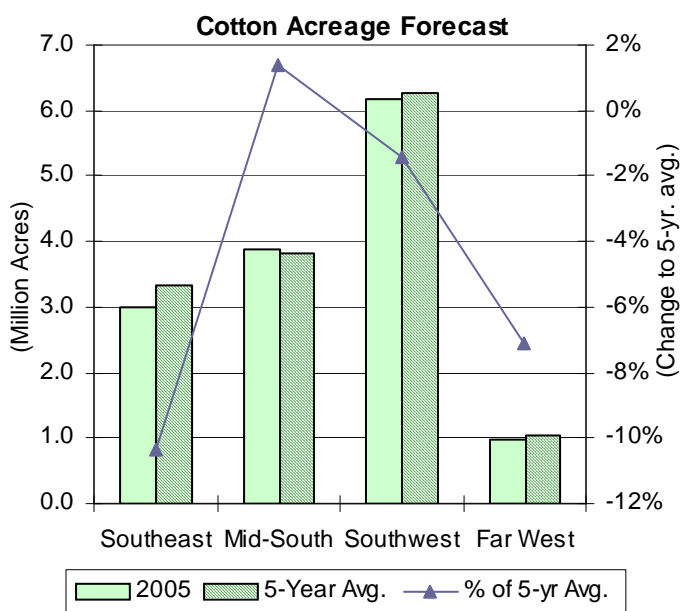


COTTONSEED PAYMENT PROGRAM: The June 24th issue of the Federal Register (Vol. 70, No. 121, Page 36536) contains the proposed rule on compensation for weather-damaged cottonseed enacted on October 13, 2004. \$10 million dollars will be available for producers and first handlers of 2004 crop of cottonseed located in counties declared a disaster by the President of the United States in 2004 due to hurricanes and Tropical storms. The agency responsible for administering this rule is the Commodity Credit Corporation of the USDA. The ruling outlines eligibility requirements, payment rate calculation and how to apply for payment. Comments on the proposed rule need to be received by July 25, 2005. For further information, the main contact at the USDA is Chris Kyer, Phone: (202) 720-7935; email: chris.kyer@wdc.usda.gov

COTTON ACREAGE: At the beginning of the month, USDA Acreage Report showed all cotton acreage at 14.026 million acres, up 3% or 367,000 acres compared to last year. As shown in the graph comparing to the 5-year average, acreage is down. This year's acreage is 455,000 acres below the 5-year average, or down 3%. The only region with acreage above the 5-year average is the Mid-South with 50,000 more acres, which equates to a single percent increase. For the second year in a row, the Southeast has a double-digit percentage decrease compared to the 5-year average. This region will likely continue having acreage below the 3-million acre mark.

This report has an increase of 226,000 acres compared to USDA's Planting report issued at the end of March, netting increased acreage in all regions. Compared to earlier estimates, the Southeast has the largest increase up 80,000 acres with increases coming from the Carolinas. Southwest region is up as a whole 75,000 acres thanks to a 100,000-acre increase for Texas with some reductions in New Mexico and Oklahoma. The Mid-South is up 50,000 acres with some reductions coming from Louisiana and Mississippi. The Far West had a 21,000-acre increase from the last estimate, but 44,000 fewer acres than last year.

USDA's Acreage report is 200,000 acres below Informa's estimates earlier last month. The difference comes from expectations of more cotton acres in the Southwest. At this early point in the year, cotton production is pegged around 18.5 mil-



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lion bales. Given mostly favorable growing conditions to date, our cottonseed production estimates are unchanged at 6.68 million tons.

COTTONSEED MARKET: Since the Fourth of July weekend, markets have been ill defined. The selling interest exited the market and offers and bid levels came closer to levels in previous weeks. Some of the strength from the CBOT is perceived as helpful for cottonseed prices to move higher. Other grain-based feed ingredient markets are not getting a significant increase in demand from buyers and this is keeping their prices stagnant. Concerns over Hurricane Dennis have been dispelled, as winds were not as high as expected, and much needed rains were brought to the Mid-South.

There is still steady nearby demand noted across the country. The limited amount of forward booking this year compared to other years is another factor making the market murky. The lack of forward bookings may set up the scenario for more price volatility with new crop when this demand comes to market attempting to lengthen their position. Still buyers are of the opinion there is still too much of a weather premium in futures and their price ideas on cottonseed are closer to last year's double-digit price levels. End users will likely continue to hold on to hopes for lower prices, but merchants are not expecting much more downside price for the next several weeks.

COTTONSEED BALANCE SHEET: The July USDA old crop balance sheet is unchanged compared to a month ago. The new crop balance sheet has production scaled back by 200,000 tons. This decrease is offset by changes in disappearance. The crush dropped 215,000 tons and exports were pared back 20,000 tons. The feed, seed and other category was upped 35,000 tons. New crop ending stocks are left unchanged at 397,000 tons, or 24,000 tons over the 5-year average.

For Informa's old crop balance sheet, the crush was lower by 20,000 tons. This is because of lower than expected crush results last month, and what appears to be a lighter crush over the past several weeks. For the old crop crush to reach 2.83 million tons, the last two months of the season needs to be above the 5-year average. This reduction in tonnage was shifted to raise ending stocks by the same amount.

Informa's new crop balance sheet has more small-scale changes. With the changes to old crop, beginning stocks was raised 20,000 tons and imports were lowered by 50,000 tons. The net effect of this is a 30,000 cut in total supply for next year. Production is left unchanged for now. Crush was brought down 20,000 tons. The biggest change was the 70,000-ton drop to the feed, seed and other category, as the outlook for higher prices in new crop may limit some demand from group 4 users. Total disappearance shrunk by 80,000 tons and ending stocks raised 60,000 tons.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	July / USDA	July / Informa	July / USDA	July / Informa
	<u>2003/04</u>	<u>2004/05F</u>	<u>2004/05F</u>	<u>2005/06F</u>	<u>2005/06F</u>
Beg. Stocks	347	421	421	487	595
Imports	2	25	17	25	235
Production	6665	8242	8242	6760	6680
Total Supply	7013	8688	8680	7272	7510
Crush	2639	2835	2830	2735	2810
Exports	355	350	380	355	350
Feed, Seed, & "Other"	3598	5016	4875	3785	3890
Total Disappearance	6592	8201	8085	6875	7050
End Stocks	421	487	595	397	460

COTTONSEED fob points				
<u>PRICES 7-15-05</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina (as ginned)	Spot	95b / 102o / 93-95t		173o
	OND	94b / 96o 95-96t		120o
	Ja-Ag	112b / 118o		133o
So. Carolina (as ginned)	Spot	105b / 113o		175o
	OND	96-97b / 100-103o		125o
Georgia So. (as ginned)	Spot	125b / 130o		180o
	OND	100b / 104-108o		121-123o
	Ja-Ag	115b / 125-130o		140o
Alabama No. (as ginned)	Spot	120b / 124o / 121t		180o
	OND	110b / 115-117o / 112t		128o
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	July	120-121o / 115-120t		181-182o
	OND	110b / 114-115o / 110t		128o
	Ja-Ag	114b / 128o		142-145o
MO Bootheel	Spot	120o / 115t		181t
	OND	110b / 115-116o 112t		n/a
Louisiana	OND	115o		n/a
SOUTHWEST		(\$/ton)		
Texas	Spot	125b / 130-132o / 130t		182t
	OND	115-120b / 122-126o / 118-		133o
	Clock	130b / 135o / 130t		150o
FAR WEST		(\$/ton)		
Arizona	Spot	160o / 155-156t		n/a
	OND	160o		175o
Cal Corc. N & Stockton	JAS	188b / 190-192o		225t
	OND	182b / 185o		175t
	Clock	188b / 195o		185t
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	June	157o	215o
Fuzzpellets™	Weldon, NC	June	136o	207o
Cotton Flo™	Weldon, NC	June	137o	207o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 7-15-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	152o			
	OND	152o			
SE Pennsylvania	Spot	134o			
	OND	134o			
NE Ohio	Spot	145o			
	OND	145o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	160o			
	OND	160o			
MN (Rochester)	Jly-Ag		160o	169-173o	
	OND		165o	169-174o	
WI (Madison)	Jly-Ag		154-157o	166-168o	
	OND		160o	166-168	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		155-157o		
	Jly-Ag		155o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Spot				185o
Idaho (UP)	JAS				185-186o
	OND				180o
WA/OR (BN)	JAS				189-190o
	Clock				193o
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.