



Date: 2 August 2011

Reference: 9/3/3/1

COTTON MARKET REPORT AS AT 1 AUGUST 2011

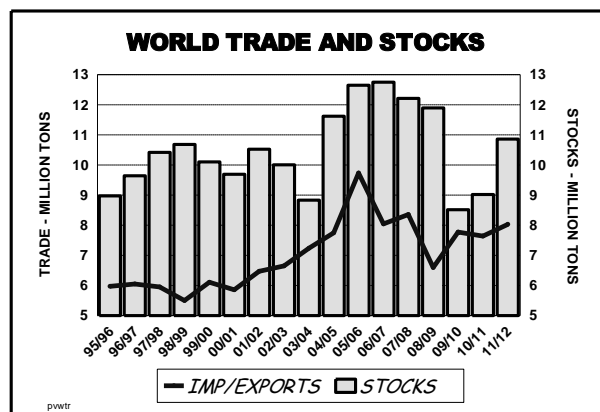
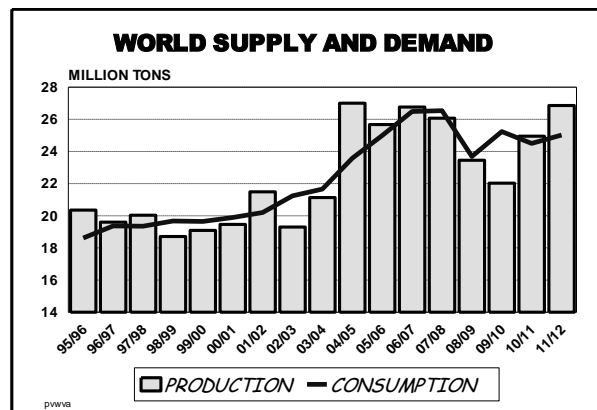
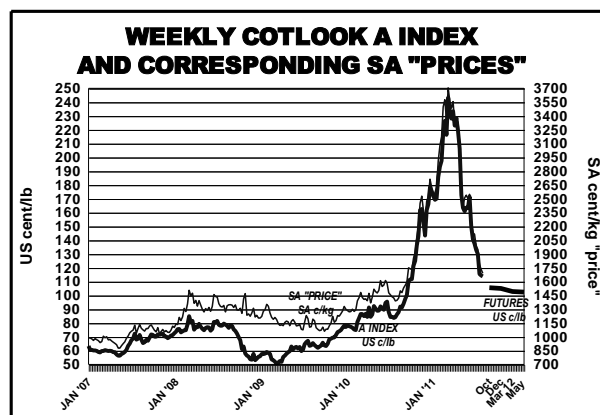
International

After reaching a record level of \$2.44/lb in March this year, international prices fell sharply since then. The Cotlook A index (an indicator of world cotton prices) was down to less than \$1.60/lb on 9 June, the last day it was published, whilst the 2011/12 Cotlook Forward index fell from \$1.46/lb on 9 June to \$1.14/lb on 1 August 2011, the 1st day of the new season. According to the International Cotton Advisory Committee (ICAC) the main reason for the drop in prices is because of slowing demand from cotton spinners due to high raw material prices, problems with credit access, declining cotton yarn prices as well as an increased switch to chemical fibres.

In view of the above and the increase in global cotton production which will replenish stocks, the ICAC expects a significant decline in the average A index for 2011/12. The average A index for 2011/12 will probably be above the 10-year average figure of 60 US c/lb.

World cotton production is expected by the ICAC to increase by 8% to a record 26.9 million tons in 2011/12 driven by the high cotton prices received by farmers in 2010/11. An increase in cotton production is expected for most cotton producing countries with the exception of the USA where production is expected to be 12% down from the previous season mainly due to severe drought conditions in Texas. Cotton production in India and Australia on the other hand could reach record levels.

Driven by global economic growth and boosted by increased production but limited by relatively high prices and competition from chemical fibres, global cotton mill use for



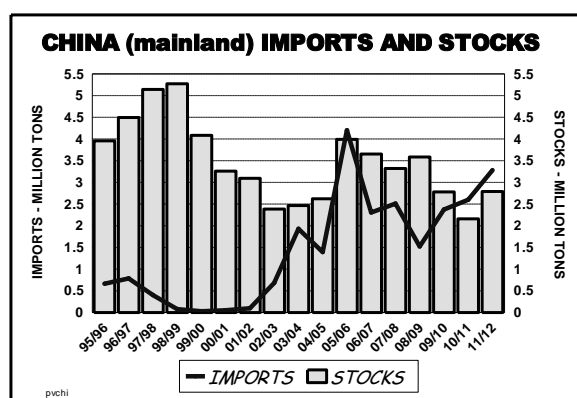
2011/12 is projected by the ICAC to reach 25.0 million tons, up 2% from 2010/11. Due to the expected global surplus of 1.8 million

tons of cotton, world ending stocks could rebound by 20% to 10.9 million tons in 2011/12, according to the ICAC.

Estimated world supply and demand for cotton for the 2009/10 season and projections for 2010/11 and 2011/12 (seasons beginning 1 August):

Cotton imports and stocks situation for China (mainland):

(million metric tons)	2009/10	2010/11	2011/12
Beginning stocks	11.9	8.5	9.0
Production	22.0	25.0	26.9
Consumption	25.2	24.5	25.0
Exports	7.8	7.6	8.0
Imports	7.8	7.7	8.0
Ending stocks	8.5	9.0	10.9
Ending stocks/use (China excluded)	38%	46%	53%
A Index (US c/lb)	78	164	



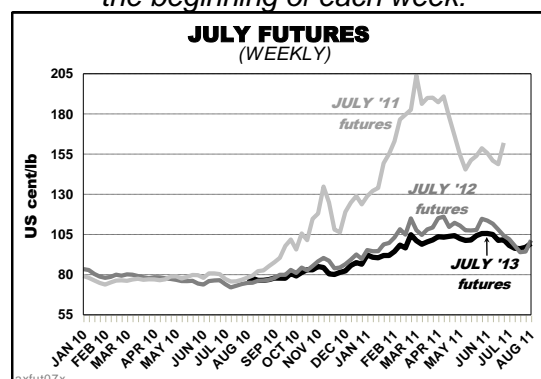
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	RSA "PRICE"
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (25/07 - 29/07/11)	114.12	1704.50
July 2011	121.73	1837.83
Today (01/08/11) forward A index	113.80	1690.64
June 2011	149.63	2253.29
Today a year ago	86.30	1397.28
Today two years ago	63.90	1110.30

New York cotton futures as at 1 Aug. 2011 (settlement prices):

NY FUTURES	
	<i>US c/lb</i>
October 2011	105.59
December	105.05
March 2012	102.83
May	102.42
July	101.37
October	99.11
December	95.30

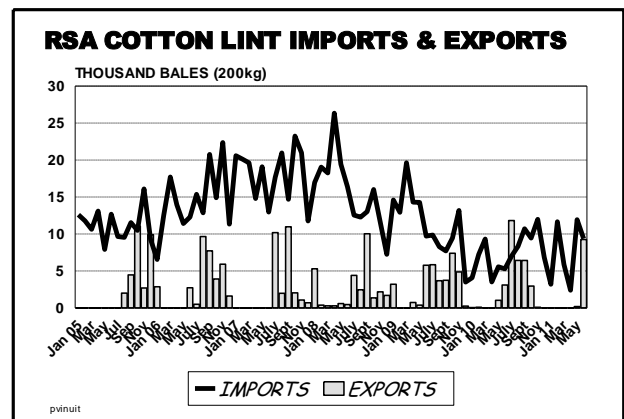
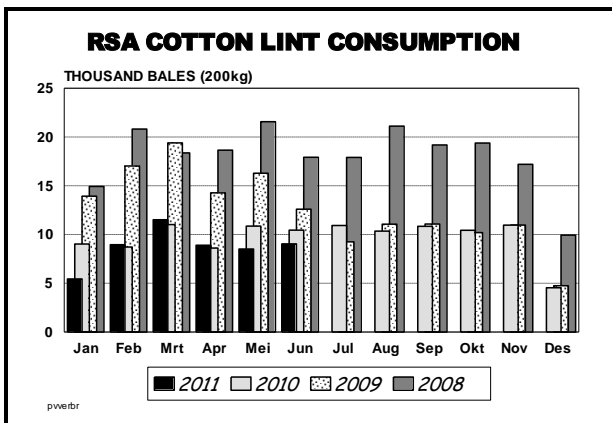
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 7th estimate for the 2010/11 production year indicates a total crop of 90 157 lint bales, down 1% from last month's estimate but 112% up from the previous season and the first increase in local cotton production in 7 years. The current crop estimate is 14% down from the first estimate earlier this year

mainly due to a decline in yields as a result of floods and unfavourable weather conditions. About 86 157 lint bales are estimated to be produced from RSA grown seed cotton, 124% up 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 - 7th ESTIMATE

2010/11 PRODUCTION YEAR

01/08/11

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	2350	0	4000	0	16450	10%	54%
North & South Flats	58	292	2500	800	663	10%	54%
Dwaalboom/Thabazimbi	90	0	4000	0	630	10%	54%
Weipe	1422	0	4600	0	12000	0%	40%
NORTHERN CAPE							
Vaalharts	2269	0	3341	0	13690	0%	26%
Lower Orange River	400	0	4000	0	2960	50%	45%
Rest of Northern Cape	4596	0	4236	0	36016	0%	13%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	460	0	3000	0	2484	0%	30%
KWAZULU-NATAL							
	0	490	0	450	400	100%	0%
MPUMALANGA							
	0	703	0	690	864	100%	12%
EASTERN CAPE							
	0	0	0	0	0	0%	0%
RSA TOTAL	11645	1485	3991	633	86157	5%	29%
Swaziland*	0	4000	0	550	4000	100%	10%
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	11645	5485	3991	572	90157	9%	28%

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

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