KATOEN SUID-AFRIKA / COTTON SOUTH AFRICA

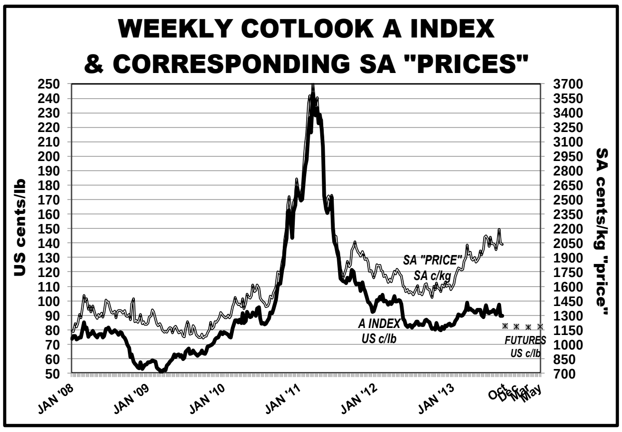
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 6 September 2013 **Reference: 9/3/3/1**

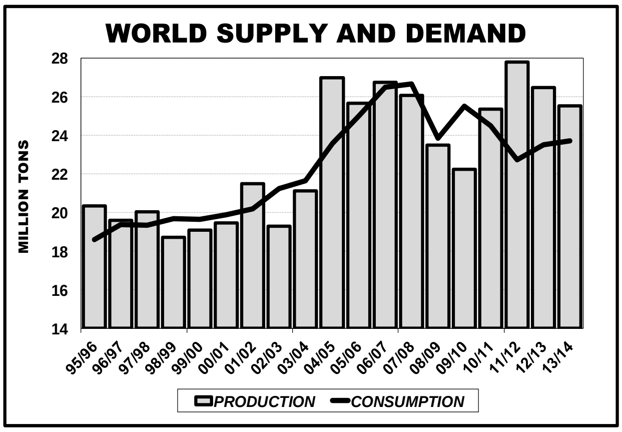
COTTON MARKET REPORT AS AT 5 SEPTEMBER 2013

International

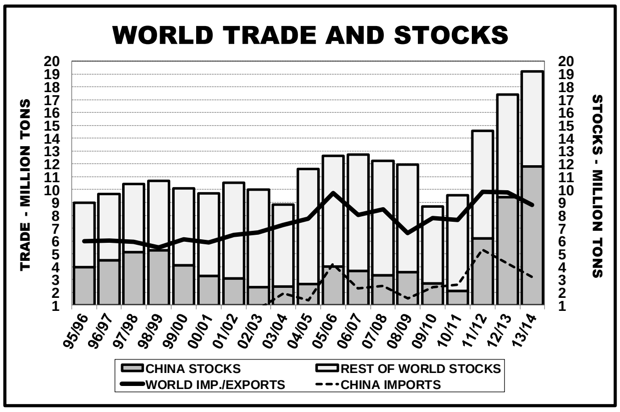
World cotton production for 2013/14 is forecast by the International Cotton Advisory Committee (ICAC) to reach 25.6 million tons, down 3.5% from last season and 2.3 million tons below the record production of 2011/12. The ICAC expects production in China and Uzbekistan to remain more or less unchanged from the previous season, with small increases expected from India, Pakistan and Brazil. The USA is responsible for most of the decline in world production in 2013/14, with production expected to fall by 25% or 900 000 tons, mainly due to competition from maize and soybeans. The ICAC only expects a moderate increase of about 1% in world cotton mill use in 2013/14.



The ICAC forecasts world cotton trade to fall by about a million tons in 2013/14 due to reduced imports by China. World cotton stocks is expected to reach a record level of about 19 million tons by July 2014, which will represent more than 80% of world cotton mill use.



Based on the above, the ICAC at this point in time projects an average Cotlook A index (an indicator of international cotton prices) of between 85 – 126 US c/lb for 2013/14, with a midpoint of 103 US c/lb.

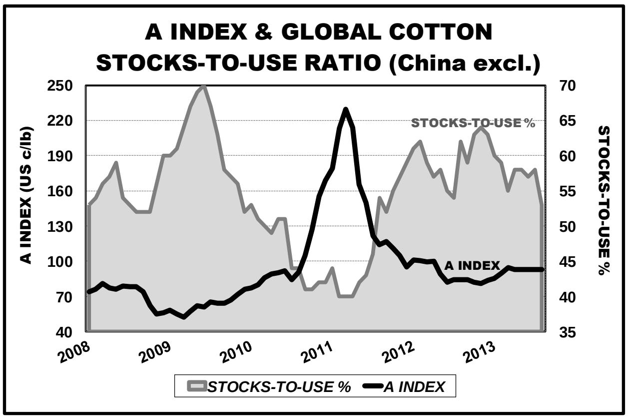


The ICAC forecasts cotton mill use in China for 2013/14 to drop to about 8 million tons, down 3% from the previous season but more than 20% down from the record mill use of 4 seasons ago. According to the ICAC the decline can be partly ascribed to the price differential between cotton and polyester prices, with current polyester prices averaging about 76 US c/lb in China. The prices of cotton and polyester in China were more or less equal for most of the 2000's but since 2009/10 cotton started becoming more expensive in relation to polyester. According to the ICAC, cotton's share of world apparel fibre use is currently estimated at 31%, down from 40% in the 2000's and 50% in the 1980's.

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	14.6	17.4
Production	27.8	26.5	25.6
Consumption	22.7	23.5	23.7
Exports	9.8	9.8	8.8
Imports	9.8	9.7	8.8
Ending stocks	14.6	17.4	19.2
Ending stocks/use (China excluded)	60%	53%	47%
A Index (US c/lb)	***100***	***88***	***85-126***

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



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

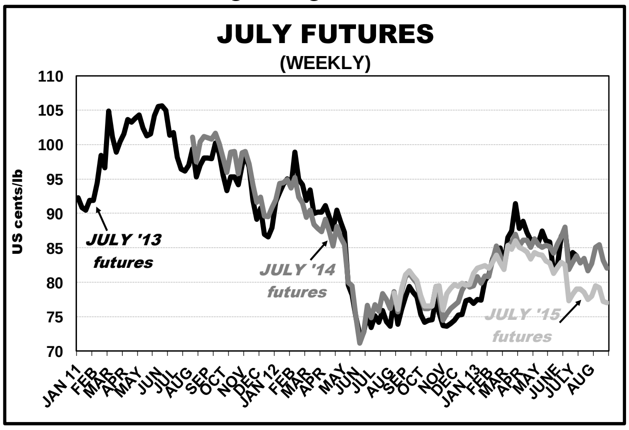
	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (26/08 - 30/08/13)	89.80	2071.09
August 2013	92.58	2078.65
Today (05/09/13)	**88.75**	**2038.01**
July 2013	92.62	2042.65
Today a year ago	*85.40*	*1611.45*
Today two years ago	*115.70*	*1821.54*

*The **COTLOOK A INDEX** is a daily indicator of international cotton lint prices and is the average of the cheapest 5 quotations from a selection of the principal upland cottons traded internationally, destination Far East.*

New York cotton futures as at 5 September 2013 (settlement prices):

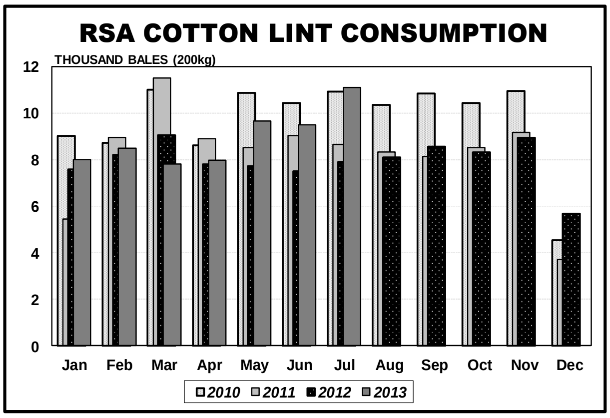
	NY FUTURES
	US c/lb
October 2013	82.40
December	82.30
March 2014	81.89
May	81.98
July	82.05
October	77.70
December	77.30

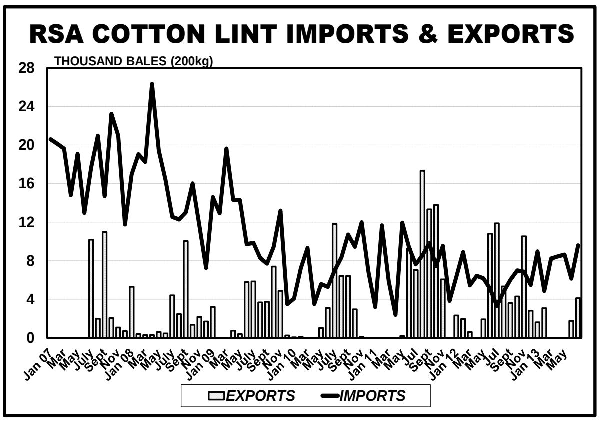
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 8th estimate for the 2012/13 production year indicates a total crop of 33 122 lint bales, up 2% from the previous month's estimate. About 29 622 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 - 8th ESTIMATE **2012/13 PRODUCTION YEAR** *31/08/13*

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	4410	600	**6486**	1%	85%
North & South Flats	0	865	0	1430	**2165**	0%	85%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	4000	0	**5920**	0%	60%
NORTHERN CAPE							
Vaalharts	500	0	5200	0	**5250**	0%	80%
Lower Orange River	190	0	5000	0	**1730**	1%	70%
Rest of Northern Cape	336	0	5000	0	**3100**	0%	94%
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%	85%
MPUMALANGA	0	1600	0	600	**1728**	100%	85%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**2956**	**4021**	**4390**	**783**	**29622**	14%	79%
Swaziland*	0	3600	0	550	**3500**	100%	40%
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	**2956**	**7621**	**4390**	**673**	**33122**	23%	75%

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

ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)

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