KATOEN SUID-AFRIKA COTTON SOUTH AFRICA

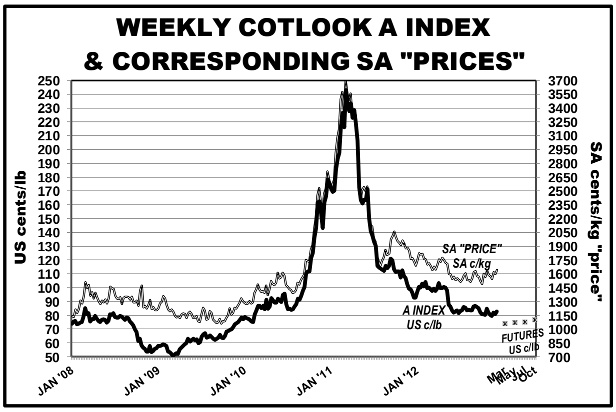
Nie-winsgewende Organisasie / Non-profit Company

Date: 4 December 2012 **Reference: 9/3/3/1**

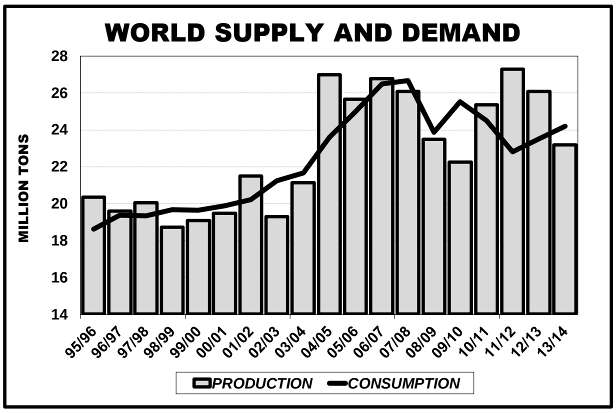
COTTON MARKET REPORT AS AT 3 DECEMBER 2012

International

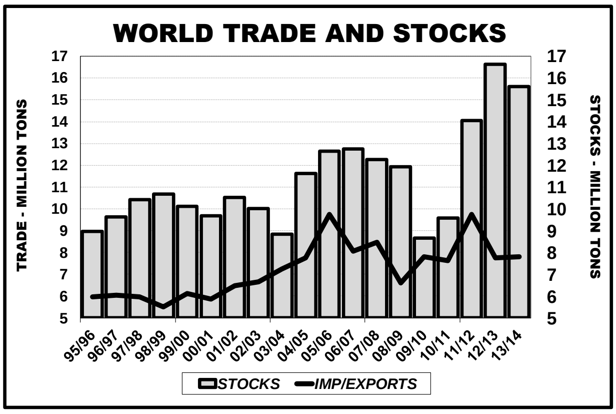
Whilst world cotton prices are down in 2012/13, those of competitive crops such as maize, soybeans and wheat are significantly up. Consequently the International Cotton Advisory Committee (ICAC) projects that world cotton production in 2013/14 will decline by about 11% to 23.2 million tons which will be the smallest output in 4 years and also the 2nd consecutive season of decline in production.



According to the ICAC, cotton production in 2013/14 will decline significantly in the USA (-26%) and in Turkey (-30%) where the competition with grains and soybeans is strong. Smaller cotton production declines are also forecasted for China (-11%), Pakistan (-9%), Central Asia (-3%) and West Africa (-10%). The ICAC only expects a small decline in Southern Hemisphere production for 2013/14 due to the expectation of stronger cotton prices at planting time next year.



The ICAC also expects that global cotton mill use will continue to grow slowly in 2013/14, supported by the small recovery in world economic growth but constrained by the expected small gain in cotton prices. Most of the forecasted increase of 3% in cotton consumption for 2013/14 will originate from South Asia, particularly India and Pakistan. According to the ICAC, cotton mill use by China, the world's largest cotton consumer will drop by about 2% in 2013/14.



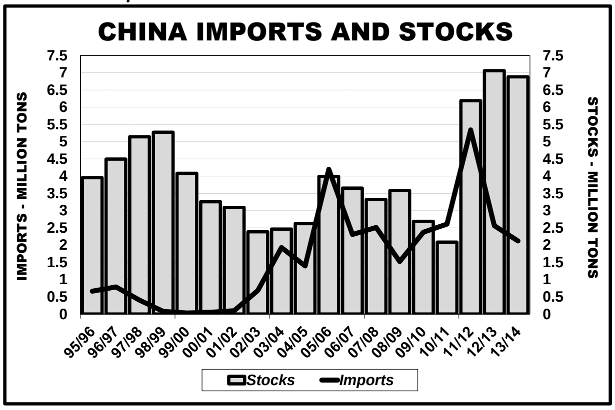
The ICAC forecasts that world cotton trade will remain stable in 2013/14 as the expected decrease in Chinese imports will be offset by an expected increase in trade for the rest of the world. Following 3 consecutive years of increase, the ICAC expects world cotton stocks to shrink a little in 2013/14. This will mean that the world cotton stocks-to-use ratio could decrease from the record level of 71% to 64%, which is still above the average.

According to the ICAC, most of the decrease in stocks will take place outside of China.

Estimated world supply and demand for cotton for the 2011/12 season and projections for 2012/13 and 2013/14 (seasons beginning 1 August):

(million metric tons)	**2011/12**	**2012/13**	**2013/14**
Beginning stocks	9.6	14.0	16.6
Production	27.3	26.1	23.2
Consumption	22.8	23.5	24.2
Exports	9.8	7.8	7.8
Imports	9.7	7.8	7.8
Ending stocks	14.0	16.6	15.6
Ending stocks/use (China excluded)	55%	64%	55%
A Index (US c/lb)	***100***	***83***	

Cotton imports and stocks situation for China:



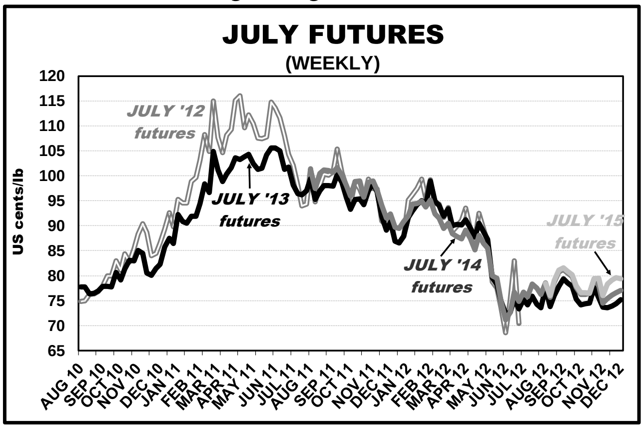
Average Cotlook A index prices (an indicator of world cotton lint prices) and corresponding South African "prices":

	A INDEX	**RSA "PRICE"**
	Avg: US c/lb	*Avg: SA c/kg*
Last week (26/11 - 30/11/12)	81.57	1605.16
November 2012	80.87	1587.64
Today (03/12/12)	**82.75**	**1641.42**
October 2012	81.95	1581.82
Today a year ago	*108.60*	*1936.22*
Today two years ago	*152.40*	*2326.74*

New York cotton futures as at 3 Dec. 2012 (settlement prices):

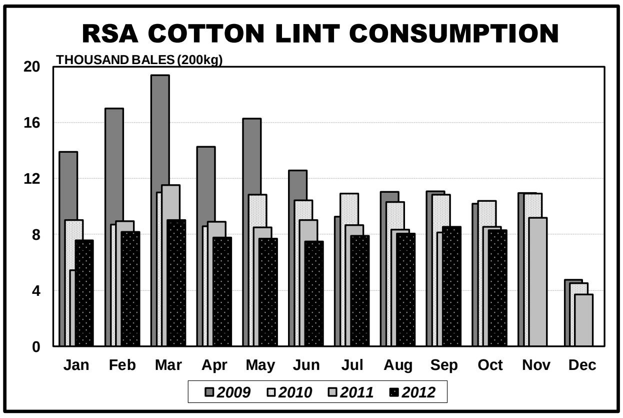
	NY FUTURES
	US c/lb
March 2013	73.98
May	74.74
July	75.18
October	76.67
December	77.19
March 2014	77.79
May	77.39

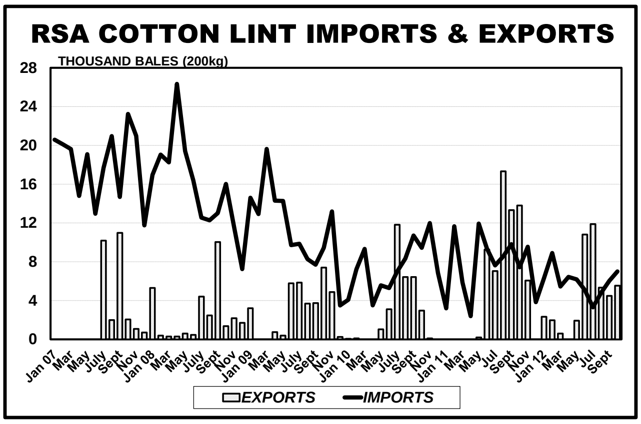
New York JULY cotton futures as at the beginning of each week:



Local outlook

As far as the local outlook is concerned, the final estimate for the 2011/12 production year indicates a total crop of 64 049 lint bales, down 29% from that of the previous season. About 60 319 lint bales were estimated to be produced from RSA grown seed cotton, down 30% from the previous season. The balance of 3 730 lint bales relates to Swaziland produced cotton ginned by the Swaziland gin. Early indications for the 2012/13 production season show that a crop of about 37 000 lint bales can be expected.





COTTON CROP REPORT - FINAL ESTIMATE **2011/12 PRODUCTION YEAR** ***03/12/12***

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	4480	0	**10236**	10%	100%
North & South Flats	52	196	3800	900	**655**	10%	100%
Dwaalboom/Thabazimbi	140	0	3750	0	**919**	10%	100%
Weipe	873	0	4876	0	**7790**	0%	100%
NORTHERN CAPE							
Vaalharts	1288	0	4650	0	**10787**	0%	100%
Lower Orange River	337	0	4354	0	**2883**	50%	100%
Rest of Northern Cape	2988	0	4209	0	**23585**	1%	100%
NORTH WEST							
Stella/Setlagoli	0	0	0	0	**0**	0%	0%
Taung	240	0	4000	0	**1728**	0%	100%
KWAZULU-NATAL	0	970	0	407	**686**	100%	100%
MPUMALANGA	0	1000	0	600	**1050**	100%	100%
EASTERN CAPE	0	0	0	0	**0**	0%	0%
RSA TOTAL	**7231**	**2166**	**4405**	**541**	**60319**	8%	100%
Swaziland*	0	3600	0	575	**3730**	100%	100%
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	**7231**	**5766**	**4405**	**562**	**64049**	13%	100%

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

ENQUIRIES: MR H J BRUWER (CHIEF EXECUTIVE OFFICER)