

US cotton hits 150-year high, \$2 targeted for next week

* Virtual absence of supplies stokes cotton rally * Players say \$2 a lb cotton to be hit next week
NEW YORK, Feb 11 (Reuters) - U.S. cotton futures rallied Friday to a 150-year peak on trade and speculative buying as very tight supplies were expected to push the market to the unheard of level of \$2 a lb by next week, analysts said. The key March cotton contract CTH1 on ICE Futures U.S. rose 6.42 cents to \$1.94 which marked the highest price since the Civil War. The early low was \$1.8796. "There are no supplies available," said Lou Barbera, cotton analyst at brokerage VIP Commodities. He said buyers, faced with a virtual dearth of physical cotton, were being forced to pay up to get some material. Since the benchmark March cotton contract can only rise the 7-cent limit to \$1.9458, attempts to hit the \$2 a mark level will have to wait for next week. "We should be well over \$2 next week," said Barbera. The cotton market, basis the spot month, traded over \$1 per lb in September 2010, only the second time it had done so in the last 50 years. Now, it is seemingly poised to hurdle \$2 and some in the market are even talking of \$3 or \$5 cotton. Analysts said the culprit is scarce supplies because most of the Northern Hemisphere cotton crop has already been harvested. Exportable supplies from No. 2 producer India are not reaching the market because of agricultural inflation fears in the subcontinent. The shortage is being exacerbated by the fact that supplies of cotton from the United States, the world's top exporter, are practically gone. The trade estimates that more than 95 percent of the crop of 18.32 million (480-lb) bales has been sold. Analysts said talk of a dry spell in China, the top producer and No. 1 consumer of cotton, fueled the rally. The September cotton contract CCFU1 on the Zhengzhou Commodity Exchange hit a record 34,390 yuan per tonne on Friday and was last done at 33,795 yuan, up 145 yuan. The announcement by ICE Futures U.S. of a 25 percent increase in cotton margins [ID:nN11308868] has failed to dampen the market's rally for now, dealers said. Analysts said the rally's longer-term impact will be seen during the spring planting season for row crops in the United States. The market will be looking toward the U.S. Agriculture Department's potential plantings report on March 31 to see if the rally lures more American farmers to plant cotton in 2011. Industry group National Cotton Council of America said U.S. 2011 cotton plantings could reach 12.5 million acres. Most analysts believe the number will be much higher because the NCC survey was conducted before the rally.

12 February, 2011 by [admin](#)

