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

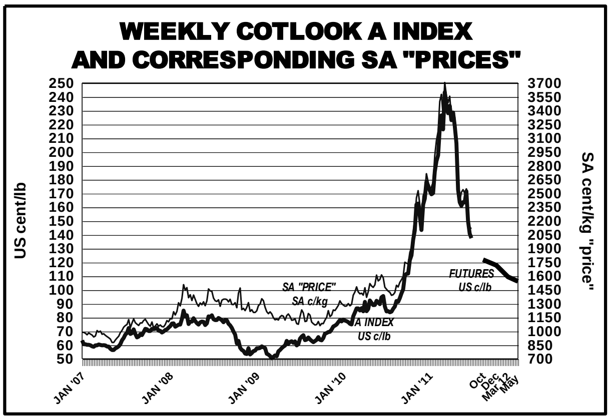
Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21

Date: 4 July 2011 **Reference: 9/3/3/1**

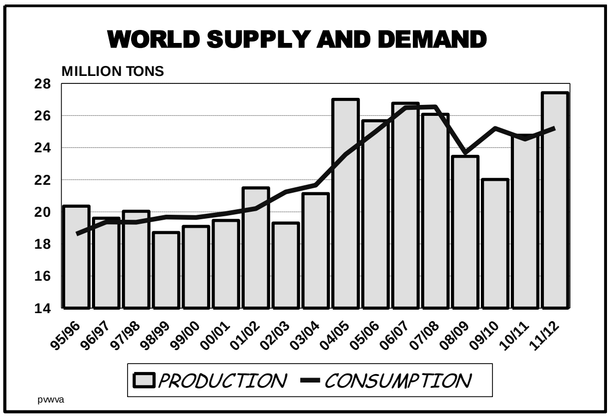
COTTON MARKET REPORT AS AT 1 JULY 2011

International

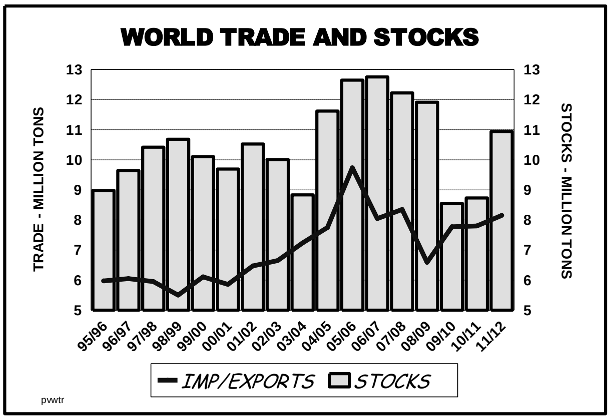
The International Cotton Advisory Committee (ICAC) forecasts an average Cotlook A index (an indicator of world cotton prices) of $1.64/lb for 2010/11 which is 112% higher than in the previous season and also significantly higher than the 10-year average of 60 US c/lb (2000/01 to 2009/10). The ICAC expects that the A index will decline significantly in 2011/12 as increased global cotton supplies will provide less volatility but more confidence in the market place. The average A index for 2011/12 is however expected to remain above the 10-year average figure. Due to the very weak demand for cotton currently and the resulting lack of quotations, the normal A index was no longer quoted after 9 June. The "Forward Cotlook A index" is therefore the only index published currently.



World cotton production is expected by the ICAC to increase by 11% to a record 27.4 million tons in 2011/12 driven by the high cotton prices received by farmers in 2010/11. An increase in cotton production is expected for most cotton producing countries with record crops forecasted for India, Brazil and Australia. Despite a significant increase in USA planted area, the severe drought conditions in Texas are expected to be responsible for a 2% decrease in US cotton production in 2011/12.



Driven by global economic growth and boosted by increased production but limited by relatively high prices and competition from chemical fibres, global cotton mill use is projected by the ICAC to reach 25.2 million tons next season, up 3% from this season but 5% less than the record consumption level of 2007/08.

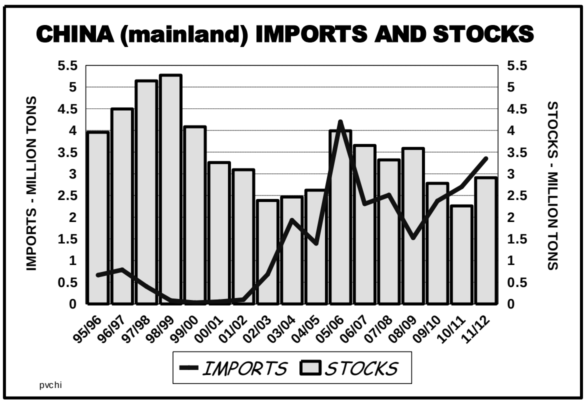


Fueled by the expected increases in cotton production and consumption in 2011/12, cotton trade is projected by the ICAC to increase by 5% next season. Australia and Brazil are expected to be responsible for most of the increases in exports. Exports from the USA could decline by 12% in 2011/12 due to reduced exportable supplies.

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	24.8	27.4
Consumption	25.2	24.5	25.2
Exports	7.8	7.8	8.2
Imports	7.8	7.8	8.2
Ending stocks	8.6	8.7	10.9
Ending stocks/use (China excluded)	38%	43%	52%
A Index (US c/lb)	***78***	***164***	

Cotton imports and stocks situation for China (mainland):



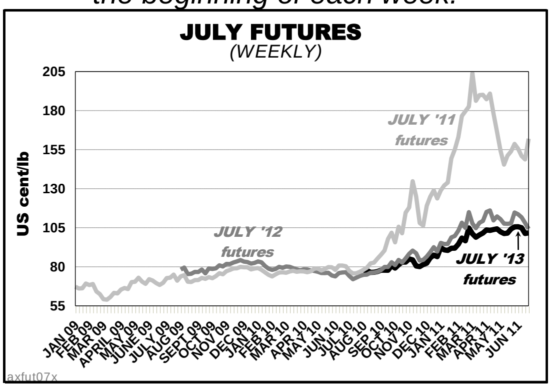
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (27/06 - 01/07/11)	136.39	2069.51
June 2011	149.63	2253.29
Today (01/07/11) ***forward A index***	**133.55**	**2005.23**
May 2011	165.75	2520.81
Today a year ago	*85.35*	*1464.85*
Today two years ago	*61.45*	*1061.50*

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

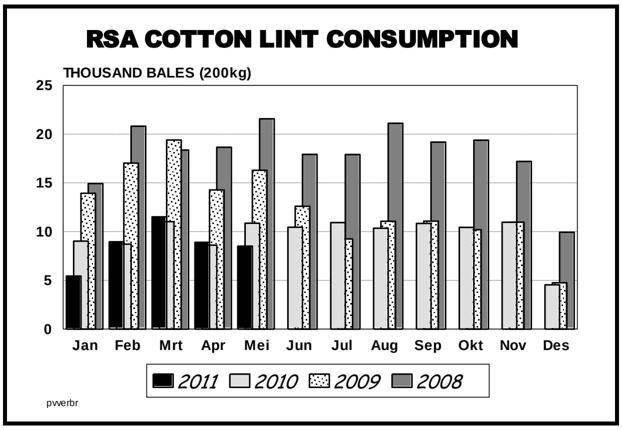
	NY FUTURES
	US c/lb
July 2011	161.41
October	121.81
December	117.81
March 2012	109.41
May	106.18
July	103.53
October	100.53

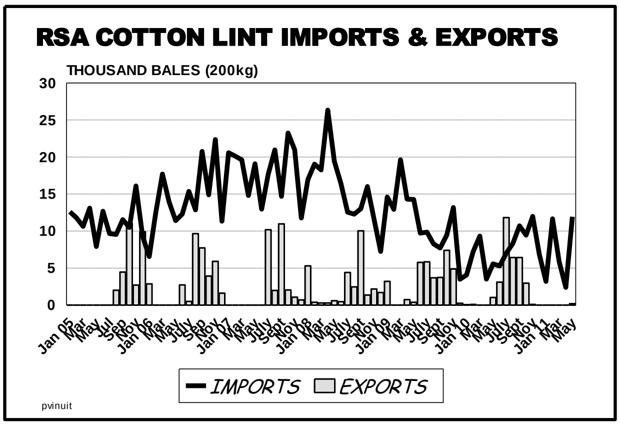
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 6th estimate for the 2010/11 production year indicates a total crop of 91 508 lint bales, down 3% from last month's estimate but 116% up from the previous season and the first increase in local cotton production in 7 years. About 87 508 lint bales are estimated to be produced from RSA grown seed cotton, 127% 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 - 6th ESTIMATE **2010/11 PRODUCTION YEAR** *01/07/11*

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	4000	0	**16450**	10%	27%
North & South Flats	58	292	2500	800	**663**	10%	27%
Dwaalboom/Thabazimbi	90	0	4000	0	**630**	10%	27%
Weipe	1422	0	4000	0	**10000**	0%	30%
NORTHERN CAPE							
Vaalharts	2269	0	3762	0	**15409**	0%	7%
Lower Orange River	200	0	5000	0	**1850**	50%	18%
Rest of Northern Cape	4574	0	4532	0	**38347**	0%	6%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	460	0	3500	0	**2898**	0%	8%
KWAZULU-NATAL	0	490	0	600	**529**	100%	0%
MPUMALANGA	0	703	0	583	**732**	100%	7%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**11423**	**1485**	**4155**	**631**	**87508**	5%	13%
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	**11423**	**5485**	**4155**	**572**	**91508**	9%	13%

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

ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)

Posbus / P O Box 912232, Silverton, Pretoria, 0127
Katoen SA Gebou, Cycadoord 90, Uit Watermeyerstraat, Val de Grace X10
Cotton SA Building, 90 Cycad Place, Off Watermeyer Street, Val de Grace x10
Tel: 27 (12) 804 1462 - 7; Faks/Fax: 27 (12) 804 8616; E-mail: enquiries@cottonsa.org.za
Website: www.cottonsa.org.za