

Date: 3 July 2012

Reference: 9/3/3/1

## COTTON MARKET REPORT AS AT 2 JULY 2012

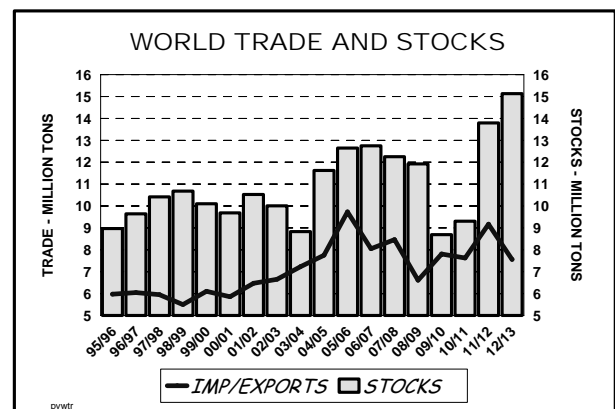
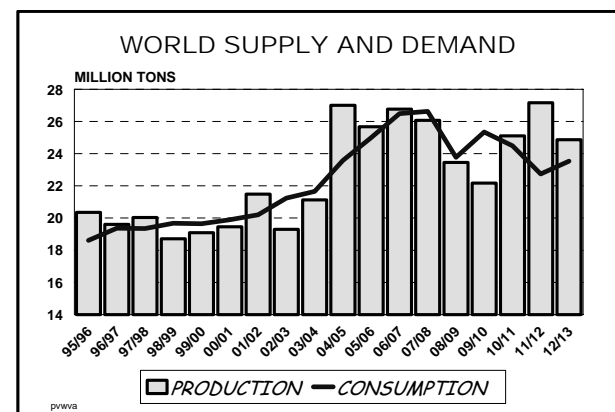
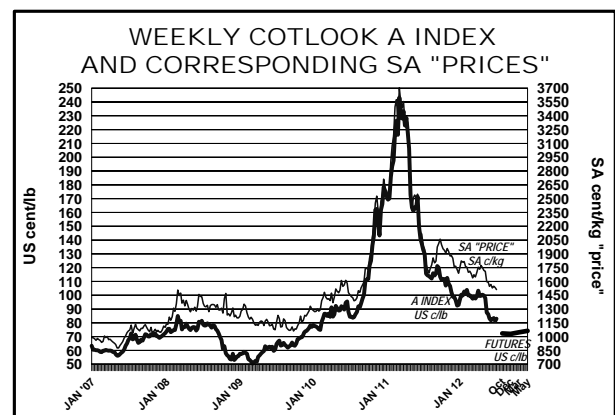
### International

Global cotton production is expected to drop by 8% in 2012/13 due to the decline in international cotton prices in 2011/12 which have had a negative effect on cotton plantings in most countries. After remaining around US\$1.00/lb for the first 4 months of this year, the Cotlook A Index (an indicator of world cotton prices) has dropped significantly to average 85 US c/lb over the past two months.

The main reason for the recent drop in the cotton price is the expectation by the industry that world cotton stocks will continue to rise to reach new record levels this year as well as the next. According to the International Cotton Advisory Committee (ICAC), world cotton stocks will jump by 48% in 2011/12 and then by a further 10% in 2012/13 to reach a record 15.1 million tons on 31 July 2013. The latter would represent 64% of global cotton use and would also be the highest stocks-to-use ratio in 25 years. The high level of global cotton stocks is expected to have a depressing effect on international prices in 2012/13.

The ICAC estimates world cotton consumption for 2011/12 at about 22.7 million tons, which is 7% down from the previous year and also the smallest consumption level in 8 years. The demand for cotton in China, the world's biggest consumer of cotton, is expected to drop by 10% in 2011/12. The main reasons for the global drop in the demand for cotton are: (i) high and volatile cotton prices; (ii) the slowing global economy; and (iii) competitive polyester prices.

Although the volume of cotton traded internationally is expected by the ICAC to



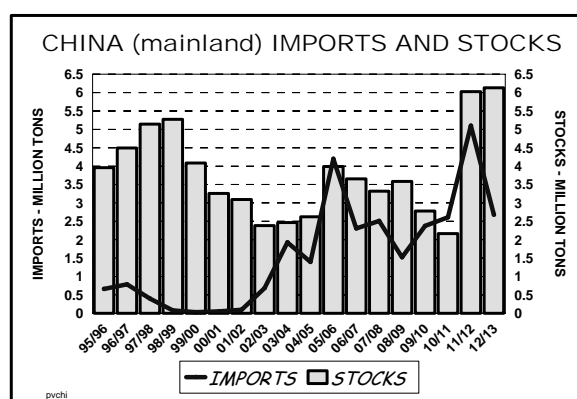
jump to 9.2 million tons in 2011/12, the largest in 6 years, world cotton trade is expected to decline significantly in 2012/13. According to the ICAC the increase in trade this season is driven by the near doubling of cotton shipments to China, in contrast to the shipments to other countries which have fallen by about 18%.

China is accounting for over half of world cotton imports in 2011/12 due to the rebuilding of its national reserve by purchasing 3.1 million tons of domestic cotton, thereby limiting the amount of domestic cotton available to local mills which had to turn to imports.

*Estimated world supply and demand for cotton for the 2010/11 season and projections for 2011/12 and 2012/13 (seasons beginning 1 August):*

*Cotton imports and stocks situation for China (mainland):*

(million metric tons)	2010/11	2011/12	2012/13
Beginning stocks	8.7	9.3	13.8
Production	25.1	27.2	24.9
Consumption	24.5	22.7	23.5
Exports	7.6	9.2	7.6
Imports	7.7	9.2	7.6
Ending stocks	9.3	13.8	15.1
Ending stocks/use (China excluded)	48%	55%	62%
<b>A Index (US c/lb)</b>	<b>164</b>	<b>102</b>	



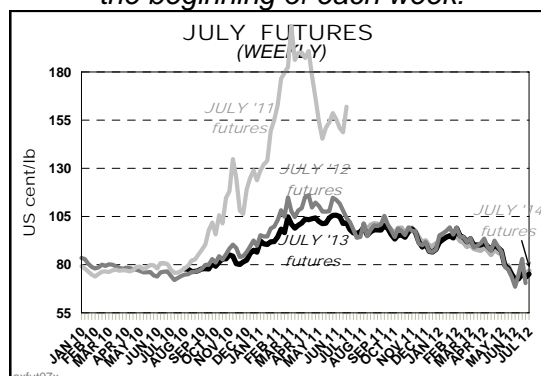
*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

	<b>A INDEX</b>	<b>RSA "PRICE"</b>
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (25/06 - 29/06/12)	81.12	1524.03
June 2012	82.15	1539.31
<b>Today (02/07/12)</b>	<b>82.95</b>	<b>1512.09</b>
May 2012	88.95	1611.38
Today a year ago	133.55	2005.23
Today two years ago	85.35	1465.84

*New York cotton futures as at 2 July 2012 (settlement prices):*

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

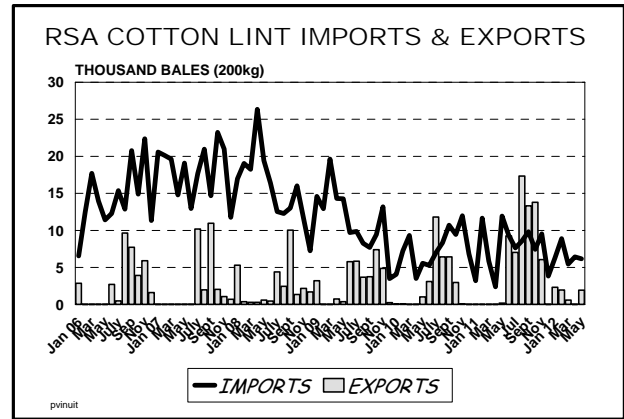
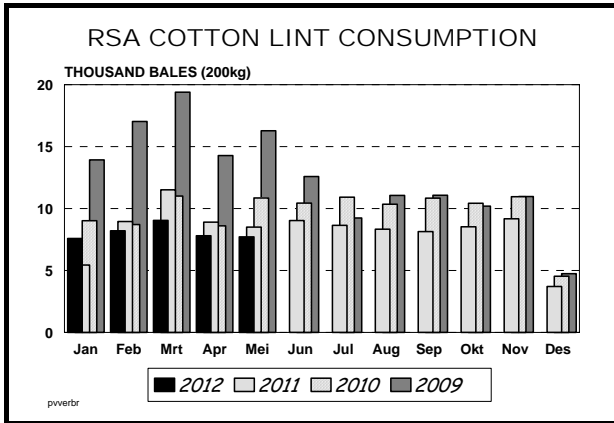
<b>NY FUTURES</b>	
	<i>US c/lb</i>
October 2012	72.30
December	72.02
March 2013	73.19
May	74.22
July	75.13
October	76.30
December	77.09



**Local outlook**

As far as the local outlook is concerned, the 6<sup>th</sup> estimate for the 2011/12 production year indicates a total crop of 65 736 lint bales, down 1% from last month's estimate. The 2011/12 crop is 27% smaller than that of the previous season mainly due to lower cotton prices and the more favourable prices

of other competing summer crops such as maize. About 61 736 lint bales are estimated to be produced from RSA grown seed cotton, down 28% 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**

**2011/12 PRODUCTION YEAR**

**02/07/12**

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
<b>LIMPOPO PROV.</b>							
Loskop	1313	0	4200	0	9651	10%	28%
North & South Flats	52	196	3800	900	655	10%	28%
Dwaalboom/Thabazimbi	140	0	3700	0	907	10%	28%
Weipe	873	0	4000	0	6460	0%	27%
<b>NORTHERN CAPE</b>							
Vaalharts	1288	0	4300	0	9969	0%	19%
Lower Orange River	600	0	4000	0	4440	50%	35%
Rest of Northern Cape	2682	0	4983	0	24726	1%	28%
<b>NORTH WEST</b>							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	240	0	4300	0	1858	0%	19%
<b>KWAZULU-NATAL</b>	0	970	0	700	1222	50%	0%
<b>MPUMALANGA</b>	0	1500	0	687	1848	100%	3%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>7188</b>	<b>2666</b>	<b>4460</b>	<b>707</b>	<b>61736</b>	10%	26%
Swaziland*	0	3600	0	600	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		
<b>GRAND TOTAL</b>	<b>7188</b>	<b>6266</b>	<b>4460</b>	<b>646</b>	<b>65736</b>	15%	24%

\* 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