

# Cotton's 'Rule-Breaking' Rally to Continue, 100-Year-Old Gill & Co. Says

By Madelene Pearson - Sep 20, 2010 2:46 PM GMT+0530

Cotton, trading at more than \$1 per pound in New York for the first time since 1995, may extend its rally as supplies fail to keep pace with demand, according to trader Gill & Co.

Prices may climb by a further 10 cents to 15 cents in the next 15 days to a month, Chairman and Managing Director Kantilal V. Shah said in a phone interview. Cotton jumped as much as 3.8 percent to \$1.0198 today, the highest since June 1995.

"You've never seen such a hectic rise," said Shah, whose Mumbai-based company has been trading cotton for more than a century. "It has broken the rules."

Cotton has surged 62 percent in the past year on slumping inventories and as excess rain in China and floods in Pakistan damaged crops. The global stockpiles-to-usage ratio is forecast by the U.S. Department of Agriculture to decline to the lowest since 1994.

"Everybody is looking out for cotton because everybody is short," said Shah, referring to mills that don't have enough of the raw material. "Supplies all over the world are tight."

The commodity is the best performer over the past year on the UBS Bloomberg CMCI Index. The most-active contract, for delivery in December, added 3 percent to \$1.0118 on ICE Futures U.S. at 2:32 p.m. Mumbai time.

Futures may surge to \$1.25 by January as supplies dwindle, O.A. Cleveland, a professor emeritus in agricultural economics at Mississippi State University, said Sept. 14. Prices may reach as much as \$1.05 within six weeks, John Flanagan, president of Flanagan Trading Corp., said Sept. 15.

## Trade Curbs

Adverse weather in China, the biggest grower and user, and export curbs in India are bolstering prices, Flanagan said.

India, the second-biggest producer and exporter, will limit shipments to 5.5 million bales in the season starting Oct. 1 and will impose "prohibitive" duties on exports above that level, Commerce Secretary Rahul Khullar said earlier this month. A bale weighs 170 kilograms (375 pounds) in India.

Global cotton stockpiles will decline 3.3 percent to 45.4 million bales at the end of the marketing year on July 31, U.S. Department of Agriculture data show. That's equal to 38 percent of demand, the lowest ratio since 1994. A U.S. bale weighs about 480 pounds (218 kilograms).