KATOEN SUID-AFRIKA **COTTON SOUTH AFRICA**

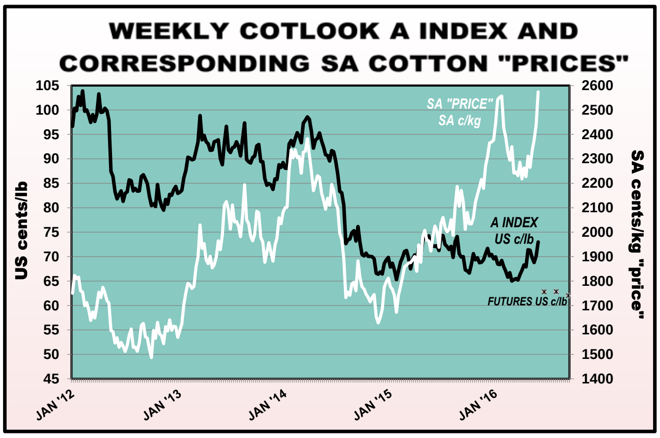
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 3 June 2016 **Reference: 9/3/3/1**

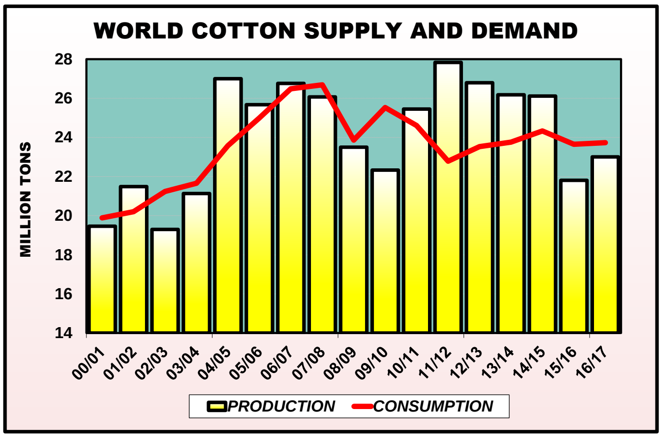
COTTON MARKET REPORT AS AT 2 JUNE 2016

International

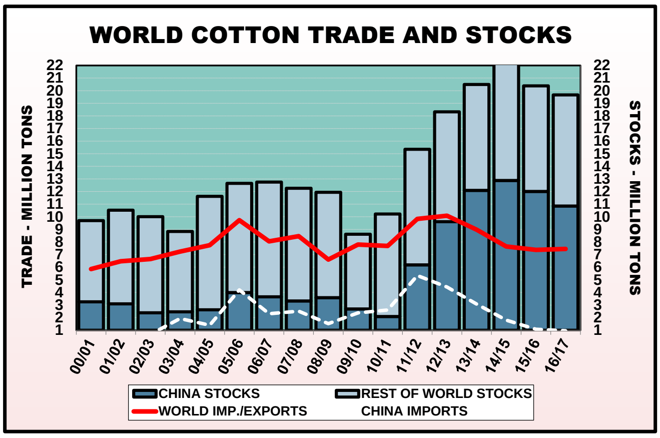
In 2015/16, world cotton production decreased by 17% to 21.8 million tons due to a reduction in the world's average yield as well as cotton area, respectively as a result of adverse weather conditions as well as depressed cotton prices. The International Cotton Advisory Committee (ICAC) forecasts a 6% increase in world cotton production for 2016/17 mainly due to expected improved average yields. A 10% increase in cotton production is expected in India, the world's largest cotton producer whilst cotton production in China, the world's second largest cotton producing country is expected to decrease by 10% due to reduced subsidies and high production costs. The ICAC expects cotton production in the USA to rise by 12% in 2016/17 due to better prices for cotton compared to competing crops as well as improved yields.



According to the ICAC, world cotton consumption will decline by 3% to 23.6 million tons in 2015/16 and will likely remain at this level in 2016/17 due primarily to low polyester prices and weak global economic growth. Cotton consumption in China, the world's largest cotton consumer peaked in 2007/08 at 10.9 million tons but has since declined to an expected 6.7 million tons in 2016/17. The ICAC however expects cotton consumption to increase in several other large cotton consuming countries, offsetting the decline in China.



China began selling cotton from its large national reserve last month and about 450 000 tons have been sold up to now, reducing China's reserve to around 10.6 million tons. The ICAC reports that higher quality cotton is however in limited supply in China due to restrictions on imports in 2015 and 2016 as well as the variable quality of the 2015/16 domestic cotton crop.

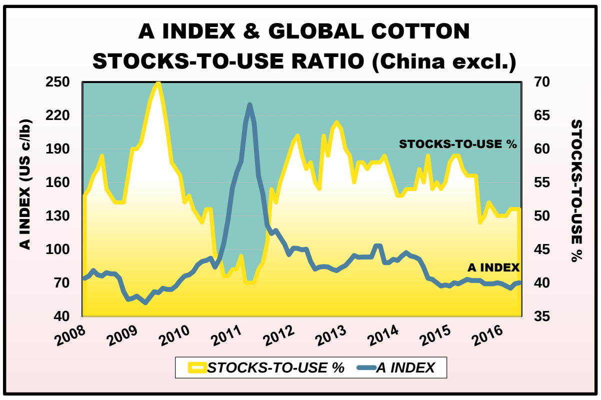


Imports by China are forecast to fall by 12% in 2016/17 due to the government's desire to reduce its cotton reserve stock and restrict imports. However, cotton imports by the rest of the world are expected by the ICAC to increase by 3% with Vietnam and Bangladesh emerging as the world's largest importers, accounting for 34% of the world's cotton imports.

Estimated world supply and demand for cotton for the 2014/15 season and projections for 2015/16 and 2016/17 (seasons beginning 1 August):

(million metric tons)	**2014/15**	**2015/16**	**2016/17**
Beginning stocks	20.5	22.2	20.4
Production	26.1	21.8	23.0
Consumption	24.3	23.7	23.7
Exports	7.6	7.4	7.4
Imports	7.6	7.4	7.4
Ending stocks	22.2	20.4	19.7
Ending stocks/use (China excluded)	55%	51%	51%
A Index (US c/lb)	***71***	***67-73***	***57-85***

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



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

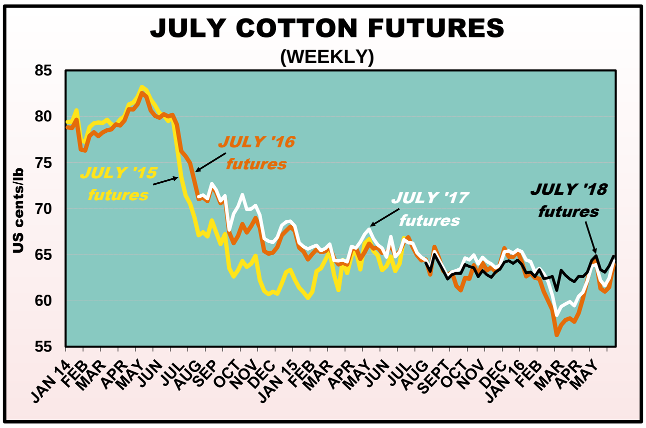
	A INDEX *Avg: US c/lb*	**DERIVED RSA "PRICE"** *Avg: SA c/kg*
Last week (23/05 - 27/05/16)	70.73	2467.10
May 2016	70.44	2407.90
Today (02/06/16)	**72.05**	**2536.42**
April 2016	69.28	2265.92
Today a year ago	*71.90*	*1974.04*
Today two years ago	*90.70*	*2138.89*

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 2 June 2016 (settlement prices):

	NY FUTURES *US c/lb*
July 2016	62.87
Oct	63.18
Dec	62.67
Mar 2017	63.06
May	63.42
July	63.76
Oct	64.22

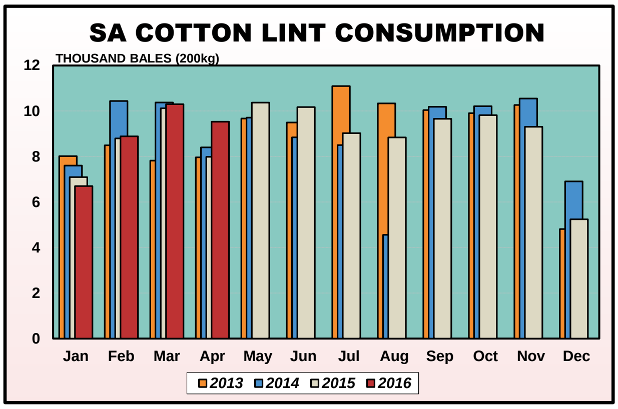
New York JULY cotton futures as at the beginning of each week:

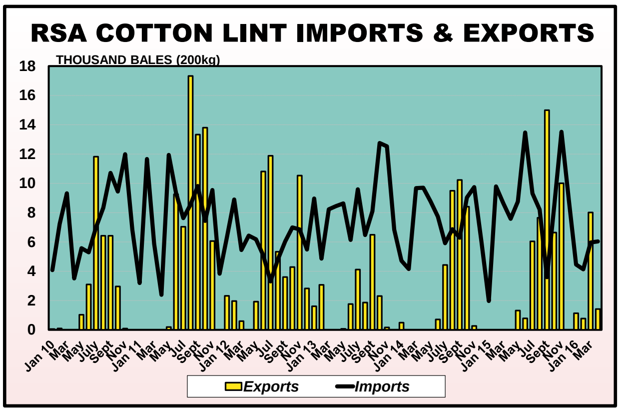


Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2015/16 production year indicates a total crop of 48 414 lint bales, down 49% from the previous season and more or less unchanged from the previous estimate.

About 47 814 lint bales are estimated to be produced from RSA grown seed cotton, down 49% from the previous season. The balance of 600 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - 5th ESTIMATE **2015/16 PRODUCTION YEAR** *31/05/2016*

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	869	0	4300	0	**6539**	1%	9%
North & South Flats	5	537	3499	350	**360**	0%	9%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	368	0	3000	0	**2042**	0%	0%
NORTHERN CAPE							
Vaalharts	1176	0	4917	0	**10697**	0%	26%
Lower Orange River	721	0	4500	0	**6002**	0%	0%
Rest of Northern Cape	1067	0	5343	0	**10547**	0%	0%
NORTH WEST							
Stella/Setlagoli	1220	579	4500	800	**11013**	0%	0%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	150	235	700	400	**368**	100%	0%
MPUMALANGA	28	768	3000	74	**246**	100%	9%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**5604**	**2119**	**4508**	**378**	**47814**	1%	7%
Swaziland*	0	800	0	400	**600**	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	**5604**	**2919**	**4508**	**384**	**48414**	3%	7%

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

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