

(BN) Cotton Jumps Most in Three Years on Surprise U.S. Crop Estimate

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2015-08-12 19:01:18.494 GMT

By Megan Durisin

(Bloomberg) -- Cotton prices jumped the most in three years after the U.S. Department of Agriculture unexpectedly reduced its estimate for domestic production.

The forecast was cut 9.8 percent to 13.08 million bales from a month earlier, the agency said Wednesday in a report.

Analysts surveyed by Bloomberg News expected an increase to

14.59 million from 14.5 million.

The season's first field survey "indicates lower planted area, higher abandonment and a lower average yield," the USDA said.

Cotton for December delivery surged 4.6 percent to close at

64.69 cents a pound at 2:26 p.m. on ICE Futures U.S. in New York, the biggest gain for a most-active contract since June 7, 2012. Earlier, the fiber soared by the exchange limit of 3 cents, or 4.9 percent.

Aggregate trading more than doubled compared with the 100-day average for this time, according to data compiled by Bloomberg. Cotton has climbed 7.3 percent this year. The U.S. is the world's top exporter.

Yields will average 795 pounds an acre, down from 819 pounds projected in July, the USDA said. Inventories in the 12 months ending July 31 will be 3.1 million bales, down 26 percent from last month's forecast and a two-year low.

The USDA cut its estimate for global reserves by 2.7 percent to 105.19 million bales from last month's forecast.

The report "was quite the surprise," Keith Brown, president of Keith Brown & Co. in Moultrie, Georgia, said in a telephone interview. "They cut the U.S. crop. The real clincher was lowering the global carryout by 3 million bales, because that had been ascending every month."

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