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COTTONSEED MARKET: The upward momentum of prices continues. As of the middle of June, the lack of offers has given the market an even tighter feel. Those selling seed have become more guarded with their offers so as not to sell out too quickly. Concerns over crop conditions and the rally in Chicago recently have helped intensify the bullish sentiment in the market. Buying interest doesn't appear to be exhausted yet, but with every price increase the market is nearing its top. Gins won't be sellers until they become more comfortable with their supply situation for new crop. The general sentiment among traders is that there is still more upside potential, unless there is a drastic improvement in crop conditions.

The only buyers in the market appear to be resellers. Dairies in several markets have not participated in nearby trading due to the high price of cottonseed. This lack of end user buying is anticipated to eventually result in a downward price correction and loss of demand as end users find alternatives for cottonseed in their feed ration. The outlook for tighter new crop supply suggests high prices are necessary to ration smaller new crop supplies.

Southeast markets continue to climb on limited trading. The most common complaint from participants is the lack of offers and the amount brought to market is small, along the lines of one or two truckloads. North Carolina traded \$80 above the nearby offered level from a month ago. Gins are not in a position to offer much more as they are waiting to ship seed sold on contract before they will know how much will be left to sell in the spot market. With prices at these lofty levels, the stakes are that much higher for gins not to make a mistake and sell more than what they have in inventory. Along the same lines, as gins are hesitant to offer new crop on fewer acres and concerns that yields will be off due to below average growing conditions.

The Memphis North market had nearby trading \$76 higher since our last installment. Buyers are frustrated as they can only get their hands on small quantities. This means they will need to come right back to market and will have to pay up the next time. Wet conditions in the region have held up plantings. Merchants are apprehensive about new crop climbing much higher as they are noticing dairy demand has already stalled out. The net-value for Mid-South crushers remains above the new crop offers. This suggests that if an oil mill manages to lock in sales for cottonseed oil, meal and hulls at today's prices, they should be able to pay the new crop offered level and still show a profit. Crushers' demand is expected to be the main driving force for establishing new crop cottonseed price levels.

Sellers in the West Texas market have become scarce, and as a result trading levels have climbed over \$70 in an attempt to keep pace with other markets. The West Texas market is reported as quiet due to high prices limiting buying interest. Sellers are not willing to show offers as trades continue to climb higher. Those holding seed are willing to hold off selling in hopes of higher prices next week or next month. The uncommitted cottonseed in Texas appears to be held in strong hands. Resellers are the main sellers and supplies show up on the market when they reposition their owner-

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ship. The new crop market is dead as gins are not offering as they are uncertain about their supply outlook. On the demand side, dairies are not interested in booking at these lofty levels.

Nearby California is offered \$35 higher from last month with only limited buying interest. Inclusion rates on average at dairies are estimated to be down. Dairies are showing more resolve in not buying at these price levels. Pima supplies have traded higher, but still appear to be a bargain trading at \$370. The reasons for the increases in price are placed on replacement costs from eastern markets, fewer cotton acres and water availability concerns, which are bullish factors supportive for continued price strength.

COTTONSEED BALANCE SHEET: USDA's old crop balance sheet had a 7,000-ton reduction. For new crop, projected imports were lowered 200,000 tons. Old and new crop balance sheets had offsetting reductions to their feed, seed and other category. Ending stocks are unchanged with levels a month earlier. USDA's stocks to usage ratio are nearly a percentage point tighter than Informa's for old crop, and 1.3% tighter for new crop.

The crush on Informa's old crop balance sheet was reduced 50,000 tons, as runtimes are likely to be lower than earlier anticipated during the final quarter of the year. Exports were lowered 5,000 tons, as Asian countries are showing less interest in the US supply and looking at other points of origination to satisfy their needs. These changes result in ending stocks raised 55,000 tons. Even if ending stocks are shown higher, which typically is seen as bearish; due to the outlook of much tighter supplies next year, there is minimal risk of prices dropping.

The new crop balance sheet had an increase to supply because of higher old crop ending stocks. If the growing conditions across the Cotton Belt don't improve soon, it is possible that production will need to be adjusted lower. Cotton acres remain an unknown as some growers may still shift to different crops because of new circumstances. On the demand side of the balance sheet, 100,000 tons was shifted from the feed, seed and other category to the crush. Usages in dairy rations are expected to be lower next year. Some delivered dairy markets will lower inclusion rates because prices will stay above average and opt for lower priced feed ingredients. Strong oil demand and high oil prices should result in more cottonseed being crushed.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / Informa
	2006/07	2007/08E	2007/08E	2008/09F	2008/09F
	Beg. Stocks	602	489	489	400
Imports	0	5	4	50	25
Production	7348	6589	6588	5210	5017
Total Supply	7950	70832	7081	5660	5512
Crush	2680	2750	2650	2700	2675
Exports	616	635	628	350	225
Feed, Seed, & "Other"	4165	3298	3333	2290	2245
Total Disappearance	7461	6683	6611	5340	5145
End Stocks	489	400	470	320	367

COTTONSEED fob points				
<u>PRICES 06-13-08</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	410t		163o
	OND	300b		145o
So. Carolina	Spot	385o		161o
Georgia So.	Spot	365t		155o
	OND	300b		141o
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	June	400t		163o
	OND	340t		150t
MO Bootheel	Spot	403t		164o
SOUTHWEST		(\$/ton)		
West Texas	Spot	390t		173o
	JAS	410t		175-178o
(as ginned)	OND	330o / 327		162-165o
FAR WEST		(\$/ton)		
Arizona	Spot	355b		220o
	Clock	380b		n/a
Cal Corc. N & Stockton	Spot	415o		234-236o
	JAS	420t		239-240o
	OND	420o		235o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flotm</i>	Courtland, AL	Spot	455o	199o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	No quote	199o
<i>Cotton Flotm</i>	Weldon, NC	Spot	No quote	199o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 06-13-08</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	466o			
SE Pennsylvania	Spot	455o			
NE Ohio	Spot	462o			
MIDWEST		(\$/ton)			
MI (Grand Rpsd.)	Spot	472o			
MN (Rochester)	Spot		452-457o	460-465o	
	OND		390o	400o	
WI (Madison)	Spot		452-460o	460-468o	
	OND		390o	400o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		No quote		
Stephenville	Jn-Sp		No quote		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				455t
California	Spot				No quote
Idaho (UP)	Spot				430o
(new crop)	OND				415b 425o
WA/OR (BN)	Spot				447b
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.

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