KATOEN SUID-AFRIKA

COTTON SOUTH AFRICA

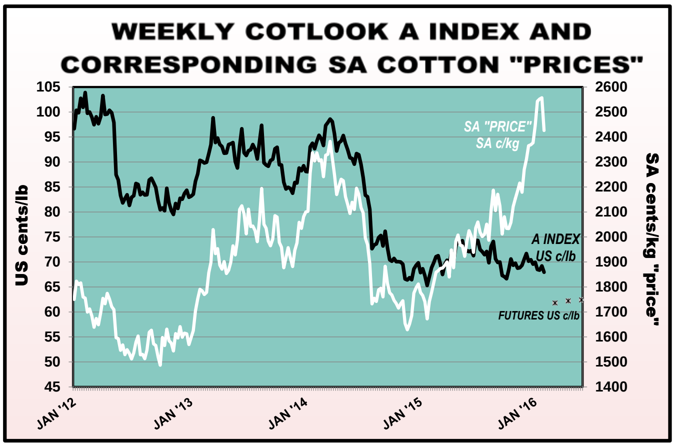
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 2 February 2016 **Reference: 9/3/3/1**

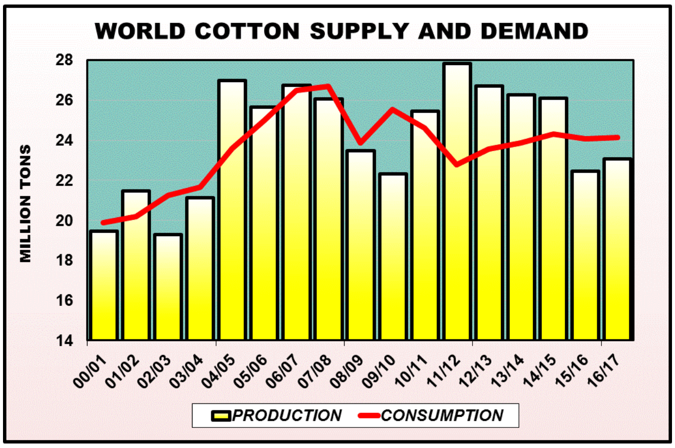
COTTON MARKET REPORT AS AT 1 FEBRUARY 2016

International

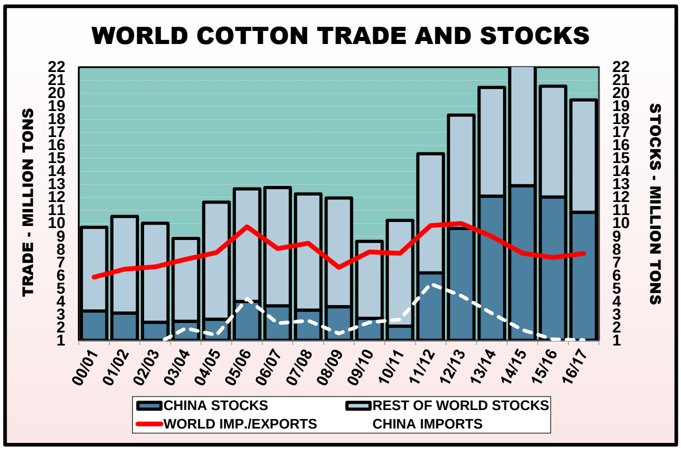
Given the ongoing drop in polyester prices which have cut into cotton's market share, the ICAC (International Cotton Advisory Committee) expects world cotton consumption to decline by 1% in 2015/16. At the onset of the 2014/15 season there was a narrow gap between cotton and polyester prices but since then polyester prices continued dropping whilst cotton prices stabilised. For the first half of 2015/16 polyester prices averaged 48 US c/lb in contrast to the Cotlook A Index (an indicator of international cotton prices) which averaged 70 US c/lb over this period. In China where polyester has been favoured over cotton in recent seasons, cotton consumption is forecast by the ICAC to be down by 5% to 7.1 million tons in 2015/16, which is the sixth consecutive season of decline.



Due to the fall in Chinese cotton consumption, China's cotton imports are expected to fall by 40% to 1.08 million tons in 2015/16. According to the ICAC, Vietnam may overtake China as the largest importer of cotton this season and cotton imports by Vietnam and Bangladesh are forecast to be double that of China in 2015/16. Cotton consumption in both Vietnam and Bangladesh is increasing steadily due to lower production costs but as they produce very little cotton, they must rely on imports to meet demand.



World ending stocks of cotton are projected by the ICAC to decrease by 7% to 20.5 million tons in 2015/16. This reduction in stocks is attributed to the sharp drop in world cotton production which is forecast down 14% to 22.5 million tons, which is 5.4 million tons less than the record achieved in 2011/12. According to the ICAC, world cotton area contracted by 9% in 2015/16 due to relatively low cotton prices, with China, the United States and Pakistan

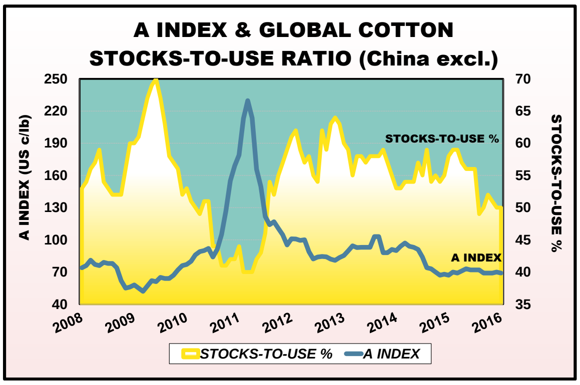


seeing the largest decreases in volume. Adverse weather and increased pest pressure contributed to a 6% decrease in the world average cotton yield.

Estimated world supply and demand for cotton for the 2014/15 season and projections for 2015/16 and 2016/17 (seasons beginning 1 August):

(million metric tons)	**2014/15**	**2015/16**	**2016/17**
Beginning stocks	20.4	22.2	20.5
Production	26.1	22.5	23.1
Consumption	24.3	24.1	24.1
Exports	7.7	7.4	7.7
Imports	7.6	7.4	7.7
Ending stocks	22.2	20.5	19.5
Ending stocks/use (China excluded)	55%	50%	50%
A Index (US c/lb)	***71***	***65-81***	

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



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

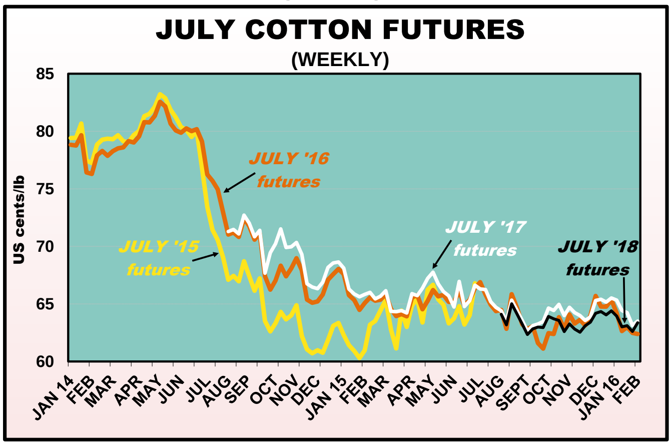
	A INDEX	**DERIVED RSA "PRICE"**
	Avg: US c/lb	Avg: SA c/kg
Last week (25/01 - 29/01/16)	68.35	2506.58
January 2016	68.84	2516.95
Today (01/02/16)	**67.95**	**2426.06**
December 2015	70.32	2350.61
Today a year ago	*67.05*	*1741.78*
Today two years ago	*92.65*	*2304.12*

*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 1 Feb. 2016 (settlement prices):

	NY FUTURES
	US c/lb
Mar 2016	61.79
May	62.20
July	62.39
Oct	61.61
Dec	61.84
Mar 2017	62.75
May	63.14

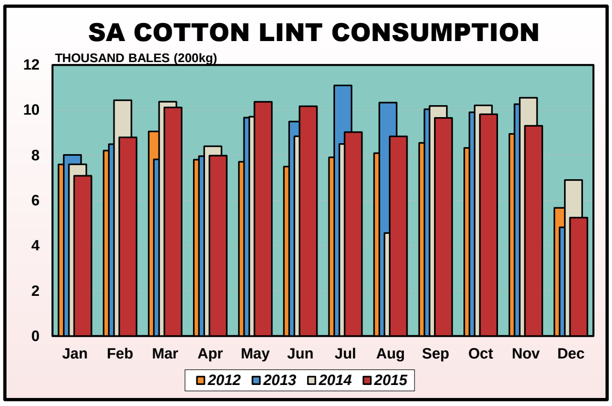
New York JULY cotton futures as at the beginning of each week:

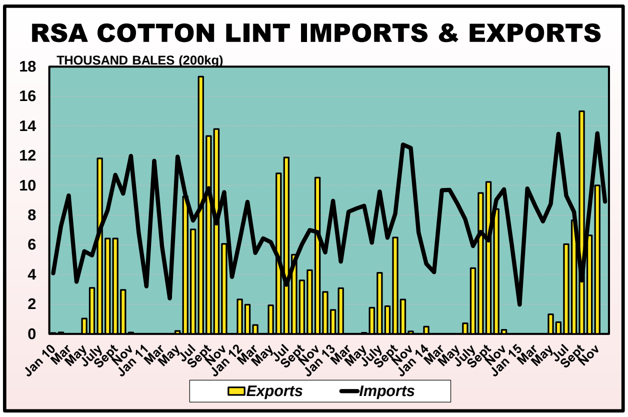


Local outlook

As far as the local outlook is concerned, the 1st estimate for the 2014/16 production year indicates a total crop of 56 266 lint bales, down 41% from the previous season. RSA dryland hectares are down by 80% mainly due to the drought.

About 55 366 lint bales are estimated to be produced from RSA grown seed cotton, down 41% from the previous season. The balance of 900 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 1st ESTIMATE **2015/16 PRODUCTION YEAR** *29/01/2016*

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	% OF CROP HAND PICKED	% OF CROP GINNED SO FAR
LIMPOPO PROV.							
Loskop	848	0	4500	0	**6678**	1%	0%
North & South Flats	18	368	3500	800	**625**	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	368	0	3000	0	**2040**	0%	0%
NORTHERN CAPE							
Vaalharts	1152	0	5011	0	**10682**	0%	0%
Lower Orange River	786	0	4500	0	**6543**	0%	0%
Rest of Northern Cape	1402	0	5632	0	**14608**	0%	0%
NORTH WEST							
Stella/Setlagoli	1430	0	4500	0	**11905**	0%	0%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	230	600	2500	500	**1600**	100%	0%
MPUMALANGA	28	389	4500	646	**685**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**6262**	**1357**	**4683**	**623**	**55366**	4%	0%
Swaziland*	0	1000	0	500	**900**	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	**6262**	**2357**	**4683**	**571**	**56266**	6%	0%

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

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