

USDA Report: US, World Cotton Ending Stocks Tighten

Thursday, June 10, 2010 10:06 AM Central Time

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OF DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Burgeoning world consumption continues to draw down U.S. and global cotton stocks, according to U.S. Department of Agriculture projections released Thursday that analysts said underscored the bullish fundamental scenario supporting the futures market.

The USDA released its June crop production and supply and demand report Thursday with data for the current 2009-10 crop year and outlooks for the coming 2010-11 season.

Cotton prices traded on ICE Futures U.S. as the session progressed, though they showed little reaction when the data was released as the same bullish factors were already in play. Nearby July cotton on ICE Futures U.S. traded 1.93 cents higher at 83.25 cents a pound at 10:49 a.m. EDT.

"The adjustments are really kind of minor," said Mike Stevens, an independent cotton broker and analyst based in Mandeville, La. "The market is really in a bullish mood anyway."

As a result of a pick-up in world cotton mill consumption in response to a rebounding global economy, the USDA increased their outlook for U.S. 2009-10 cotton exports to 12.25 million bales from the 12 million estimated in May.

On the same note, USDA raised its outlook for 2009-10 world cotton consumption to 116.43 million bales from 115.89 million projected last month. The USDA also lowered its 2009-10 world ending stocks estimate to 52.21 million bales from the 52.75 million anticipated in May.

The USDA left its outlook for the 2010-11 U.S. cotton crop unchanged, with the exception of ending stocks. Ending stocks were projected at 2.80 million bales, down from the 3.00 million bales anticipated last month.

U.S. 2010-11 cotton production was pegged at the 16.70 million 480-pound bales projected in May, analysts said. U.S. cotton exports for the same timeframe were anticipated at 13.50 million bales.

Analysts said cotton prices will continue to move on cues of strong demand and dwindling stocks reflected in the USDA's report.

"There's rapidly decreasing certificated stock [and] there's excellent export demand," said John Flanagan, president of Flanagan Trading Corp. in Fuquay-Varina, N.C. "All of that is pulling July [cotton] up."

Withdrawals from the exchange stocks this week have indicated mills are buying the remaining cache of the 2009-10 crop. Fresh supplies will be available in the fall, but until then analysts said the pipeline will be tight.

The USDA data released concurrently with the report showed marketing year high U.S. cotton export sales for delivery in the current season. Net export sales soared to 642,500 running bales in the week ended June 3, up from 206,000 bales the week before. China--the world's leading importer

and textile producer--bought 533,400 bales of Upland cotton, the variety traded on ICE.

Analysts are also looking ahead to the USDA's final planted cotton acreage report scheduled for June 30. Traders will watch the weather and crop progress and conditions to gauge potential for the coming harvest supply.

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(END) Dow Jones Newswires
June 10, 2010 11:04 ET (15:04 GMT)
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