KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

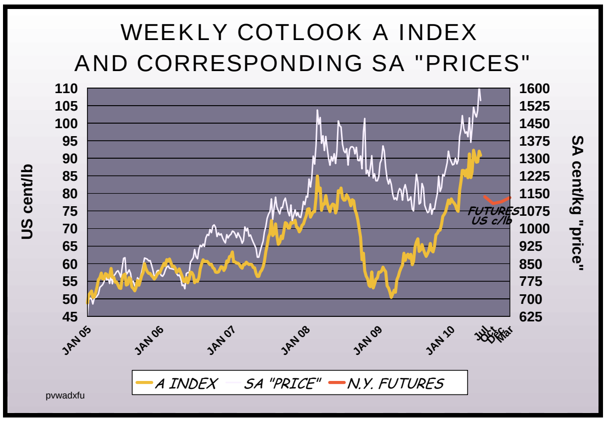
Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21

Date: **2 June 2010** **Reference**: **9/3/3/1**

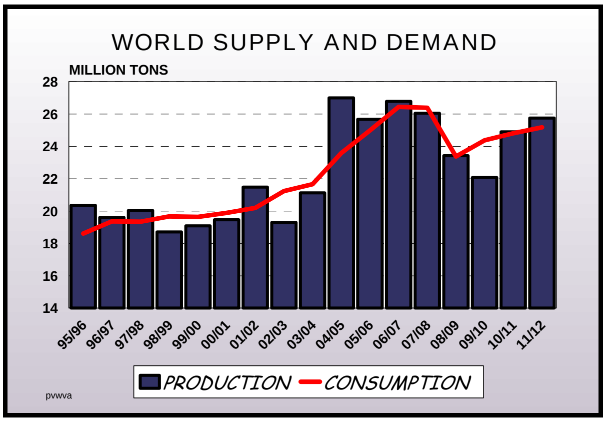
COTTON MARKET REPORT AS AT 1 JUNE 2010

International

Based on the expected average world cotton price forecast of 78 US c/lb for 2009/10, the ICAC forecasts an average Cotlook A index of 85 US c/lb for 2010/11, an increase of 9%.



The 2010/11 cotton plantings are well underway in the Northern Hemisphere, which accounts for 90% of global cotton production. The ICAC expects world cotton production to increase in 2010/11 for the first time in 4 seasons to about 24.9 million tons, up 13% from 2009/10. The increase in production is a direct result of the increase in cotton prices over the past year as well as the declining prices of competing grain and oilseeds crops.



The USA alone is expected to account for 36% of the projected increase in world cotton production. In Turkey, Greece and West Africa, cotton production is expected by the ICAC to increase for the first time in 5 years. Indian cotton production is expected to reach a record 5.5 million tons. Pakistan's cotton production is also expected by the ICAC to increase by about 7% to 2.3 million tons. In China, cotton production is however expected to increase only slightly to 7.1 million tons despite the substantial increase in domestic cotton prices in 2009/10.

The ICAC expects world cotton consumption to grow by 2% in 2010/11 to 24.8 million tons due to continued global economic growth but limited by higher cotton prices.

As global production and consumption are expected to almost balance in 2010/11, world cotton stocks are expected to increase only slightly after a significant drop in 2009/10.

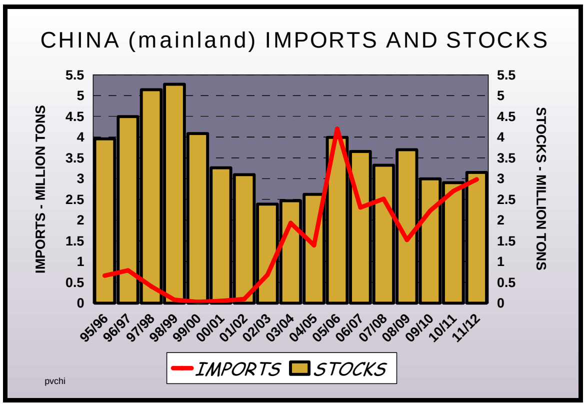
World cotton trade is expected to continue to increase in 2010/11, driven by Chinese imports which are estimated by the ICAC to grow by 21% in 2010/11.

The ICAC expects exports by the USA to grow by 8% to 2.9 million tons fueled by increased production, whilst Indian exports are expected to decline by about 11%.

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	12.7	10.5	10.6
Production	22.1	24.9	25.8
Consumption	24.4	24.8	25.2
Exports	7.6	7.8	8.0
Imports	7.6	7.8	8.0
Ending stocks	10.5	10.6	11.1
Ending stocks/use (China excluded)	51%	51%	53%
A Index (US c/lb)	***78***	***85***	

Cotton imports and stocks situation for China (mainland):



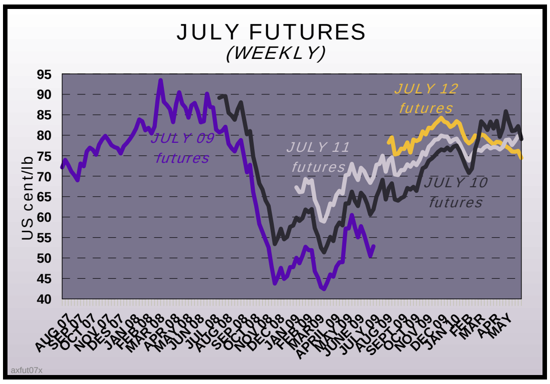
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (24/05 - 28/05/10)	91.44	1585.21
May 2010	90.13	1534.54
Today (01/06/10)	**90.45**	**1562.50**
April 2010	88.64	1450.21
A year ago	*62.70*	*1119.26*
Two years ago	*74.55*	*1264.18*

New York cotton futures as at 1 June 2010 (settlement prices):

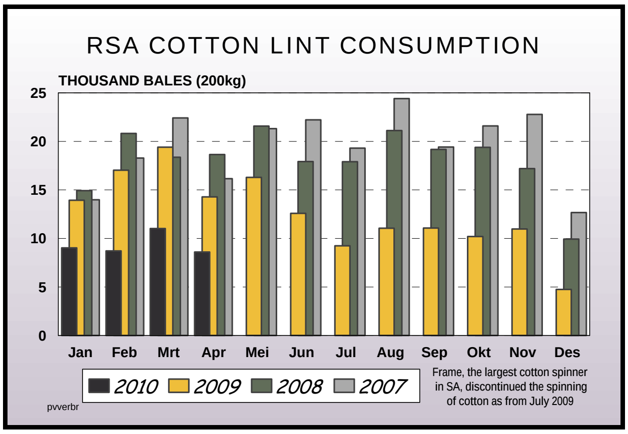
	NY FUTURES
	US c/lb
July 2010	79.07
October	77.12
December	77.61
March 2011	78.80
May	79.28
July	79.69
October	77.50

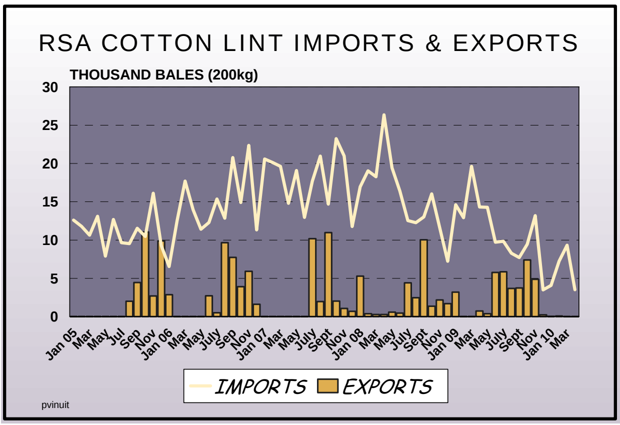
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2009/10 production year indicates a total crop of 39 252 lint bales, 13% down from the previous season and the smallest crop since the early sixties. About 35 742 lint bales are estimated to be produced from RSA produced seed cotton, 15% down from the previous season. The balance of 3 510 lint bales relates to Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 5th ESTIMATE 2009/10 PRODUCTION YEAR ***31/05/10***

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	1015	0	3600	0	**6395**	10%	0%
North & South Flats	24	160	2900	800	**346**	10%	0%
Dwaalboom/Thabazimbi	50	0	3500	0	**306**	10%	0%
Weipe	740	0	4200	0	**5400**	0%	0%
NORTHERN CAPE							
Vaalharts	1020	0	5000	0	**9180**	0%	0%
Lower Orange River	150	0	5000	0	**1388**	100%	15%
Rest of Northern Cape	630	0	6047	0	**7033**	0%	14%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	490	0	4800	0	**4194**	0%	0%
KWAZULU-NATAL	0	500	0	600	**540**	100%	0%
MPUMALANGA	0	900	0	600	**960**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**4119**	**1560**	**4617**	**621**	**35742**	10%	3%
Swaziland*	0	3900	0	500	**3510**	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	**4119**	**5460**	**4617**	**534**	**39252**	18%	3%

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

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