KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21

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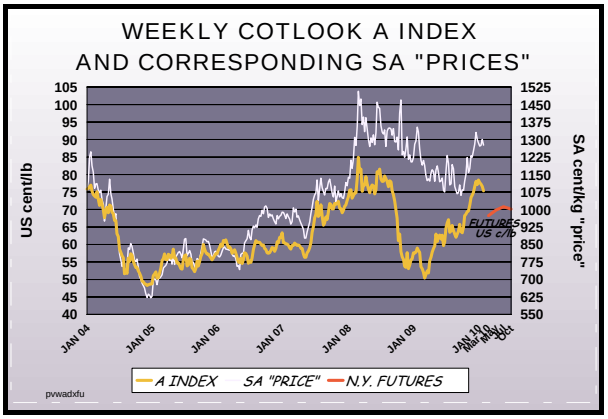
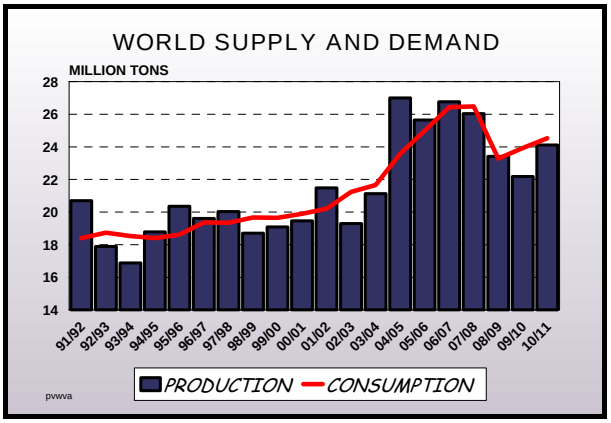
COTTON MARKET REPORT AS AT 1 FEBRUARY 2010

International

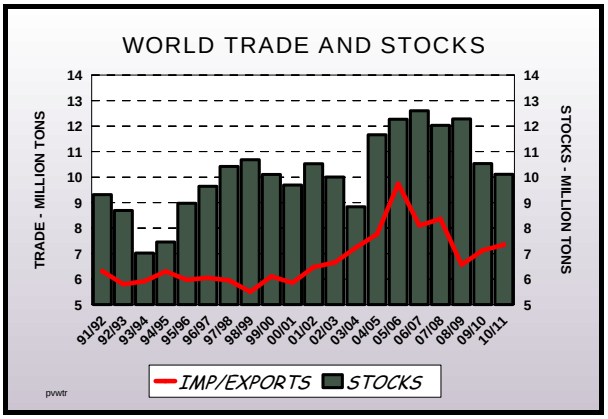
According to The International Cotton Advisory Committee (ICAC), world cotton production for 2009/10 is projected at 22.2 million tons, a decrease of 5% over the previous season mainly due to lower yields. As a result world cotton stocks are expected to decline by 14% to 10.5 million tons by July 2010, which would be the lowest level in 6 years. Based on the above and the expectation that world cotton use will grow by 2.8% in 2009/10 to 23.9 million tons, the ICAC's price model is forecasting an 18% increase in the average Cotlook A index (an indicator of world cotton prices) for 2009/10. The latest A index estimate for 2009/10 of 72 US c/lb is 2 US c/lb up from last month's forecast.



The higher prices paid for cotton in 2009/10, combined with the recent decline in grain prices will however encourage farmers to increase cotton plantings in 2010/11 according to the ICAC. World cotton area for 2010/11 is expected to increase by about 5% and assuming an average yield, cotton production is forecast by the ICAC to rebound to 24.1 million tons, an increase of about 9% over 2009/10.



The ICAC also expects world cotton consumption to continue to recover, growing by 2.5% to 24.5 million tons in 2010/11. Most of the growth however will be in Asia, South America and Turkey.



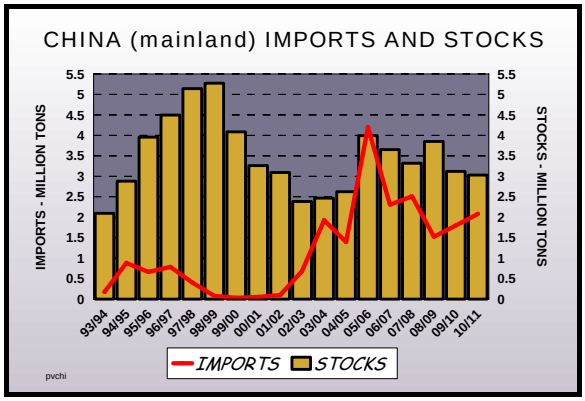
Although the ICAC forecasts world cotton trade to increase only slightly in 2010/11, Chinese imports is expected to increase by about 15% to 2.1 million tons, driven by

increased mill use. Exports from India are expected to remain stable in 2010/11 but USA exports are forecast to increase by 10% mainly driven by increased production.

Estimated world supply and demand for cotton for the 2008/09 season and projections for 2009/10 and 2010/11 (seasons beginning 1 August):

(million metric tons)	**2008/09**	**2009/10**	**2010/11**
Beginning stocks	12.0	12.3	10.5
Production	23.4	22.2	24.1
Consumption	23.3	23.9	24.5
Exports	6.6	7.1	7.4
Imports	6.6	7.1	7.4
Ending stocks	12.3	10.5	10.1
Ending stocks/use (China excluded)	59%	51%	47%
A Index (US c/lb)	***61***	***72***	

Cotton imports and stocks situation for China (mainland):



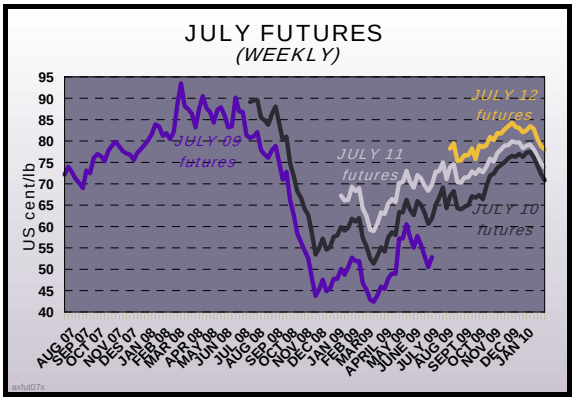
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX *Avg: US c/lb*	**RSA "PRICE"** *Avg: SA c/kg*
Last week (25/01 - 29/01/10)	75.78	1286.81
January 2010	77.44	1288.09
Today (01/02/10)	**75.35**	**1275.89**
December 2009	76.82	1285.98
A year ago	*58.70*	*1333.27*
Two years ago	*73.45*	*1222.80*

New York cotton futures as at 1 Feb. 2010 (settlement prices):

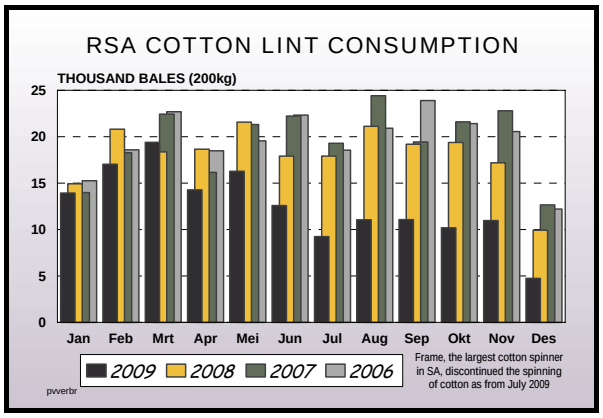
	NY FUTURES *US c/lb*
March 2010	68.22
May	69.86
July	70.80
October	70.12
December	70.19
March 2011	72.96
May	73.31

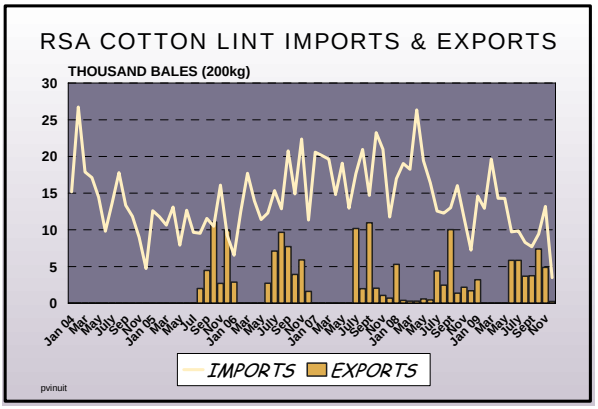
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 1st estimate for the 2009/10 production year indicates a total crop of 41 261 lint bales, 8% down from the previous season and the smallest crop since the early sixties. About 37 841 lint bales are estimated to be produced from RSA produced seed cotton, 10% down from the previous season. The balance of 3 420 lint bales relates to Swaziland produced cotton ginned by the Swaziland gin.





COTTON CROP REPORT - 1st ESTIMATE 2009/10 PRODUCTION YEAR **31/01/10**

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	CROP % HAND PICKED	% OF CROP GINNED SO FAR
LIMPOPO PROV.							
Loskop	1015	0	3600	0	**6395**	10%	0%
North & South Flats	24	160	3000	800	**350**	10%	0%
Dwaalboom/Thabazimbi	50	0	3500	0	**306**	10%	0%
Weipe	740	0	4200	0	**5400**	0%	0%
NORTHERN CAPE							
Vaalharts	1100	0	5500	0	**10890**	0%	0%
Lower Orange River	150	0	4000	0	**1110**	100%	0%
Rest of Northern Cape	630	0	5810	0	**6756**	0%	0%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	490	0	5500	0	**4851**	0%	0%
KWAZULU-NATAL	0	600	0	600	**648**	100%	0%
MPUMALANGA	0	1022	0	620	**1135**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**4199**	**1782**	**4766**	**629**	**37841**	10%	0%
Swaziland*	0	3800	0	500	**3420**	100%	0%
Botswana*	0	0	0	0	**0**		
Namibia*	0	0	0	0	**0**		
Zimbabwe*	0	0	0	0	**0**		
Mozambique*	0	0	0	0	**0**		
GRAND TOTAL	**4199**	**5582**	**4766**	**541**	**41261**	17%	0%

** Particulars relate to expected purchases of seed cotton by RSA & Swaziland ginners from these countries.*

ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)

Posbus / P O Box 912232, Silverton, Pretoria, 0127
Katoen SA Gebou, Cycadoord 90, Uit Watermeyerstraat, Val de Grace X10
Cotton SA Building, 90 Cycad Place, Off Watermeyer Street, Val de Grace x10
Tel: 27 (12) 804 1462 - 7; Faks/Fax: 27 (12) 804 8616; E-mail: enquiries@cottonsa.org.za
Website: www.cottonsa.org.za