



Date: 2 March 2012

Reference: 9/3/3/1

## COTTON MARKET REPORT AS AT 1 MARCH 2012

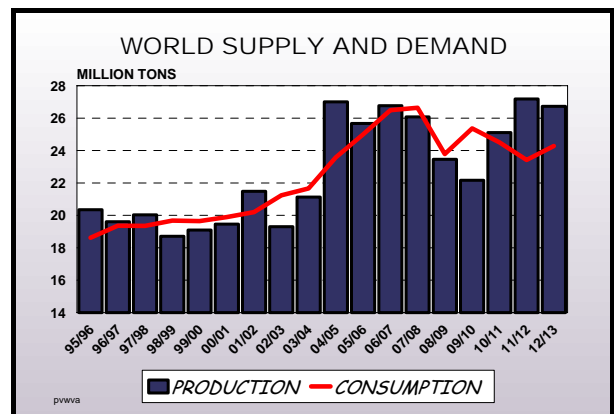
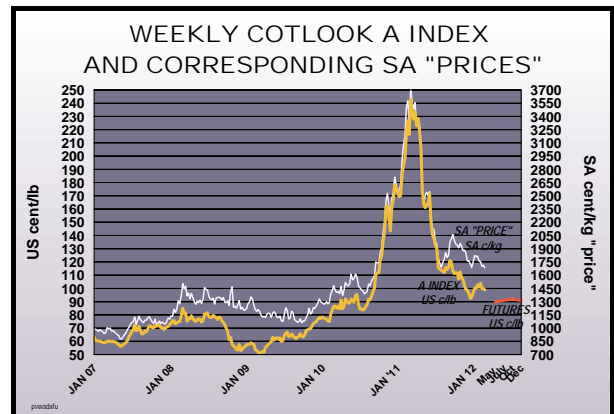
### International

Approximately one year ago, the Cotlook A index (an indicator of world cotton prices) reached an all time high of \$2.44/lb. Since then prices fell almost continuously but have remained relatively stable for the past 3 months. Based on current market fundamentals, the International Cotton Advisory Committee (ICAC) forecasts an average Cotlook A index of 106 US c/lb for 2011/12 (Aug. 2011 – Jul. 2012).

Cotton plantings for 2012 will start soon in the Northern Hemisphere. Reduced cotton prices are making competing crops more attractive to farmers, resulting in reduced cotton plantings in many countries. However, the ICAC does not expect that world cotton area will drop drastically due to the fact that cotton prices are still at relative high levels compared to the average of 60 US c/lb for the most recent decade (2000/01 to 2009/10).

The ICAC expects that world cotton area will decrease by about 4% in 2012/13. Based on average yields, this translates to a decline of about 5% in world cotton production which is estimated at about 25.7 million tons for 2012/13.

After two seasons of decline, the ICAC expects that world cotton consumption will increase by about 4% to 24.3 million tons in 2012/13, driven by improving economic growth and lower cotton prices. According to the ICAC the significant loss in the market share of cotton versus manmade fibres over the past two years will be hard to reverse. In China for example, the world's largest cotton consumer, cotton prices are expected to remain higher than polyester prices.



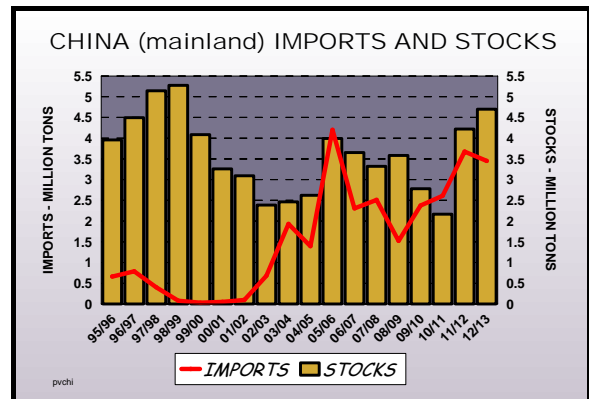
As a result of large excess supplies in 2011/12, the ICAC expects that world cotton stocks will rebound and increase by 40% to 13.1 million tons by 31 July 2012. As production is expected to exceed consumption again in 2012/13, world cotton stocks could rise by a further 11% to 14.5

million tons by 31 July 2013, which would be the highest on record. This would represent 60% of global cotton use and would also be the highest stocks-to-use ratio in more than 12 years and is expected to have a depressing effect on international prices in 2012/13.

*Estimated world supply and demand for cotton for the 2010/11 season and projections for 2011/12 and 2012/13 (seasons beginning 1 August):*

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

(million metric tons)	2010/11	2011/12	2012/13
Beginning stocks	8.7	9.3	13.1
Production	25.1	27.2	25.7
Consumption	24.5	23.4	24.3
Exports	7.6	7.8	8.3
Imports	7.7	7.8	8.3
Ending stocks	9.3	13.1	14.5
Ending stocks/use (China excluded)	48%	62%	66%
<b>A Index (US c/lb)</b>	<b>164</b>	<b>106</b>	



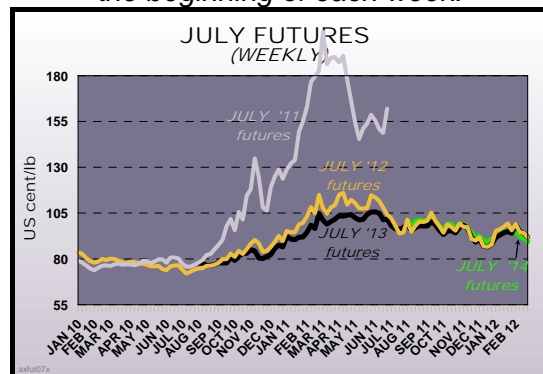
*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

	<b>A INDEX</b>	<b>RSA "PRICE"</b>
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (20/02 - 24/02/12)	99.57	1704.18
February 2012	100.75	1715.38
<b>Today (01/03/12)</b>	<b>99.30</b>	<b>1656.21</b>
January 2012	100.91	1801.09
Today a year ago	225.00	3485.43
Today two years ago	87.05	1484.99

*New York cotton futures as at 1 March 2012 (settlement prices):*

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

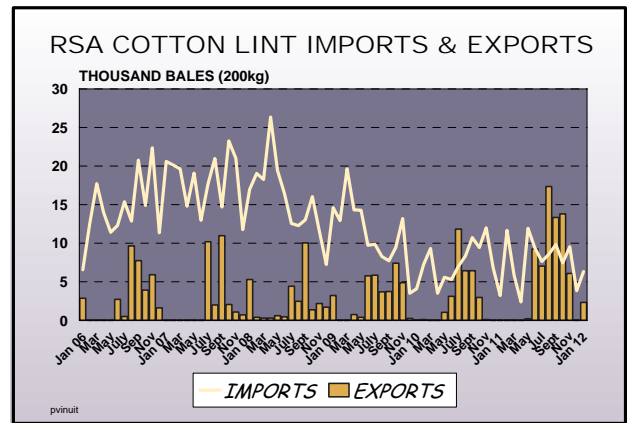
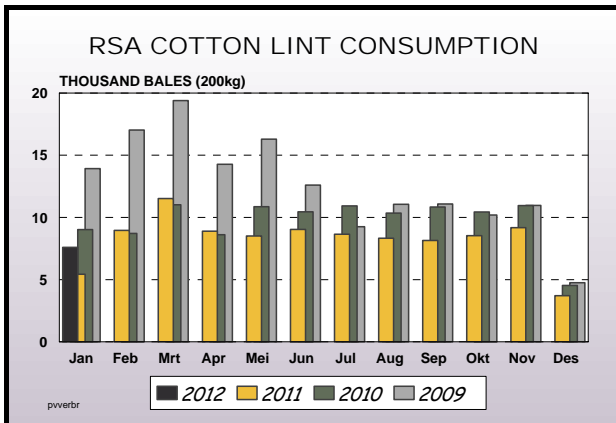
	<b>NY FUTURES</b>
	<i>US c/lb</i>
May 2012	89.67
July	91.05
October	91.88
December	90.88
March 2013	92.28
May	92.29
July	92.23



**Local outlook**

As far as the local outlook is concerned, the 2<sup>nd</sup> estimate for the 2011/12 production year indicates a total crop of 70 125 lint bales, up 5% from last month's estimate but 22% down from the previous season. The decrease in the current crop is mainly due to lower cotton prices and the more favourable

prices of other competing summer crops such as maize. About 67 875 lint bales are estimated to be produced from RSA grown seed cotton, down 21% from the previous season. The balance of 2 250 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**COTTON CROP REPORT - 2nd ESTIMATE**

**2011/12 PRODUCTION YEAR**

**01/03/12**

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	1203	0	4131	0	8697	10%	0%
North & South Flats	52	196	3800	900	655	10%	0%
Dwaalboom/Thabazimbi	150	0	4150	0	1089	10%	0%
Weipe	873	0	4000	0	6460	0%	0%
<b>NORTHERN CAPE</b>							
Vaalharts	1273	0	5000	0	11457	0%	0%
Lower Orange River	400	0	4400	0	3256	50%	0%
Rest of Northern Cape	4344	0	3861	0	31031	1%	0%
<b>NORTH WEST</b>							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	240	0	5000	0	2160	0%	0%
<b>KWAZULU-NATAL</b>	0	970	0	700	1222	50%	0%
<b>MPUMALANGA</b>	0	1500	0	687	1848	100%	0%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>8535</b>	<b>2666</b>	<b>4145</b>	<b>707</b>	<b>67875</b>	<b>8%</b>	<b>0%</b>
Swaziland*	0	2500	0	500	2250	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>8535</b>	<b>5166</b>	<b>4145</b>	<b>607</b>	<b>70125</b>	<b>11%</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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