

April 2007
Volume 11, Issue 04

Cottonseed Intelligence Monthly

CIM

2007 PROSPECTIVE PLANTINGS: USDA's report released at the end of March showed all cotton plantings at 12.147 million acres, 3.127 million acres less than a year ago down 20%. This would be the lowest cotton planting since 1989. Most of the acreage lost was shown coming out of the Mid-South, which many in the market anticipated. Compared to Informa Economics' number released at mid-March, USDA's total plantings were 713,000 acres lower. The largest difference to Informa was in the Mid-South, USDA showed 595,000 fewer acres. Next was the Southeast, 215,000 acres lower. The only region with more acres was the Southwest, up 185,000 compared to Informa's projection. Depending on yields and abandonment the ballpark cotton production figure is between 16 and 19 million bales. Given current favorable moisture conditions in the Southwest, it would appear that production has a good chance to come in closer to the topside of estimates.

COTTONSEED MARKET: Following the Easter Break, merchants have been slow to get back into trading. The weakness associated with corn futures has been spilling over into cottonseed prices. The trading that took place as of mid-April is related to resellers with length that are willing to take profits now and not run the risk of cottonseed prices following corn prices lower. Most gins are content holding on to their unsold inventories especially in light of cotton acres expected sharply lower. If prices don't meet the expectations of gins, some have suggested they will gladly carry it over into new crop. For this reason, ginners are not willing to sell new crop supplies until they have a better sense of their new crop supply situation.

The generally accepted opinion on new crop supplies being drastically lower has kept the market stuck in gridlock, partially due to seed holders keeping a vice grip on supplies. Meanwhile, end users are reluctant to buy at historically lofty price levels. The last time prices were at similar levels during this time of year was in 2004. At that time, prices moved lower during the summer, as a historically large crop was made that year. This year however, the possibility of record production is not likely, and for this reason prices are likely to continue climbing higher.

Nearby Southeast bids have moved higher, while offers are steady to stronger than pre-Holy Week pricing. The cold snap across the country was expected to give demand a bump higher, but merchants didn't notice an increase in nearby demand. Price spreads between nearby and forward summer quotes range between \$3-5/ton, which is inline with the Mid-South's price structure. The Mid-South reportedly has had more sellers than buyers recently, which is the opposite of what had been the case for the past few months. The amount of seed that traded is not expected to result in a long-lasting negative impact on prices. Lackluster end user demand during this time of the year is not out of the ordinary as feed ingredient prices typically edge lower, as pastures green and animals don't have the same appetite in warmer weather.

In the Southwest, there are more interested sellers, which have led bids to drop below the \$170-mark. End users remain restrained in making purchases, which gives the market a slightly

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 2633 Innsbruck Drive, Suite D, New Brighton, MN 55112.

For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-635-9157, Fax 651-635-0857 e-mail: james.bueltel@informaecon.com

heavier feeling. Ginners are not aggressive sellers in the market and they are not showing interest in trading new crop. The latest new crop trade reported was at the hands of resellers and may end up being a better sale than buy. Given the abundant amount of rains in the region, early expectations are for above average yields per acre for new crop.

Far West markets have edged lower this week with Idaho off several dollars as supply levels have come back up. The demand side of the market appears to be weaker than anticipated. California prices were nudged lower with lackadaisical trading amid stiff competition from other ingredients. Inclusion rates in the region appear to be much lower than the past couple years. Supply in California is sufficient, and appears it will stay that way for at least the next couple months.

COTTONSEED BALANCE SHEET: USDA's balance sheet had an offsetting revision with the crush reduced 50,000 tons, while exports were raised the same amount to 650,000 tons. Ending stocks are unchanged with 7.2% stocks to use ratio, which is a percentage point higher than the 5-year average. This ratio would normally suggest fundamentals are bearish and prices would have more downside risk. This year however, with strong corn and competing feed ingredient prices there should be less downward price pressure for cottonseed prices.

Informa's balance sheet has a 65,000-ton offsetting change between the feed, seed and other category and exports. Exports have been raised to a historically high number as shipments to Mexico and Asian markets continue to move above last year's pace. For the first half of this crop year, exports total 286,075, which is above last year's pace by 44%. The crop-year total is based on a continuation of strong exports. A recent report showed outstanding sales are double of what they were a year ago. The majority of growth in exports is coming from Asia, and considering the yield-reducing dry conditions in Australia, the Asian demand is likely to remain in the market for the balance of the crop year. This may require this number to be adjusted even higher.

The feed, seed and other category was reduced as demand has been reported by merchants as being lackluster. Grain byproduct feed ingredients like distiller dried grains, corn gluten feed and wheat midds have become more price competitive. Cottonseed inclusion rates in all regions are expected to be lower. The ending stocks are unchanged, as demand from dairies is expected to pick up as milk prices have improved over the past several weeks.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	April / USDA	April / USDA	April / Informa
	2003/04	2004/05	2005/06E	2006/07E	2006/07E
Beg. Stocks	347	421	592	602	602
Imports	2	1	0	0	
Production	6665	8242	8172	7632	7642
Total Supply	7013	8664	8764	8234	8244
Crush	2639	2923	3011	2700	2650
Exports	355	379	523	650	680
Feed, Seed, & "Other"	4598	4770	4629	4334	4335
Total Disappearance	6592	8072	8163	7684	7665
End Stocks	421	592	602	550	579

COTTONSEED fob points					
PRICES 04-13-07		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	141b / 143o			92o
	Ap-Ag	141b / 147o			98o
(as-ginned)	OND	128b / 132o			91o
	So. Carolina	Spot	141b / 144o		92o
	Ap-Ag	141b / 147o			95o
Georgia So.	Spot	130b / 135o			98o
	Ap-Ag	131b / 140o			100o
Alabama No.	Spot	150b / 155o			110t
	Ap-Ag	150b / 158o			112o
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	152b / 155o			114o
	Ap-Ag	153b / 160o			114o
(as-ginned)	OND	137b / 140o			105o
	MO Bootheel	Spot	154-156o / 156t		115o
My-Ag		158-159o / 155t			n/a
SOUTHWEST		(\$/ton)			
West Texas	Spot	165b / 170-173o / 170t			132-134t
	Ap-Sp	175o			139t
(as-ginned)	OND	155-159o / 155t			120-122o
FAR WEST		(\$/ton)			
Arizona	Spot	220b / 220o			180o/t
Cal Corc. N & Stockton	Spot	235o / 235t			190-192o
	Ap-Sp	237o			190o
	Clock	240o			n/a
SPECIALY PROCESSED PRODUCTS (\$/TON)					
Easi Flo™	Centre, AL	Spot	187o	149o	
FuzZpellets™	Weldon, NC	Spot	189o	115o	
Cotton Flo™	Weldon, NC	Spot	189o	125o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 04-13-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	194o			
	Ap-Ag	198o			
SE Pennsylvania	Spot	178o			
	Ap-Ag	182o			
NE Ohio	Spot	191o			
	Ap-Ag	195o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	205o			
	Ap-Ag	209o			
MN (Rochester)	Spot			201-202o	
	Ap-Ag			207o	
WI (Madison)	Spot			198-201o	
	Ap-Ag			202-203o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		205o		
	Ap-Sp		210o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				195b 198o
	AMJ				200b 203o
Idaho (UP)	Spot				214b 217o
	Ap-Ag				218b 221o
	OND				205b 210o
WA/OR (BN)	Spot				233o
	Ap-Ag				232b 236o
b = bid o = offer t = trade					

COTTONSEED DAIRY BUYER PROFILES

GROUP 1: Base demand group that will formulate cottonseed in at a 4-6 lb. inclusion rate regardless of price.

GROUP 2: Formulates at a 2-3 lb. inclusion rate regardless of price, and would like to feed at the 4-6 lb. level. However, the last 2-4 lb. is price sensitive.

GROUP 3: This is the major swing factor for cottonseed demand. They enter the market when the price is right or other factors prevail (i.e. short hay supplies), and will subsequently exit when other opportunities exist.

GROUP 4: This group does not have access to, or the ability to incorporate whole cottonseed into their rations. However over time, dairymen in this group will migrate up into Groups 1, 2 or 3.