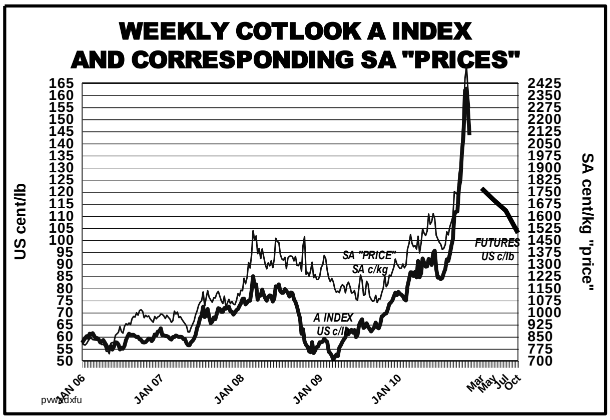
KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

*Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21*

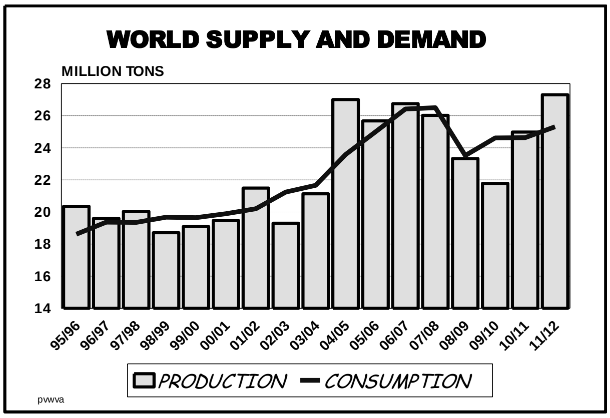
Date: 2 December 2010 Reference: 9/3/3/1

# COTTON MARKET REPORT AS AT 1 DECEMBER 2010

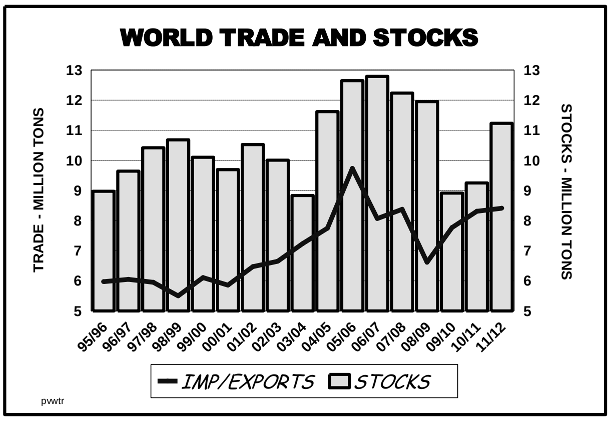
## International




The Cotlook A index (an indicator of world cotton prices) doubled from 86.30 US c/lb on 2 August 2010 to an historic high of 172.40 US c/lb on 10 November 2010 and has since settled to about 140 to 150 US c/lb but it is expected that cotton prices will decline later in the season. The International Cotton Advisory Committee's (ICAC) price model forecasts an average Cotlook A index of 95 US c/lb for 2010/11 which is 23% higher than last season and the highest average ever.




After declining for 3 consecutive years, world cotton production is estimated to increase by 15% to 25 million tons in 2010/11. In response to the very high cotton prices, world cotton area is expected to continue to increase in 2011/12 and the ICAC forecasts production to increase by 9% to a record 27.3 million tons.



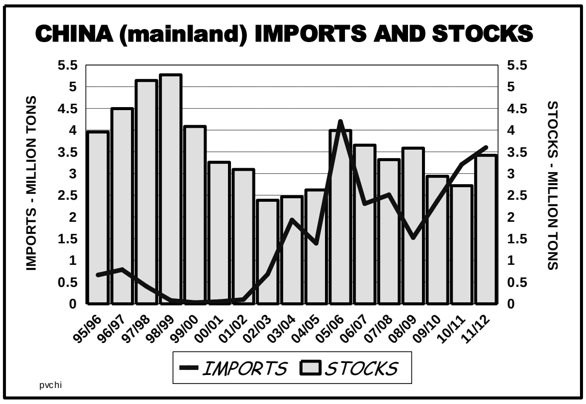

Despite the strong global economic growth projected for 2010 and 2011, the ICAC expects world demand for cotton to remain stable in 2010/11 due to the limited available supplies of cotton and the high prices. Due to difficulties in sourcing cotton, cotton mill use in China which accounts for 40% of global cotton consumption, is expected to decrease slightly. Except for India where cotton consumption is expected by the ICAC to increase by 8% in 2010/11, no increase in consumption is expected in the other major cotton consuming countries. Due to the fact that cotton prices rose much faster than polyester prices, the share of cotton in global fibre use, estimated at 36.5% in 2009, is likely to continue to decline in 2010 and 2011.

The ICAC further expects that global cotton trade will increase by 8% in 2010/11 whilst world cotton stocks will increase by about 4% after declining to the lowest level in 7 years in 2009/10.

*Estimated world supply and demand for cotton for the 2009/10 season and projections for 2010/11 and 2011/12 (seasons beginning 1 August):*

| *(million metric tons)* | **2009/10** | **2010/11** | **2011/12** |
|---|---|---|---|
| Beginning stocks | 12.0 | 8.9 | 9.3 |
| Production | 21.8 | 25.0 | 27.3 |
| Consumption | 24.6 | 24.6 | 25.3 |
| Exports | 7.8 | 8.3 | 8.4 |
| Imports | 7.7 | 8.3 | 8.4 |
| Ending stocks | 8.9 | 9.3 | 11.2 |
| Ending stocks/use (China excluded) | 41% | 44% | 51% |
| ***A Index (US c/lb)*** | ***78*** | ***95*** | |

*Cotton imports and stocks situation for China (mainland):*



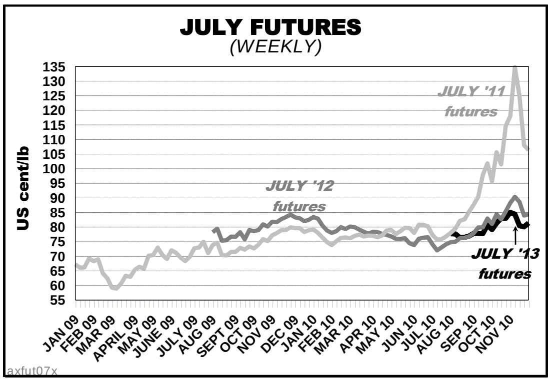

*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

| | A INDEX<br>*Avg: US c/lb* | RSA "PRICE"<br>*Avg: SA c/kg* |
|---|---|---|
| Last week (22/11 - 26/11/10) | 148.19 | 2321.16 |
| November 2010 | 155.47 | 2404.58 |
| **Today (01/12/10)** | **147.55** | **2308.80** |
| October 2010 | 126.55 | 1946.07 |
| *Today a year ago* | *74.85* | *1232.41* |
| *Today two years ago* | *57.65* | *1311.11* |

*New York cotton futures as at 1 Dec. 2010 (settlement prices):*

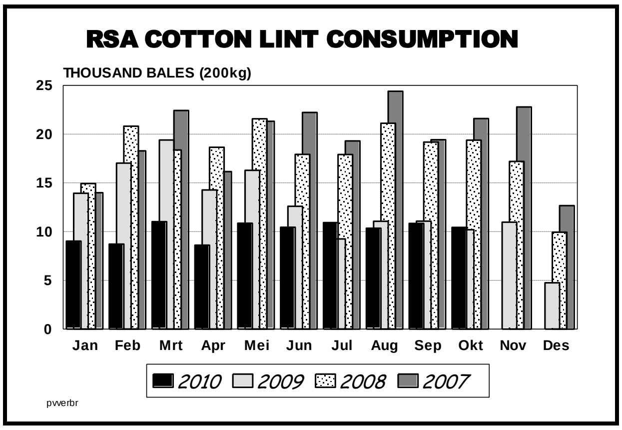
| | **NY FUTURES**<br>*US c/lb* |
|---|---|
| March 2011 | 121.34 |
| May | 116.50 |
| July | 112.08 |
| October | 102.84 |
| December | 92.27 |
| March 2012 | 87.01 |
| May | 86.13 |

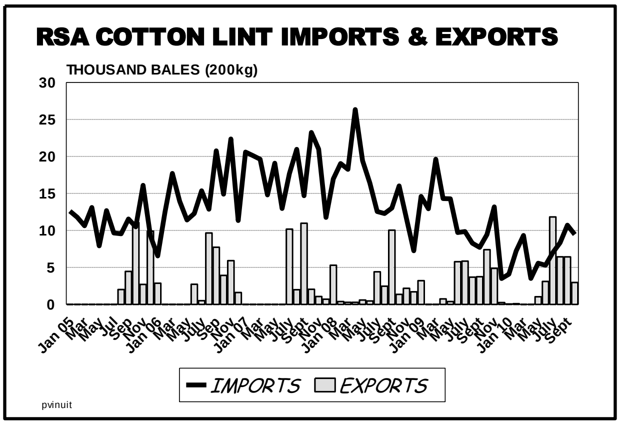
*New York JULY cotton futures as at the beginning of each week:*



## Local outlook

As far as the local outlook is concerned, the final estimate for the 2009/10 production year indicates a total crop of 42 440 lint bales, down 6% down from the previous season and the smallest crop since the early sixties. About 38 470 lint bales are estimated to be produced from RSA produced seed cotton, 8% down from the previous season. Preliminary indications for the 2010/11 production season are that the South African produced cotton crop could be in the region of 100 000 lint bales.




**COTTON CROP REPORT - FINAL ESTIMATE 2009/10 PRODUCTION YEAR** *30/11/10*

| 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 | 1100 | 0 | 4000 | 0 | **7919** | 10% | 100% |
| North & South Flats | 24 | 160 | 2800 | 900 | **370** | 10% | 100% |
| Dwaalboom/Thabazimbi | 50 | 0 | 4300 | 0 | **376** | 10% | 100% |
| Weipe | 740 | 0 | 3450 | 0 | **4595** | 0% | 100% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 980 | 0 | 6015 | 0 | **10610** | 0% | 100% |
| Lower Orange River | 150 | 0 | 5000 | 0 | **1493** | 100% | 100% |
| Rest of Northern Cape | 617 | 0 | 6580 | 0 | **8083** | 0% | 100% |
| **NORTH WEST** | | | | | | | |
| Stella/Setlagoli | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Taung | 490 | 0 | 4600 | 0 | **4057** | 0% | 100% |
| **KWAZULU-NATAL** | 0 | 400 | 0 | 720 | **518** | 100% | 100% |
| **MPUMALANGA** | 0 | 400 | 0 | 630 | **449** | 100% | 100% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **RSA TOTAL** | **4151** | **960** | **4865** | **712** | **38470** | 9% | 100% |
| Swaziland* | 0 | 3900 | 0 | 566 | **3970** | 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** | **4151** | **4860** | **4865** | **595** | **42440** | 17% | 100% |

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

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