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# Cottonseed Intelligence Monthly

# CIM

**COTTON ACREAGE:** In Mid-June Informa released their June *Acreage Report*, which shows all cotton plantings at 14.2 million acres, or 420,000 acres above USDA's March estimate. Informa increased their estimate for cotton area in the acreage report. The report showed increases across the board but the largest increases were in the Southwest up 5% with over 300,000 acres planted in Texas from the March report. Upland cotton was up 3% from the planting intentions report and Pima was up 7%. Total area was up 4% from last year. Even with the increase of acreage seed forecasts remain unchanged and below last year's record-large production. For now, crop conditions will need to be closely monitored, if the outlook remains positive, then production estimates will need to increase. At month's end the USDA will release its *Acreage* report.

**COTTONSEED MARKET:** Prices have firmed as suggested in last month's installment. A main driver of firmer prices has been the California market, but since the beginning of the month, prices have plateaued, while other markets inch higher. There is a stalemate between buyers and sellers, which has caused sellers to back out of the market. Creating the environment of a sellers' market. Additionally, sellers are less willing to show August or September offers, resulting in a couple -dollar premium for these months. The lack of offers is providing subtle strength. The weather related rally on the CBOT is another factor making it easier for seed holders to expect higher prices.

Based on past history, cottonseed prices have been known to edge lower during the next couple months, especially when new crop production appears to be favorable. At the middle of the month overall crop conditions look good, yet due to this year's below average price level sellers are reluctant to trade at lower levels. End users seeing quotes above the price level they paid last year, and their expectation of similar to last year pricing is keeping them on the sidelines. This attitude may result in them having to pay even higher prices once we get into new crop.

Nearby offers in the Southeast are up as much as \$10 in Georgia and North Alabama compared to a months ago. Price firmness in the Carolinas is not as dramatic with North Carolina up \$8 and South Carolina up only \$4, which remains illiquid. New crop quotes in the region are only a couple dollars higher and there is only limited interest from end users or gins in trading. Resellers most recently have started showing quotes for the January-August timeframe with a \$12-15 carry to assigned pricing.

The Mid-South market reported more trading activity in the Northeast Arkansas market and Missouri Bootheel over the past couple weeks. Since last month nearby offers are up \$10. Truck availability has improved, and should help with the movement of supplies before the Fourth of July Holiday reverses the current situation. More buyers than sellers in this region is the reason for firmness.

Consistent hand-to-mouth buying in the West Texas nearby market is keeping prices stout. Supplies are available, but the continuous buying is helping to keep prices firm. Storm damage over

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the past couple weeks has not lead to a stampede of end user buying new crop supplies. Not much change in the market is expected for the summer months. If the cotton crop continues to develop nicely, then prices will likely have more downside price risk.

California prices have held steady for the first half of June. The market has more confidence there are sufficient cottonseed supplies in the state between gins points and what is anticipated to arrive by rail car. The market is quiet and the state of equilibrium is expected to last a few more weeks. Doubts about a lower production outlook and poor growing condition in the state may help support even higher new crop prices.

**COTTONSEED BALANCE SHEET:** This month the USDA had more changes to their balance sheet. Old crop changes are limited to minor shifts on the disappearance side of the balance sheet. The crush was raised 35,000 tons, and exports were scaled back 25,000 tons. This results in a 10,000-ton increase in total disappearance and a decrease in ending stocks by the same amount. The largest change on USDA's balance sheet this month is in new crop, with imports drastically reduced 300,000 tons. On the disappearance side of the balance sheet, the feed, seed and other category was lowered the same amount. These changes, which tighten supply, provide a more bullish outlook for the market.

The largest change in Informa's balance sheets this month is the 50,000-ton increase in old crop crush. Through April, this year's monthly crush results have averaged 10,000 tons over the 5-year average. For the old crop crush to reach the 2.85 million tons level, this trend will need to continue during the last quarter with the monthly average crush around 210,000 tons. With tight nearby cottonseed oil supply and crush economics more friendly, oil mills will likely continue to have above average runtimes.

Old crop exports are pared back 35,000 tons. Export data for old crop totaled through April is only 5,000 tons below the 5-year average for total exports. Compared to a year ago, January-April exports are nearly 36,000 tons behind. For the remaining three months, the pace of exports is expected to pick up some to bridge some of that gap. Costlier freight, more corn and other feed stuffs exported to Mexico are likely negative influences limiting the amount of cottonseed sales.

Old crop ending stocks are down 15,000 tons, which lowers new crop supplies the same amount. Expectations for the crush next year are 10,000 tons higher, because of strong oil demand and an outlook with favorable crush economics. The feed, seed and other category is scaled back 25,000 tons. Total disappearance is down 15,000 tons, but ending stocks are left unchanged. For new crop, stocks to use, and crush to supply ratios are much closer to those seen in the past couple of seasons.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / Informa
	2003/04	2004/05F	2004/05F	2005/06F	2005/06F
Beg. Stocks	347	421	421	487	575
Imports	2	25	17	25	285
Production	6665	8242	8242	6960	6680
<b>Total Supply</b>	<b>7013</b>	<b>8688</b>	<b>8680</b>	<b>7472</b>	<b>7540</b>
Crush	2639	2835	2850	2950	2830
Exports	355	350	380	375	350
Feed, Seed, & "Other"	3598	5016	4875	3750	3960
<b>Total Disappearance</b>	<b>6592</b>	<b>8201</b>	<b>8105</b>	<b>7075</b>	<b>7140</b>
End Stocks	421	487	575	397	400

<b>COTTONSEED fob points</b>				
<b><u>PRICES 6-17-05</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>		
<b>No. Carolina</b> (as ginned)	JAS	100b / 103o		n/a
	OND	100b / 105o		123o
	Ja-Ag	116b / 120o		135o
<b>So. Carolina</b> (as ginned)	JAS	103b / 109o		n/a
	OND	100b / 110o		128o
<b>Georgia So.</b> (as ginned)	June	116-118o		180t
	OND	100b / 108-112o		130o
	Ja-Ag	116b / 124o		145o
<b>Alabama No.</b> (as ginned)	June	113-115b / 117-120o / 115-		168o
	July	117t		n/a
	OND	110b / 113-115o / 111t		135o
<b>MID-SOUTH</b>		<b>(\$/ton)</b>		
<b>Memphis No.</b> (as ginned)	June	118o		162-163t
	Jly-Ag	115b / 118-119o / 120t		n/a
	OND	110t		132t
	Ja-Ag	122b / 126o		148o
<b>MO Bootheel</b>	Spot	119o / 118t		n/a
	Jly-Ag	120o		n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>		
<b>Texas</b>	Spot	123b / 125o / 125t		178t
	OND	115-120b / 122o / 121t		145o
	Clock	125b / 130o		n/a
<b>FAR WEST</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	June	160o		220o
	OND	155b / 160o		186o
<b>Cal Corc. N &amp; Stockton</b>	JJA	183-185b / 190o		n/a
	OND	175b / 180o		185o
	Clock	185b / 190o		190t
<b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>				
<b>Easi Flo<sup>™</sup></b>	<b>Courtland, AL</b>	June	150o	200o
<b>FuzZpellets<sup>™</sup></b>	<b>Weldon, NC</b>	June	132o	200o
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	June	133o	200o
<b>b = bid   o = offer   t = trade   n/a = not available</b>				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 6-17-05</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>			
<b>W. New York</b>	Jn-Ag	154o			
	OND	157o			
<b>SE Pennsylvania</b>	Jn-Ag	136o			
	OND	139o			
<b>NE Ohio</b>	Jn-Ag	147o			
	OND	150o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpds.)</b>	Jn-Ag	164o			
	OND	169o			
<b>MN (Rochester)</b>	Jn-Ag		157-159o	170-174o	
	OND		154o	165o	
<b>WI (Madison)</b>	Jn-Ag		152-157o	163-166o	
	OND		152o	160o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin-</b>	Spot		148o		
<b>Stephenville</b>	Jly-Ag		150o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>California</b>	Jn-Ag				178o
<b>Idaho (UP)</b>	JAS				185t 188o
	OND				177o
<b>WA/OR (BN)</b>	June				185t
	Clock				190o
<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.