KATOEN SUID-AFRIKA | COTTON SOUTH AFRICA

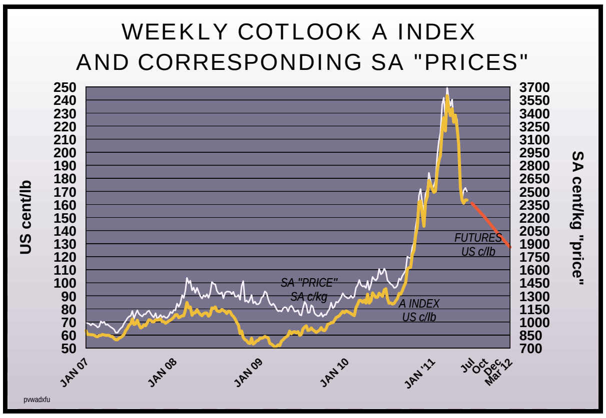
Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21

Date: 2 June 2011 Reference: 9/3/3/1

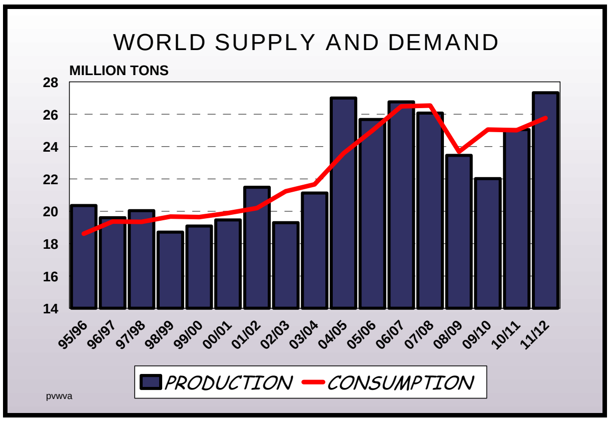
COTTON MARKET REPORT AS AT 1 JUNE 2011

International

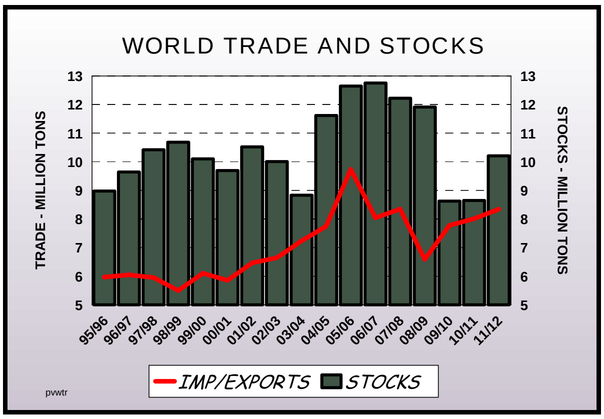
After attaining a record level of $2.44/lb on 8 March 2011, international cotton prices decreased sharply in April but has since stabilised between $1.60/lb and $1.70/lb. According to the International Cotton Advisory Committee (ICAC) the main reason for the drop in cotton prices seems to be the slowing demand due to high prices, problems with credit access and an increased switch to chemical fibres. The ICAC's forecast of an average Cotlook A index (an indicator of world cotton prices) of $1.65/lb for 2010/11 is unchanged from last month but a significantly lower average A index is expected for 2011/12.



The planting of cotton has commenced in the Northern Hemisphere and the high prices are encouraging an expansion in cotton area in most cotton producing countries except for the USA and Uzbekistan. Assuming a small increase in yields, the ICAC is forecasting a 9% increase in global cotton production to a new record level of 27.3 million tons for 2011/12, up 1% from the previous record of 7 years ago. Global cotton mill use is projected by the ICAC to reach 25.8 million tons next season, up 3% from this season but 3% less than the record consumption level of 2007/08.



The expected increases in cotton production and consumption in 2011/12 will support growth in international trade which is expected to increase by 4% to 8.3 million tons, mainly driven by an increase in Chinese imports. According to the ICAC the increase in exports will mainly be fueled by Brazil and Australia.

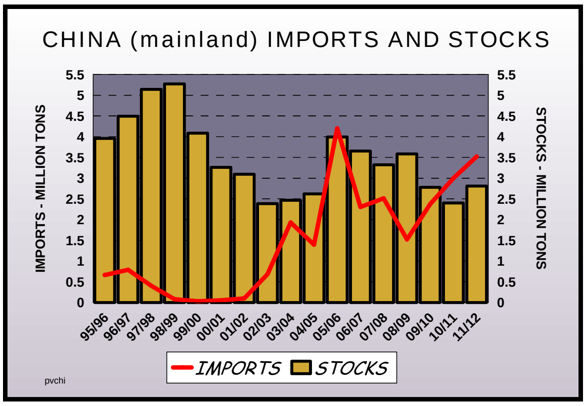


World cotton stocks as at the end of July 2011, estimated by the ICAC at about 8.7 million tons, will be the smallest in 15 years. The world stocks-to-use ratio is expected by the ICAC to reach 34% in 2009/10, 35% in 2010/11 and 40% in 2011/12, significantly lower than the average ratio of 49% of the past decade.

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	11.9	8.6	8.7
Production	22.0	25.1	27.3
Consumption	25.0	25.0	25.8
Exports	7.8	8.0	8.3
Imports	7.7	8.0	8.3
Ending stocks	8.6	8.7	10.2
Ending stocks/use (China excluded)	39%	42%	48%
A Index (US c/lb)	***78***	***165***	

Cotton imports and stocks situation for China (mainland):



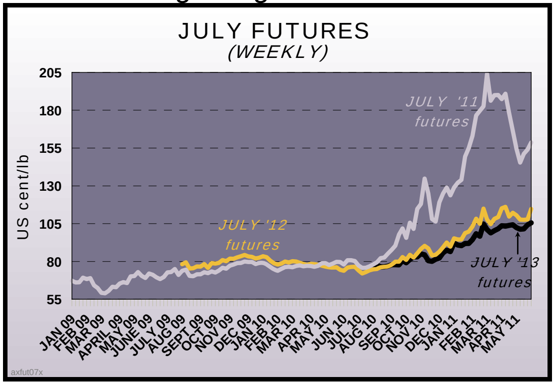
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	Avg: SA c/kg
Last week (23/05 - 27/05/11)	164.95	2556.64
May 2011	165.75	2520.81
Today (01/06/11)	**168.95**	**2540.30**
April 2011	213.55	3187.81
Today a year ago	*90.45*	*1562.50*
Today two years ago	*62.70*	*1119.30*

New York cotton futures as at 1 June 2011 (settlement prices):

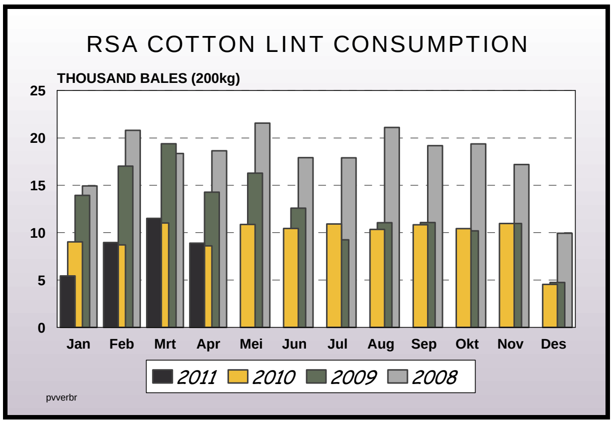
	NY FUTURES
	US c/lb
July 2011	160.97
October	149.75
December	137.27
March 2012	127.23
May	119.78
July	116.10
October	105.37

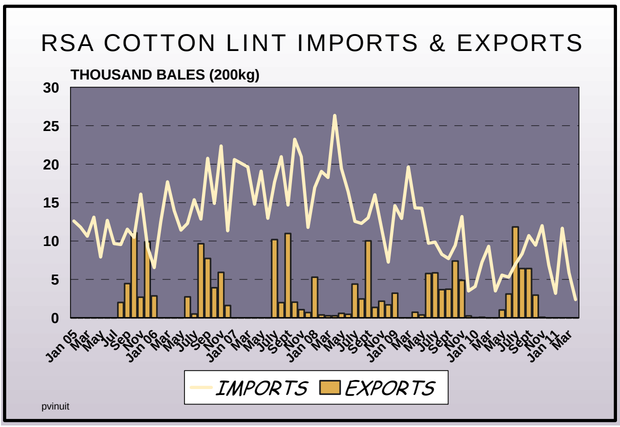
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2010/11 production year indicates a total crop of 94 599 lint bales, down 3% from last month's estimate but 123% up from the previous season and the first increase in local cotton production in 7 years. About 90 599 lint bales are estimated to be produced from RSA grown seed cotton, 136% up 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 - 5th ESTIMATE 2010/11 PRODUCTION YEAR *01/06/11*

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	2350	0	3900	0	**16039**	10%	4%
North & South Flats	58	292	2500	800	**663**	10%	4%
Dwaalboom/Thabazimbi	90	0	3800	0	**599**	10%	4%
Weipe	1422	0	4000	0	**10000**	0%	0%
NORTHERN CAPE							
Vaalharts	1909	0	4600	0	**15806**	0%	0%
Lower Orange River	200	0	5000	0	**1850**	100%	0%
Rest of Northern Cape	5215	0	4258	0	**41069**	0%	0%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	460	0	4000	0	**3312**	0%	0%
KWAZULU-NATAL	0	490	0	600	**529**	100%	0%
MPUMALANGA	0	703	0	583	**732**	100%	1%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**11704**	**1485**	**4201**	**631**	**90599**	5%	1%
Swaziland*	0	4000	0	550	**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	**11704**	**5485**	**4201**	**572**	**94599**	9%	1%

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

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