practically stagnant last year, with increased cotton fabrics and home furnishing imports that offset a decline in cotton yarn imports (down 4 percent).

Domestic per capita textile use which has grown sharply from 14.6 kilograms in 1997 to 17.7 kilograms in 2001 and remained stagnant in 2002.

## **Trade**

Cotton imports during the 2001/02 marketing year fell once again to 28,359 metric tons, a 9.3 percent decrease from year earlier levels. The continued decline in imports reflects increased cotton yarn imports, greater utilization of domestic cottons whose crops have been relatively large over the past several years and lower mill use. In comparison with the preceding year, increases in imports from the Franc-Zone Africa (FZA), the New Independent States (NIS), Australia, Brazil and Uganda were not offset by major cuts in imports from Syria and Pakistan as well as from Zimbabwe, United States and Sudan.

Imports of FZA cottons are showing steady increases over the past several years due to their competitiveness in terms of price/quality ratios and cheap freight. Thus, the FZA's share of the market rose once again from 30 percent in MY 2000/01 to 34 percent in MY 2001/02. Australia's share in MY 2001/02 increased more than 2 percentage points to 11.2 percent. After several years of decline, imports of NIS' cottons increased their market share over one percentage point to 9.3 percent from MY 2000/01. While Zimbabwe's share of the market lost nearly 1 percentage point to 11.1 percent, the U.S. share of the market declined to 1.1 percent from 1.2 percent in MY 2000/01 and from 4.8 percent in the two preceding years.

During the first seven months (August-February) of the current MY 2002/03, cotton imports increased 3.75 percent to 16,082 metric tons. Cotton imports from FZA continue to increase (imports from Portugal which are also growing should also be counted as FZA cottons). NIS cotton imports dropped. U.S. cotton imports are rebounding this year to 416 metric tons from just 43 in the same period of the preceding year.

For all of the MY 2002/03, cotton imports are projected at 29,000 metric tons, up 2 percent from year earlier levels.

Cotton exports in MY 2001/02 increased to 31,954 metric tons, a ten percent increase from year

earlier levels. The European Union is the main destination with a market share of 52 percent, followed by Algeria (35 percent), and Morocco (9 percent).

Cotton exports in MY 2002/03 are running well behind last year's pace. They are expected to practically halve from the preceding year.

Import Trade Matrix					
Country	Spain				
Commodity	Cotton				
Time period	August-July	Units:	August-July		August-Feb
Imports for:	2000	Metric Tons	2001		2002
U.S.	382	U.S.	310	U.S.	416
Others		Others			
FSU	2,476	Chad	4,282	Chad	2,316
Syria	5,710	Australia	3,207	Portugal	2,259
Zimbabwe	3,909	Zimbabwe	3,160	Australia	1,948
Chad	2,987	Syria	2,915	Zimbabwe	1,685
Australia	2,458	Brazil	1,985	Cameroon	1,060
Pakistan	2,302	Uzbekistan	1,578	Pakistan	775
Cameroon	1,809	Burkina Faso	1,491	Belgium	730
U.K.	1,603	Ivory Coast	1,015	Benin	711
Benin	1,551	Mali	901	Syria	658
Togo	1,071	Benin	857	Burkina Faso	587
Total for Others	25,876		21,391		12,729
Others not Listed	5,015		6,658		2,937
Grand Total	31,273		28,359		16,082



Export Trade Matrix					
Country	Spain				
Commodity	Cotton				
Time period	August-July	Units:	August-July		August-Feb
Exports for:	2000	Metric Tons	2001		2002
U.S.	0	U.S.	0	U.S.	0
Others		Others		U.K.	1751
France	8,583	Algeria	11,264	France	1,464
Algeria	4,001	France	7,694	Switzerland	757
U.K.	2,781	U.K.	3,120	Portugal	683
Portugal	2,384	Morocco	2,770	Morocco	674
Austria	2,202	Portugal	2,693	Italy	393
Turkey	1,587	Belgium	1,107	Germany	306
Belgium	1,456	Germany	1,043	Indonesia	204
Switzerland	1,413	Italy	928	Algeria	114
Morocco	1,168	Switzerland	539	Belgium	102
Italy	929	Cuba	307	Thailand	100
Total for Others	26,504		31,465		4,797
Others not Listed	2,416		489		1,754
Grand Total	28,920		31,954		6,551

## 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 Africa's Franc Zone, Australia, the New Independent States (NIS), Syria, and Argentina) are the main reason why U.S. market share has declined so much in the last couple of marketing years. According to trade sources, U.S. cotton shipments to Spain in MY 2001/02 did not react when U.S. cotton prices dropped because Spanish mills had already covered orders for cotton from other sources. As they expected, however, U.S. cotton imports are rebounding in the current MY 2002/03. The weakening of the dollar against the euro which began by mid 2002 is contributing to the growth, cotton prices are picking up though.

U.S. cotton imports include upland cotton, SJV and some Pima. The main competition for SJV cotton is domestic cotton (which is less sticky) as well as Australian cottons. Domestic cottons are increasingly being used by Spanish spinners due reportedly to its improved quality, with few contaminants, and to improved ginning. Spinners are learning to 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 freight.

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@centroalgodonero.com](mailto:can@centroalgodonero.com). Web site: [www.centroalgodonero.com](http://www.centroalgodonero.com) U.S. exporters desiring to sell in this market may contact the organization directly.

### Average exchange rates

	Euro 1 would buy
1999:	\$1.06
2000:	\$0.92
2001:	\$0.89
2002:	\$0.95
Current:	\$1.17