KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

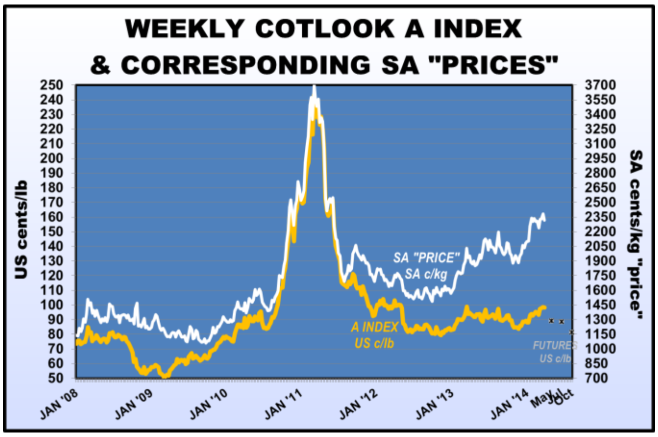
*Nie-winsgewende Organisasie / Non-profit Company*
*Registration No. 199800820/08*

**Date: 2 April 2014** **Reference: 9/3/3/1**

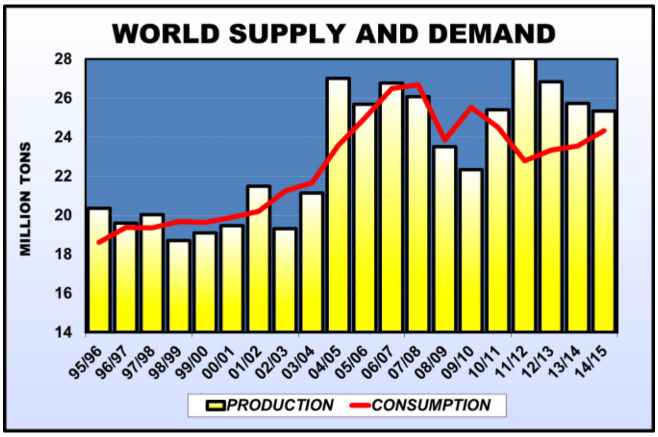
# COTTON MARKET REPORT AS AT 1 APRIL 2014

## International

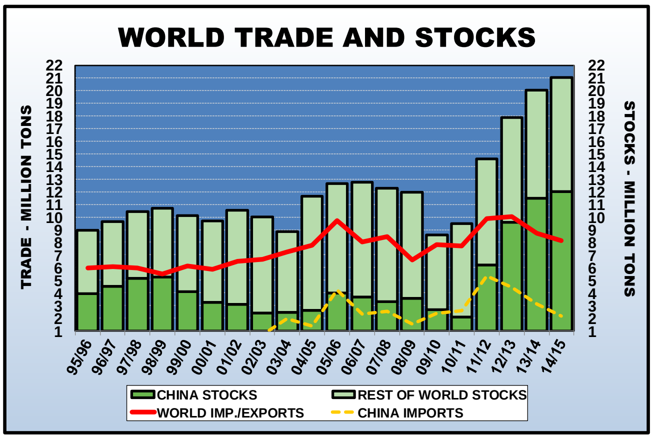
The Cotlook A index (an indicator of international cotton prices) for March 2014 averaged about 97 US c/lb, almost 3c/lb up from the February 2014 average. On 1 April 2014 New York Cotton futures for July 2014 were 92.50 US c/lb but down to 81.97 US c/lb for October 2014. The big drop is an indication that lower international cotton prices can be expected once the Northern Hemisphere crop which is now being planted, is harvested after August 2014.




Although world cotton area for 2014/15 is forecast by the ICAC to remain fairly stable with 33 million hectares expected to be planted, China's area is expected to decline by about 9%. This decline will however be cancelled out by an expected 9% increase in hectares in the USA and an expected 3% increase in Uzbekistan cotton hectares.




World cotton consumption for 2014/15 is estimated by the ICAC to rise by 3% following the projected rise of 1% for the current season, mainly due to the recovery of the world economy and growth in world population. Although an expected 8% decline in Chinese cotton mill consumption is expected for this season, China will still be the world's largest consumer of cotton.



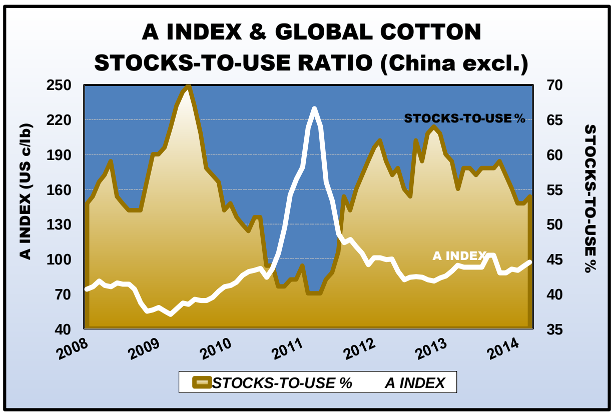

Lately the difference between the Cotlook A index and polyester prices in China have further widened, with polyester prices dropping to about 66 US c/lb in March 2014 whilst the A index averaged about 97 US c/lb. The significant gap between cotton and polyester prices as well as the uncertainty of how China will handle its large cotton reserves in the coming season, does not bode well for cotton consumption in China as well as for countries that have exported heavily to China in recent years.

According to the ICAC, world cotton trade will decline by 7% in 2014/15, mainly due to an expected 30% decline in Chinese cotton imports. World ending cotton stocks are forecast by the ICAC to reach a record level of 20 million tons this season, 58% of which will be held by China.

***Estimated world supply and demand for cotton for the 2012/13 season and projections for 2013/14 and 2014/15 (seasons beginning 1 August):***

| *(million metric tons)* | **2012/13** | **2013/14** | **2014/15** |
|---|---|---|---|
| Beginning stocks | 14.6 | 17.9 | 20.0 |
| Production | 26.8 | 25.7 | 25.3 |
| Consumption | 23.3 | 23.6 | 24.3 |
| Exports | 10.1 | 8.7 | 8.1 |
| Imports | 9.8 | 8.7 | 8.1 |
| Ending stocks | 17.9 | 20.0 | 21.0 |
| Ending stocks/use (China excluded) | 55% | 54% | 54% |
| ***A Index (US c/lb)*** | ***88*** | ***85-97*** | ***72-108*** |

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




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

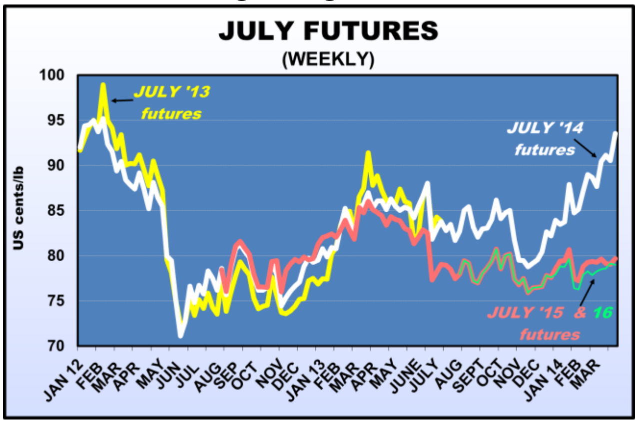
| | **A INDEX**<br>*Avg: US c/lb* | **DERIVED RSA "PRICE"**<br>*Avg: SA c/kg* |
|---|---|---|
| Last week (24/03 - 28/03/14) | 97.40 | 2331.63 |
| March 2014 | 96.95 | 2322.12 |
| **Today (01/04/14)** | **97.75** | **2303.33** |
| February 2014 | 94.05 | 2302.05 |
| *Today a year ago* | *94.80* | *1953.62* |
| *Today two years ago* | *103.30* | *1754.46* |

*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 April 2014 (settlement prices):***

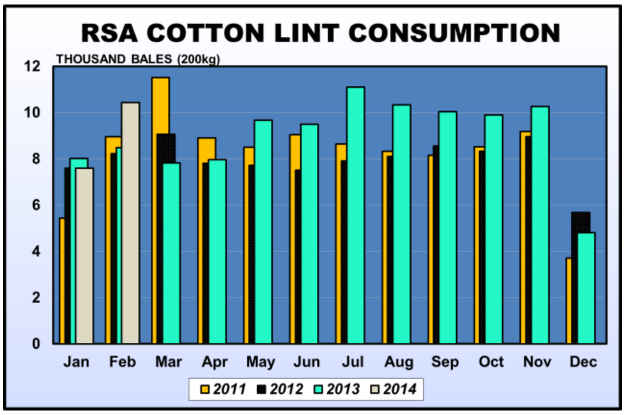
| | **NY FUTURES**<br>*US c/lb* |
|---|---|
| May 2014 | 92.07 |
| July | 92.50 |
| October | 81.97 |
| December | 79.87 |
| March 2015 | 79.87 |
| May | 79.93 |
| July | 79.82 |

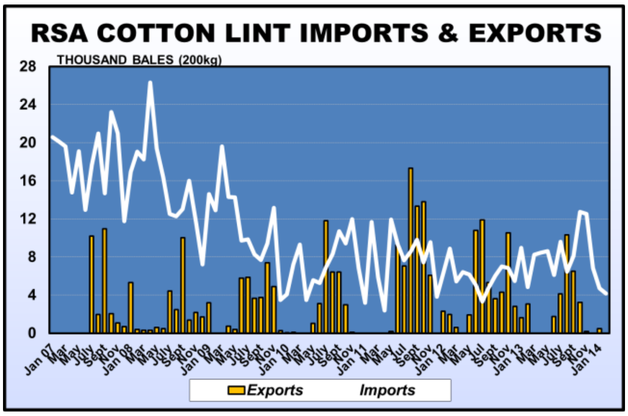
***New York JULY cotton futures as at the beginning of each week:***



## Local outlook

As far as the local outlook is concerned, the 3rd estimate for the 2013/14 production year indicates a total crop of 49 101 lint bales, up 3% from the previous month's estimate. About 44 601 lint bales are estimated to be produced from RSA grown seed cotton, up 71% from the previous season. The balance of 4 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.




**COTTON CROP REPORT - 3rd ESTIMATE** **2013/14 PRODUCTION YEAR** *31/03/14*

| 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 | 1298 | 0 | 4200 | 0 | **9540** | 1% | 0% |
| North & South Flats | 0 | 1217 | 0 | 1000 | **2130** | 0% | 0% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Weipe | 800 | 0 | 4500 | 0 | **6600** | 0% | 0% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 973 | 0 | 5059 | 0 | **9108** | 0% | 0% |
| Lower Orange River | 504 | 0 | 4613 | 0 | **4301** | 0% | 0% |
| Rest of Northern Cape | 970 | 0 | 5127 | 0 | **9200** | 0% | 0% |
| **NORTH WEST** | | | | | | | |
| Stella/Setlagoli | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Taung | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **KWAZULU-NATAL** | 200 | 600 | 3280 | 800 | **2068** | 93% | 0% |
| **MPUMALANGA** | 0 | 1370 | 0 | 673 | **1654** | 100% | 0% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **RSA TOTAL** | **4745** | **3187** | **4621** | **822** | **44601** | 8% | 0% |
| Swaziland* | 0 | 4000 | 0 | 600 | **4500** | 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** | **4745** | **7187** | **4621** | **698** | **49101** | 17% | 0% |

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

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

*Posbus / P O Box 912-232, Silverton, Pretoria, 0127*
*Tel: +27 (12) 804 1462 - 7; Faks/Fax: +27 (12) 804 8616;*
*Katoen SA Gebou, Cycadoord 90, Uit Watermeyerstraat, Val de Grace X10/*
*Cotton SA Building, 90 Cycad Place, Off Watermeyer Street, Val de Grace x10*
*E-mail: henniebruwer@cottonsa.org.za; Website: www.cottonsa.org.za*