KATOEN SUID-AFRIKA | COTTON SOUTH AFRICA

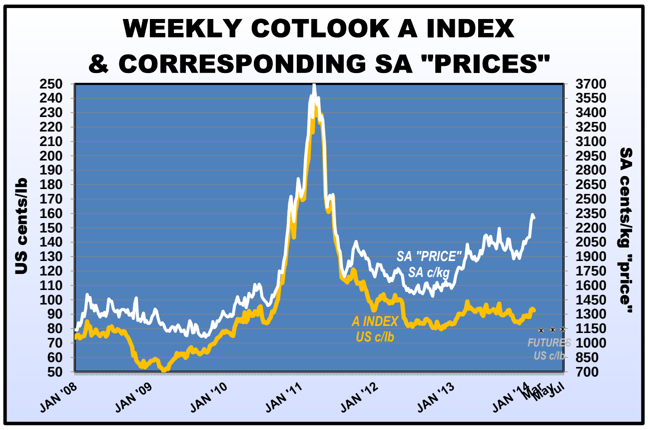
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 4 February 2014 **Reference: 9/3/3/1**

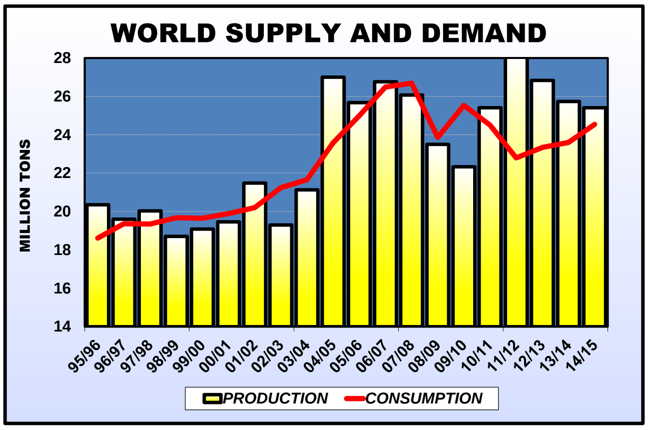
COTTON MARKET REPORT AS AT 3 FEBRUARY 2014

International

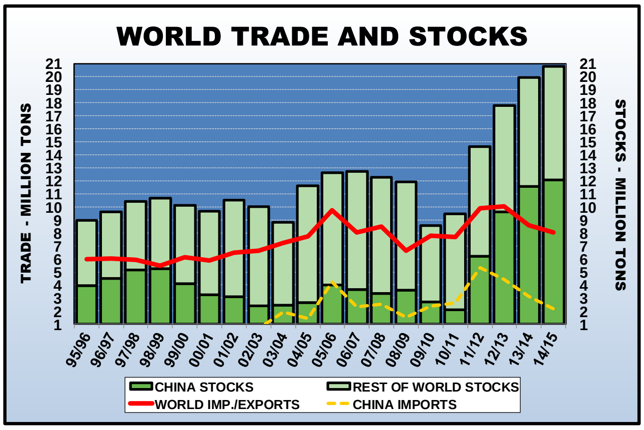
Despite the current record cotton stocks in the world, the Cotlook A index (an indicator of international cotton prices) for January 2014 averaged 91 US c/lb, about 4c/lb up from the December 2013 average. This is due in part to China's cotton reserve stock policy which has removed much of the excess stock from the world market in recent years. At the end of the 2013/14 season China is expected to hold 58% of world cotton stocks and should China decide to start offloading these reserve stocks, one can expect cotton prices to drop. The International Cotton Advisory Committee's (ICAC) latest projection of the average Cotlook A index for 2013/14 is between 82 – 101 US c/lb with a midpoint of 90 US c/lb.



World cotton production for 2013/14 is forecast by the ICAC to reach 25.7 million tons, down 4% from last season. Production in the Northern Hemisphere which accounts for 90% of world cotton production, is forecast by the ICAC to be 7% down from last season. The ICAC however expects an 18% increase in cotton production in the Southern Hemisphere, mainly due to increased plantings in Brazil and Argentina.



World cotton consumption for 2013/14 is estimated by the ICAC to rise by about 1% with a further increase of about 4% expected in 2014/15 provided the health of the global economy continues to grow. World economic growth is the main factor affecting textile consumption and cotton mill use.



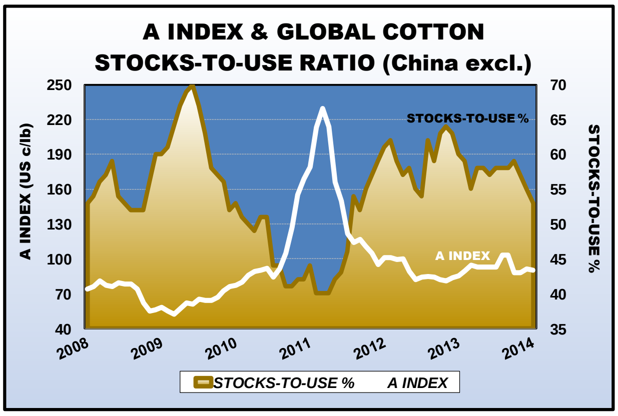
According to the ICAC world cotton trade will reach 8.6 million tons this season, with China and East Asia respectively accounting for 37% and 27% of all cotton lint imports. Despite the smaller crop, the USA will remain the world's largest cotton exporter with expected shipments of 2.3 million tons in 2013/14, followed by India with 1.3 million tons.

World ending cotton stocks are forecast by the ICAC to reach a record level of 19.9 million tons by 31 July 2014, up 12% from July 2013.

Estimated world supply and demand for cotton for the 2012/13 season and projections for 2013/14 and 2014/15 (seasons beginning 1 August):

(million metric tons)	**2012/13**	**2013/14**	**2014/15**
Beginning stocks	14.6	17.8	19.9
Production	26.8	25.7	25.4
Consumption	23.3	23.6	24.5
Exports	10.0	8.6	8.0
Imports	9.7	8.6	8.0
Ending stocks	17.8	19.9	20.8
Ending stocks/use (China excluded)	54%	53%	52%
A Index (US c/lb)	***88***	***82-101***	

A index and global stocks-to-use ratio (China excluded):



Average Cotlook A index prices and corresponding South African "prices":

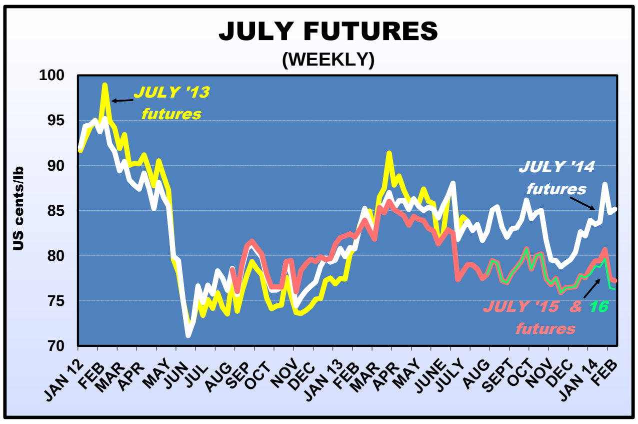
	A INDEX Avg: US c/lb	**DERIVED RSA "PRICE"** Avg: SA c/kg
Last week (27/01 - 31/01/14)	92.17	2290.43
January 2014	90.91	2200.44
Today (03/02/14)	**92.65**	**2304.12**
December 2013	87.44	2021.76
Today a year ago	*90.35*	*1806.49*
Today two years ago	*101.90*	*1737.71*

The ***COTLOOK A INDEX*** *is a daily indicator of international cotton lint prices and is the average of the cheapest 5 quotations (cost & freight) from a selection of the principal upland cottons traded internationally, destination Far East.*

New York cotton futures as at 2 Feb. 2014 (settlement prices):

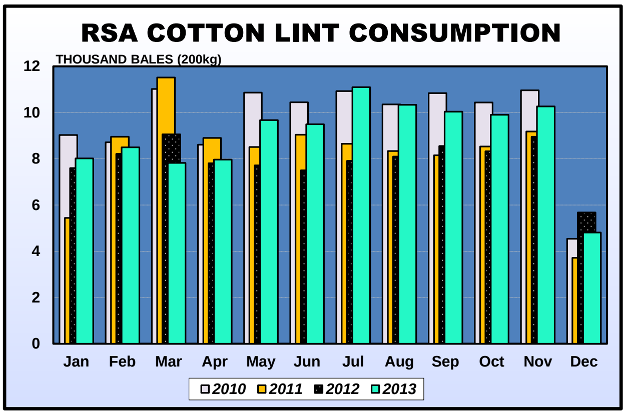
	NY FUTURES US c/lb
March 2014	85.01
May	85.57
July	85.16
October	78.12
December	76.36
March 2015	76.91
May	77.08

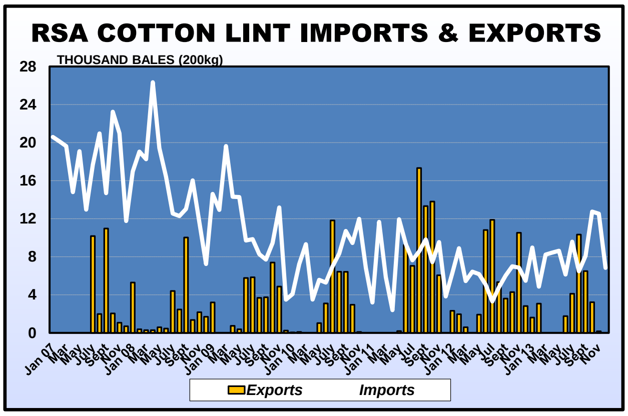
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 1st estimate for the 2013/14 production year indicates a total crop of 46 956 lint bales, up 54% from the previous season. About 42 956 lint bales are estimated to be produced from RSA grown seed cotton, up 65% 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 **2013/14 PRODUCTION YEAR** *31/01/14*

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	1298	0	4410	0	**10017**	1%	0%
North & South Flats	0	1217	0	1430	**3046**	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	4000	0	**5920**	0%	0%
NORTHERN CAPE							
Vaalharts	973	0	4948	0	**8908**	0%	0%
Lower Orange River	504	0	4464	0	**4162**	0%	0%
Rest of Northern Cape	970	0	5092	0	**9138**	0%	0%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	90	620	2800	600	**1141**	90%	0%
MPUMALANGA	0	570	0	600	**624**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**4635**	**2407**	**4570**	**1020**	**42956**	4%	0%
Swaziland*	0	3500	0	600	**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	**4635**	**5907**	**4570**	**771**	**46956**	12%	0%

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

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