



Date: 4 July 2014

Reference: 9/3/3/1

COTTON MARKET REPORT AS AT 3 JULY 2014

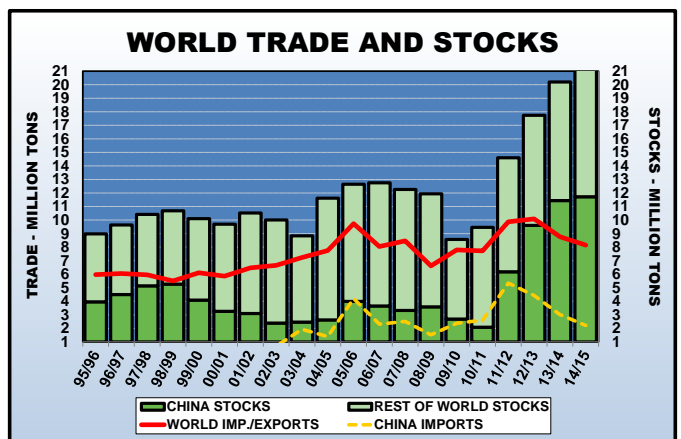
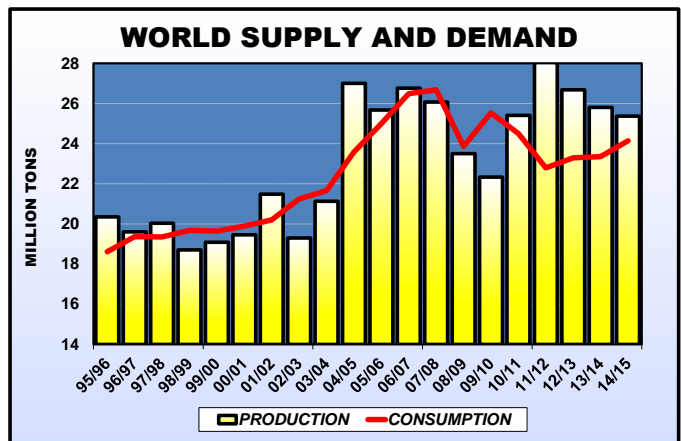
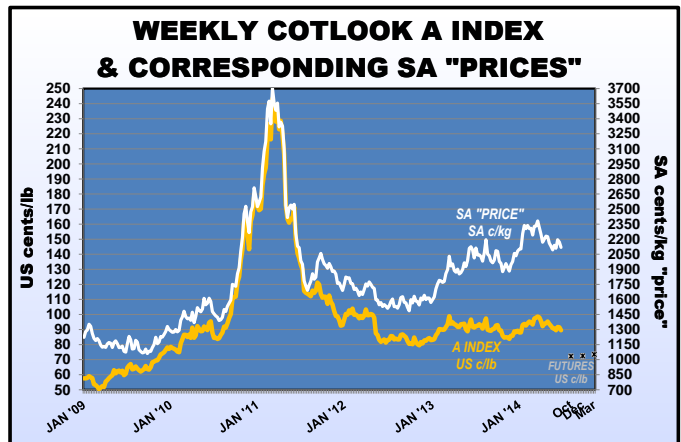
International

According to the ICAC (International Cotton Advisory Committee) rising world cotton stocks outside China and reduced imports are putting downward pressure on international prices. The Cotlook A index (an indicator of international cotton prices) which peaked this year on 26 March 2014 at almost 99 US c/lb, is now down to 87 US c/lb.

World cotton production for 2014/15 is forecast by the ICAC to drop by 2% to 25.3 million tons. This is due to reduced planting in China where the Chinese government has restricted its support for cotton to just the Xinjiang region. China's cotton production is expected to reach only 6 million tons in 2014/15, the lowest level in 11 years.

World cotton consumption for 2014/15 is estimated by the ICAC to rise by 3% following the projected rise of 1% for the current season. In China, cotton mill use for 2013/14 is expected to be the lowest in 10 years. According to the ICAC this is due to the high price of Chinese domestic cotton, restrictions on imports, difficulties with financing and a weak demand for cotton yarn. However, with the ending of China's national cotton reserve policy, many mills are anticipating lower prices later this year, as already reflected in futures market prices.

According to the ICAC, world cotton trade will decline by 8% in 2014/15, in a large part due to an expected 1.2 million ton decline in Chinese cotton imports. World production is expected to exceed consumption for the 5th consecutive season in 2014/15 and as a result world ending cotton stocks are forecast by the ICAC to reach a record level of 21.4 million tons on 31 July 2015. The stock-to-use ratio would be 89%, or



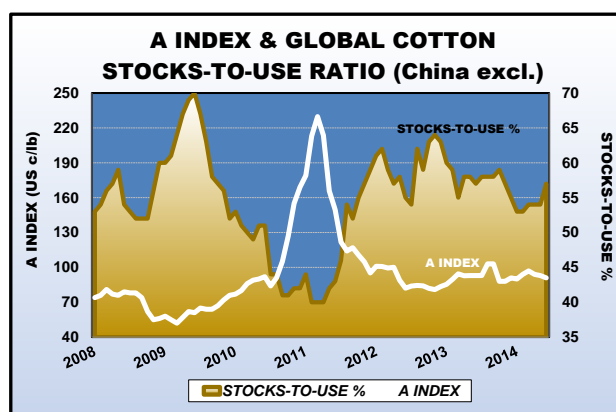
in other words there would be enough cotton stocks in the world to cover consumption for nearly 11 months. The ICAC estimates that

China holds nearly 60% of the world's cotton stocks, most of which is held in its government reserve.

Estimated world supply and demand for cotton for the 2012/13 season and projections for 2013/14 and 2014/15 (seasons beginning 1 August):

(million metric tons)	2012/13	2013/14	2014/15
Beginning stocks	14.6	17.7	20.2
Production	26.7	25.8	25.4
Consumption	23.3	23.4	24.1
Exports	10.1	8.8	8.2
Imports	9.8	8.8	8.2
Ending stocks	17.7	20.2	21.4
Ending stocks/use (China excluded)	54%	57%	60%
A Index (US c/lb)	88	89-92	67-100

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



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

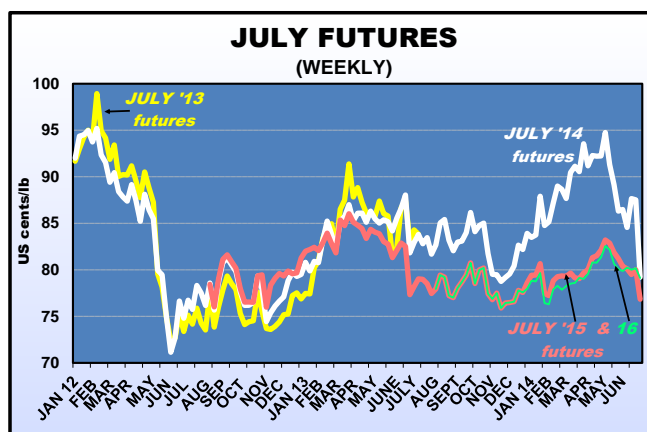
	A INDEX <i>Avg: US c/lb</i>	DERIVED RSA "PRICE" <i>Avg: SA c/kg</i>
Last week (23/06 - 27/06/14)	90.50	2140.27
June 2014	90.90	2163.53
Today (03/07/14)	87.40	2100.90
May 2014	92.78	2152.26
Today a year ago	92.00	2062.60
Today two years ago	83.95	1522.61

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 3 July 2014 (settlement prices):

NY FUTURES	
	<i>US c/lb</i>
Oct	71.79
Dec	72.06
Mar 2015	73.02
May	74.10
July	75.03
Oct	74.72
Dec	76.00

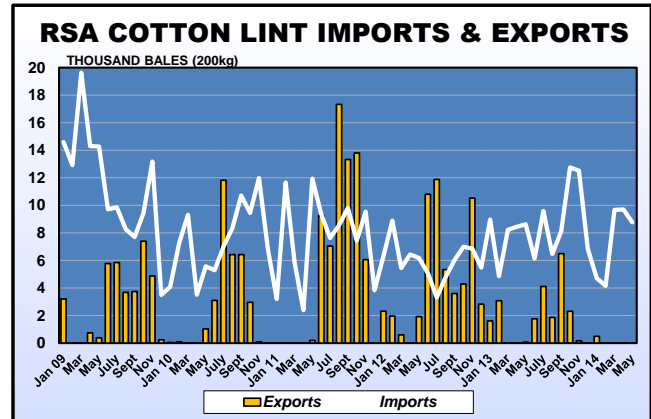
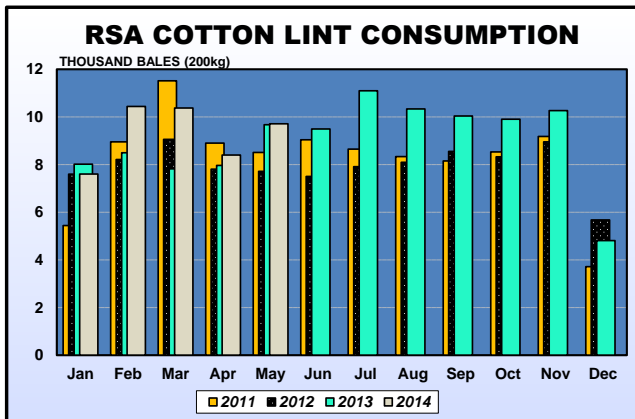
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 6th estimate for the 2013/14 production year indicates a total crop of 48 346 lint bales, up 1% from the previous month's estimate. About 43 846 lint bales are estimated to be

produced from RSA grown seed cotton, up 68% from the previous season. The balance of 4 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



COTTON CROP REPORT - 6th ESTIMATE

2013/14 PRODUCTION YEAR

30/06/14

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	1298	0	4200	0	9540	1%	0%
North & South Flats	0	1217	0	500	1065	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	0	0%	0%
Weipe	800	0	4000	0	5920	0%	30%
NORTHERN CAPE							
Vaalharts	973	0	5367	0	9661	0%	56%
Lower Orange River	504	0	4613	0	4301	0%	40%
Rest of Northern Cape	970	0	5324	0	9553	0%	55%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	0	0	0	0	0	0%	0%
KWAZULU-NATAL	200	600	3520	800	2152	92%	0%
MPUMALANGA	0	1370	0	673	1654	100%	0%
EASTERN CAPE	0	0	0	0	0	0%	0%
RSA TOTAL	4745	3187	4650	631	43846	8%	32%
Swaziland*	0	4000	0	600	4500	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	4745	7187	4650	614	48346	17%	29%

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

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