



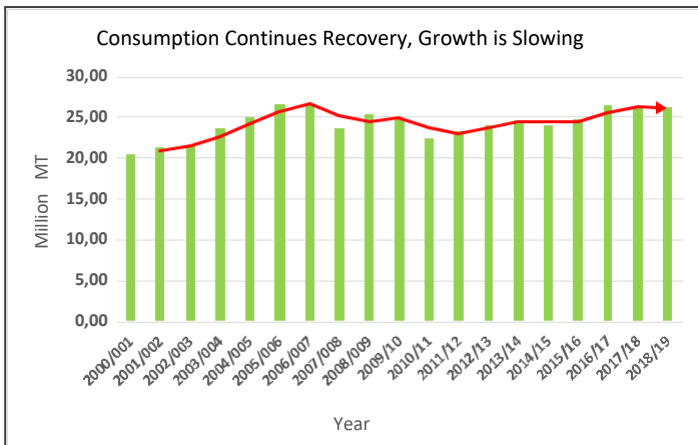
COTTON MARKET REPORT

6 DECEMBER 2019

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2019/20 OUTLOOK – LOW CONSUMER GROWTH AS GLOBAL ECONOMIC GROWTH SLOWS

While the global cotton consumption continues with the recovery that started in 2012/13, the current prediction according to the "International Cotton Advisory Committee (ICAC)" for cotton consumption in 2019/20 is 26.2 million tons at 0.3% growth compared to the previous season. Global economic growth has slowed to the lowest levels in decades, as global trade disputes remain unresolved, resulting in uncertainty for manufacturing and investment activity. For the cotton industry, where the consumption has been led by Asia and Southeast Asia economies, it is expected that the growth in their manufacturing activities and the demand for consumer goods in the region will decelerate.

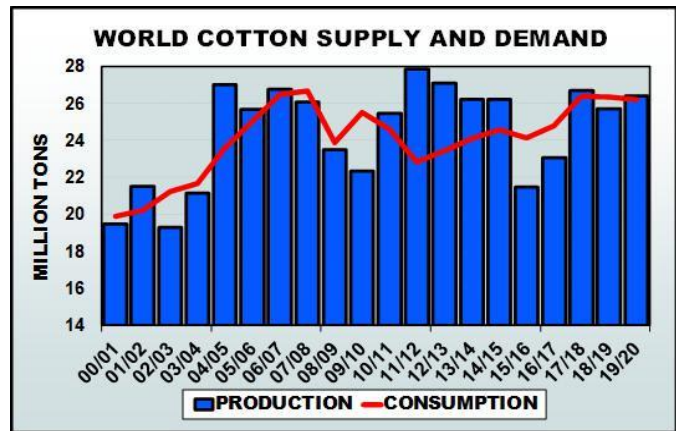


The settling of the trade war, the revision of global trading rules and the increase of transparency in the trade policy will help support growth, rebuild investments and increase consumer confidence for the cotton industry and broader economy. The current prospects for the worldwide cotton trade indicate a decline of 3% in volume with projections at 9 million tons. China is expected to continue to lead the world consumption with 8.05 million tons, a decrease of 2.4% comparing to the previous season. With the expectation that domestic production will decrease to 5.8 million tons, imports will be necessary to support the mill use and replenish the reserves. Chinese National Reserves are estimated at less than 3 million tons. It is expected that China will lead global importers at this level and account for about 20% of the total imports. In 2017/18, the imports from the US represented 45% of China's total imports of 1.2 million tons.

In 2018/19, China has increased the total imports to 2.1 million tons. However, under the China-US trade dispute, US cotton was subject to a 25% tariff and the US share of imports had declined to 18%.

Other major exporters increased their market share with exports from Australia increasing 97% to 555 000 tons, exports from Brazil increasing 480% to 480 000 tons and exports from India 127% to 275 000 tons.

As expected, the total US exports will recover in 2019/20 after it dropped in 2018/19 by 7% to 3.2 million tons. Even if the trade disputes continue, it is expected that the US will still lead worldwide exports with more than a third of the world exports. It is currently expected that Brazil will remain the second largest exporter with a 17% share of the world exports at 1.5 million tons. As Australia's cotton industry is limited by the availability of water, China's increased import needs will likely be provided by Brazil, with possible increases by West Africa and India. Brazil exports for October have increased from August to October, with 100 000 tons exported to China in October 2019.



Million Tonnes	2017/18	2018/19	2019/20
Beginning stock	18.48	18.69	18.22
Production	26.68	25.69	26.41
Consumption	26.35	26.13	26.20
Exports	9.10	9.24	8.96
End Stock	18.69	18.22	18.44



RSA COTTON CROP

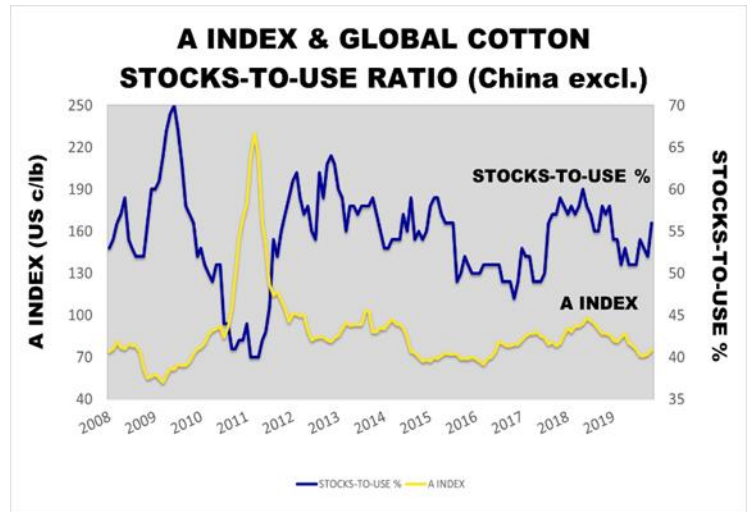
RSA crop	2017/18	2018/19	2018/19
(200 kg lint-bales)	Final Estimate	10th estimate	11th estimate
	(Previous season)		
RSA crop			
HA Irrigation	19 273	23 781	24 921
HA Dryland	14 855	17 192	16 792
HA Total	33 628	44 327	41 713
Yield: Kg Seed Cotton p/ha			
Irrigation	4 595	4781	4536
Dryland	910	1019	967
Lint Bales	188 220	241 484	238 222

*The 11th estimate for 2018/19 production year marks a cotton crop of 238 222 lint bales for RSA. This indicates a decline opposed to the previous month's estimate, but still shows a growth compared to the previous season.

COTTON PRICE MOVEMENTS

Global ending stock levels are currently projected to increase by the end of 2019/20 by 1% according to the current estimates for production and consumption. Based on the present market fundamentals, cotton prices are expected to remain low in the new year.

The ICAC's current price forecast for the year-end average of the Cotlook A index was revised this month to 75.4 cents per pound (RSA price equivalent of approximately R24,19/kg).



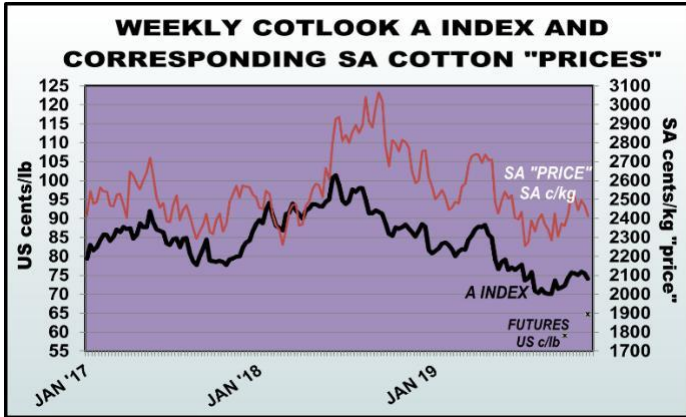
* The ICAC's price predictions are mainly based on the world's end-stock-to-consumption relationship (excluding China), on the relationship between Chinese net imports to world imports as well as on recent price movements.

The graph shows the correlation between the Cotlook A Index and the world cotton stock-to-consumption ratio with China excluded.

Cotlook A INDEX TOWARDS THE DERIVATIVE PRICE IN RAND

*Cotlook A index-a daily indicator for the international cotton lint prices, based on the average of 5 cheapest quotes from a selection of the principal upland cottons traded internationally.

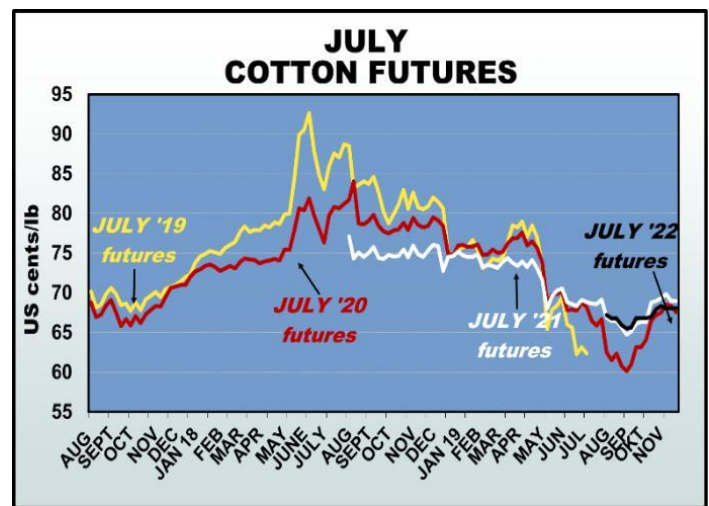
	A Index Average US cent per Pound	Derivative Price (RSA) Average. SA C/kg
Last Week (25/11/2019)	74.10	2412.86
October 2019	75.31	2436.29
Today (02/12/2019)	74.55	2391.36
September 2019	76.45	2285,79
Today a year ago	86.55	2610.28
Today 2 years ago	83.15	2509.57



2 DECEMBER 2019	NY FUTURES <u>US C/LB</u>
December 2019	63.85
March 2020	64.80
May 2020	65.91
July 2020	66.86
October 2020	67.13
December 2020	67.33
March 2021	67.96
May 2021	68.22
July 2021	68.32

TERM MARKETS

Latest price movements – the ongoing trade war between America and China has a significant influence on commodity prices and on the prospects of individual sectors. Analysts are of the opinion that cotton sales will still decrease. Most prices have improved slightly in the past month. The NY term contract for December increased from 62 to 64 cents/pound. The A index increased from 72 to 75 cents/pound. Internationally, the China Cotton Index (CC Index 3128B) rose from 80 to 84 cents/pound. In domestic terms the CC Index increased from 12,600 to 13,000 RMB/tonnes. The RMB reinforced the dollar over the past month, from 7.10 to 6.99 RMB/USD (+ 1.6%).





2019/20 MARKETING SEASON (April to March)

GINNERS SITUATION *

	Oct-19 (TON)	SEASON CUMULATIVE TOTAL (TON)
<u>SEED COTTON:</u>		
OPENING STOCK	20441	14378
PLUS RECEIVED:	14829	92220
- RSA SEED COTTON	14681	90964
- SWAZILAND SEED COTTON	148	1256
- OTHER SEED COTTON	0	0
LESS GINNED	13754	85113
CLOSING STOCK	21516	21516
<u>COTTON LINT:</u>		
OPENING STOCK	6554	2856
PLUS PRODUCED	4594	31214
LESS SOLD	5438	28370
CLOSING STOCK	5710	5710

SPINNERS SITUATION *

	Oct-19 (TON)	SEASON CUMULATIVE TOTAL (TON)
<u>COTTON LINT:</u>		
OPENING STOCK	2427	2815
PLUS RECEIVED:	2588	13271
- FROM LOCAL GINNERS	757	5254
- ZIMBABWE IMPORTS	571	2511
- ZAMBIA IMPORTS	1260	5506
- OTHER IMPORTS	0	0
LESS CONSUMPTION	1803	11852
CLOSING STOCK	3232	3232

SOURCE: Ginnery and spinners' monthly statutory returns

* Includes Swaziland

** Percentage increase or decrease over the same period of the previous season



SA COTTON ESTIMATE

30/11/2019

COTTON CROP REPORT - 11th ESTIMATE 2018/19 PRODUCTION YEAR

PRODUCTION REGION	HECTARES IRRIGATION	HECTARES DRYLAND	YIELD IRRIGATION kg seed cotton/ha	YIELD DRYLAND kg seed cotton/ha	PRODUCTION 200 kg bales cotton lint
LIMPOPO PROV.					
Loskop	4683	0	4300	0	36246
North & South Flats	1904	8912	3147	680	21808
Koedoeskop/Dwaalboom/Thabaz.	7720	0	5000	0	71410
Limpopo Other	636	142	3742	400	4430
Weipe	1482	0	4194	0	11499
NORTHERN CAPE					
Vaalharts	2333	0	4580	0	19768
Lower Orange River	364	0	4000	0	2694
Rest of Northern Cape	4065	0	4858	0	38313
NORTH WEST					
Stella/Delareyville/Schweizer/e	628	3578	4349	2008	18346
Taung/Skuinsdrif	330	0	5002	0	3054
KWAZULU-NATAL	736	1989	3318	800	7691
MPUMALANGA	0	1771	0	755	2474
FREE STATE	40	400	6628	0	491
RSA TOTAL	24921	16792	4536	967	238222
Swaziland*	250	1500	4000	750	3825
Botswana*	0	0	0	0	0
Namibia*	50	0	0	0	0
Zimbabwe*	0	0	0	0	0
Mozambique*	0	0	0	0	0
GRAND TOTAL	25221	18292	4531	949	242047

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