

Cotton Exceeds \$1 for First Time Since 1995 on Supply Concerns 2010-09-20 19:12:48.969 GMT

By Leslie Patton and Wendy Pugh

Sept. 20 (Bloomberg) -- Cotton futures topped \$1 a pound in New York for the first time since 1995 as supplies plunged and demand increased from textile mills.

Inventories monitored by ICE Futures U.S. plummeted 98 percent since June 2, to 16,569 bales, on Sept. 17. China, the world's biggest grower and buyer, may boost imports after rain hurt crop quality and output, according to five China-based analysts surveyed by Bloomberg News this month. Heavy rains soaked some open-boll cotton in its final development stage, they said. A bale weighs 480 pounds, or 218 kilograms.

"There is basically very little cotton right now," said Tom Reardon, the president of Delta Brokerage in New York.

Supplies will remain tight until late October or early November, when farmers in the U.S., the world's largest exporter, will have most of their crops harvested, Reardon said.

Cotton for December delivery jumped 1.15 cents, or 1.2 percent, to settle at 99.37 cents a pound at 2:38 p.m. on ICE in New York. Earlier, the fiber advanced to \$1.0198, the highest price for a most-active contract since June 19, 1995. Cotton has surged 31 percent this year.

"Mills are sweating blood over both prices and shortage of supplies," Mike Stevens, an independent trader in Mandeville, Louisiana, said in a note that was e-mailed yesterday. Prices are being "fueled by solid fundamental news," he said.

Cotton's gain this year is the third biggest of the 19 commodities tracked by the Reuters/Jeffries CRB Index, behind wheat and coffee. The index, up 5.8 percent this month, rose as much as 0.6 percent today before paring gains.

Hedge-fund managers and other large speculators increased their net-long positions in New York cotton futures by 2 percent in the week ended Sept. 14, according to U.S. Commodity Futures Trading Commission data. Speculative long positions, or bets prices will advance, outnumbered short positions by 55,939 contracts.

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