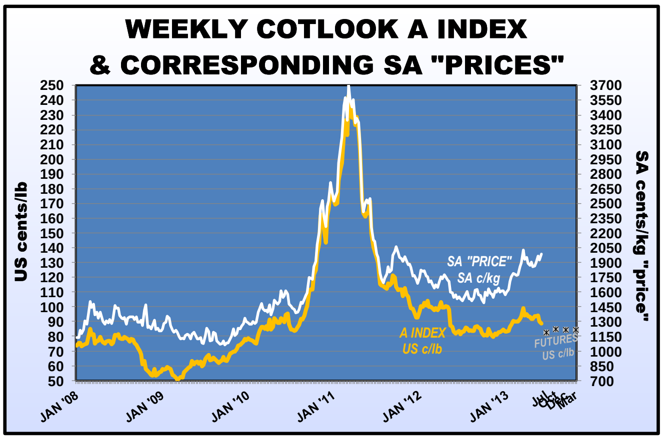
KATOEN SUID-AFRIKA | **COTTON SOUTH AFRICA**

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

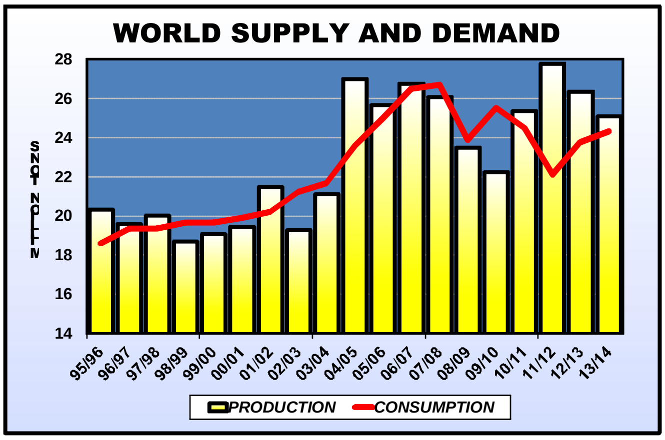
Date: 4 June 2013 | **Reference: 9/3/3/1**

COTTON MARKET REPORT AS AT 3 JUNE 2013

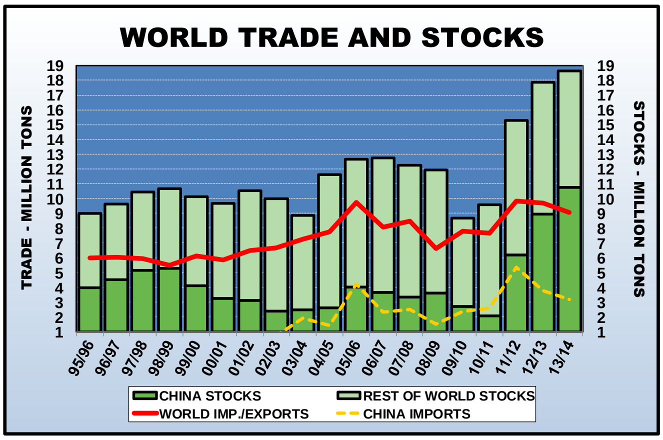
International



According to the latest price projections by the International Cotton Advisory Committee (ICAC), an average Cotlook A index (an indicator of world cotton lint prices) of between 85 to 93 US c/lb is expected for the 2012/13 season (Aug. to July). Assuming the Chinese government continues to adhere to the current policy of building its cotton reserves with support prices well above world market prices, the ICAC projects an average Cotlook A index of between 96 to 139 US c/lb for the 2013/14 season. If the ICAC is correct, analysts believe that cotton futures could easily break the $1/lb level in the second half of the year, but warns that prices could just as easily plummet into the 50's or worse, should China decide not to maintain its current policy.



With planting in the Northern Hemisphere progressing well, an estimated 29.8 million hectares of cotton area is forecast by the ICAC for 2013/14, slightly below the 10 year average of 30.2 million hectares. As a result world cotton production is expected to drop to about 25 million tons in 2013/14, which is 10% down from the record crop of 2011/12. In China, cotton planted area for 2013/14 is projected at 4.6 million hectares, a 15% reduction from 10 years ago mainly due to strong competition from food crops. Similarly, in the USA the planted area for cotton in 2013/14 is projected to be about 30% down from 10 years ago. On the other hand, the projected hectares for India for 2013/14 of about 12 million ha is 51% up from 10 years ago. Although India leads the world in cotton area, its 10 year average yield of 500 kg/ha is the lowest among the top cotton producing countries.

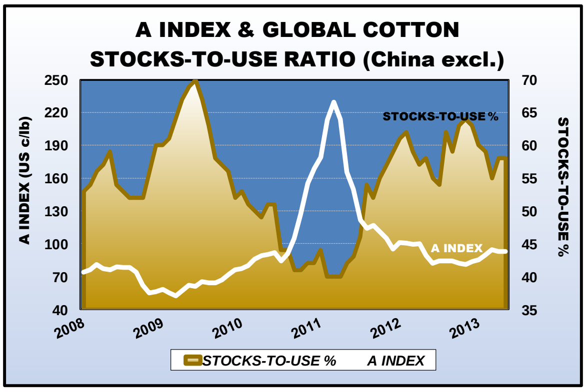


Although cotton consumption by Chinese mills is expected to decline by 3% in 2013/14, global cotton mill use for 2013/14 is expected to be up by 2%. The ICAC forecasts a global (China excluded) cotton ending stocks-to-use ratio of 58% for 2012/13 and 48% for 2013/14. The projected Chinese ending stocks-to-use ratio for 2013/14 is 134%.

Estimated world supply and demand for cotton for the 2011/12 season and projections for 2012/13 and 2013/14 (seasons beginning 1 August):

(million metric tons)	**2011/12**	**2012/13**	**2013/14**
Beginning stocks	9.6	15.3	17.9
Production	27.8	26.4	25.1
Consumption	22.1	23.8	24.3
Exports	9.8	9.7	9.0
Imports	9.8	9.7	9.0
Ending stocks	15.3	17.9	18.6
Ending stocks/use (China excluded)	67%	58%	48%
A Index (US c/lb)	***100***	***85-93***	***96-139***

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



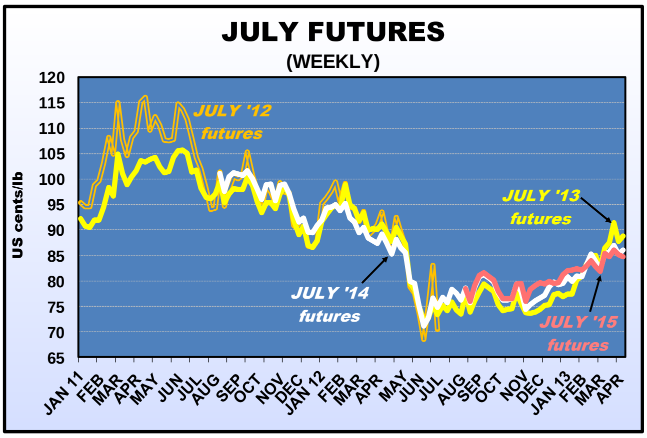
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (27/05 - 31/05/13)	89.86	1967.35
May 2013	92.68	1930.67
Today (03/06/13)	**88.80**	**1987.67**
April 2013	92.77	1885.71
Today a year ago	*81.80*	*1564.39*
Today two years ago	*173.00*	*2577.82*

New York cotton futures as at 3 June 2013 (settlement prices):

	NY FUTURES
	US c/lb
July 2013	82.36
October	84.86
December	84.32
March 2014	84.47
May	85.02
July	85.53
October	83.82

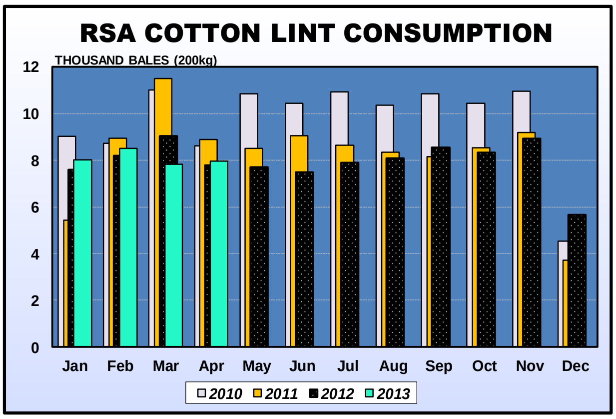
New York JULY cotton futures as at the beginning of each week:

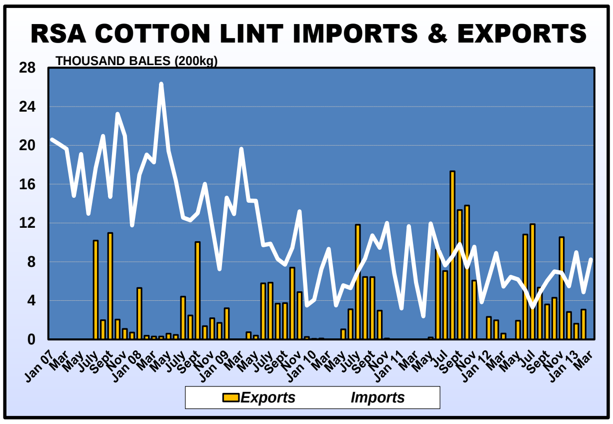


Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2012/13 production year indicates a total crop of 34 099 lint bales, down 3% from the previous month's estimate due to lower expected dryland yields.

About 30 599 lint bales are estimated to be produced from RSA grown seed cotton. The balance of 3 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 5th ESTIMATE **2012/13 PRODUCTION YEAR** *03/06/13*

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	819	0	4200	0	**6020**	0%	1%
North & South Flats	0	785	0	1800	**2473**	10%	1%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	4000	0	**5920**	0%	0%
NORTHERN CAPE							
Vaalharts	500	0	4500	0	**4050**	0%	0%
Lower Orange River	200	0	4000	0	**1480**	50%	0%
Rest of Northern Cape	499	0	4859	0	**4486**	1%	0%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	330	1837	3500	700	**4394**	100%	0%
MPUMALANGA	0	1450	0	700	**1776**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**3148**	**4072**	**4215**	**912**	**30599**	23%	0%
Swaziland*	0	3600	0	550	**3500**	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	**3148**	**7672**	**4215**	**742**	**34099**	31%	0%

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

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