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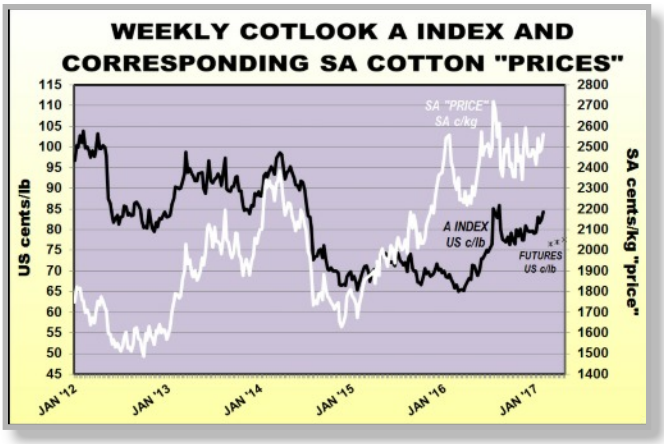
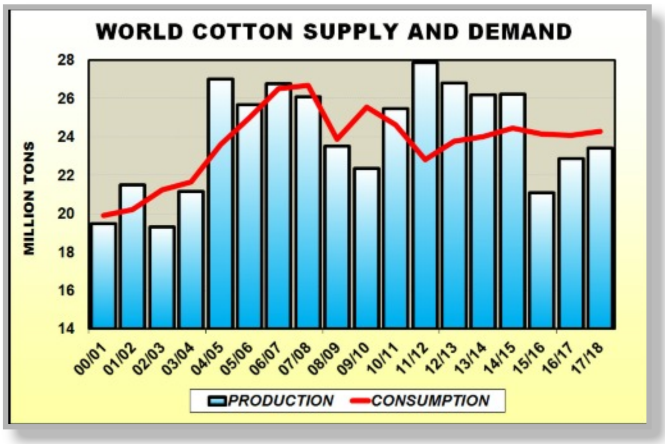
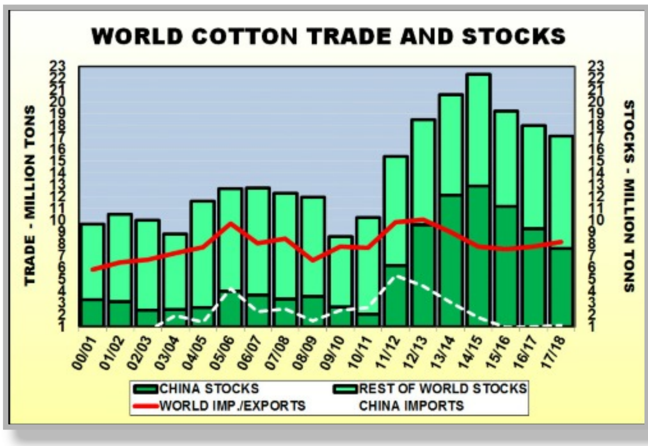
COTTON SA MARKET REPORT AS AT 1 FEBRUARY 2017

The International Cotton Advisory Committee (ICAC) forecasts a 2% increase in world cotton production for 2017/18 mainly due to an expected increase in planted area. Cotton production in both India and China, the world's two largest cotton producing countries, is expected to increase by 1% whilst cotton production in the USA, the 3rd largest cotton producing country, is expected to rise by 7% in 2017/18 as cotton prices become more attractive than those of competing crops.

According to the ICAC, the zero growth in world cotton consumption in 2016/17 can be ascribed to the higher prices for cotton in relation to polyester (cotton's main competing fibre) which discouraged growth in demand. The ICAC however expects that cotton mill use may expand by 1% in 2017/18 although no growth in cotton consumption is expected in the world's top three cotton consuming countries, namely China, India and Pakistan (accounting for more than 40% of global cotton use). The ICAC on the other hand expects a 5% cotton consumption increase in 2017/18 for the 3 other large cotton consuming countries, namely Turkey, Bangladesh and Vietnam.







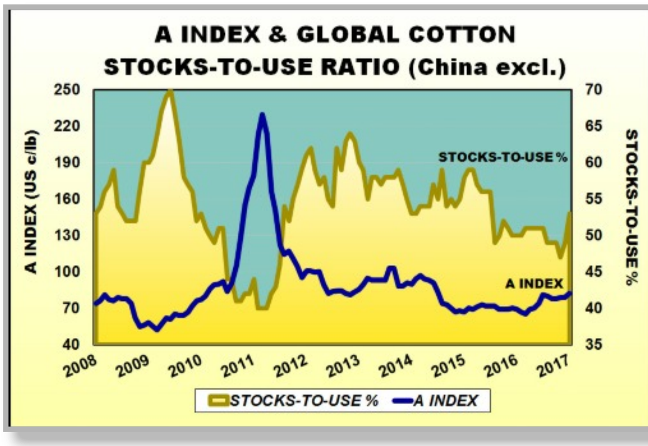
As far as international trade is concerned, Bangladesh and Vietnam will remain to be the world's two largest cotton importers in 2017/18, accounting for a third of the world's cotton imports. The USA will also remain to be the world's largest cotton exporting country in 2017/18, accounting for almost 40% of all cotton exports.

Although world cotton stocks are forecast by the ICAC to decline by 6% at the end of 2016/17, cotton stocks outside of China are projected to increase by 8% in 2016/17.

Estimated world supply and demand for cotton for the 2015/16 season and projections for 2016/17 and 2017/18 (seasons beginning 1 August):

(million metric tons)	2015/16	2016/17	2017/18
Beginning stocks	22.3	19.2	18.0
Production	21.1	22.9	23.4
Consumption	24.1	24.1	24.3
Exports	7.6	7.8	8.2
Imports	7.5	7.8	8.2
Ending stocks	19.2	18.0	17.1
Ending stocks/use (China excluded)	48%	53%	57%
A Index (US c/lb)	***70***	***68-83***	

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



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

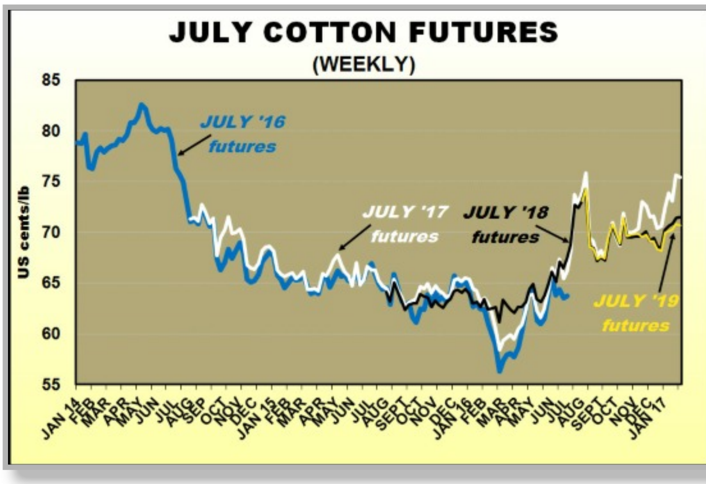
	A INDEX Avg: US c/lb	DERIVED RSA "PRICE" Avg: SA c/kg
Last week (23/01 - 27/01/17)	83.22	2482.94
January 2017	82.20	2484.70
Today (01/02/17)	**84.25**	**2513.06**
December 2016	79.46	2458.34
Today a year ago	*67.95*	*2426.06*
Today two years ago	*67.05*	*1741.78*

*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 February 2017 (settlement prices):

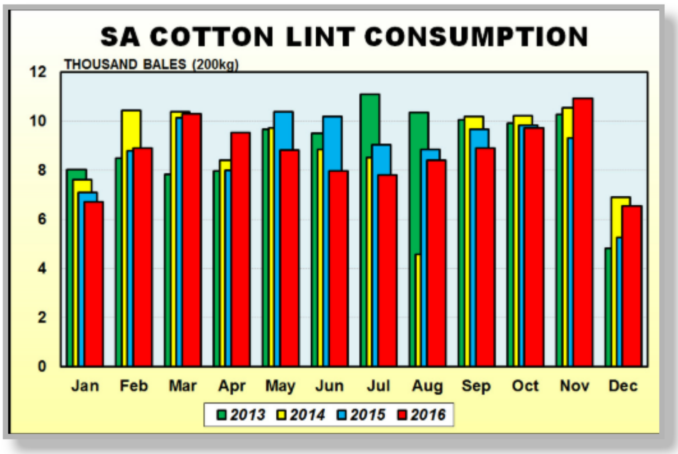
	NY FUTURES *US c/lb*
Mar 2017	76.44
May	77.05
July	77.57
Oct	72.97
Dec	72.39
Mar 2018	72.88
May	72.83

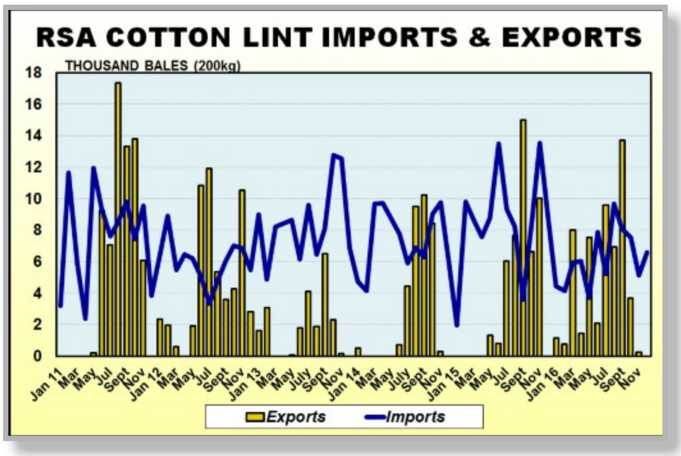
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 1st estimate for the 2016/17 production year indicates a total crop of 74 670 lint bales, up 48% from the previous season. RSA dryland hectares are up by 320% mainly due to the availability of cotton stripper harvester technology which was successfully demonstrated under the Cotton Cluster. About 72 670 lint bales are estimated to be produced from RSA grown seed cotton, up 44% from the previous season. The balance of 2000 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 1st ESTIMATE 2016/17 PRODUCTION YEAR 31/01/2017

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	2333	65	4200	1000	17754	0%	0%
North & South Flats	128	5128	3500	1000	10037	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	0	0%	0%
Limpopo Other	551	0	4200	0	4166	0%	0%
Weipe	1078	0	4500	0	8974	0%	0%
NORTHERN CAPE							
Vaalharts	1319	0	4739	0	11564	0%	0%
Lower Orange River	391	0	4500	0	3255	0%	0%
Rest of Northern Cape	270	0	5000	0	2498	0%	0%
NORTH WEST							
Stella/Delareyville/Setlagoli	522	1207	5000	1145	7385	10%	0%
Taung	0	0	0	0	0	0%	0%
KWAZULU-NATAL	380	1500	4211	600	4545	63%	0%
MPUMALANGA	0	2652	0	510	2492	100%	0%
EASTERN CAPE	0	0	0	0	0	0%	0%
RSA TOTAL	**6972**	**10552**	**4444**	**836**	**72670**	**8%**	**0%**
Swaziland*	0	2000	0	600	2000	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	6972	12552	4444	799	74670	11%	0%

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

Sustainable Cotton Cluster
A programme of Cotton SA

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ICAB