KATOEN SUID-AFRIKA

COTTON SOUTH AFRICA

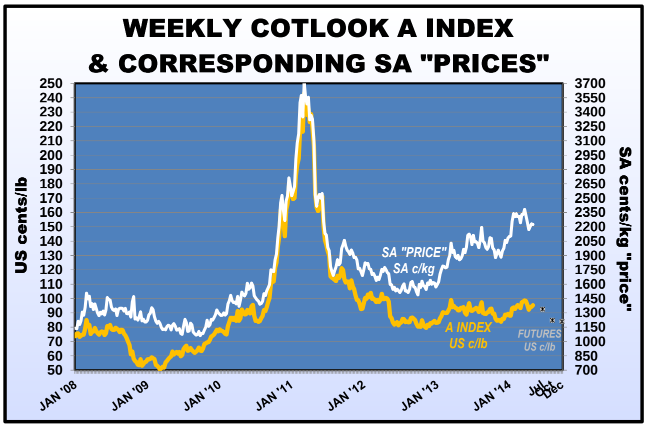
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 8 May 2014 **Reference: 9/3/3/1**

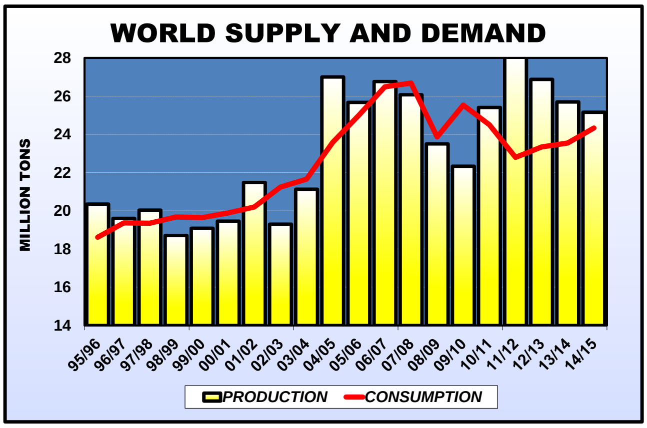
COTTON MARKET REPORT AS AT 7 MAY 2014

International

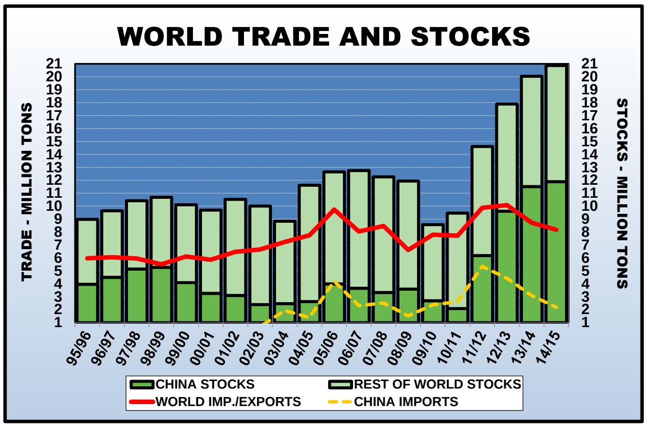
The ICAC (International Cotton Advisory Committee) reports that since China's announcement last month of a lower starting auction price for cotton sales from its reserve, the pace of cotton sales increased and the Chinese government sold 606 000 tons which are nearly half of all sales made in 2013/14. Should cotton sales keep the same pace through the remainder of the current marketing year, a further 1.8 million tons are likely to be sold in the next 3 months from the Chinese cotton reserves which at the end of April were about 12.4 million tons.



While world cotton mill use is expected by the ICAC to increase by 3% in 2014/15, world cotton production is forecast to decline by 2% to 25.2 million tons. This will narrow the gap between world production and consumption with the estimated surplus to fall to about 850 000 tons, down from the expected 2 million tons surplus for the current season. This is because production is forecast to decline significantly in China (by 10% in 2014/15) due to the Chinese government restricting its support for cotton to just the Xinjiang region. The ICAC therefore expects India to become the world's largest cotton producer in 2014/15.



World cotton consumption for 2014/15 is estimated by the ICAC to rise by 3%, with the expected decline in Chinese cotton mill consumption being offset by cotton usage increases in the next three largest consumers, India, Pakistan, and Turkey.

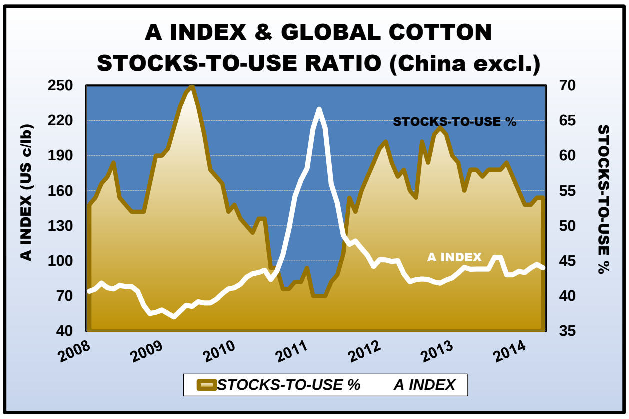


According to the ICAC, world cotton trade will decline by 6% in 2014/15, mainly due to an expected 30% decline in Chinese cotton imports. This will partially be offset by imports from Bangladesh, Indonesia and Vietnam, which are expected to import a total of 2.4 million tons in 2014/15, an increase of 13% over 2013/14.

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	26.9	25.7	25.1
Consumption	23.3	23.6	24.3
Exports	10.1	8.7	8.2
Imports	9.8	8.7	8.2
Ending stocks	17.9	20.0	20.9
Ending stocks/use (China excluded)	55%	54%	54%
A Index (US c/lb)	***88***	***86-96***	***73-109***

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



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

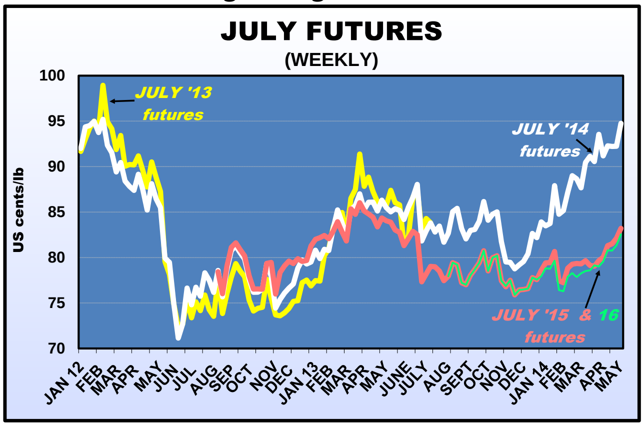
	A INDEX	**DERIVED RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (28/04 - 02/05/14)	94.64	2227.37
April 2014	94.15	2213.05
Today (07/05/14)	**95.20**	**2231.13**
March 2014	96.95	2322.12
Today a year ago	*94.80*	*1909.27*
Today two years ago	*97.90*	*1709.41*

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 7 May 2014 (settlement prices):

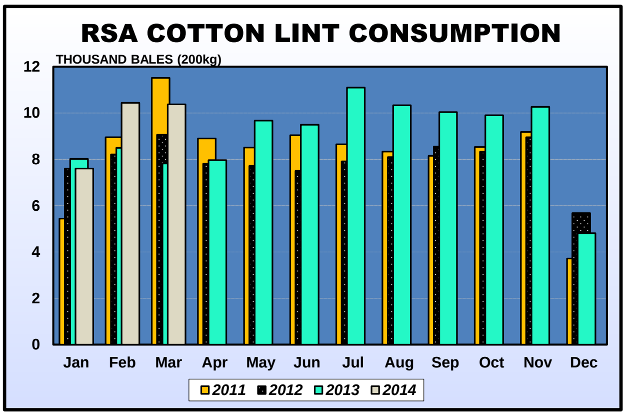
	NY FUTURES
	US c/lb
July 2014	92.55
October	84.80
December	83.91
March 2015	83.13
May	83.00
July	82.83
Oct	82.37

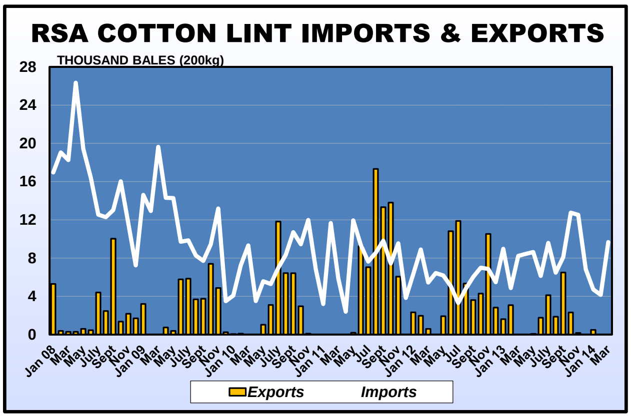
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 4th estimate for the 2013/14 production year indicates a total crop of 47 995 lint bales, down 2% from the previous month's estimate. About 43 495 lint bales are estimated to be produced from RSA grown seed cotton, up 67% 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 - 4th ESTIMATE **2013/14 PRODUCTION YEAR** *30/04/14*

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	800	**1704**	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	4000	0	**5920**	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**	**4537**	**745**	**43495**	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**	**4537**	**664**	**47995**	17%	0%

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

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