



Date: 2 November 2012

Reference: 9/3/3/1

COTTON MARKET REPORT AS AT 1 NOVEMBER 2012

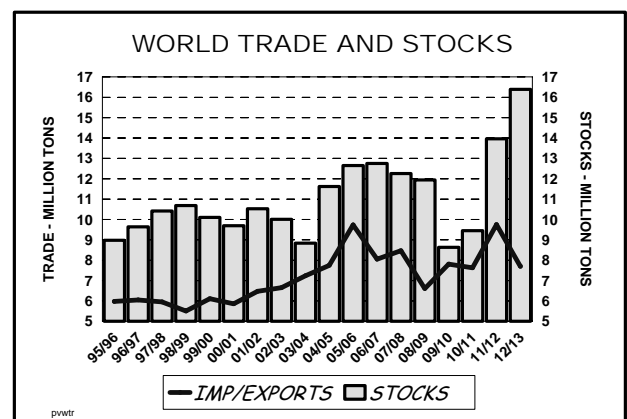
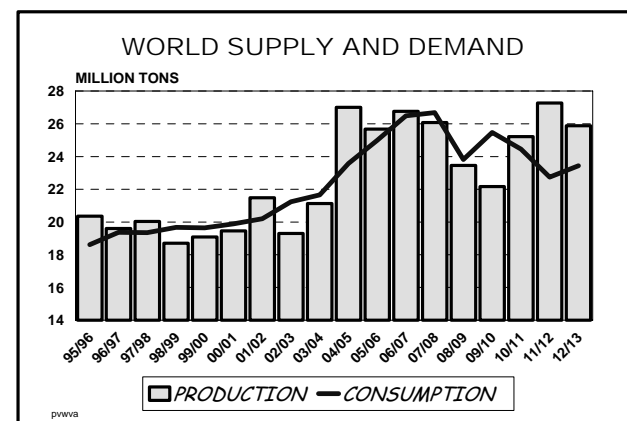
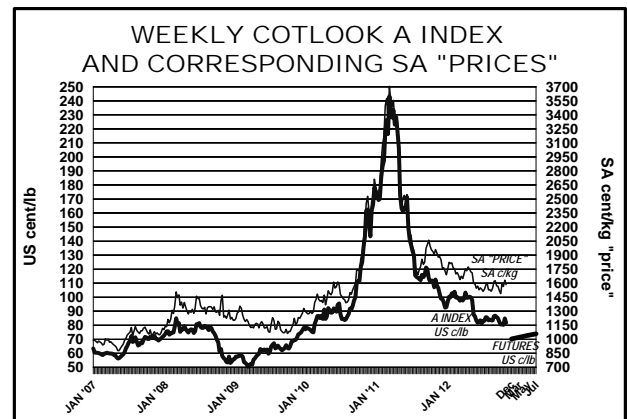
International

World cotton prices continued to move in a narrow range of between 80 and 85 US c/lb during October with no distinct indication of a downward or upward trend. The average Cotlook A index (an indicator of world cotton prices) so far for the 1st three months of 2012/13 is 83 US c/lb which is 27% down from the same period last year.

Despite the sharp fall in cotton prices, the global cotton harvested area is only 4% less than for the previous year. According to the International Cotton Advisory Committee (ICAC) the reasons for the relatively small decline is above average prices at planting time; government policies and favourable weather conditions in some major cotton producing countries.

The general outlook for 2012/13 remains bleak according to the ICAC. Global cotton production and mill use are forecasted at 25.9 million tons and 23.4 million tons respectively, resulting in an oversupply of 2.5 million tons. This will mean that the world cotton stocks-to-use ratio will increase from the already high level of 61% for 2011/12 to a record 70% in 2012/13 which could have a depressing effect on prices.

On the other hand, the ICAC expects global cotton mill use to increase by 3% in 2012/13 which will be the first increase after two consecutive years of decline. The fall in cotton prices has strengthened cotton's competitiveness against polyester but global economic growth remains slow affecting the retail sales of textile products. According to the ICAC cotton mill use in China is expected to decline by 1% in 2012/13 with some reports indicating that the Chinese textile sector is increasingly relocating some of its



spinning operations to other Asian countries where competitively priced foreign cotton can be purchased without import restrictions.

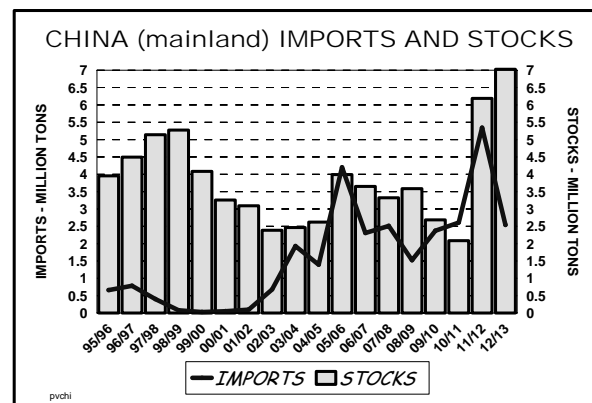
The ICAC expects world cotton trade to decline by 21% in 2012/13 due to lower Chinese demand but forecasts that cotton

imports in the rest of the world could rebound by 18%. According to the ICAC world cotton stocks could reach a new record high of 16.4 million tons by 31 July 2013 up 17% from last season, with most of the increase expected to take place outside of China.

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	8.6	9.5	14.0
Production	25.2	27.3	25.9
Consumption	24.5	22.7	23.4
Exports	7.6	9.7	7.7
Imports	7.7	9.7	7.7
Ending stocks	9.5	14.0	16.4
Ending stocks/use (China excluded)	50%	55%	63%
A Index (US c/lb)	164	83	

Cotton imports and stocks situation for China (mainland):



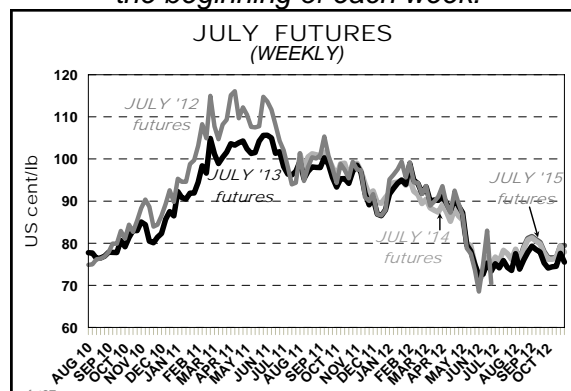
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	RSA "PRICE"
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (22/10 - 26/10/12)	83.24	1618.64
October 2012	81.95	1581.82
Today (01/11/12)	80.30	1552.18
September 2012	84.15	1554.31
Today a year ago	111.00	1992.62
Today two years ago	143.00	2212.73

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

NY FUTURES	
	<i>US c/lb</i>
December 2012	70.21
March 2013	71.50
May	72.74
July	73.88
October	75.46
December	76.12
March 2014	77.07

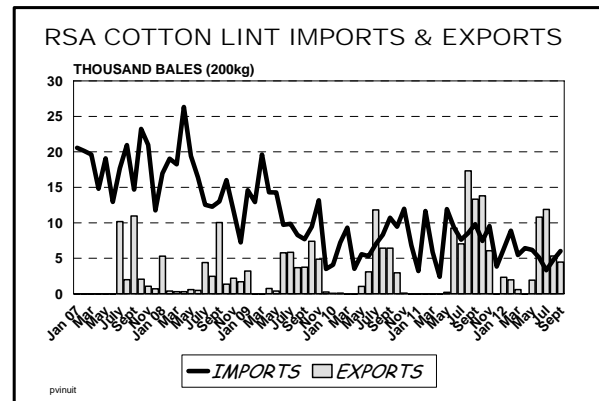
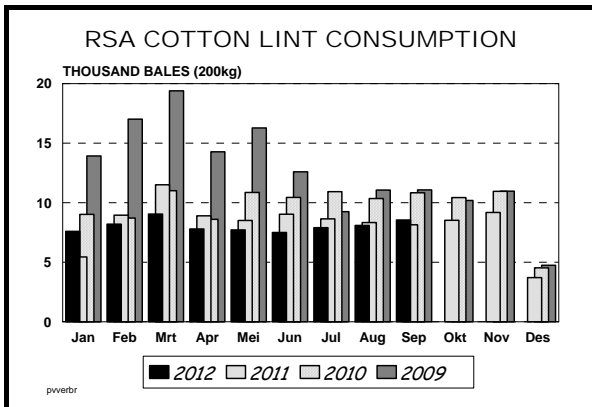
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 10th estimate for the 2011/12 production year indicates a total crop of 64 066 lint bales, down 1% from last month's estimate. The 2011/12 crop is 29% 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 60 336 lint bales are estimated to be produced from RSA grown seed cotton, down 30% from the previous season. The balance of 3 730 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



COTTON CROP REPORT - 10th ESTIMATE

2011/12 PRODUCTION YEAR

01/11/12

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	1313	0	4480	0	10236	10%	100%
North & South Flats	52	196	3800	900	655	10%	100%
Dwaalboom/Thabazimbi	140	0	3750	0	919	10%	100%
Weipe	873	0	4876	0	7790	0%	100%
NORTHERN CAPE							
Vaalharts	1288	0	4650	0	10804	0%	100%
Lower Orange River	337	0	4354	0	2883	50%	100%
Rest of Northern Cape	2988	0	4209	0	23585	1%	100%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	240	0	4000	0	1728	0%	100%
KWAZULU-NATAL	0	970	0	407	686	100%	100%
MPUMALANGA	0	1000	0	600	1050	100%	100%
EASTERN CAPE	0	0	0	0	0	0%	0%
RSA TOTAL	7231	2166	4405	541	60336	8%	100%
Swaziland*	0	3600	0	575	3730	100%	100%
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	7231	5766	4405	562	64066	13%	100%

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

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