KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

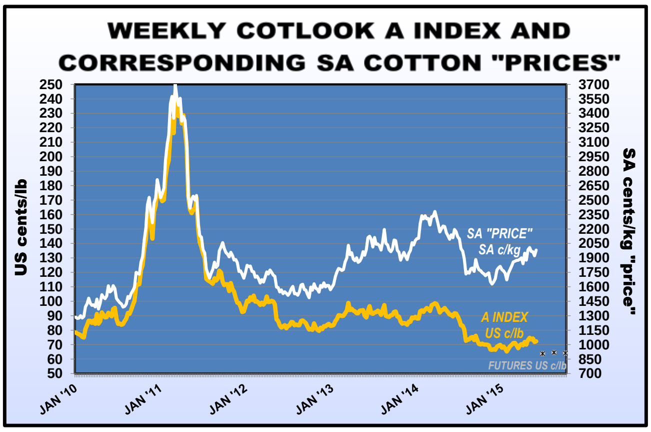
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

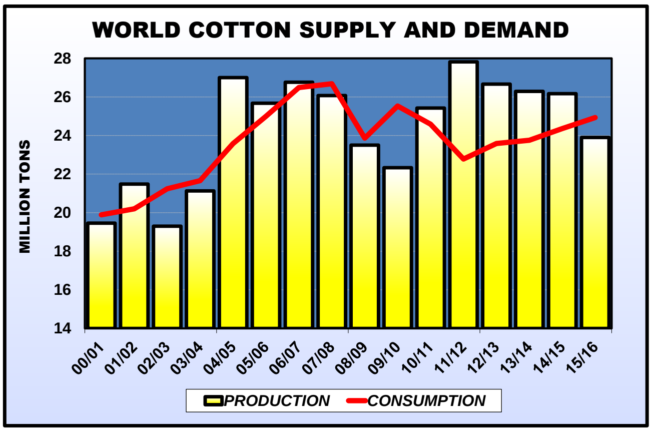
Date: 2 June 2015 **Reference: 9/3/3/1**

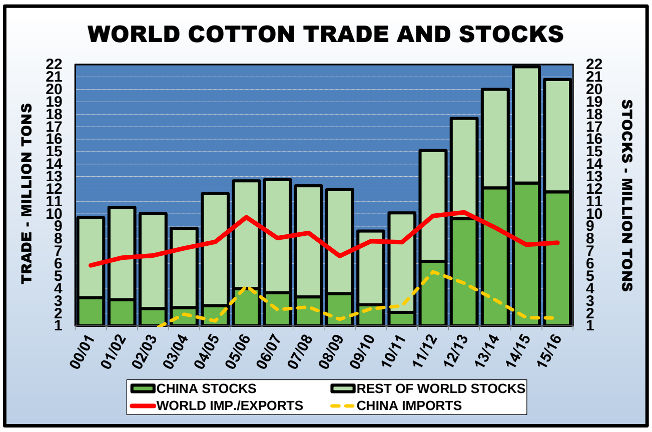
COTTON MARKET REPORT AS AT 1 JUNE 2015

International

The International Cotton Advisory Committee (ICAC) expects world cotton area to decrease by about 7% in 2015/16 mainly due to lower cotton prices. In India, the world's largest cotton producing country, a 2% decline in cotton production is expected whilst production in China could fall by about 16% in 2015/16, the announcement of a lower Chinese subsidy for 2015 playing a major part in this respect. Cotton production in the other two major cotton producing countries, namely the USA and Pakistan, is forecast by the ICAC to decrease by 14% and 11% respectively. In the USA the far western cotton region is experiencing severe drought conditions whilst excessive rains in Texas have delayed planting.







The ICAC expects world cotton consumption to increase by 3% in 2014/15 and by a further 2% in 2015/16. Although China's consumption recovered by 2% in 2014/15, following four consecutive seasons of decline, it is still 20% down from its record consumption of four years ago. According to the ICAC, cotton consumption in China is unlikely to grow in 2015/16. Instead, cotton consumption is expected to continue growing in nearby countries such as India and Pakistan, with a projected increase of about 3% in both these countries for 2015/16.

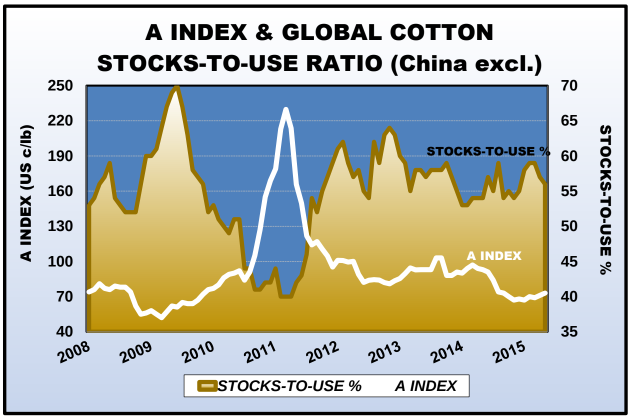
After declining by 15% in 2014/15, world cotton trade is expected by the ICAC to recover in 2015/16, increasing by about 2% to 7.7 million tons, with imports outside of China rising by 3%. According to the ICAC, Bangladesh, Vietnam and Indonesia are expected to be the three largest cotton importers outside of China in 2015/16 due to the continued growth in their spinning sectors that rely primarily on imported cotton.

Although world ending cotton stocks are forecast this year to decrease for the first time in 5 years, by 5% to 20.8 million tons, the high stock levels continue to place downward pressure on international prices.

Estimated world supply and demand for cotton for the 2013/14 season and projections for 2014/15 and 2015/16 (seasons beginning 1 August):

(million metric tons)	**2013/14**	**2014/15**	**2015/16**
Beginning stocks	17.7	20.0	21.8
Production	26.3	26.2	23.9
Consumption	23.8	24.4	24.9
Exports	8.9	7.5	7.7
Imports	8.7	7.5	7.7
Ending stocks	20.0	21.8	20.8
Ending stocks/use (China excluded)	49%	56%	53%
A Index (US c/lb)	***91***	***69-75***	***57-88***

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



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

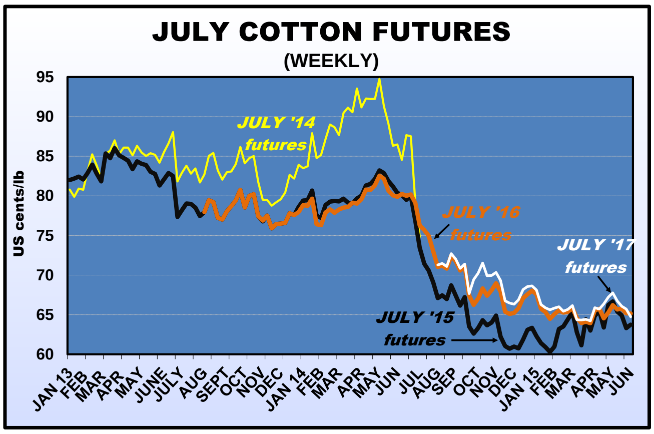
	A INDEX *Avg: US c/lb*	**DERIVED RSA "PRICE"** *Avg: SA c/kg*
Last week (25/05 - 29/05/15)	71.54	1925.51
May 2015	72.90	1948.77
Today (01/06/15)	**72.30**	**1981.20**
April 2015	71.41	1917.36
Today a year ago	*90.70*	*2138.89*
Today two years ago	*88.80*	*1987.67*

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 June 2015 (settlement prices):

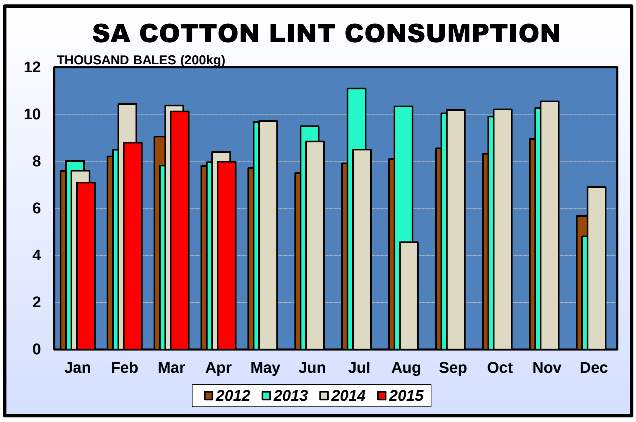
	NY FUTURES *US c/lb*
July 2015	63.75
Oct	64.56
Dec	64.07
Mar 2016	64.20
May	64.66
July	65.16
Oct	64.86

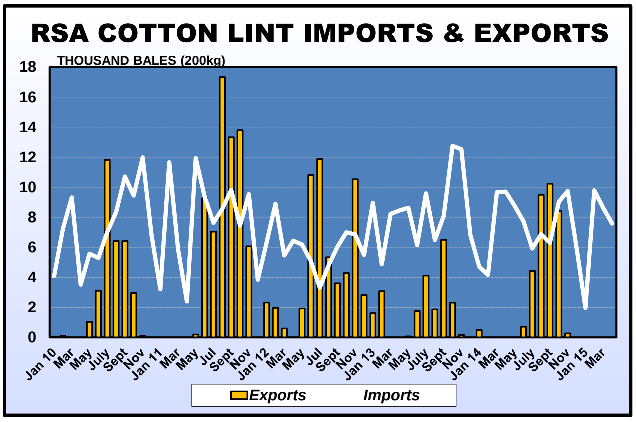
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2014/15 production year indicates a total crop of 99 644 lint bales, up 107% from the previous season and 1% more than last month's crop estimate. About 96 044 lint bales are estimated to be produced from RSA grown seed cotton, up 120% from the previous season. The balance of 3 600 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 5th ESTIMATE **2014/15 PRODUCTION YEAR** *29/05/15*

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	% OF CROP HAND PICKED	% OF CROP GINNED SO FAR
LIMPOPO PROV.							
Loskop	1488	0	4500	0	**11718**	1%	0%
North & South Flats	120	530	3900	900	**1654**	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	640	0	4000	0	**4736**	0%	15%
NORTHERN CAPE							
Vaalharts	1255	0	5417	0	**12577**	0%	12%
Lower Orange River	1130	0	4800	0	**10034**	0%	1%
Rest of Northern Cape	2702	0	5304	0	**26511**	0%	1%
NORTH WEST							
Stella/Setlagoli	1117	4176	5000	2000	**25783**	0%	1%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	180	640	2000	500	**1240**	100%	0%
MPUMALANGA	100	890	4200	665	**1791**	100%	0%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**8732**	**6236**	**4883**	**1562**	**96044**	3%	3%
Swaziland*	0	3500	0	600	**3600**	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	**8732**	**9736**	**4883**	**1216**	**99644**	7%	3%

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

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