



Date: 4 June 2012

Reference: 9/3/3/1

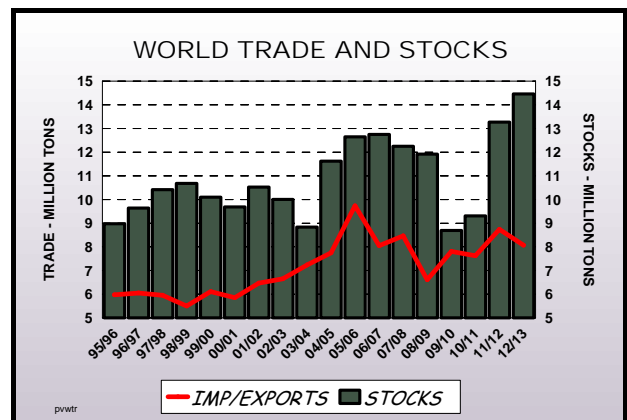
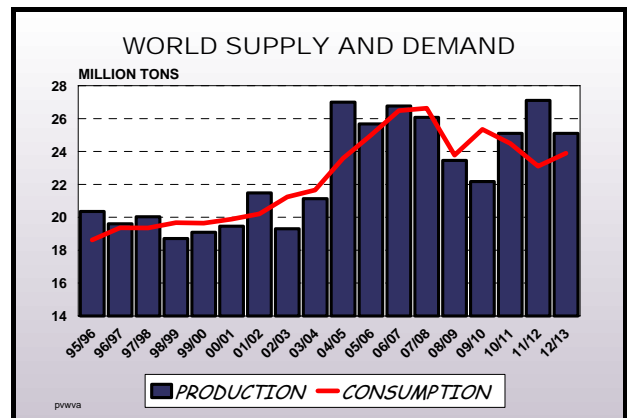
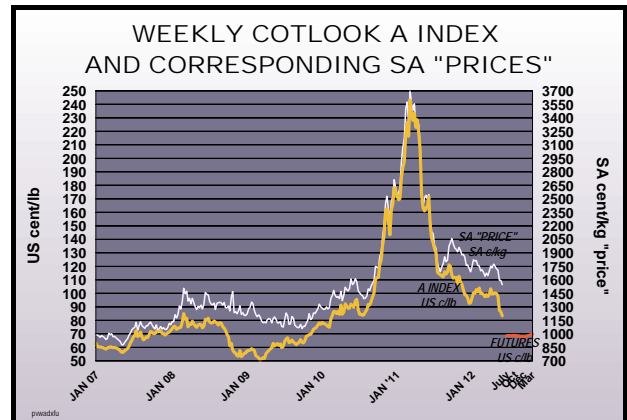
COTTON MARKET REPORT AS AT 1 JUNE 2012

International

After remaining around US\$1.00/lb for about four months, the Cotlook A Index (an indicator of world cotton prices) has dropped by almost 20% in the past month. According to the International Cotton Advisory Committee (ICAC), the high level of global cotton stocks will have a depressing effect on international prices in 2012/13 and in addition, an increase in price volatility can also be expected.

The main reason for the recent fall in the cotton price is the anticipation by the industry that world cotton stocks will increase for the second consecutive season. The ICAC expects that world cotton stocks will jump by 43% in 2011/12 and then by a further 9% to reach a record 14.5 million tons on 31 July 2013. The latter would represent 61% of global cotton use and would also be the highest stocks-to-use ratio in 14 years. According to the ICAC, three quarters of the increase in world cotton stocks in 2011/12 is taking place in China.

The surge in global cotton stocks is the result of an 8% increase in cotton production for 2011/12 combined with a 6% drop in consumption, leaving a production surplus of 4 million tons. On top of this, another production surplus of about 1.2 million tons is expected by the ICAC for 2012/13. This is despite the fact that world cotton production for 2012/13 is expected to decline by 7% to 25.1 million tons and consumption is expected to increase by about 3%. The decline in world cotton production for 2012/13 is mainly driven by China where production is expected to decline by about 13%. Except for the USA and West Africa, cotton production



is expected to decline in most of the world's major cotton producing countries.

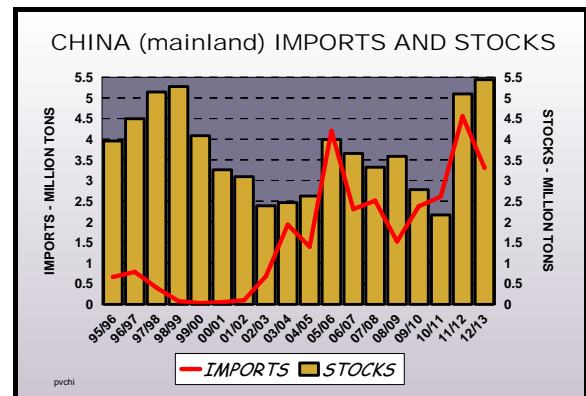
According to the ICAC, world cotton trade is expected to rise by 14% to 8.7 million tons in 2011/12, the largest volume in 6 years, driven by record imports from China due to its policy to rebuild its national reserve and its decision to implement a minimum cotton support price.

For the 2012/13 season the ICAC expects that Chinese imports could be 27% less than this season whilst imports for the rest of the world could increase by 15%, boosted by lower cotton prices and increased consumption.

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

(million metric tons)	2010/11	2011/12	2012/13
Beginning stocks	8.7	9.3	13.3
Production	25.1	27.1	25.1
Consumption	24.5	23.1	23.9
Exports	7.6	8.7	8.1
Imports	7.7	8.7	8.1
Ending stocks	9.3	13.3	14.5
Ending stocks/use (China excluded)	48%	58%	62%
A Index (US c/lb)	164	103	

Cotton imports and stocks situation for China (mainland):



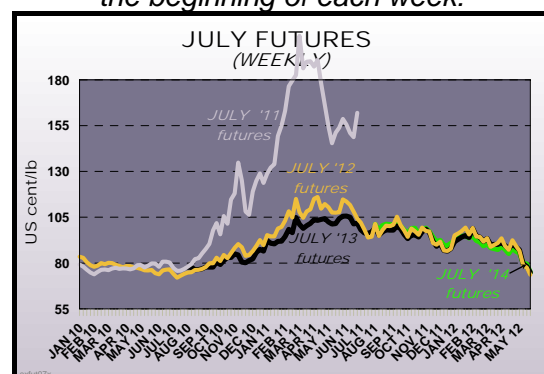
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	RSA "PRICE"
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (28/05 - 01/06/12)	82.57	1552.61
May 2012	88.95	1611.38
Today (01/06/12)	81.80	1564.39
April 2012	100.04	1752.92
Today a year ago	164.75	2517.71
Today two years ago	90.45	1562.50

New York cotton futures as at 1 June 2012 (settlement prices):

NY FUTURES	
	<i>US c/lb</i>
July 2012	68.59
October	68.85
December	67.61
March 2013	69.83
May	71.04
July	72.56
October	72.10

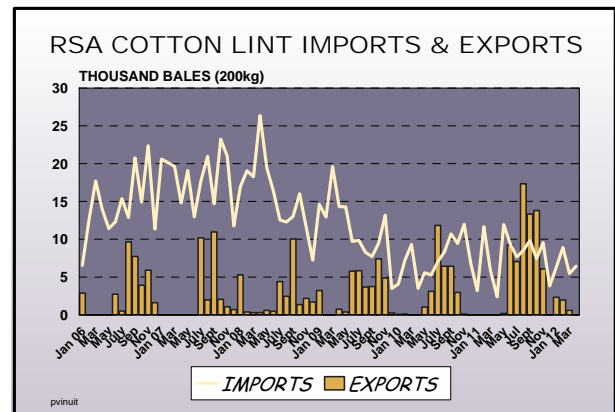
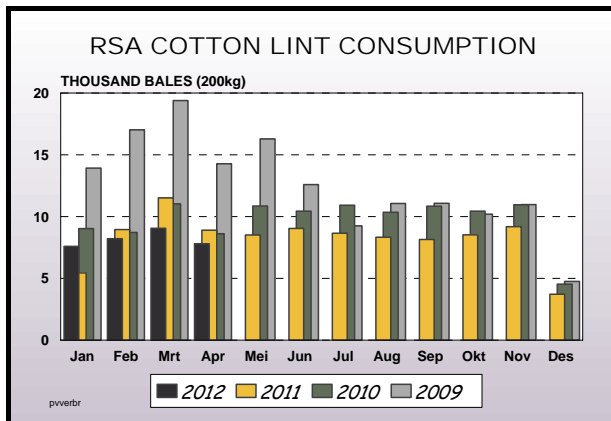
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 5th estimate for the 2011/12 production year indicates a total crop of 66 610 lint bales, down 3% from last month's estimate due to lower expected yields in the Northern Cape. The 2011/12 crop is 26% 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 62 610 lint bales are estimated to be produced from RSA grown seed cotton, down 27% 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 - 5th ESTIMATE

2011/12 PRODUCTION YEAR

01/06/12

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
LIMPOPO PROV.							
Loskop	1203	0	4200	0	8842	10%	0%
North & South Flats	52	196	3800	900	655	10%	0%
Dwaalboom/Thabazimbi	100	0	3800	0	665	10%	0%
Weipe	873	0	4000	0	6460	0%	0%
NORTHERN CAPE							
Vaalharts	1288	0	5000	0	11592	0%	0%
Lower Orange River	600	0	4000	0	4440	50%	0%
Rest of Northern Cape	2682	0	4983	0	24726	1%	6%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	240	0	5000	0	2160	0%	0%
KWAZULU-NATAL	0	970	0	700	1222	50%	0%
MPUMALANGA	0	1500	0	687	1848	100%	0%
EASTERN CAPE	0	0	0	0	0	0%	0%
RSA TOTAL	7038	2666	4622	707	62610	9%	2%
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		
GRAND TOTAL	7038	6266	4622	646	66610	15%	2%

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

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