



Date: 5 September 2012

Reference: 9/3/3/1

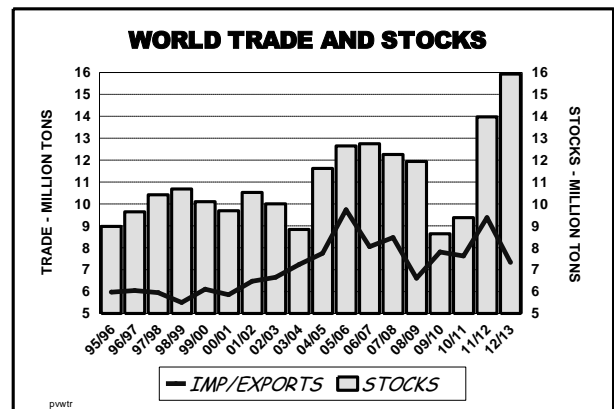
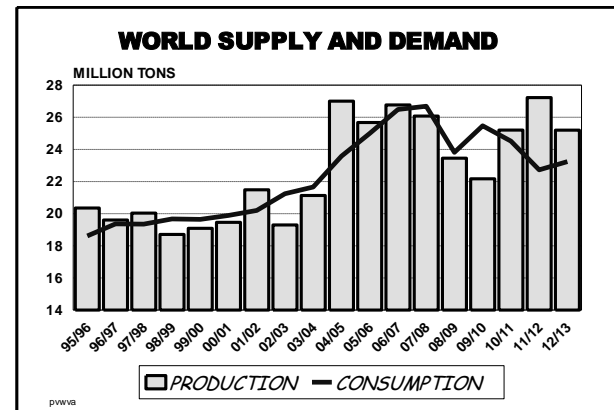
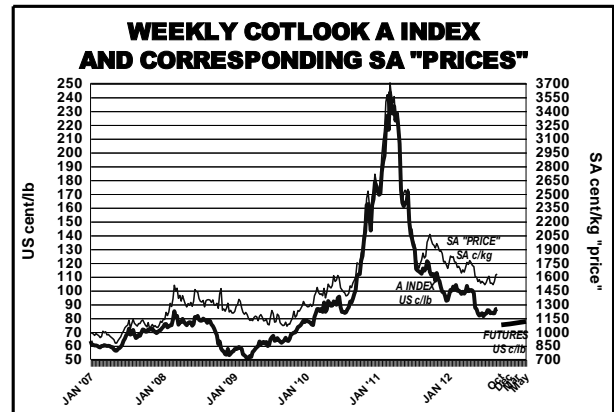
COTTON MARKET REPORT AS AT 4 SEPTEMBER 2012

International

World cotton production for 2012/13 is estimated by the International Cotton Advisory Committee (ICAC) at 25.2 million tons, down 7% from last season but still higher than consumption. Production in the world's two largest cotton producing countries, China and India, is expected to fall by 7% and 13% respectively, whilst the world's 3rd largest cotton producing country, the USA, will see an increase of about 13% following the drought of last year. According to the ICAC the rise in the prices of grain and oilseeds will reduce cotton area in Brazil and in many other countries.

Despite an estimated increase of about 2% in consumption in 2012/13, the demand for cotton remains very weak. According to the ICAC the volatile cotton prices in 2010 and 2011, weak world economic growth and distortions caused by government policies, either have or are destroying about 3 million tons of demand for cotton. The Chinese policy of maintaining a minimum support price for farmers of about \$1.40/lb which is being enforced by import quotas and tariffs, are eroding cotton mill use in China in favour of rising polyester and rayon use. China's current cotton consumption of 8.6 million tons is 22% down from its peak use 5 seasons ago. Cotton mill use in other large countries, including India, Pakistan, Turkey and the USA are however rising or holding steady according to the ICAC.

The estimated excess world supply of cotton of 2 million tons will cause world cotton stocks to rise by about 14% to almost 16 million tons by 31 July 2013, the highest on record. This will also bring the ending stocks/mill use ratio (China excluded) up to 62%, the highest in more than 45 years.



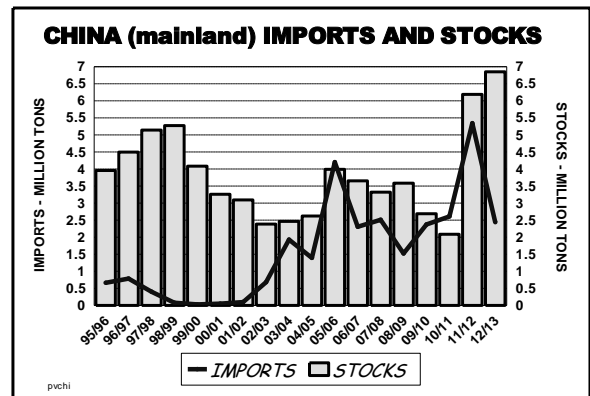
The ICAC forecasts world trade for 2012/13 at 7.3 million tons, which is not only the

smallest in 4 seasons but also 2 million tons less than last season.

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	8.6	9.4	14.0
Production	25.2	27.2	25.2
Consumption	24.5	22.7	23.2
Exports	7.6	9.4	7.3
Imports	7.7	9.5	7.3
Ending stocks	9.4	14.0	15.9
Ending stocks/use (China excluded)	49%	55%	62%
A Index (US c/lb)	164	100	



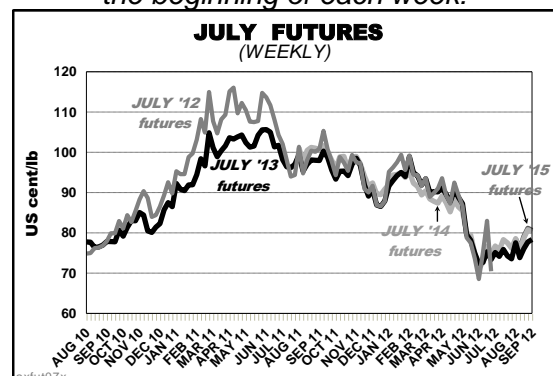
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	RSA "PRICE"
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (27/08 - 31/08/12)	86.10	1616.83
August 2012	84.48	1559.29
Today (04/09/12)	86.75	1617.29
July 2012	83.97	1544.88
Today a year ago	115.70	1821.54
Today two years ago	97.50	1561.35

New York cotton futures as at 4 Sept. 2012 (settlement prices):

NY FUTURES	
	<i>US c/lb</i>
October 2012	75.03
December	75.68
March 2013	76.59
May	77.46
July	78.35
October	79.47
December	79.99

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



Local outlook

As far as the local outlook is concerned, the 8th estimate for the 2011/12 production year indicates a total crop of 62 518 lint bales, down 6% from last month's estimate. The 2011/12 crop is also 31% 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 58 518 lint bales are estimated to be produced from RSA grown seed cotton, down 32% from the previous season. The balance of 4 000 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.

