



*Vereniging ingelyf kragtens Artikel 21 / Association incorporated under Section 21*

Date: 3 September 2010

Reference: 9/3/31

**COTTON MARKET REPORT AS AT 2 SEPTEMBER 2010**

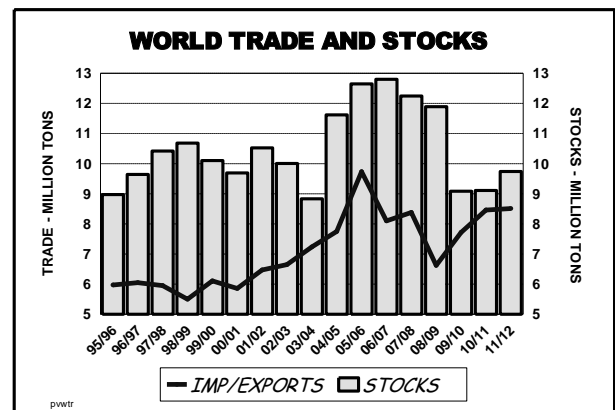
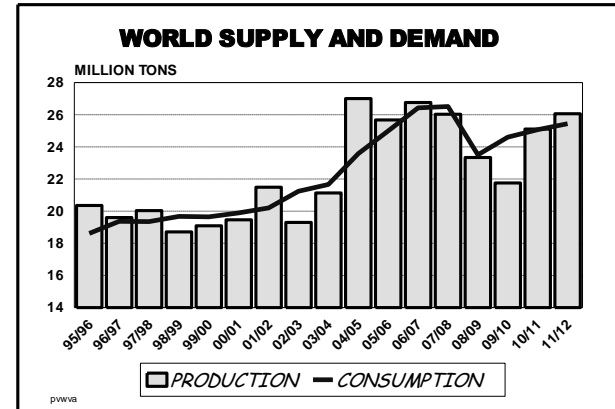
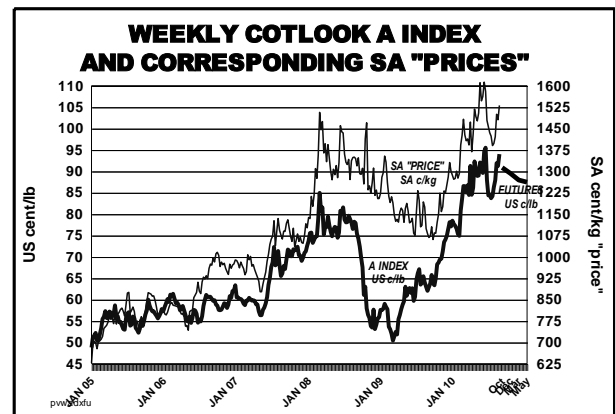
International

The International Cotton Advisory Committee's (ICAC) latest forecast of the 2010/11 average Cotlook A index (an indicator of world prices) of 89 US c/lb, is 4 US c/lb up from last month's estimate and implies a 15% increase over 2009/10.

The ICAC has lowered its estimate of 2010/11 global production by 125 000 tons mainly as a result of the severe floods in Pakistan. World cotton production is however expected to increase in 2010/11 to about 25.1 million tons, up 15% from 2009/10. The expansion in cotton production will be driven by the USA where production is anticipated to increase by about 52%. Apart from Pakistan, production increases are also expected in all the other major cotton producing countries. In India a record crop of 5.7 million tons is expected, up 13% from 2009/10.

Continued improvement in global economic growth is driving the demand for cotton and the ICAC forecasts world cotton consumption to grow by 2% to 25.1 million tons in 2010/11. China and India are expected to account for 80% of the increase in cotton mill use while consumption in Pakistan could decline due to damage and disruption caused by the floods.

Global imports are also expected by the ICAC to grow by 9% in 2010/11 to 8.5 million tons, driven by Chinese imports which are estimated to be 29% up from the previous season and the largest in 5 years. USA cotton exports are forecasted to increase by 27% in 2010/11 whilst increased exports from India, Brazil and Australia are also expected by the ICAC.



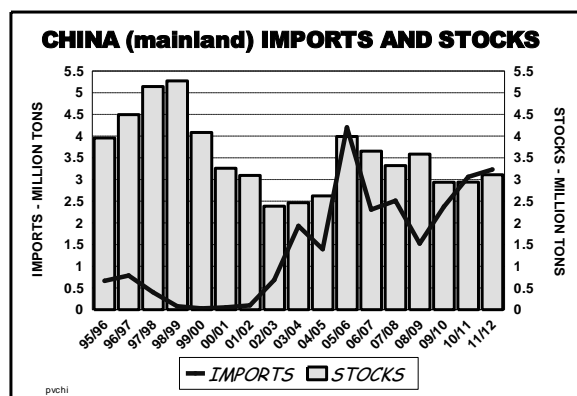
According to the ICAC world beginning stocks will account for only 27% of world

cotton supply in 2010/11, down from the 20 year average figure of 32%.

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

| (million metric tons)                 | 2009/10   | 2010/11   | 2011/12 |
|---------------------------------------|-----------|-----------|---------|
| Beginning stocks                      | 11.9      | 9.1       | 9.1     |
| Production                            | 21.8      | 25.1      | 26.1    |
| Consumption                           | 24.6      | 25.1      | 25.4    |
| Exports                               | 7.7       | 8.5       | 8.5     |
| Imports                               | 7.8       | 8.5       | 8.5     |
| Ending stocks                         | 9.1       | 9.1       | 9.7     |
| Ending stocks/use<br>(China excluded) | 42%       | 41%       | 44%     |
| <b>A Index (US c/lb)</b>              | <b>78</b> | <b>89</b> |         |

*Cotton imports and stocks situation for China (mainland):*



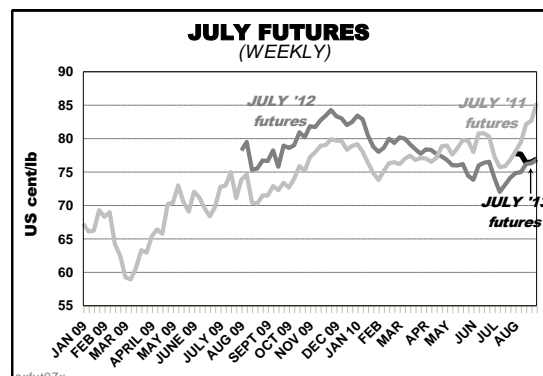
*Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":*

|                              | <b>A INDEX</b>      | <b>RSA "PRICE"</b>  |
|------------------------------|---------------------|---------------------|
|                              | <i>Avg: US c/lb</i> | <i>Avg: SA c/kg</i> |
| Last week (23/08 - 27/08/10) | 92.62               | 1513.71             |
| August 2010                  | 90.51               | 1472.05             |
| <b>Today (02/09/10)</b>      | <b>95.10</b>        | <b>1542.37</b>      |
| July 2010                    | 84.16               | 1417.33             |
| Today a year ago             | 62.35               | 1100.54             |
| Today two years ago          | 77.90               | 1356.77             |

*New York cotton futures as at 2 Sept. 2010 (settlement prices):*

| <b>NY FUTURES</b> |                |
|-------------------|----------------|
|                   | <i>US c/lb</i> |
| October 2010      | 90.87          |
| December          | 89.49          |
| March 2011        | 87.95          |
| May               | 87.44          |
| July              | 87.55          |
| October           | 81.97          |
| December          | 80.60          |

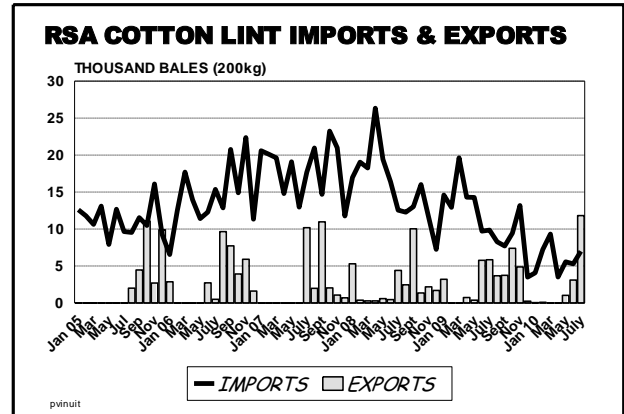
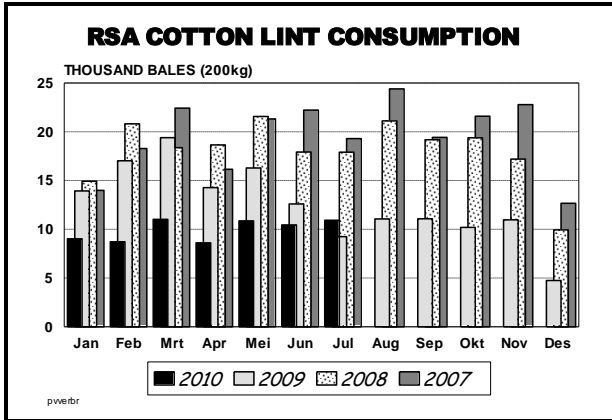
*New York JULY cotton futures as at the beginning of each week:*



**Local outlook**

As far as the local outlook is concerned, the 8<sup>th</sup> estimate for the 2009/10 production year indicates a total crop of 40 222 lint bales, up 4% from last month's estimate but 10% down from the previous season and the smallest crop since the early sixties. About

36 712 lint bales are estimated to be produced from RSA produced seed cotton, 13% down from the previous season. The balance of 3 510 lint bales relates to expected Swaziland produced cotton to be ginned by the Swaziland gin.



**COTTON CROP REPORT - 8th ESTIMATE**

**2009/10 PRODUCTION YEAR**

31/08/10

| PRODUCTION REGION     | HECTARES IRRIGATION | HECTARES DRYLAND | YIELD IRRIGATION<br>kg seed cotton/ha | YIELD DRYLAND<br>kg seed cotton/ha | PRODUCTION<br>200 kg bales cotton lint | CROP % HAND PICKED | % OF CROP GINNED SO FAR |
|-----------------------|---------------------|------------------|---------------------------------------|------------------------------------|--|--------------------|-------------------------|
| <b>LIMPOPO PROV.</b>  |                     |                  |                                       |                                    |  |                    |                         |
| Loskop                | 1009                | 0                | 3980                                  | 0                                  | 7028                                   | 10%                | 68%                     |
| North & South Flats   | 24                  | 160              | 2800                                  | 800                                | 342                                    | 10%                | 68%                     |
| Dwaalboom/Thabazimbi  | 50                  | 0                | 4000                                  | 0                                  | 350                                    | 10%                | 68%                     |
| Weipe                 | 740                 | 0                | 3800                                  | 0                                  | 4340                                   | 0%                 | 90%                     |
| <b>NORTHERN CAPE</b>  |                     |                  |                                       |                                    |  |                    |                         |
| Vaalharts             | 980                 | 0                | 5700                                  | 0                                  | 10054                                  | 0%                 | 40%                     |
| Lower Orange River    | 150                 | 0                | 5000                                  | 0                                  | 1493                                   | 100%               | 100%                    |
| Rest of Northern Cape | 617                 | 0                | 6580                                  | 0                                  | 8083                                   | 0%                 | 100%                    |
| <b>NORTH WEST</b>     |                     |                  |                                       |                                    |  |                    |                         |
| Stella/Setlagoli      | 0                   | 0                | 0                                     | 0                                  | 0                                      | 0%                 | 0%                      |
| Taung                 | 490                 | 0                | 4600                                  | 0                                  | 4057                                   | 0%                 | 40%                     |
| <b>KWAZULU-NATAL</b>  | 0                   | 400              | 0                                     | 400                                | 288                                    | 100%               | 68%                     |
| <b>MPUMALANGA</b>     | 0                   | 800              | 0                                     | 475                                | 677                                    | 100%               | 68%                     |
| <b>EASTERN CAPE</b>   | 0                   | 0                | 0                                     | 0                                  | 0                                      | 0%                 | 0%                      |
| <b>RSA TOTAL</b>      | <b>4060</b>         | <b>1360</b>      | <b>4863</b>                           | <b>491</b>                         | <b>36712</b>                           | 9%                 | 68%                     |
| Swaziland*            | 0                   | 3900             | 0                                     | 500                                | 3510                                   | 100%               | 50%                     |
| 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>4060</b>         | <b>5260</b>      | <b>4863</b>                           | <b>498</b>                         | <b>40222</b>                           | 17%                | 67%                     |

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

**ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)**

Posbus / P O Box 912232, Silverton, Pretoria, 0127  
 Katoen SA Gebou, Cycadoord 90, Uit Watermeyerstraat, Val de Grace X10  
 Cotton SA Building, 90 Cycad Place, Off Watermeyer Street, Val de Grace x10  
 Tel: 27 (12) 804 1462 - 7; Faks/Fax: 27 (12) 804 8616; E-mail: enquiries@cottonsa.org.za  
 Website: www.cottonsa.org.za