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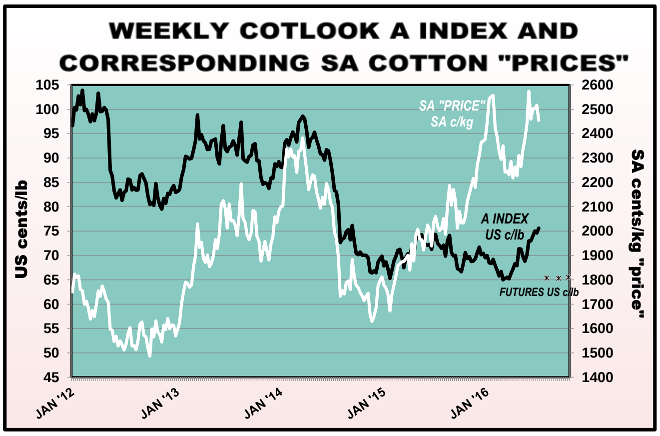
**Date: 7 July 2016** **Reference: 9/3/3/1**

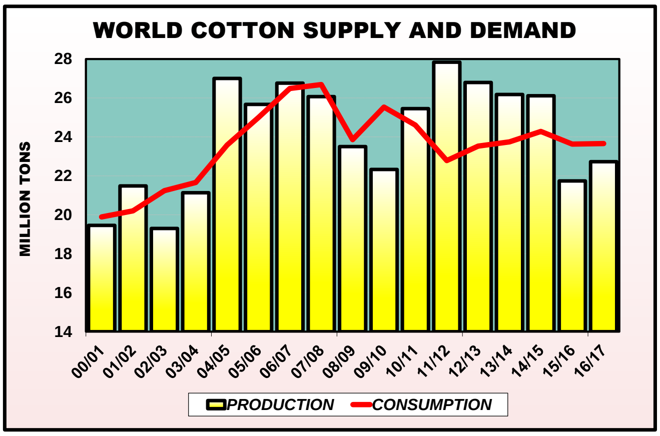
# COTTON MARKET REPORT AS AT 6 JULY 2016

## International

The ICAC (International Cotton Advisory Committee) projects an average Cotlook A index (an indicator of international cotton prices) of 70 US c/lb for the 2015/16 season which ends on 31 July 2016. This is more or less unchanged from the average of the previous season of 71 US c/lb mainly due to the relative large world cotton stocks and reduced global imports. International cotton prices started moving higher in June to 76 US c/lb by the end of June, but this was mainly influenced by upward movements in New York cotton futures supported by firm Indian cotton futures levels and the physical Indian market. However, with the relevant weak demand for cotton, there seems to be little chance of sustained higher prices.

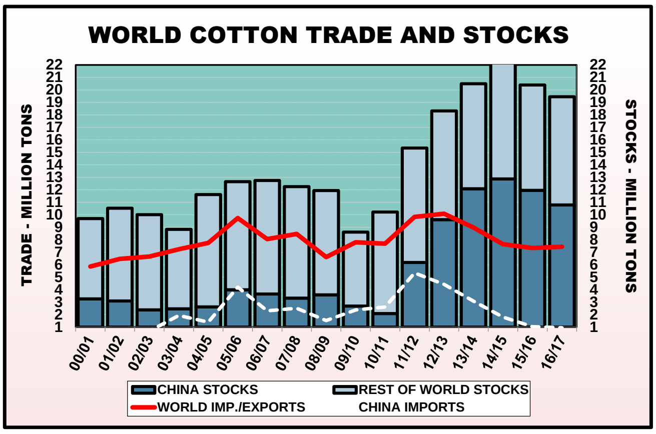



World cotton stocks as at 31 July 2016 are forecast by the ICAC to decrease by 5% to 20.4 million tons as mill use exceeds production by almost 1 million tons. Cotton ending stocks in China are expected to decrease by 10% to 10.8 million tons on 31 July 2016, whilst ending stocks in the rest of the world are forecast to rise by 3%.




Although world cotton area is forecast by the ICAC to expand by only 1% in 2016/17, world cotton production is estimated to increase by 5% to 23 million tons, due to an expected increase in average cotton yields.

World cotton consumption for 2016/17 is estimated by the ICAC to remain at about 23.6 million tons as low prices for competing fibres make cotton less attractive.




World cotton trade volume may increase by 1% to 7.4 million tons in 2016/17 according to the

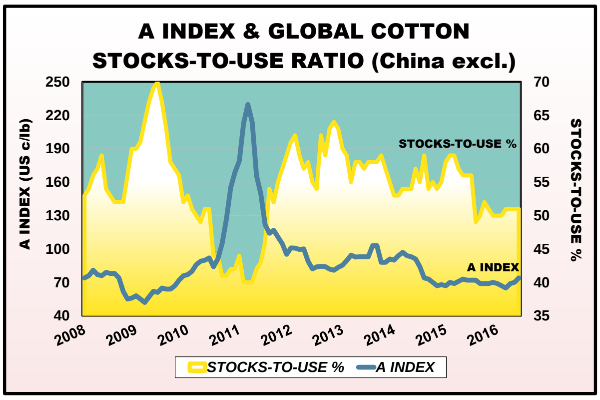
ICAC. China's imports are expected to decrease by 8% as the Chinese government continues to restrict cotton imports in order to reduce its sizeable stocks of cotton.

US exports of cotton are projected by the ICAC to increase by 18% to 2.3 million tons in 2016/17, whilst increased mill use in India is expected to result in a 19% drop in Indian cotton exports.

***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 | 22.3 | 20.4 |
| Production | 26.1 | 21.7 | 22.7 |
| Consumption | 24.3 | 23.6 | 23.7 |
| Exports | 7.6 | 7.3 | 7.4 |
| Imports | 7.6 | 7.3 | 7.4 |
| Ending stocks | 22.3 | 20.4 | 19.4 |
| Ending stocks/use (China excluded) | 56% | 51% | 51% |
| ***A Index (US c/lb)*** | ***71*** | ***69-71*** | ***58-86*** |

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




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

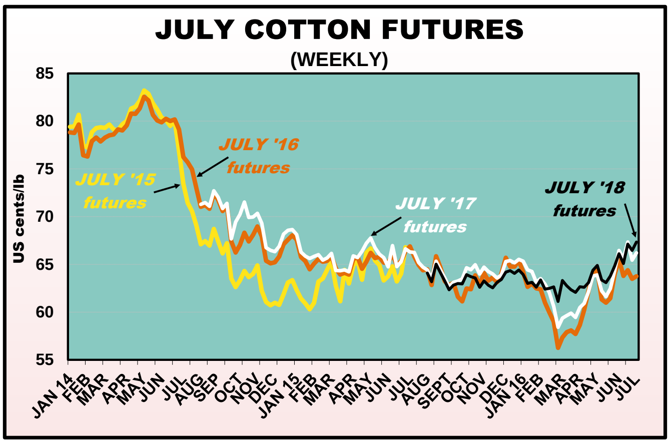
| | **A INDEX** <br> Avg: US c/lb | **DERIVED RSA "PRICE"** <br> Avg: SA c/kg |
|---|---|---|
| Last week (27/06 - 01/07/16) | 75.27 | 2511.82 |
| June 2016 | 74.10 | 2491.91 |
| **Today (06/07/16)** | **75.90** | **2512.84** |
| May 2016 | 70.44 | 2407.90 |
| *Today a year ago* | *73.80* | *2059.67* |
| *Today two years ago* | *86.90* | *2096.77* |

*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 6 July 2016 (settlement prices):***

| | **NY FUTURES** <br> *US c/lb* |
|---|---|
| Oct 2016 | 65.36 |
| Dec | 65.30 |
| Mar 2017 | 65.52 |
| May | 65.82 |
| July | 66.26 |
| Oct | 66.58 |
| Dec | 67.06 |

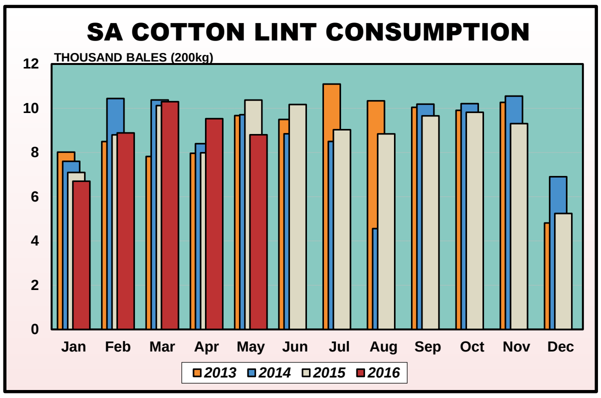
***New York JULY cotton futures as at the beginning of each week:***

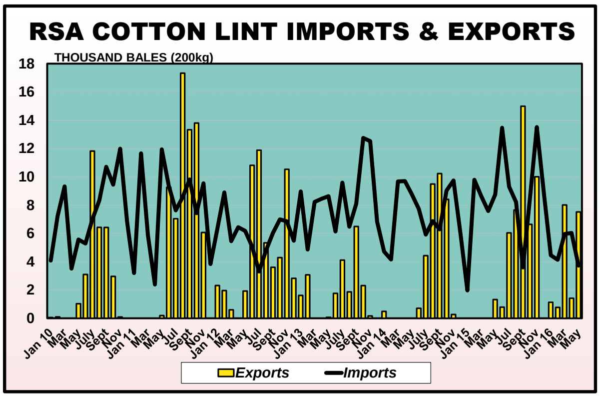


## Local outlook

As far as the local outlook is concerned, the 6th estimate for the 2015/16 production year indicates a total crop of 47 874 lint bales, down 49% from the previous season and more or less unchanged from the previous estimate.

About 47 274 lint bales are estimated to be produced from RSA grown seed cotton, down 48% 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 - 6th ESTIMATE** **2015/16 PRODUCTION YEAR** ***30/06/2016***

| 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 | 4400 | 0 | **6691** | 1% | 19% |
| North & South Flats | 5 | 537 | 3499 | 350 | **360** | 0% | 19% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Weipe | 368 | 0 | 3000 | 0 | **2042** | 0% | 20% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 1176 | 0 | 4583 | 0 | **9972** | 0% | 57% |
| Lower Orange River | 721 | 0 | 4500 | 0 | **6002** | 0% | 10% |
| Rest of Northern Cape | 1067 | 0 | 5343 | 0 | **10547** | 0% | 10% |
| **NORTH WEST** | | | | | | | |
| Stella/Setlagoli | 1220 | 579 | 4500 | 800 | **11013** | 0% | 10% |
| Taung | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **KWAZULU-NATAL** | 129 | 270 | 700 | 400 | **368** | 100% | 0% |
| **MPUMALANGA** | 28 | 768 | 3000 | 98 | **279** | 100% | 19% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **RSA TOTAL** | **5583** | **2154** | **4468** | **388** | **47274** | 2% | 22% |
| 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** | **5583** | **2954** | **4468** | **391** | **47874** | 3% | 21% |

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