KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

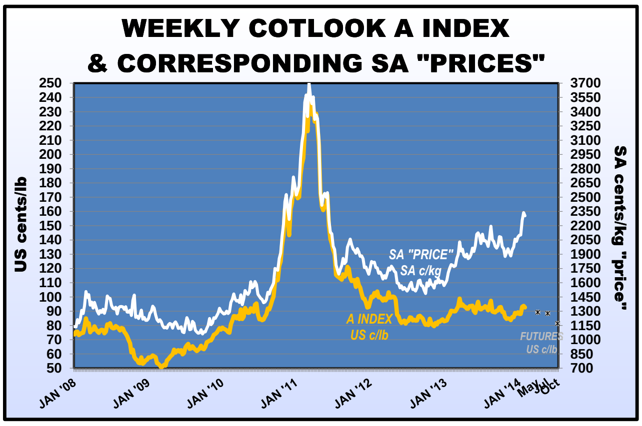
*Nie-winsgewende Organisasie / Non-profit Company*
*Registration No. 199800820/08*

**Date: 5 March 2014** **Reference: 9/3/3/1**

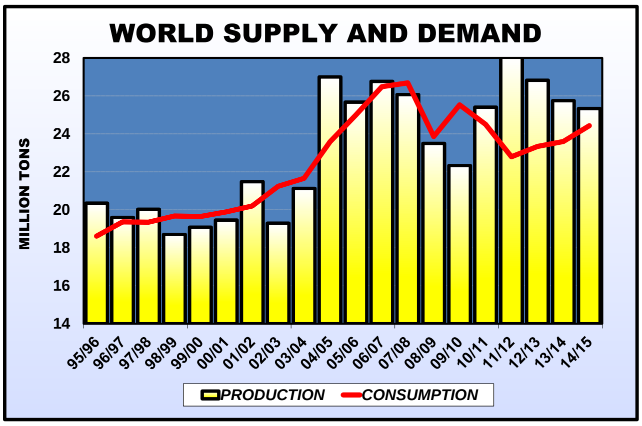
# COTTON MARKET REPORT AS AT 4 MARCH 2014

## International

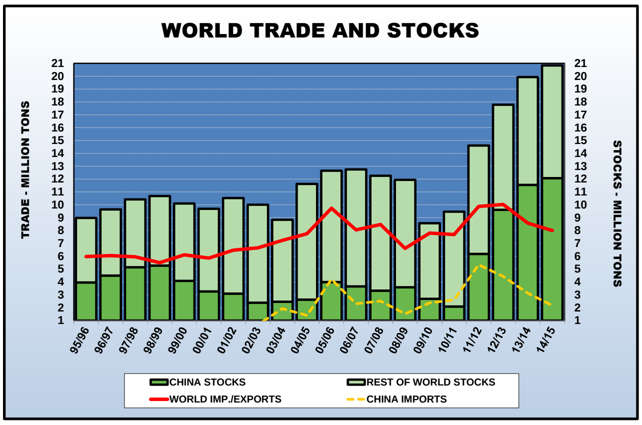
The Cotlook A index (an indicator of international cotton prices) for February 2014 averaged 94 US c/lb, about 2c/lb up from the January 2014 average. The increase and relatively higher cotton prices are due in part to China's cotton reserve stock policy which has removed much of the excess stock from the world market in recent years. The International Cotton Advisory Committee's (ICAC) latest projection of the average Cotlook A index for 2013/14 is between 83 – 99 US c/lb with a midpoint of 90 US c/lb.




World cotton production for 2014/15 is forecast by the ICAC to remain fairly stable with 33 million hectares expected to be planted, more or less the same as for 2013/14. According to the ICAC, the expected lower cotton production in China for 2014/15 due to its new cotton policy, will be offset by higher production in other countries, particularly the USA. In the past two months both the USA and China announced changes to their agricultural policies. The effect for cotton production in the USA would be that cotton area is expected to increase in 2014/15 by about 9% due to expectations that cotton prices will be relatively higher than that of other competing crops such as maize. In China the new target price program for cotton will be limited only to the Xinjiang province with the effect that cotton production is expected to decline in the other provinces. The ICAC estimates a 9% decline in cotton area in China for 2014/15.




World cotton consumption for 2014/15 is estimated by the ICAC to rise by 3.5% following the projected rise of 1% for the current season. According to the ICAC, world cotton trade will decline by 5% in 2014/15, in a large part due to

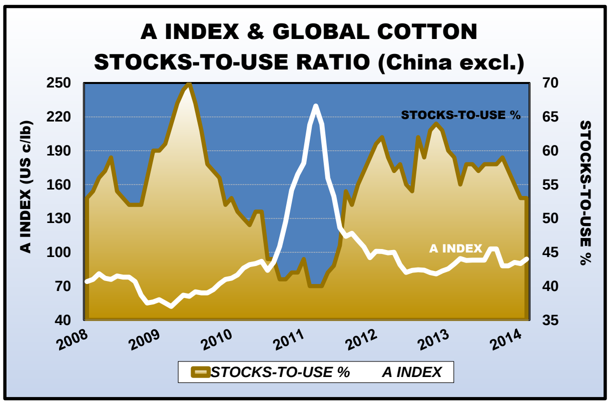


an expected 1 million ton decline in Chinese cotton imports. World ending cotton stocks are forecast by the ICAC to reach a record level of 20.8 million tons in 2014/15 as production is expected to exceed consumption for the 5th consecutive season.

***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 | 14.6 | 17.8 | 19.9 |
| Production | 26.8 | 25.8 | 25.3 |
| Consumption | 23.3 | 23.6 | 24.4 |
| Exports | 10.0 | 8.6 | 8.0 |
| Imports | 9.7 | 8.6 | 8.0 |
| Ending stocks | 17.8 | 19.9 | 20.8 |
| Ending stocks/use (China excluded) | 54% | 53% | 53% |
| ***A Index (US c/lb)*** | ***88*** | ***83-99*** | |

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




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

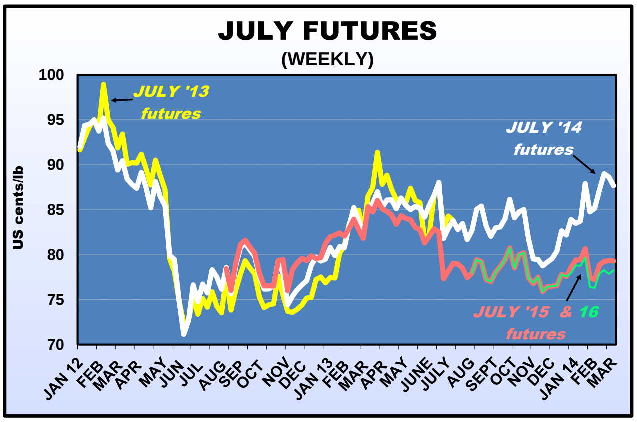
| | **A INDEX** | **DERIVED RSA "PRICE"** |
|---|---|---|
| | *Avg: US c/lb* | *Avg: SA c/kg* |
| Last week (24/02 - 28/02/14) | 94.13 | 2267.61 |
| February 2014 | 94.05 | 2302.05 |
| **Today (04/03/14)** | **94.30** | **2275.39** |
| January 2014 | 90.91 | 2200.44 |
| *Today a year ago* | *91.65* | *1856.71* |
| *Today two years ago* | *97.45* | *1638.69* |

*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 4 March 2014 (settlement prices):***

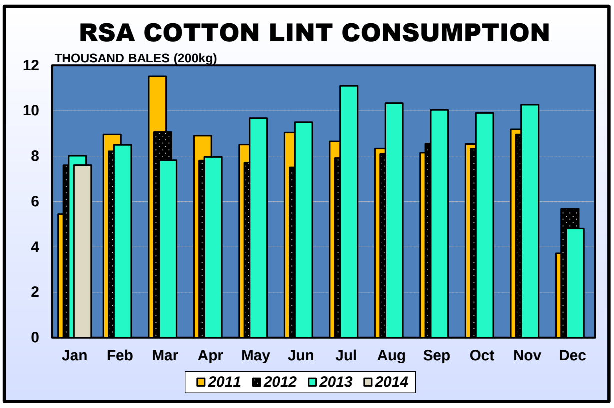
| | **NY FUTURES** |
|---|---|
| | *US c/lb* |
| May 2014 | 89.22 |
| July | 88.47 |
| October | 81.36 |
| December | 78.81 |
| March 2015 | 78.99 |
| May | 79.15 |
| July | 79.40 |

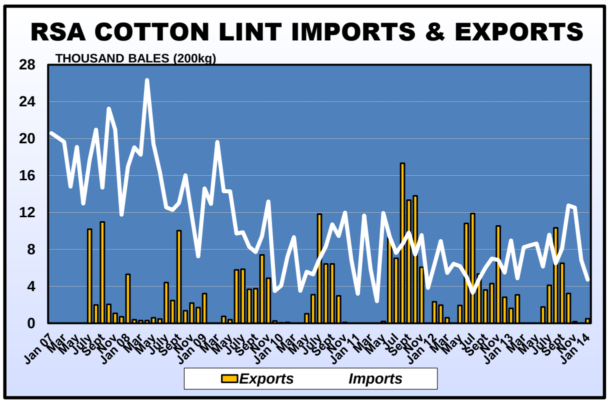
***New York JULY cotton futures as at the beginning of each week:***



## Local outlook

As far as the local outlook is concerned, the 2nd estimate for the 2013/14 production year indicates a total crop of 47 646 lint bales, up 1% from the previous month's estimate. About 43 646 lint bales are estimated to be produced from RSA grown seed cotton, up 68% from the previous season. The balance of 4 000 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.




**COTTON CROP REPORT - 2nd ESTIMATE** **2013/14 PRODUCTION YEAR** *28/02/14*

| 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 | 4410 | 0 | **10017** | 1% | 0% |
| North & South Flats | 0 | 1217 | 0 | 1200 | **2556** | 0% | 0% |
| Dwaalboom/Thabazimbi | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Weipe | 800 | 0 | 4000 | 0 | **5920** | 0% | 0% |
| **NORTHERN CAPE** | | | | | | | |
| Vaalharts | 973 | 0 | 4948 | 0 | **8908** | 0% | 0% |
| Lower Orange River | 504 | 0 | 4464 | 0 | **4162** | 0% | 0% |
| Rest of Northern Cape | 970 | 0 | 5092 | 0 | **9138** | 0% | 0% |
| **NORTH WEST** | | | | | | | |
| Stella/Setlagoli | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| Taung | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **KWAZULU-NATAL** | 120 | 600 | 2800 | 800 | **1476** | 90% | 0% |
| **MPUMALANGA** | 0 | 1370 | 0 | 600 | **1469** | 100% | 0% |
| **EASTERN CAPE** | 0 | 0 | 0 | 0 | **0** | 0% | 0% |
| **RSA TOTAL** | **4665** | **3187** | **4558** | **867** | **43646** | 7% | 0% |
| Swaziland* | 0 | 3500 | 0 | 600 | **4000** | 100% | 0% |
| 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** | **4665** | **6687** | **4558** | **727** | **47646** | 14% | 0% |

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

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