The Cotlook A index (an indicator of international cotton prices) for January 2018 averaged 91 US c/lb, up 11 US c/lb from the October and November 2017 average of about 80 US c/lb. The rise in prices is not only due to speculative buying, but also to a series of other factors such as a steady international demand for quality cotton and a continued strong take-up of fibre sold by China from state auctions.

World cotton production for 2017/18 is forecast by the International Cotton Advisory Committee (ICAC) to reach 25.5 million tons, up 11% from the previous season. According to the ICAC, production increases are coming off the gains in planted area rather than yields this season. While most major cotton producing countries have estimated increased planted area for 2017/18, Australia is the exception where planted area has decreased by 10%, yet still increasing cotton production due to a yield growth of about 16%.

Cotton production in the Northern Hemisphere for 2017/18, which accounts for 88% of world cotton production, is forecast by the ICAC to increase by 12% over last season.

After stagnating in 2016/17, global cotton demand is expected to increase by 3% in 2017/18 to 25.4 million tons. This would be partly due to the rising price of competing fibres. The price of polyester has risen over the course of the season and continues to increase relative to cotton, even as cotton prices have moved upward.

According to the ICAC, major cotton producing countries with export capacity are expected to see increased cotton exports in 2017/18 due to the international demand for quality cotton. In the Southern Hemisphere, Australia's exports are projected by the ICAC to grow by 24% in 2017/18 to 944 000 tons whilst cotton exports from Brazil are expected to see a 8% growth to 655 000 tons. USA cotton exports, while slightly below the high of the 2016/17 season, is projected to remain the largest at 3.2 million tons. The second largest cotton export region is West Africa where cotton exports are expected to increase slightly by 0.5% to 980 000 tons representing approximately 12% of the global share of cotton exports.

World ending cotton stocks are forecast by the ICAC to reach a level of 18.9 million tons by 31 July 2018, slightly up from the 18.7 million tons of the previous season.
Estimated world supply and demand for cotton for the 2015/16 season and projections for 2016/17 and 2017/18 (seasons beginning 1 August):

<table>
<thead>
<tr>
<th>(million metric tons)</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning stocks</td>
<td>23.0</td>
<td>20.3</td>
<td>18.7</td>
</tr>
<tr>
<td>Production</td>
<td>21.5</td>
<td>23.0</td>
<td>25.5</td>
</tr>
<tr>
<td>Consumption</td>
<td>24.2</td>
<td>24.6</td>
<td>25.4</td>
</tr>
<tr>
<td>Exports</td>
<td>7.5</td>
<td>8.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Imports</td>
<td>7.5</td>
<td>8.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>20.3</td>
<td>18.7</td>
<td>18.9</td>
</tr>
<tr>
<td>Ending stocks/use</td>
<td>46%</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>A Index (US c/lb)</td>
<td>70</td>
<td>83</td>
<td>71.85</td>
</tr>
</tbody>
</table>

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

Average Cotlook A Index prices and corresponding South African “cotton prices”:

<table>
<thead>
<tr>
<th></th>
<th>A INDEX</th>
<th>&quot;PRICE&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. US c/lb</td>
<td>Avg. SA c/kg</td>
</tr>
<tr>
<td>Last week (22/01 - 26/01/18)</td>
<td>93.26</td>
<td>2491.33</td>
</tr>
<tr>
<td>January 2018</td>
<td>90.99</td>
<td>2476.22</td>
</tr>
<tr>
<td><strong>Today (01/02/18)</strong></td>
<td><strong>87.85</strong></td>
<td><strong>2325.10</strong></td>
</tr>
<tr>
<td>December 2017</td>
<td>85.73</td>
<td>2511.03</td>
</tr>
<tr>
<td>Today a year ago</td>
<td>84.25</td>
<td>2535.36</td>
</tr>
<tr>
<td>Today two years ago</td>
<td>67.95</td>
<td>2426.06</td>
</tr>
</tbody>
</table>

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 Feb. 2017 (settlement prices):

<table>
<thead>
<tr>
<th>NY FUTURES</th>
<th>US c/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2018</td>
<td>78.35</td>
</tr>
<tr>
<td>May</td>
<td>79.45</td>
</tr>
<tr>
<td>July</td>
<td>80.24</td>
</tr>
<tr>
<td>Oct</td>
<td>75.76</td>
</tr>
<tr>
<td>Dec</td>
<td>75.42</td>
</tr>
<tr>
<td>Mar 2019</td>
<td>75.72</td>
</tr>
<tr>
<td>May</td>
<td>75.51</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>JULY COTTON FUTURES</th>
<th>(WEEKLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY '18 futures</td>
<td>JULY '17 futures</td>
</tr>
<tr>
<td>JULY '19 futures</td>
<td>JULY '20 futures</td>
</tr>
</tbody>
</table>
Local outlook

As far as the local outlook is concerned, the 1st estimate for the 2017/18 production year indicates a cotton crop of 189,779 lint bales for the RSA, an increase of 145% over the previous season. Dryland and irrigation hectares show increases of 63% and 159% respectively over the previous year mainly due to the more favourable prices of cotton in relation to competitive crops but also due to renewed interest in cotton production.