



Date: 2 March 2011

Reference: 9/3/3/1

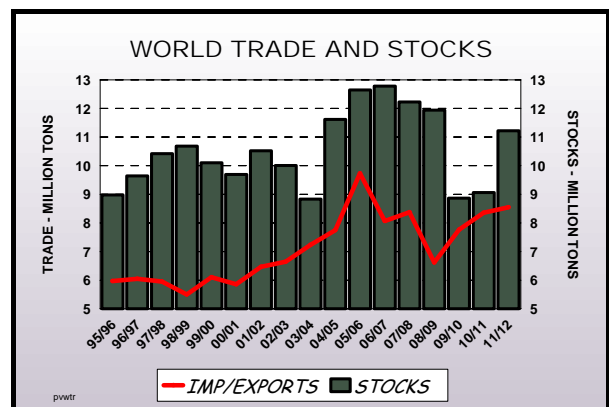
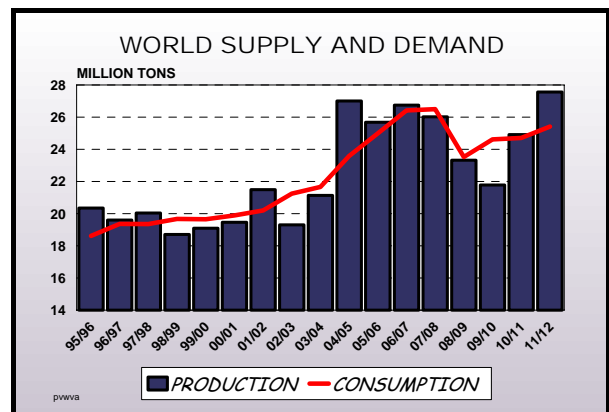
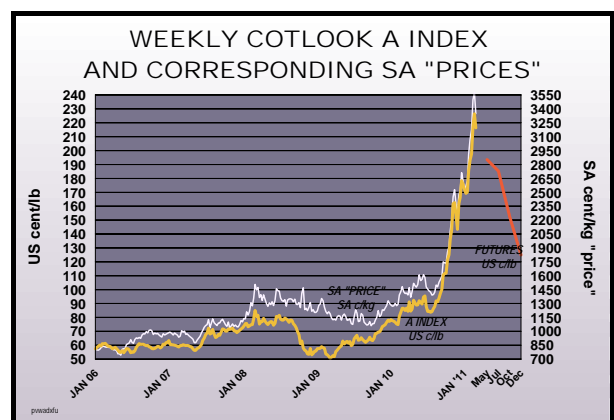
## COTTON MARKET REPORT AS AT 1 MARCH 2011

### International

World cotton prices reached new record levels in February 2011 as the very scarce uncommitted supply of cotton is continuing to place strong pressure on prices and will cause increased volatility throughout the rest of the season, according to the International Cotton Advisory Committee (ICAC). The ICAC forecasts an average Cotlook A index (an indicator of world cotton prices) of 161 US c/lb for 2010/11. This forecast is not based on their price model, but on the average price for the first 7 months of the 2010/11 season and on their judgment that the average price of cotton for the remaining 5 months of the season would remain close to the average recorded during the beginning of 2011. Although the ICAC expects that cotton prices in 2011/12 will decline from the current high levels, it is expected that prices will remain substantially higher than the average of the past decade, namely 60 US c/lb.

In response to the record prices world cotton area in all cotton producing countries is projected by the ICAC to rise on average by 7% in 2011/12 to 36 million hectares, the largest in 17 years. Cotton area in the world's 3 largest cotton producing countries, namely China, India and the USA is expected to increase by 5% - 6%, whilst cotton area in Pakistan, the 4<sup>th</sup> largest producer, is expected by the ICAC to increase by 27%. Substantial increases in cotton production are also projected for South America and Africa.

The ICAC expects that growth in world cotton consumption will be limited to 3% in 2011/12 by the high cotton prices and the competition from chemical fibres.



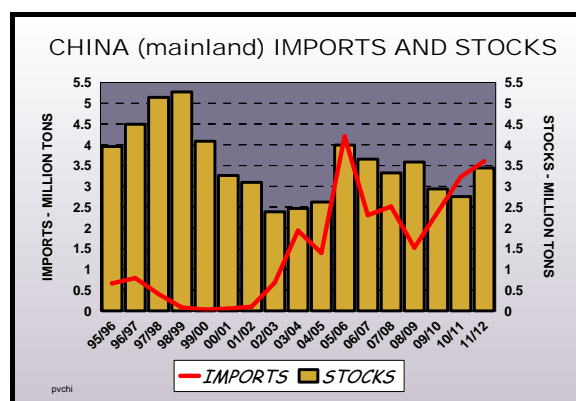
As world cotton production is forecasted by the ICAC to exceed demand by about 2 million tons in 2011/12, world ending stocks

are expected to increase by about 24% to 11.2 million tons on 31 July 2012.

*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	9.1
Production	21.8	24.9	27.6
Consumption	24.6	24.7	25.4
Exports	7.8	8.4	8.6
Imports	7.7	8.4	8.6
Ending stocks	8.9	9.1	11.2
Ending stocks/use (China excluded)	40%	42%	51%
<b>A Index (US c/lb)</b>	<b>78</b>	<b>161</b>	

*Cotton imports and stocks situation for China (mainland):*



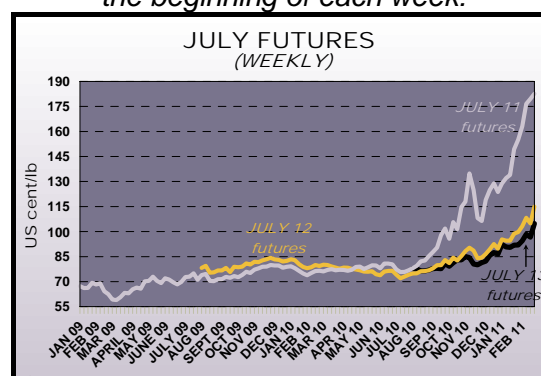
*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

	<b>A INDEX</b>	<b>RSA "PRICE"</b>
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (21/02 - 25/02/11)	220.34	3476.84
February 2011	213.38	3399.37
<b>Today (01/03/11)</b>	<b>223.30</b>	<b>3431.80</b>
January 2011	178.60	2736.61
Today a year ago	86.55	1482.35
Today two years ago	52.00	1210.51

*New York cotton futures as at 1 March 2011 (settlement prices):*

<b>NY FUTURES</b>	
	<i>US c/lb</i>
May 2011	193.60
July	185.24
October	152.18
December	124.88
March 2012	117.88
May	113.18
July	108.48

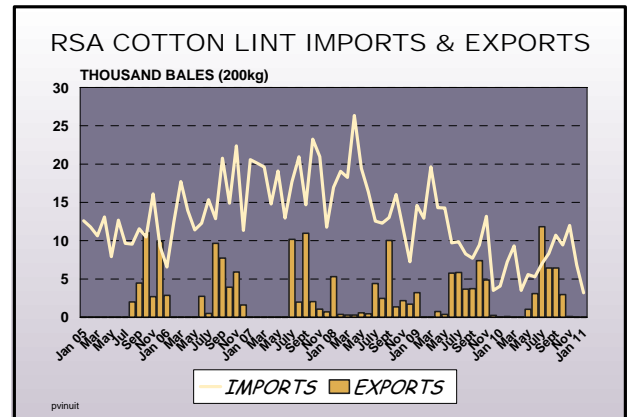
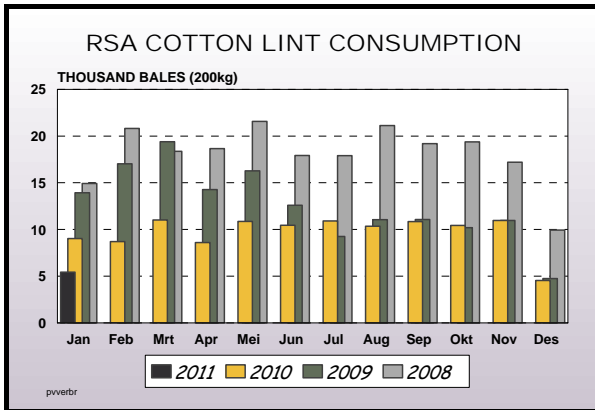
*New York JULY cotton futures as at the beginning of each week:*



**Local outlook**

As far as the local outlook is concerned, the 2<sup>nd</sup> estimate for the 2010/11 production year indicates a total crop of 101 148 lint bales, up 138% from the previous season and the first increase in local cotton production in 7 years. About 97 148 lint bales are estimated

to be produced from RSA grown seed cotton, 153% 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 - 2nd ESTIMATE**

**2010/11 PRODUCTION YEAR**

**01/03/11**

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
<b>LIMPOPO PROV.</b>							
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	1422	0	4000	0	10000	0%	0%
<b>NORTHERN CAPE</b>							
Vaalharts	1909	0	5000	0	17180	0%	0%
Lower Orange River	200	0	5000	0	1850	100%	0%
Rest of Northern Cape	5215	0	4481	0	43246	0%	0%
<b>NORTH WEST</b>							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	460	0	5000	0	4140	0%	0%
<b>KWAZULU-NATAL</b>	0	550	0	800	792	100%	0%
<b>MPUMALANGA</b>	0	1500	0	549	1477	100%	0%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>11715</b>	<b>2387</b>	<b>4431</b>	<b>642</b>	<b>97148</b>	<b>6%</b>	<b>0%</b>
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		
<b>GRAND TOTAL</b>	<b>11715</b>	<b>6387</b>	<b>4431</b>	<b>584</b>	<b>101148</b>	<b>10%</b>	<b>0%</b>

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

**ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)**

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