KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

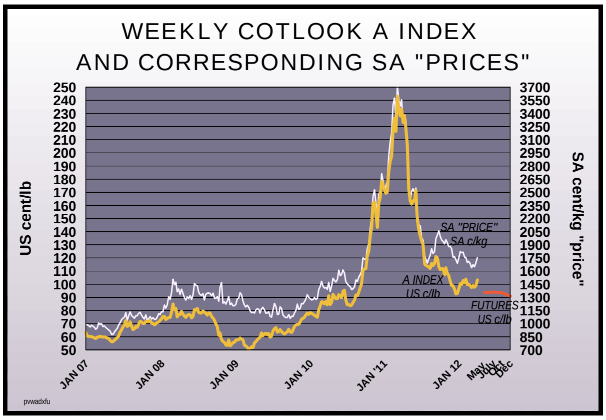
*Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21*

Date: 3 April 2012 Reference: 9/3/3/1

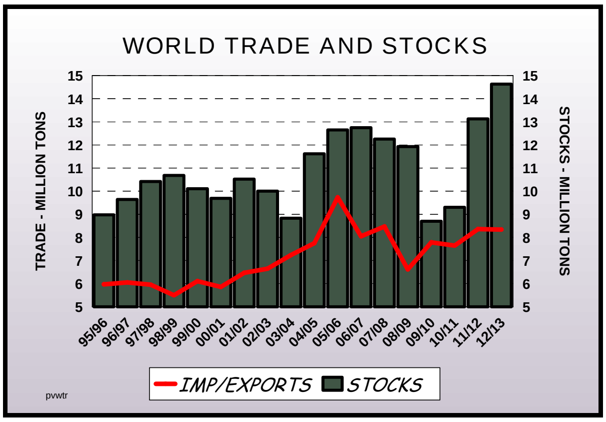
# COTTON MARKET REPORT AS AT 2 APRIL 2012

## International

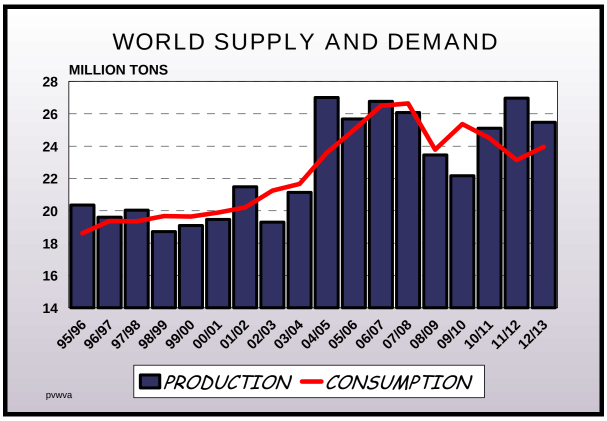
According to the International Cotton Advisory Committee (ICAC), global cotton trade as well as prices this season are affected to a large extent by government policies in China, the world's largest cotton importing country and to a lesser extent by policies in India, the world's 2nd largest cotton exporting country.




China has accumulated over 4 million tons of domestic and imported cotton in its national reserve over the past 8 months. By the end of this season it is estimated that China will hold 36% of all global cotton stocks. According to the ICAC the size of Chinese stocks will create significant uncertainty for the global cotton market for months and maybe for years to come. The projected record levels of world cotton stocks will affect world cotton prices in 2012/13 but the extent of this downward pressure will depend largely on how the Chinese national reserve is handled. The Indian government on the other hand imposed a sudden ban on cotton exports as from 5 March 2012 after seeing their exports surge during the first half of 2011/12, a large portion of it going to China. According to the ICAC, the longer the ban remains in place, the greater the upward impact on world cotton prices will be.




Cotton plantings have commenced in the Northern Hemisphere and the ICAC expects that world cotton hectares will decrease by about 5% this season and even increase in some countries. Based on average yields, this translates to a decline of about 5% in world cotton production which is estimated at about 25.5 million tons for 2012/13.




After two seasons of decline, the ICAC

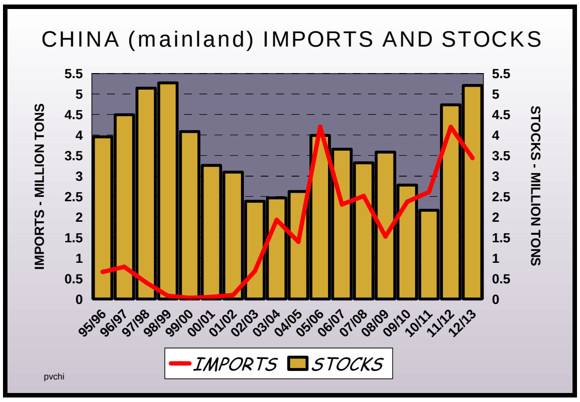
expects that world cotton consumption will increase by about 4% to 24 million tons in 2012/13, driven by improving economic growth and lower cotton prices.

The ICAC also expects global cotton trade to rise by 9% to 8.4 million tons in 2011/12, the largest volume in 4 years, driven by near record imports from China.

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

| *(million metric tons)* | **2010/11** | **2011/12** | **2012/13** |
|---|---|---|---|
| Beginning stocks | 8.7 | 9.3 | 13.1 |
| Production | 25.1 | 27.0 | 25.5 |
| Consumption | 24.5 | 23.1 | 24.0 |
| Exports | 7.6 | 8.4 | 8.3 |
| Imports | 7.7 | 8.4 | 8.3 |
| Ending stocks | 9.3 | 13.1 | 14.6 |
| Ending stocks/use (China excluded) | 48% | 59% | 65% |
| ***A Index (US c/lb)*** | ***164*** | ***106*** | |

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



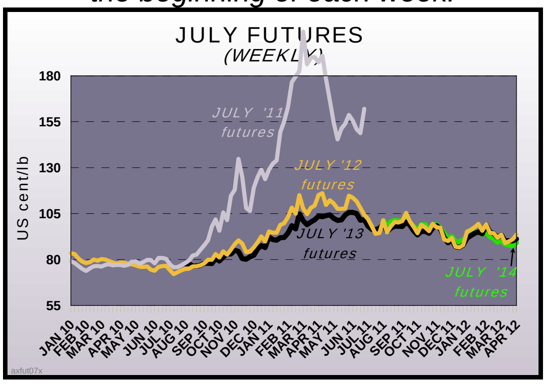

*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

| | **A INDEX** | **RSA "PRICE"** |
|---|---|---|
| | *Avg: US c/lb* | *Avg: SA c/kg* |
| Last week (26/03 - 30/03/12) | 101.70 | 1730.73 |
| March 2012 | 99.50 | 1684.02 |
| **Today (02/04/12)** | **103.30** | **1754.46** |
| February 2012 | 100.75 | 1715.38 |
| *Today a year ago* | *227.75* | *3414.16* |
| *Today two years ago* | *91.25* | *1472.44* |

*New York cotton futures as at 2 April 2012 (settlement prices):*

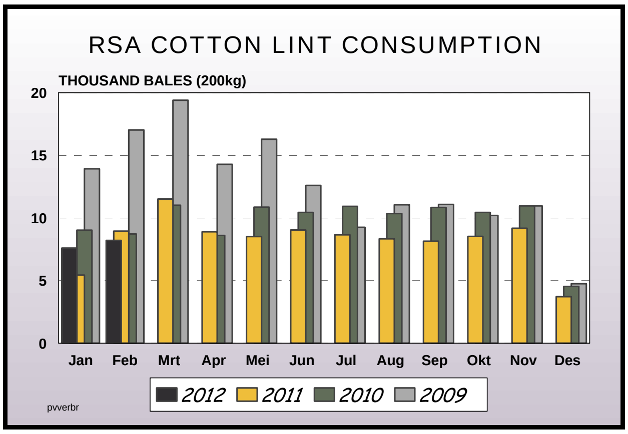
| | **NY FUTURES** |
|---|---|
| | *US c/lb* |
| May 2012 | 93.12 |
| July | 93.57 |
| October | 92.85 |
| December | 90.75 |
| March 2013 | 91.45 |
| May | 91.35 |
| July | 91.17 |

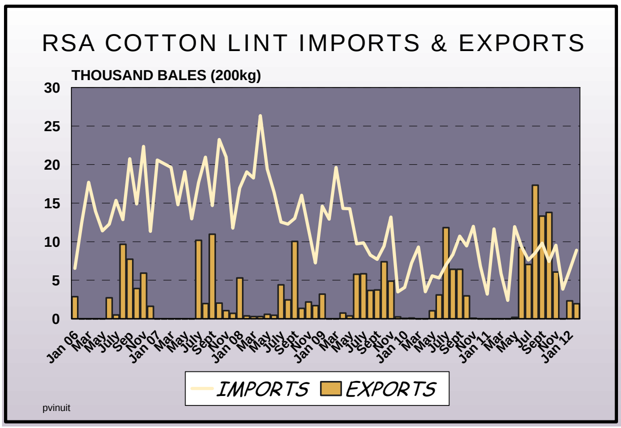
*New York JULY cotton futures as at the beginning of each week:*



## Local outlook

As far as the local outlook is concerned, the 3rd estimate for the 2011/12 production year indicates a total crop of 60 687 lint bales, down 9% from last month's estimate due to a duplication of estimated hectares in the Northern Cape. The 2011/12 crop is also 33% less than that of the previous season mainly due to lower cotton prices and the more favourable prices of other competing summer crops such as maize. About 56 687 lint bales are estimated to be produced from RSA grown seed cotton, down 34% 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 - 3rd ESTIMATE 2011/12 PRODUCTION YEAR ***01/04/12***

| 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* |
|---|---|---|---|---|---|---|---|
| **LIMPOPO PROV.** | | | | | | | |
| Loskop | 1203 | 0 | 4200 | 0 | **8842** | 10% | 0% |
| North & South Flats | 52 | 196 | 3900 | 900 | **664** | 10% | 0% |
| Dwaalboom/Thabazimbi | 150 | 0 | 4150 | 0 | **1089** | 10% | 0% |
| Weipe | 873 | 0 | 4000 | 0 | **6460** | 0% | 0% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 1288 | 0 | 5000 | 0 | **11592** | 0% | 0% |
| Lower Orange River | 450 | 0 | 4400 | 0 | **3582** | 50% | 0% |
| Rest of Northern Cape | 2884 | 0 | 3588 | 0 | **19228** | 1% | 0% |
| **NORTH WEST** | | | | | | | |
| Stella/Setlagoli | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Taung | 240 | 0 | 5000 | 0 | **2160** | 0% | 0% |
| **KWAZULU-NATAL** | 0 | 970 | 0 | 700 | **1222** | 50% | 0% |
| **MPUMALANGA** | 0 | 1500 | 0 | 687 | **1848** | 100% | 0% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **RSA TOTAL** | **7140** | **2666** | **4109** | **707** | **56687** | 10% | 0% |
| Swaziland* | 0 | 3600 | 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** | **7140** | **6266** | **4109** | **646** | **60687** | 16% | 0% |

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

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