KATOEN SUID-AFRIKA | **COTTON SOUTH AFRICA**

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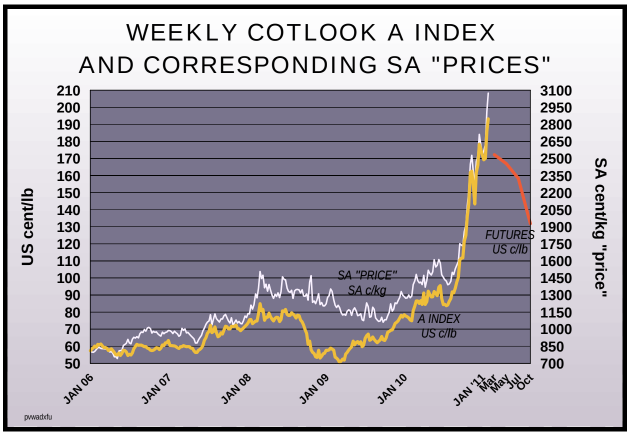
Date: 2 February 2011 | Reference: 9/3/3/1

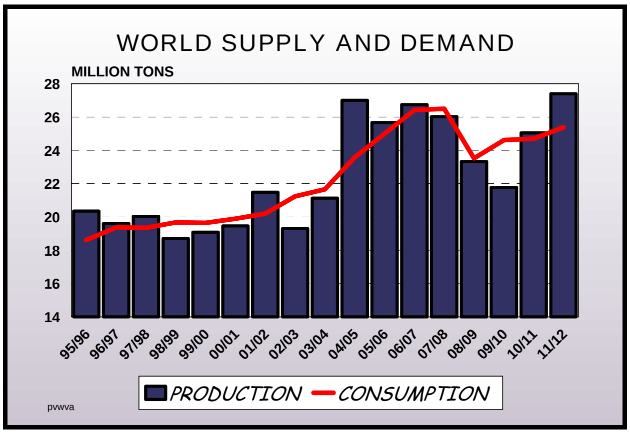
COTTON MARKET REPORT AS AT 1 FEBRUARY 2011

International

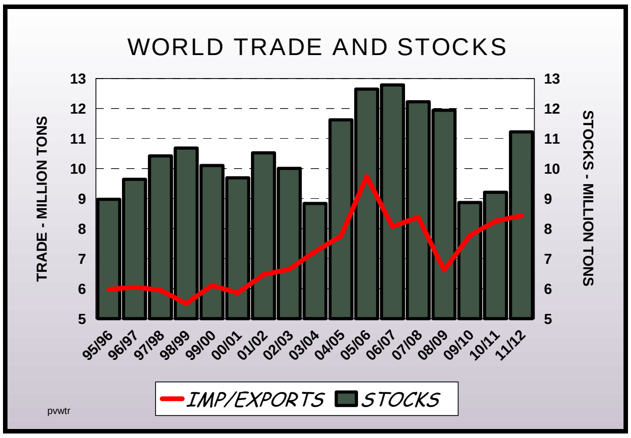


World cotton prices over the past few months continued to rise to record levels and in the past month alone, the Cotlook A index (an indicator of world cotton prices) rose by more than 25 US c/lb (up 15%) to reach a high of 197.5 US c/lb on 1 February 2011. According to the International Cotton Advisory Committee (ICAC) the surge in cotton prices this season can mainly be attributed to very low world cotton stocks (the lowest in 8 years), limited supply and robust demand as well as a depreciation of the US dollar.

The ICAC forecasts an average Cotlook A index of 156 US c/lb for 2010/11. This forecast is not based on their price model, but on the average price for the first 6 months of the 2010/11 season and on their judgment that the average price of cotton for the remaining six months of the season would remain close to the average recorded for January 2011, i.e. 178 US c/lb.



The ICAC expects that world cotton production in 2010/11 will increase by 15% to 25 million tons, almost equal to world demand. Due to the improved global economic environment, a robust demand from spinning mills was observed by the ICAC during the first half of 2010/11. However, the very high cotton prices and shortages of supply are expected to limit mill use expansion in 2010/11. Except for India, no growth in mill use is projected by the ICAC for the other major cotton consuming countries.

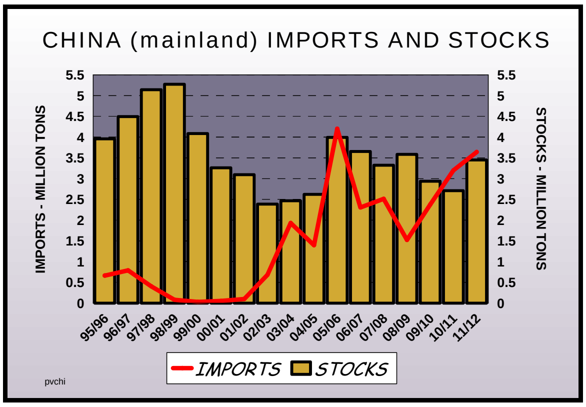


According to the ICAC the scarce uncommitted supply of cotton may provide strong pressure on cotton prices and cause increased volatility through the rest of the season. At this point in time the USA (the world's largest cotton exporter) has already committed 97% of its projected exports of cotton. According to the ICAC all other major exporters have committed most of their crops as well, including major Southern Hemisphere exporters such as Brazil and Australia where crop estimates were reduced due to unfavourable weather conditions.

Estimated world supply and demand for cotton for the 2009/10 season and projections for 2010/11 and 2011/12 (seasons beginning 1 August):

(million metric tons)	**2009/10**	**2010/11**	**2011/12**
Beginning stocks	11.9	8.9	9.2
Production	21.8	25.1	27.4
Consumption	24.6	24.7	25.4
Exports	7.8	8.3	8.4
Imports	7.7	8.3	8.4
Ending stocks	8.9	9.2	11.2
Ending stocks/use (China excluded)	40%	44%	51%
A Index (US c/lb)	***78***	***156***	

Cotton imports and stocks situation for China (mainland):



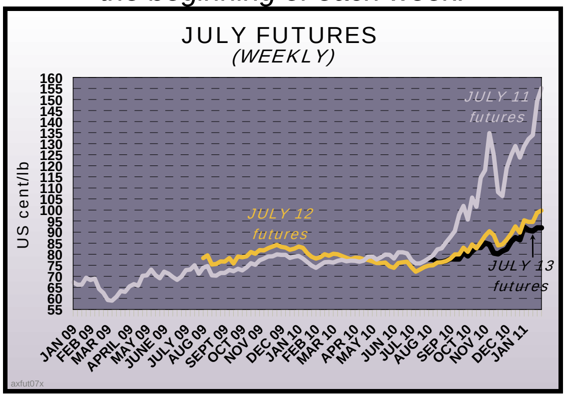
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (24/01 - 28/01/11)	191.58	3003.48
January 2011	178.60	2736.61
Today (01/02/11)	**197.05**	**3121.87**
December 2010	168.87	2555.29
Today a year ago	*75.35*	*1275.89*
Today two years ago	*58.30*	*1332.18*

New York cotton futures as at 1 Feb. 2011 (settlement prices):

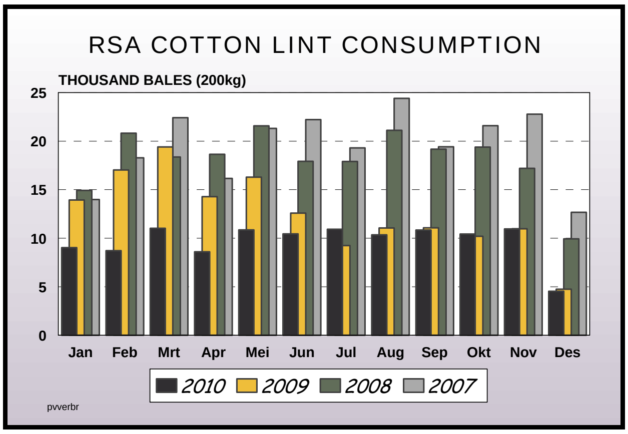
	NY FUTURES
	US c/lb
March 2011	172.22
May	167.00
July	158.38
October	131.87
December	116.23
March 2012	109.67
May	104.90

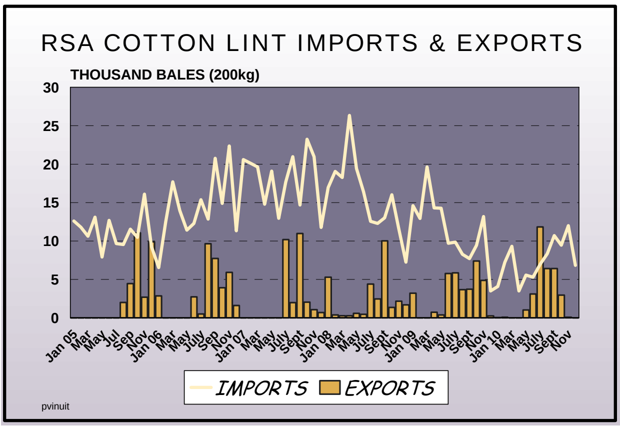
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the first estimate for the 2010/11 production year indicates a total crop of 104 277 lint bales, up 146% from the previous season and the first increase in local cotton production in 7 years. About 100 277 lint bales are estimated to be produced from RSA grown seed cotton, 161% up from the previous season. The balance of 4 000 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 1st ESTIMATE 2010/11 PRODUCTION YEAR *01/02/11*

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	2395	0	4000	0	**17244**	10%	0%
North & South Flats	24	337	2800	800	**589**	10%	0%
Dwaalboom/Thabazimbi	90	0	4000	0	**630**	10%	0%
Weipe	1830	0	4000	0	**12900**	0%	0%
NORTHERN CAPE							
Vaalharts	1909	0	5000	0	**17180**	0%	0%
Lower Orange River	200	0	5000	0	**1850**	100%	0%
Rest of Northern Cape	5115	0	4593	0	**43475**	0%	0%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	460	0	5000	0	**4140**	0%	0%
KWAZULU-NATAL	0	550	0	800	**792**	100%	0%
MPUMALANGA	0	1500	0	549	**1477**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**12023**	**2387**	**4463**	**642**	**100277**	6%	0%
Swaziland*	0	4000	0	550	**4000**	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	**12023**	**6387**	**4463**	**584**	**104277**	10%	0%

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

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