

Date: 6 May 2015

Reference: 9/3/3/1

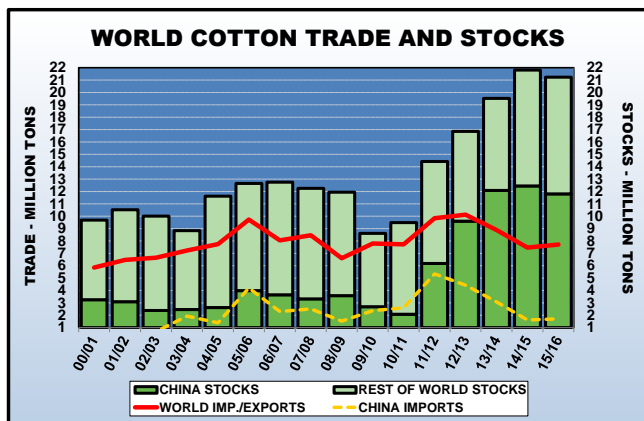
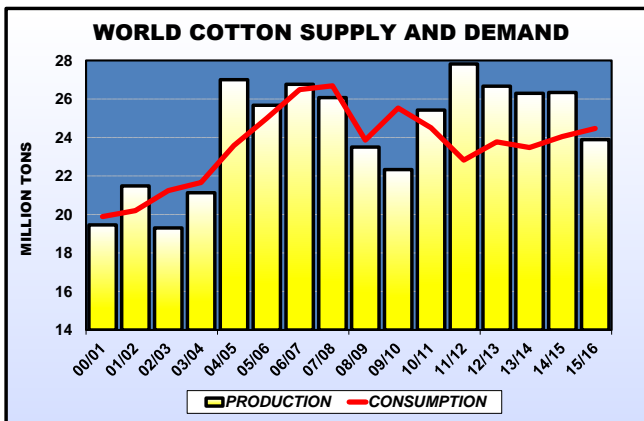
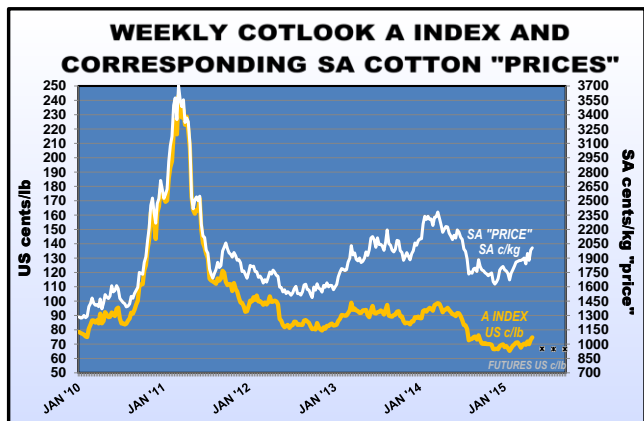
## COTTON MARKET REPORT AS AT 5 MAY 2015

### International

According to the International Cotton Advisory Committee (ICAC), world cotton stocks outside China are projected to increase by 26% this year to 9.4 million tons which will be the highest level in 35 years. The ICAC expects that these record stocks are likely to keep international cotton prices down in 2015/16, i.e. until about middle 2016 when farmers in the Northern Hemisphere start making planting decisions for the next season. In response to the current low cotton prices and the more attractive prices of competing summer crops, world cotton production is forecast by the ICAC to fall by about 9% to 23.9 million tons in 2015/16 which will be the lowest level in 6 years.

World consumption is forecast by the ICAC to increase by 2% in 2014/15 and by a further 2% in 2015/16. This growth is however mainly driven by increases in population and moderate world economic growth. Although cotton prices have dropped over the past year, polyester prices have also decreased, diminishing the likelihood that cotton will regain market share from polyester.

Despite China's announcement last year that it was ending its cotton reserve policy, the Chinese government still has over 11 million tons of cotton in reserve. To bolster sales of cotton from its domestic crop and from the reserve, the Chinese have implemented a cotton import quota and also lowered domestic cotton prices. Chinese cotton consumption is however expected to remain stable at 7.7 million tons in 2015/16 as domestic yarn has to compete with imported cotton yarn.



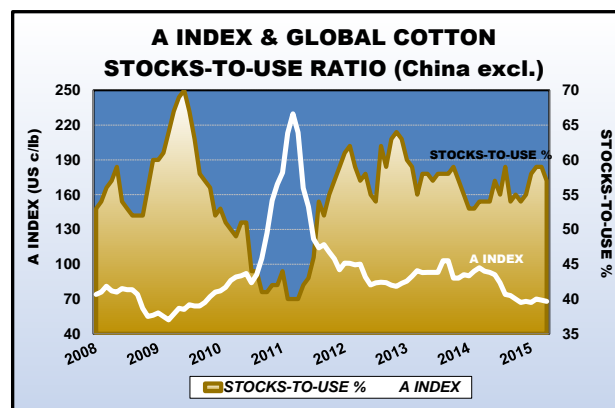
According to the ICAC, imports of cotton yarn into China increased by 15% in the first three months of 2015 compared with the same period in 2014.

World cotton trade is expected by the ICAC to rise by about 3% in 2015/16 after declining by 16% in 2014/15 mainly due to a 50% drop in Chinese cotton imports during that season.

**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	16.9	19.5	21.8
Production	26.3	26.3	23.9
Consumption	23.5	24.1	24.5
Exports	8.9	7.5	7.7
Imports	8.7	7.5	7.7
Ending stocks	19.5	21.8	21.2
Ending stocks/use (China excluded)	47%	57%	56%
<b>A Index (US c/lb)</b>	<b>91</b>	<b>66-74</b>	<b>50-77</b>

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



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

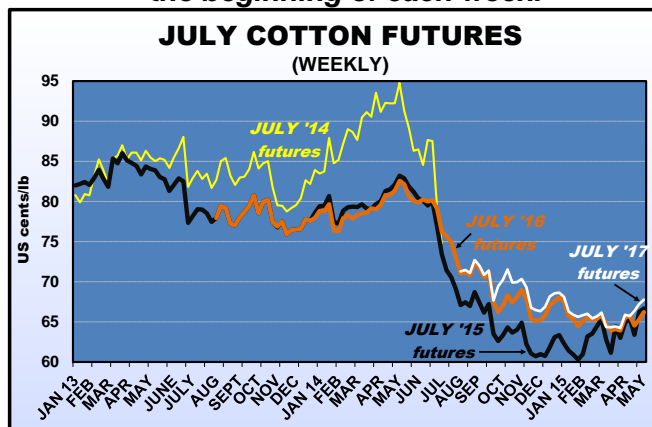
	<b>A INDEX</b> <i>Avg: US c/lb</i>	<b>DERIVED RSA "PRICE"</b> <i>Avg: SA c/kg</i>
Last week (27/04 - 01/05/15)	73.64	1960.02
April 2015	71.41	1917.36
<b>Today (05/05/15)</b>	<b>73.80</b>	<b>1990.41</b>
March 2015	69.35	1871.24
Today a year ago	95.30	2224.96
Today two years ago	93.50	1866.70

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 5 May 2015 (settlement prices):**

<b>NY FUTURES</b>	
	<i>US c/lb</i>
July 2015	66.75
Oct	66.52
Dec	66.49
Mar 2016	66.35
May	66.47
July	66.73
Oct	67.08

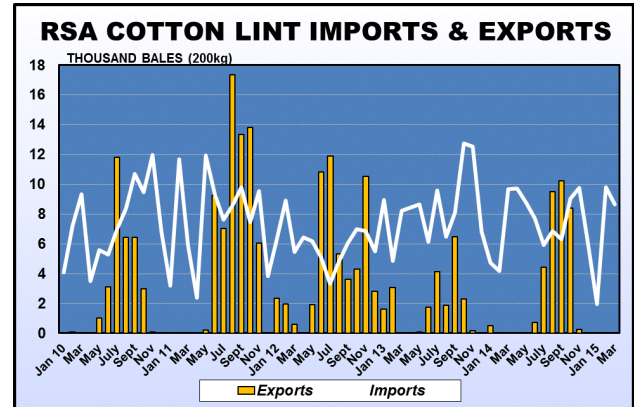
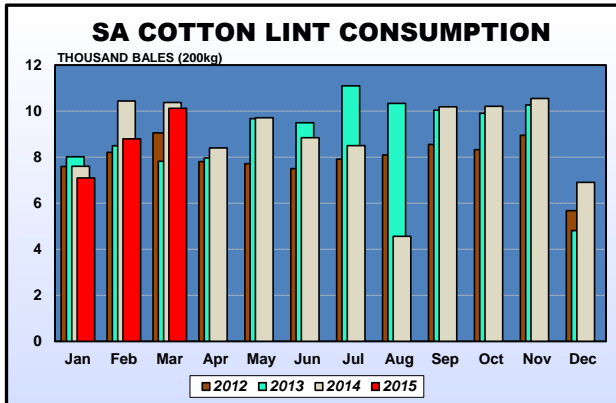
**New York JULY cotton futures as at the beginning of each week:**



**Local outlook**

As far as the local outlook is concerned, the 4<sup>th</sup> estimate for the 2014/15 production year indicates a total crop of 98 481 lint bales, up 104% from the previous season but more or less the same as the third crop estimate. About 94 881 lint bales are estimated to be

produced from RSA grown seed cotton, up 117% from the previous season. The balance of 3 600 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**COTTON CROP REPORT - 4th ESTIMATE**

**2014/15 PRODUCTION YEAR**

30/04/15

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
<b>LIMPOPO PROV.</b>							
Loskop	1488	0	4400	0	11458	1%	0%
North & South Flats	120	530	3900	900	1654	0%	0%
Dwaalboom/Thabazimbi	0	0	0	0	0	0%	0%
Weipe	640	0	4000	0	4736	0%	0%
<b>NORTHERN CAPE</b>							
Vaalharts	1255	0	5362	0	12449	0%	0%
Lower Orange River	1130	0	5000	0	10453	0%	0%
Rest of Northern Cape	2702	0	5065	0	25317	0%	0%
<b>NORTH WEST</b>							
Stella/Setlagoli	1117	4176	5000	2000	25783	0%	0%
Taung	0	0	0	0	0	0%	0%
<b>KWAZULU-NATAL</b>	180	640	2000	500	1240	100%	0%
<b>MPUMALANGA</b>	100	890	4200	665	1791	100%	0%
<b>EASTERN CAPE</b>	0	0	0	0	0	0%	0%
<b>RSA TOTAL</b>	<b>8732</b>	<b>6236</b>	<b>4810</b>	<b>1562</b>	<b>94881</b>	<b>3%</b>	<b>0%</b>
Swaziland*	0	3500	0	600	3600	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		
<b>GRAND TOTAL</b>	<b>8732</b>	<b>9736</b>	<b>4810</b>	<b>1216</b>	<b>98481</b>	<b>7%</b>	<b>0%</b>

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

