KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

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

Date: 2 December 2015 **Reference: 9/3/3/1**

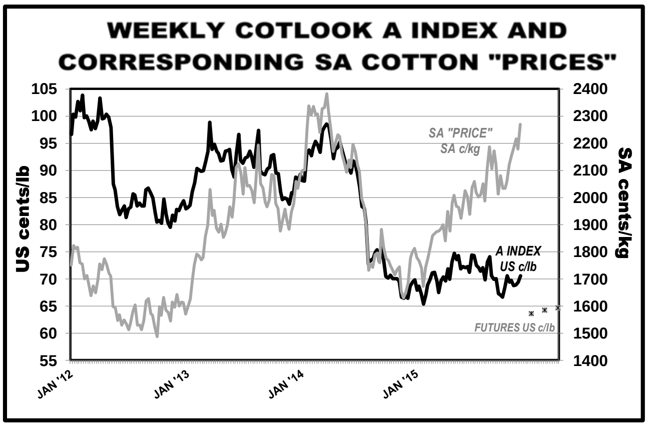
COTTON MARKET REPORT AS AT 1 DECEMBER 2015

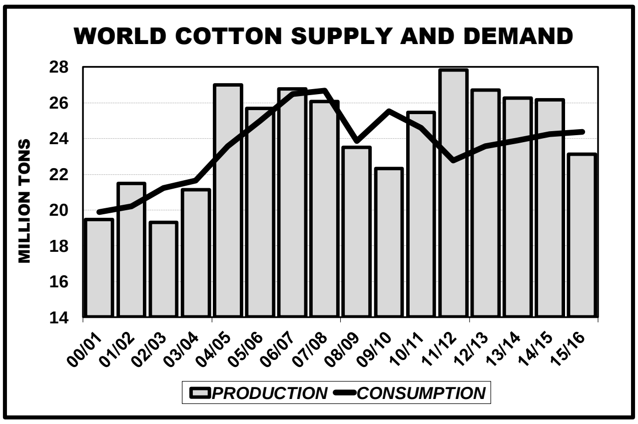
International

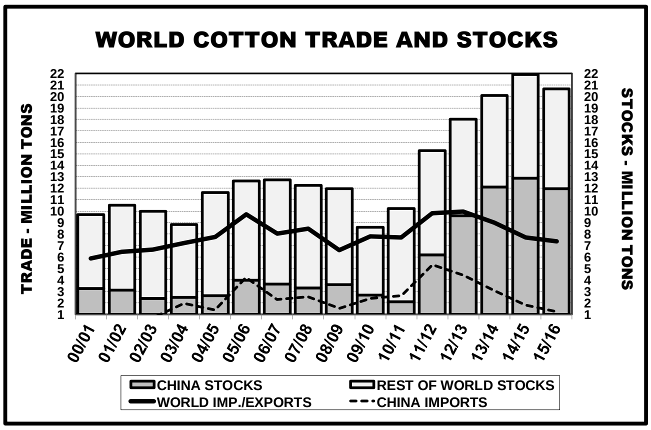
Mainly due to lower cotton prices, world cotton production is forecast by the International Cotton Advisory Committee (ICAC) to fall by 12% to 23.1 million tons in 2015/16. Decreases are expected in all five top producing countries. In the world's top two cotton producing countries, India and China, the ICAC expects production decreases of 4% and 19% respectively. The announcement of a lower Chinese subsidy for 2015 together with lower yields in some areas due to unfavourable weather and shortages in irrigation water, contributed to the decline in Chinese cotton production. Cotton production in the other three major cotton producing countries, namely the USA, Pakistan and Brazil, is forecast by the ICAC to decrease by 18%, 10% and 6% respectively. In the USA, lower yields due in part to excessive rains, contributed to the decline in production.

World cotton consumption has been revised downward by the ICAC from initial projections to 24.4 million tons, up less than 1% from 2014/15. Cotton consumption in China, the world's largest consumer of cotton is expected to decrease by 3% in 2015/16. As China's spinning sector continues to decline, cotton mill use in other major cotton consuming countries such as Bangladesh, Vietnam and Turkey is expected by the ICAC to respectively grow by 10%, 20% and 5% this season.

World cotton imports are forecast by the ICAC to decline by 3% to 7.4 million tons in 2015/16, which would constitute the fourth consecutive season in which import volume declined. This is mainly due to the fact that China's imports are expected to shrink by 33% to 1.2 million tons this season due to import quotas.





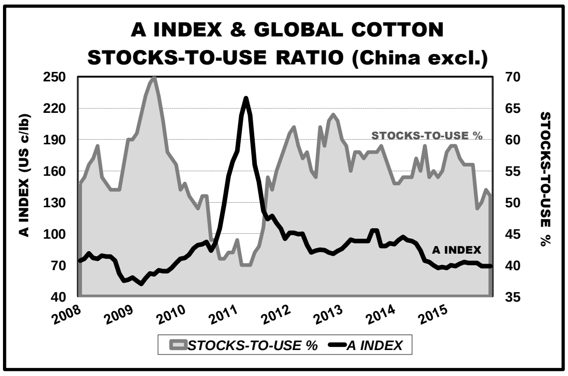


Although world ending cotton stocks are forecast this year to decrease for the first time in 5 years, by 6% to 20.7 million tons, the high stock levels which represent about 85% of annual world mill use, continue to place downward pressure on international prices.

Estimated world supply and demand for cotton for the 2013/14 season and projections for 2014/15 and 2015/16 (seasons beginning 1 August):

(million metric tons)	**2013/14**	**2014/15**	**2015/16**
Beginning stocks	18.0	20.1	21.9
Production	26.3	26.2	23.1
Consumption	23.9	24.2	24.4
Exports	9.0	7.7	7.4
Imports	8.7	7.6	7.4
Ending stocks	20.1	21.9	20.7
Ending stocks/use (China excluded)	49%	54%	51%
A Index (US c/lb)	***91***	***71***	***61-82***

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



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

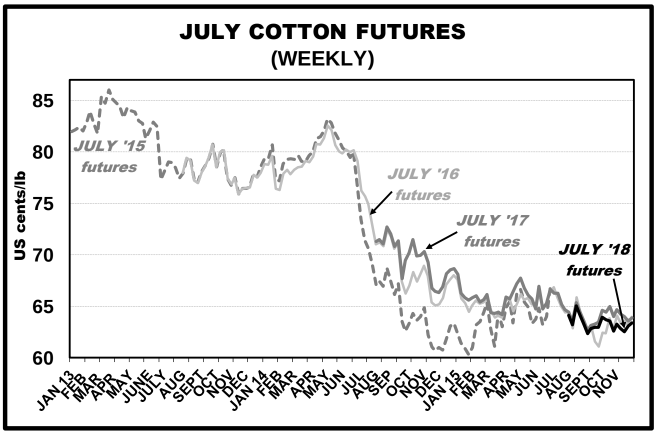
	A INDEX	**DERIVED RSA "PRICE"**
	Avg: US c/lb	Avg: SA c/kg
Last week (23/11 - 27/11/15)	69.16	2189.69
November 2015	69.22	2186.92
Today (01/12/15)	**69.50**	**2239.68**
October 2015	69.03	2084.39
Today a year ago	*66.00*	*1633.67*
Today two years ago	*85.90*	*1946.47*

*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. 2015 (settlement prices):

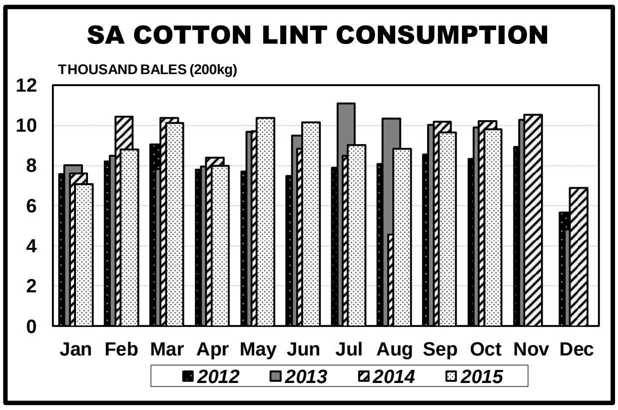
	NY FUTURES
	US c/lb
Mar 2016	63.54
May	64.21
July	64.65
Oct	64.15
Dec	64.80
Mar 2017	64.85
May	64.80

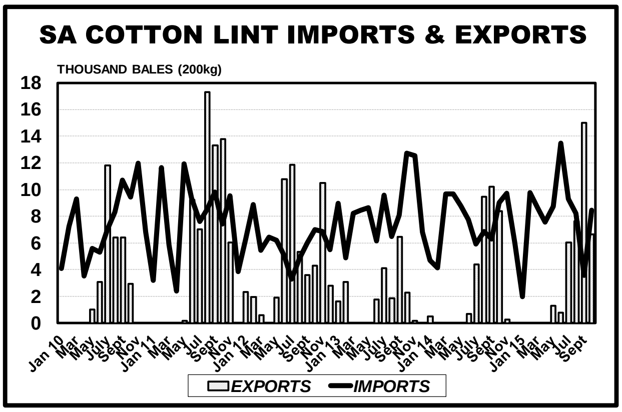
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, all cotton has now been delivered to the gins and the final estimate for the 2014/15 production year indicates a total crop of 95 472 lint bales, up 98% from the previous season. About 93 922 lint bales are estimated to be produced from RSA grown seed cotton, up 115% from the previous season. The balance of 1550 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.





COTTON CROP REPORT - FINAL ESTIMATE **2014/15 PRODUCTION YEAR** *30/11/15*

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint	% OF CROP HAND PICKED	% OF CROP GINNED SO FAR
LIMPOPO PROV.							
Loskop	1488	0	4555	0	**11861**	1%	100%
North & South Flats	120	530	3500	800	**1477**	0%	100%
Dwaalboom/Thabazimbi	0	0	0	0	**0**	0%	0%
Weipe	800	0	3000	0	**4261**	0%	100%
NORTHERN CAPE							
Vaalharts	1255	0	5428	0	**12648**	0%	95%
Lower Orange River	1130	0	5343	0	**11170**	0%	80%
Rest of Northern Cape	2702	0	5541	0	**27722**	0%	83%
NORTH WEST							
Stella/Setlagoli	1117	4176	5343	1439	**22052**	0%	80%
Taung	0	0	0	0	**0**	0%	0%
KWAZULU-NATAL	80	640	800	400	**510**	100%	100%
MPUMALANGA	100	1290	4500	621	**2221**	100%	100%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**8792**	**6636**	**4993**	**1129**	**93922**	3%	87%
Swaziland*	0	1700	0	500	**1550**	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	**8792**	**8336**	**4993**	**1000**	**95472**	5%	87%

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