KATOEN SUID-AFRIKA | COTTON SOUTH AFRICA

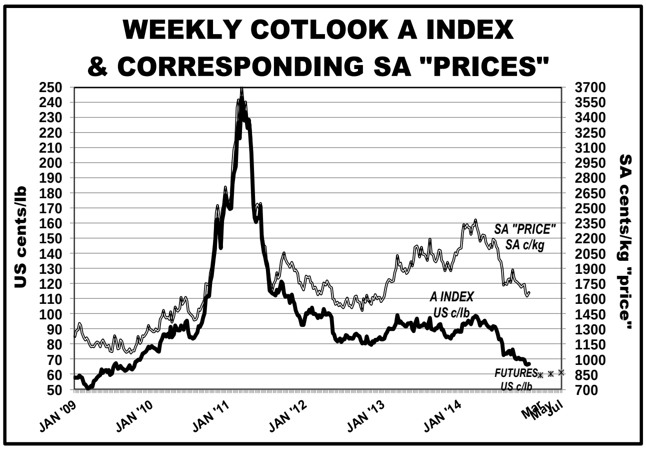
Nie-winsgewende Organisasie / Non-profit Company
Registration No. 199800820/08

Date: 2 December 2014 **Reference: 9/3/3/1**

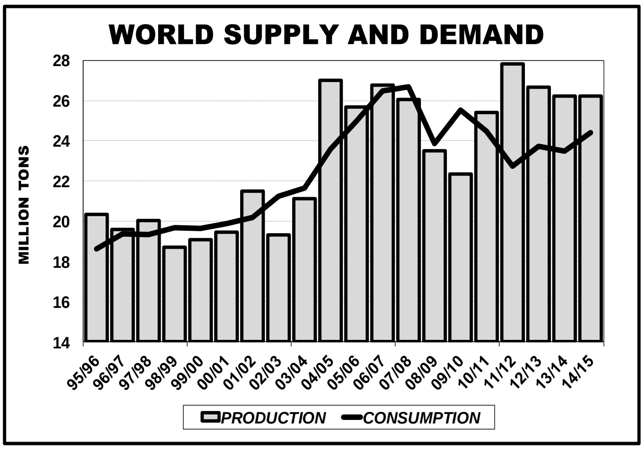
COTTON MARKET REPORT AS AT 1 DECEMBER 2014

International

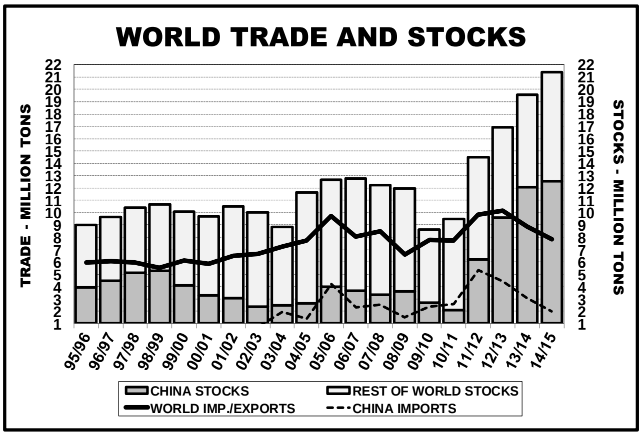
Rising world cotton stocks outside China and reduced imports are continuing to place downward pressure on international prices. The latest Cotlook A index (an indicator of international cotton prices) of 66 US c/lb is down 33% from this year's peak of 8 months ago. Similarly, cotton futures are down to levels last seen 7 years ago.



This season will be the 5th consecutive season in which cotton production exceeds consumption. Due to lower average world cotton yields the ICAC (International Cotton Advisory Committee) forecasts world cotton production to remain stable on 26.2 million tons in 2014/15 despite a 3% increase in global hectares.



The cotton production of the world's 4 largest cotton producing countries, China, India, USA and Pakistan is however expected to increase by 3% in 2014/15 (they jointly produce 80% of the Northern Hemisphere's cotton). In contrast, the ICAC expects cotton production to decline by 18% in the Southern Hemisphere in 2014/15. In Brazil and Australia, the Southern Hemisphere's largest cotton producing countries, cotton production is forecast by the ICAC to decline by 13% and 35% respectively, mainly due to high production costs in Brazil and due to the drought and insufficient irrigation water in Australia.

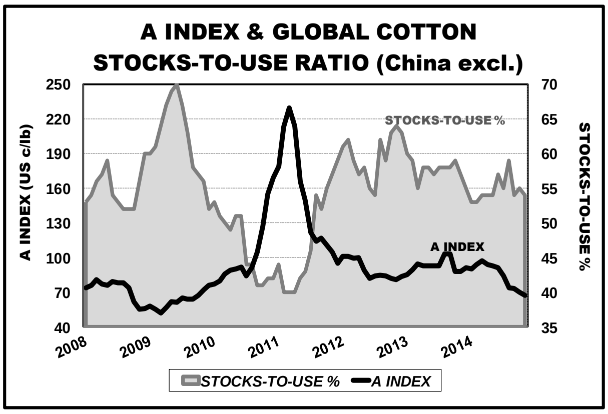


After declining by 1% in 2013/14, world cotton consumption is expected to recover by 3.8% to 24.4 million tons in 2014/15. World cotton trade is forecast by the ICAC to decrease by nearly 1 million tons in 2014/15, the 3rd consecutive season in which imports have fallen. This is mainly due to the fall in China's imports from over 5.3 million tons in 2011/12 to less than 2 million tons in 2014/15.

Estimated world supply and demand for cotton for the 2012/13 season and projections for 2013/14 and 2014/15 (seasons beginning 1 August):

(million metric tons)	**2012/13**	**2013/14**	**2014/15**
Beginning stocks	14.5	16.9	19.6
Production	26.7	26.2	26.2
Consumption	23.7	23.5	24.4
Exports	10.2	8.9	7.9
Imports	9.7	8.8	7.9
Ending stocks	16.9	19.6	21.4
Ending stocks/use (China excluded)	47%	47%	54%
A Index (US c/lb)	***88***	***91***	***63-86***

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



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

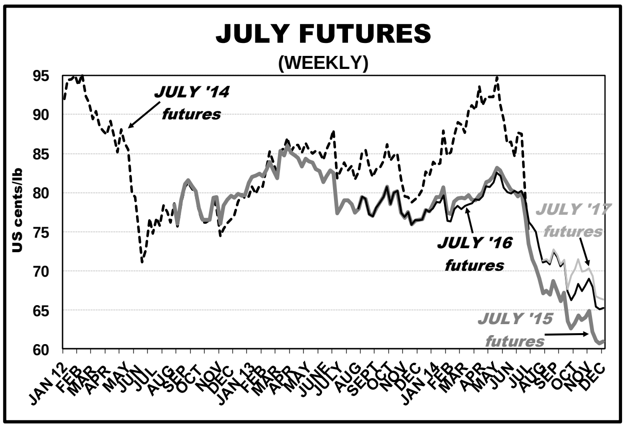
	A INDEX	**DERIVED RSA "PRICE"**
	Avg: US c/lb	Avg: SA c/kg
Last week (24/11 - 28/11/14)	66.50	1635.14
November 2014	67.17	1668.02
Today (01/12/14)	**66.85**	**1661.87**
October 2014	70.34	1740.90
Today a year ago	*85.90*	*1946.47*
Today two years ago	*82.75*	*1641.42*

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

New York cotton futures as at 1 Dec. 2014 (settlement prices):

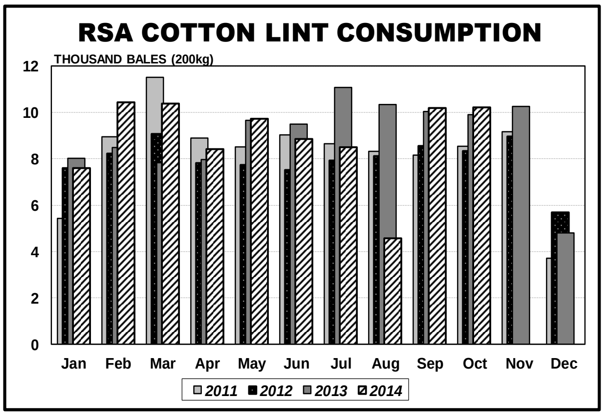
	NY FUTURES US c/lb
Mar 2015	59.18
May	60.12
July	60.98
Oct	62.44
Dec	63.53
Mar	64.13
May	64.63

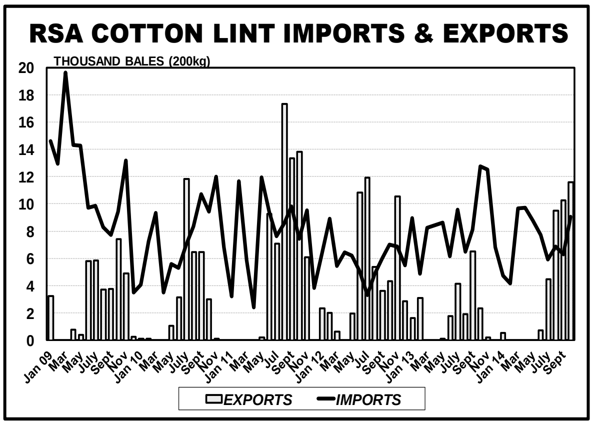
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the final estimate for the 2013/14 production year indicates a total crop of 48 203 lint bales, up 2% from the previous month's estimate. About 43 703 lint bales are estimated to be produced from RSA grown seed cotton, up 68% from the previous season. The balance of 4 500 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin. Looking towards the new production year, early indications are that a crop of about 80 000 lint bales or more can be expected.





COTTON CROP REPORT - FINAL ESTIMATE 2013/14 PRODUCTION YEAR *30/11/14*

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	1298	0	4200	0	**9540**	1%	100%
North & South Flats	0	1217	0	900	**1917**	0%	100%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	4913	0	**6800**	0%	100%
NORTHERN CAPE							
Vaalharts	816	0	5195	0	**7858**	0%	100%
Lower Orange River	512	0	4961	0	**4940**	0%	100%
Rest of Northern Cape	980	0	5352	0	**10046**	0%	100%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	160	552	2750	600	**1548**	94%	100%
MPUMALANGA	0	1123	0	500	**1054**	100%	100%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**4566**	**2892**	**4785**	**687**	**43703**	6%	100%
Swaziland*	0	4000	0	600	**4500**	100%	90%
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	**4566**	**6892**	**4785**	**637**	**48203**	15%	99%

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

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