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# Cottonseed Intelligence Monthly

# CIM

**USDA PRODUCTION REPORTS:** USDA's *Annual Ginning* report, released May 12, had a running bales ginned total of 22.55 million bales. This is a 213,000-bale increase from the previous ginning report in March. Compared to a year ago, the 2004 production represents an increase of 4.8 million bales or 27% more cotton. The reason for the increase in cotton production comes from a 9% increase in acres harvested. In addition the all cotton average yield per acre was 855 pounds, which is a yield increased of 125 pounds of cotton per acre. USDA's *May Crop Production* report shows all cotton production in 480-pound bales totaling 23.24 million bales. This is 150,000 bales more than Informa's production estimate released last week.

Cottonseed production was lowered to 8.24 million tons this is down 169,000 tons from earlier USDA estimates. This lower production figure adds credence to the recent price increases. Yet, cottonseed production is still record large, and 24% larger than last year's. The *May Crop Production* report shows cottonseed sold to oil mills accounts for 55% of the supply this year, compared to 51% a year ago. This larger ownership position on the part of oil mills will likely result in the expected larger crush this year. The production report suggests a market with somewhat tighter supplies, yet supply is thought to be more than adequate for this season.

This colossal cotton crop brought 6 gins out of mothballs compared to a year ago, as 896 gins ran nationwide. Over half of the gins running processed over 20,000 bales in 2004, compared to 41% in the previous season. In Texas, the exceptionally large crop brought 9 more gins on line in the state compared to a year ago. Fifty-four percent of the gins running ginned more than 20,000 bales and 25% baled 40,000 or more bales. Next year, chances are good that the number of gins nationwide will continue trending lower, as they have for the past several years.

**COTTONSEED MARKET:** At the end of April, prices in the California market shot up over \$10 compared to our last installment. There are a couple developments that can be seen as supportive towards the perspective that prices should hold steady or continue ratcheting higher. The biggest change to the market is that the looming Australian import question appears to be less of an issue. Dry weather and stronger pricing in Australia is limiting the chances for these supplies to hit the West Coast. Cottonseed prices have increased over 30% since the lows in February. A large part of the recent rally in Australia had come from a slow start to their ginning season, so once more gins come on line, prices are expected to roll back some, but still exceed earlier anticipated levels. Here in the US, there is continued strength in export markets, and much of the interest is coming from Mexico, which is reportedly helping get more trading done over the past couple weeks. Thus far this season, accumulated exports to Mexico have more than doubled compared to the pace set a year ago. Finally, the steady and predictable buying from short resellers are another factor that will likely continue providing some price support as well. With the Far West market firmer, other markets to the East are going to want to maintain their spread to California.

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**For weekly cottonseed pricing and commentary contact:**

James Bueltel - Phone 651-635-9157, Fax 651-635-0857 e-mail: [james.bueltel@informaecon.com](mailto:james.bueltel@informaecon.com)

Markets elsewhere at mid-month are reportedly quiet, but price gains made over the past couple week are holding together. This week's production reports may help support prices, especially in light of slower planting progress in major cotton states like Georgia, Mississippi, Tennessee and Texas. Knowing that weather has held up progress, is giving some merchants a uneasy feeling towards new crop. The standoff between buyers and sellers will likely continue for several more weeks until the industry has more confidence in new crop. Additional reports of oil mill buying in the Southeast and Mid-South is another reason for prices to hold firm. Typically, when oil mills come into the market, the supplies bought disappear and don't show up back on the market. This fact may be fundamentally bullish for the next several months, until new crop supplies will become available.

The demand side of the market is a mixed bag, but most often the news is negative. With reasonable prices in the Southeast, this suggests that the demand from dairies in the Northeast is anemic, and supplies are not moving out to rail markets to the West. Opinions vary regarding demand coming from upper midwestern dairies. It appears that logistical shortcomings are limiting the movement of supplies into the region. Other contacts are praising movement and are of the opinion that inclusion rates are up in the region. The latter opinion is lending support to prices in the Mid-South. In the Southwest, prices are steady and contacts are anticipating lower quality supplies are quietly moving into feedlots. Getting rail supplies to California is reportedly a problem. There appears to be less downside for the market unless Texas produces another bumper crop. At mid-month, the California market is quiet and there is little new demand showing up in the market.

**COTTONSEED BALANCE SHEET:** USDA's old crop balance sheet shows the 169,000-ton decrease in supply and disappearance from the feed, seed and other category. Otherwise, all other categories are unchanged. Informa's old crop balance sheet adopted USDA's production total and pared back imports. Crush was raised 10,000 tons and was the only change to disappearance.

This is the first look at new crop's balance sheet, and as anticipated the outlook is much tighter given lighter supplies. The demand side of the balance sheet points to higher prices. It appears there will be additional competition for fewer supplies given the stronger vegetable oil market. In addition, conditions for dairy farmers are favorable and should lead to high cottonseed inclusion rates. At this point in time the long-term outlook for cottonseed appears more bullish.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	May / USDA	May / Informa	May / USDA	May / Informa
	2003/04	2004/05F	2004/05F	2005/06F	2005/06F
Beg. Stocks	347	421	421	497	590
Imports	2	25	17	325	285
Production	6665	8242	8242	6960	6680
<b>Total Supply</b>	<b>7013</b>	<b>8688</b>	<b>8380</b>	<b>7782</b>	<b>7555</b>
Crush	2639	2800	2800	2950	2820
Exports	355	375	415	375	350
Feed, Seed, & "Other"	3598	5016	4875	4050	3985
<b>Total Disap- pearance</b>	<b>6592</b>	<b>8191</b>	<b>8090</b>	<b>7375</b>	<b>7155</b>
End Stocks	421	497	590	407	400

<b>COTTONSEED fob points</b>					
<b><u>PRICES 5-13-05</u></b>		<b><u>Bid</u></b>	<b><u>Offer</u></b>	<b><u>Trade</u></b>	<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
<b>No. Carolina</b>	May	92b / 95o			185t
	My-Ag	92b / 99o			189t
(as ginned)	OND	90b / 95o			132o
<b>So. Carolina</b>	May	100b / 105o			187o
	My-Ag	100b / 107-108o			n/a
(as ginned)	OND	90b / 98o			135o
<b>Georgia So.</b>	May	104b / 108o / 106			190o
	My-Ag	104b / 111o			n/a
(as ginned)	OND	95b / 103o			138o
<b>Alabama No.</b>	May	102b / 107o 106-107			184t
	My-Ag	105b / 112o			187o
(as ginned)	OND	99b / 107o			143t
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
<b>Memphis No.</b>	May	102b / 106-108o / 104			185o
	My-Ag	104b / 110-111o			n/a
(as ginned)	OND	99b / 104o 102			145o
<b>MO Bootheel</b>	May	107b / 110o			178o
	JJA	112o			n/a
<b>NE Louisiana</b>	MJJ	110b / 115o			n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas</b>	Spot	115-116b / 120o			187t
	My-Sp	118b / 120o			n/a
	OND	113b / 119o			155o
<b>FAR WEST</b>		<b>(\$/ton)</b>			
<b>Arizona</b>	JJA	145b / 150o			n/a
<b>Cal Corc. N</b>	My-Ag	173b / 178o			n/a
<b>&amp; Stockton</b>	OND	168b / 175o			192t
	Clock	178b / 185o			n/a
<b>SPECIALY PROCESSED PRODUCTS (\$/ton)</b>					
<b>Easi Flo<sup>™</sup></b>	<b>Courtland, AL</b>	My-Sp	138o	215o	
<b>FuzPellets<sup>™</sup></b>	<b>Weldon, NC</b>	May	127o	195o	
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	May	129o	208o	
<b>b = bid o = offer t = trade n/a = not available</b>					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 5-13-05</u></b>		<b><u>Dump</u></b>	<b><u>Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
W. New York	My-Ag	149o			
	OND	145o			
SE Pennsylvania	My-Ag	135o			
	OND	132o			
NE Ohio	My-Ag	142o			
	OND	140o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
MI (Grand Rpds.)	My-Ag	152o			
	OND	150o			
MN (Rochester)	My-Ag		148o	155-163o	
	OND		149o	156-159o	
WI (Madison)	My-Ag		145o	154o	
	OND		147o	152o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
Texas / Dublin- Stephenville	My-Jly		145o		
	OND		145o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
California	My-Ag				170o
Idaho (UP)	Spot				165b 168o
	My-Ag				170o
WA/OR (BN)	Spot				165b 170o
	My-Ag				170o
<b>b = bid   o = offer   t = trade</b>					

**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.