



Date: 2 August 2012

Reference: 9/3/3/1

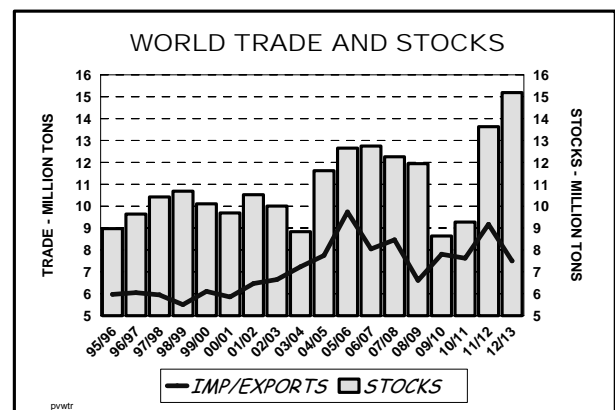
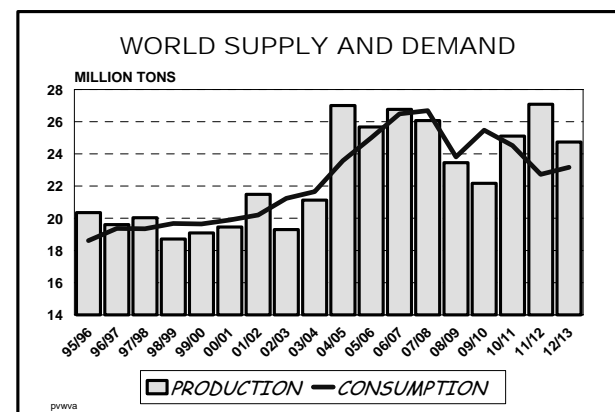
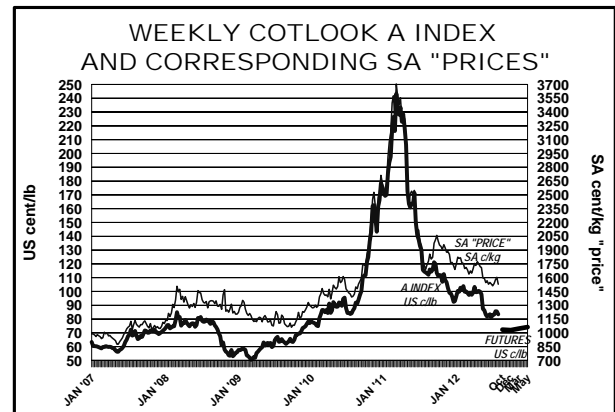
COTTON MARKET REPORT AS AT 1 AUGUST 2012

International

According to the International Cotton Advisory Committee (ICAC), the considerable increase in world cotton stocks combined with declining cotton consumption resulted in a significant decline in cotton prices in 2011/12. The average Cotlook A Index (an indicator of world cotton prices) dropped by 39% from the previous season's record to an average of US \$1.00/lb in 2011/12. The record imports of 5.2 million tons by China in 2011/12 however prevented a more pronounced fall in international prices. According to the ICAC, the high level of global cotton stocks is expected to have a depressing effect on international prices in the coming year, but the extent of the downward pressure will depend largely on how the Chinese national cotton reserve is handled as well as on the timing and level of imports by China in 2012/13.

Following the drop in cotton prices over the past year, world cotton production is forecast by the ICAC to drop by 8% in 2012/13 to 24.7 million tons. The ICAC also expects world cotton consumption for 2012/13 to increase only slightly due to the slow rate of economic growth in the world as well as the fact that the high domestic cotton support price in China is encouraging Chinese spinners to switch to alternative fibres. The estimated excess world supply of cotton of 1.6 million tons will cause world cotton stocks to rise by 11% to 15.2 million tons by 31 July 2013, which would be the highest on record. According to the ICAC, cotton stocks will accumulate at a faster rate outside of China than in China itself.

Due to the expected drop of about 50% in imports by China in 2012/13, global cotton



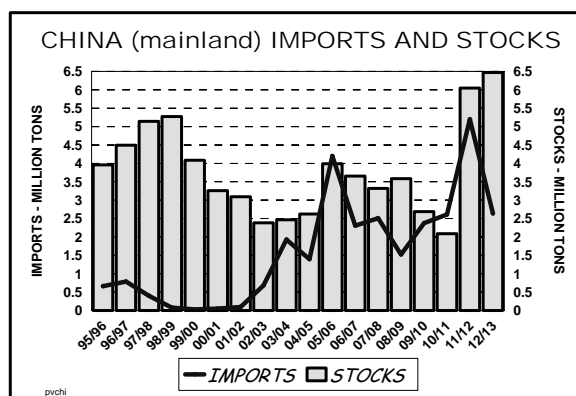
trade is expected by the ICAC to fall by 20% to 7.5 million tons this season. The ICAC however expects that cotton imports by countries other than China could grow by

17% to 4.9 million tons, driven by lower cotton prices and the slightly higher level of consumption.

Estimated world supply and demand for cotton for the 2010/11 season and projections for 2011/12 and 2012/13 (seasons beginning 1 August):

(million metric tons)	2010/11	2011/12	2012/13
Beginning stocks	8.6	9.3	13.6
Production	25.1	27.1	24.7
Consumption	24.5	22.7	23.2
Exports	7.6	9.3	7.5
Imports	7.7	9.3	7.5
Ending stocks	9.3	13.6	15.2
Ending stocks/use (China excluded)	48%	54%	60%
A Index (US c/lb)	164	100	

Cotton imports and stocks situation for China (mainland):



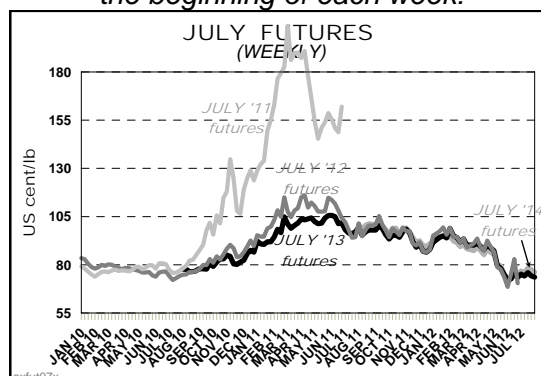
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	RSA "PRICE"
	<i>Avg: US c/lb</i>	<i>Avg: SA c/kg</i>
Last week (23/07 - 27/07/12)	83.99	1573.96
July 2012	83.97	1544.88
Today (02/08/12)	81.65	1499.60
June 2012	82.15	1539.31
Today a year ago	116.00	1735.90
Today two years ago	86.30	1397.30

New York cotton futures as at 1 Aug. 2012 (settlement prices):

NY FUTURES	
	<i>US c/lb</i>
October 2012	70.06
December	70.56
March 2013	71.51
May	72.18
July	73.06
October	74.79
December	76.16

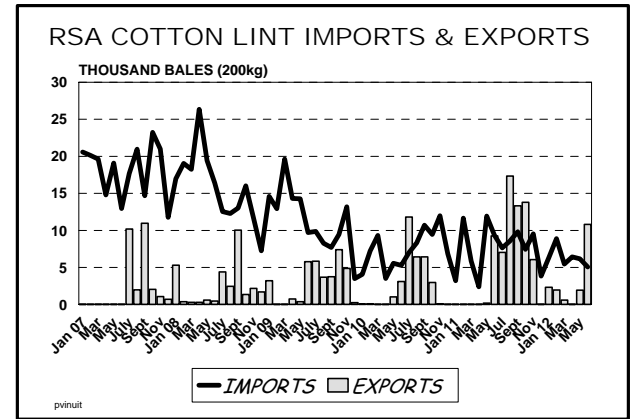
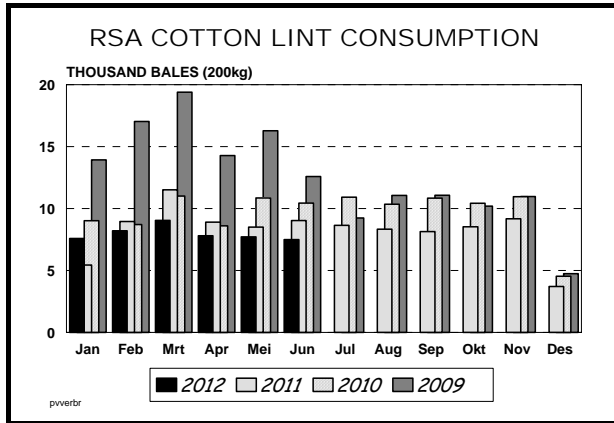
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the 7th estimate for the 2011/12 production year indicates a total crop of 66 339 lint bales, up 1% from last month's estimate. The 2011/12 crop is 26% smaller than that of the previous season mainly due to lower cotton prices and the more favourable prices

of other competing summer crops such as maize. About 62 339 lint bales are estimated to be produced from RSA grown seed cotton, down 27% 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

2011/12 PRODUCTION YEAR

01/08/12

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	1313	0	4200	0	9651	10%	40%
North & South Flats	52	196	3800	900	655	10%	40%
Dwaalboom/Thabazimbi	140	0	3700	0	907	10%	40%
Weipe	873	0	4000	0	6460	0%	40%
NORTHERN CAPE							
Vaalharts	1288	0	4300	0	9969	0%	34%
Lower Orange River	350	0	4000	0	2590	50%	35%
Rest of Northern Cape	2996	0	4826	0	26749	1%	55%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	0	0%	0%
Taung	240	0	4300	0	1858	0%	34%
KWAZULU-NATAL	0	970	0	668	1170	50%	0%
MPUMALANGA	0	2162	0	600	2330	100%	3%
EASTERN CAPE	0	0	0	0	0	0%	0%
RSA TOTAL	7252	3328	4433	637	62339	9%	43%
Swaziland*	0	3600	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	7252	6928	4433	618	66339	14%	40%

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

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