

Date: 5 August 2013

Reference: 9/3/3/1

COTTON MARKET REPORT AS AT 2 AUGUST 2013

International

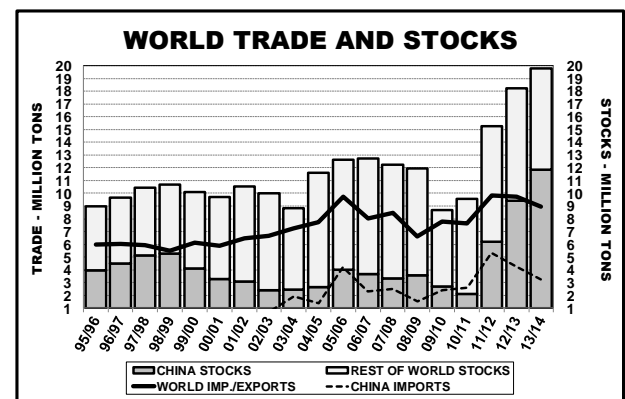
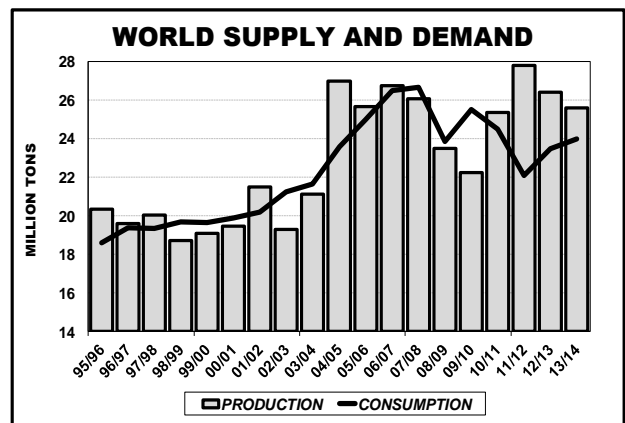
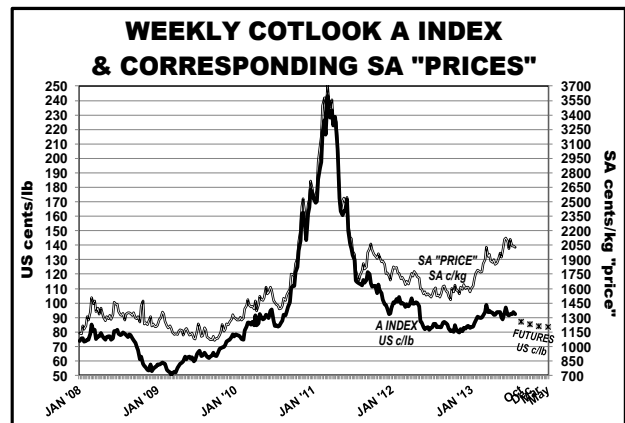
World cotton production for 2013/14 is forecast by the International Cotton Advisory Committee (ICAC) to reach 25.6 million tons whilst world cotton mill use is forecast at 24 million tons. This will be the 4th consecutive season in which production will exceed production. Over this period world production have exceeded consumption by a cumulative 11 million tons, explaining the doubling of world stocks in 4 seasons.

According to the ICAC world cotton stocks will reach a record level of almost 20 million tons by July 2014, mainly due to China's policy to build its national reserve from both imported and domestic cotton. According to the ICAC only 6 million tons of the 20 million tons will be held outside China.

The Chinese government indicated in April 2013 that it will continue buying locally produced cotton for its national reserve for another season at a price equal to about \$1.50/lb.

Based on the expected tightening of stocks outside China, the ICAC at this point in time projects an average Cotlook A index (an indicator of international cotton prices) of between 89 – 131 US c/lb for 2013/14.

It is clear that China holds the key to the future and the direction the world cotton industry will take over the next few years, as the current policy of accumulating stocks cannot continue indefinitely. According to the ICAC, international prices will fall once China stops buying cotton for its national reserve.



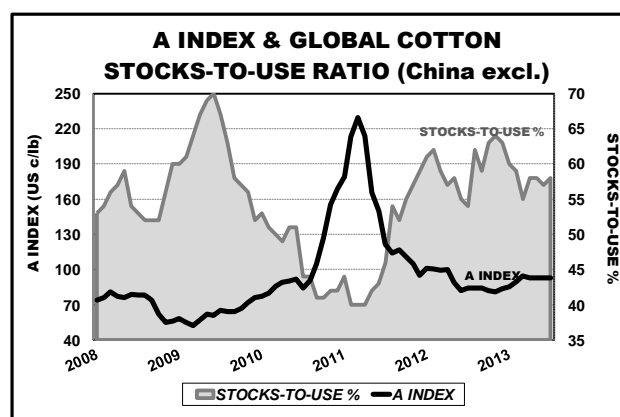
There are also 2 possible scenarios once China starts disposing of its national reserve: (i) China disposes of its reserve gradually, which means world prices will remain lower

for many years; or (ii) China liquidates the reserve rapidly, which means prices will also fall rapidly.

Estimated world supply and demand for cotton for the 2011/12 season and projections for 2012/13 and 2013/14 (seasons beginning 1 August):

| (million metric tons) | 2011/12 | 2012/13 | 2013/14 |
|---------------------------------------|------------|-----------|---------------|
| Beginning stocks | 9.6 | 15.3 | 18.2 |
| Production | 27.8 | 26.4 | 25.6 |
| Consumption | 22.1 | 23.5 | 24.0 |
| Exports | 9.8 | 9.7 | 9.0 |
| Imports | 9.8 | 9.7 | 9.0 |
| Ending stocks | 15.3 | 18.2 | 19.8 |
| Ending stocks/use (China excluded) | 67% | 58% | 50% |
| A Index (US c/lb) | 100 | 88 | 89-131 |

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



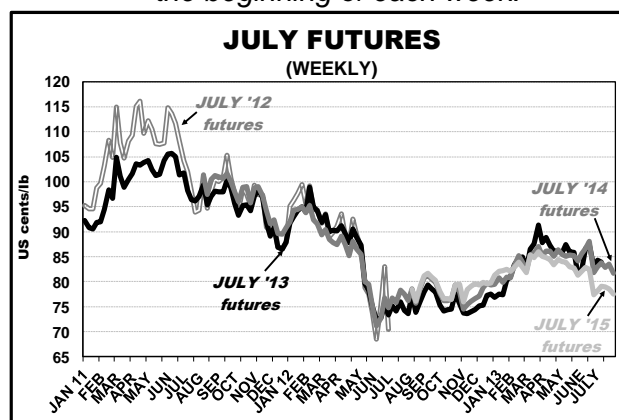
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

| | A INDEX | RSA "PRICE" |
|------------------------------|---------------------|---------------------|
| | <i>Avg: US c/lb</i> | <i>Avg: SA c/kg</i> |
| Last week (29/07 - 02/08/13) | 91.87 | 2023.19 |
| July 2013 | 92.62 | 2042.65 |
| Today (02/08/13) | 91.15 | 2035.62 |
| June 2013 | 93.08 | 2079.11 |
| Today a year ago | 80.95 | 1504.97 |
| Today two years ago | 116.00 | 1735.94 |

New York cotton futures as at 2 August 2013 (settlement prices):

| NY FUTURES | |
|-------------------|----------------|
| | <i>US c/lb</i> |
| October 2013 | 85.32 |
| December | 84.98 |
| March 2014 | 83.17 |
| May | 82.76 |
| July | 82.38 |
| October | 78.26 |
| December | 77.82 |

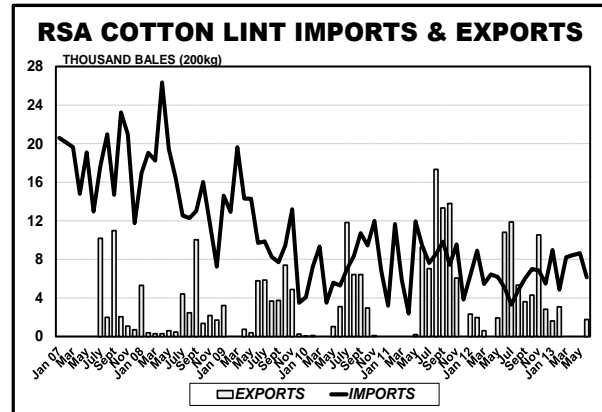
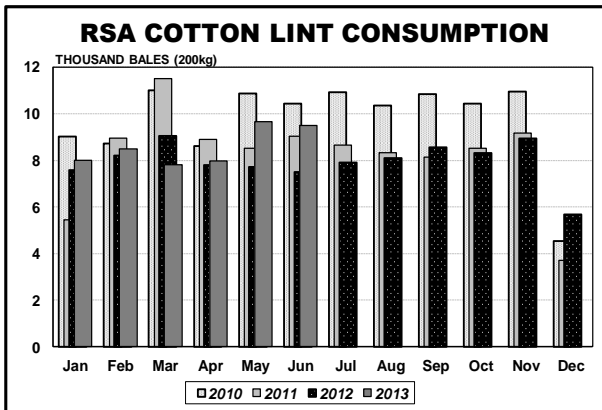
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 7th estimate for the 2012/13 production year indicates a total crop of 32 617 lint bales, down 5% from the previous month's estimate mainly due to lower expected dryland yields.

About 29 117 lint bales are estimated to be produced from RSA grown seed cotton. The balance of 3 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



COTTON CROP REPORT - 7th ESTIMATE

2012/13 PRODUCTION YEAR

01/08/13

| 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 | 820 | 150 | 4210 | 600 | 6190 | 1% | 65% |
| North & South Flats | 0 | 865 | 0 | 1430 | 2165 | 0% | 65% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| Weipe | 800 | 0 | 4000 | 0 | 5920 | 0% | 30% |
| NORTHERN CAPE | | | | | | | |
| Vaalharts | 500 | 0 | 5200 | 0 | 5250 | 0% | 60% |
| Lower Orange River | 190 | 0 | 4650 | 0 | 1634 | 1% | 70% |
| Rest of Northern Cape | 309 | 0 | 4989 | 0 | 2987 | 0% | 86% |
| NORTH WEST | | | | | | | |
| Stella/Setlagoli | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| Taung | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| KWAZULU-NATAL | 310 | 1406 | 3000 | 613 | 3243 | 74% | 65% |
| MPUMALANGA | 0 | 1600 | 0 | 600 | 1728 | 100% | 65% |
| EASTERN CAPE | 0 | 0 | 0 | 0 | 0 | 0% | 0% |
| RSA TOTAL | 2929 | 4021 | 4304 | 783 | 29117 | 14% | 59% |
| Swaziland* | 0 | 3600 | 0 | 550 | 3500 | 100% | 20% |
| 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 | 2929 | 7621 | 4304 | 673 | 32617 | 24% | 55% |

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

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