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# Cottonseed Intelligence Monthly

# CIM

**USDA REPORTS:** The USDA August *Crop Production* report pegs all cotton production at 21.291 million bales, which is 1.5 million bales above their July forecast and 573,000 bales above Informa's estimate from last week. USDA slates new crop cottonseed production at 7.627 million tons, which is up 867,000 tons from their last estimate.

With this being said, one needs to be careful regarding the error associated with the August forecasts compared with the final estimate, which averaged 8.3 percent in the last 10 years. The change following the August forecast has averaged 1.4 million bales with 6 years being lower and 4 larger. Last season, USDA gave us the second largest change from the August to final of the last 10 years with the crop ending up 3 million bales above its August forecast. In 1995, the largest change was a 3.9-million-bale decline from the August to the final.

The first ginning report of the season, as of August 1st, showed a running bales ginned total of 68,700 bales, which is 24,550 bales above the 3-year average. While this looks good, it is still more than 100,000 bales below the average for 2000 and 2001.

**COTTONSEED MARKET:** Following the USDA report with much higher cottonseed production expectations, there is a weaker tone in most markets continues. The mid-month downward movement in futures only under scores a more bearish sentiment. Buyers are keeping to the sidelines now, as the market appears to be rewarding them for waiting. Markets are still thinly traded with only a few buyers and gins active.

In the Southeast, the North Carolina nearby offer is only a couple dollars below last month's level and continues to show the lowest prices for the region. Nearby quotes in other markets are from \$4-5 lower. New crop as-ginned quotes have moved even lower this month from \$8 to 9 in Georgia and North Alabama, respectively. South Carolina's as-ginned quote slipped \$5, while North Carolina's offered range is a couple dollars lower. Selling is limited on new and old crop as sellers are still not interesting in selling at current levels.

The Mid-South market has seen higher nearby pricing since the last installment, as buying interest moved into the market late-July and early-August. This buying interest is not as active resulting in a softer feel in the market. Sellers are keeping quotes unchanged and are not interested in showing lower quotes. Trucks in the region are tight and end users need to prepare themselves for higher transportation costs. The Memphis North market's as-ginned and January-August offer dropped \$10 since last month. Expectations are for further downward movement.

The West Texas nearby offer is up \$8-10 higher from last month, thanks to steady buying interest and very limited available supply. There has been more new crop buying interest in the market this week and with the excellent crop development gins have become more willing to sell. The most notable transaction reported is the clock trade done at \$123.

The California market had much more trading activity the second week of the month with large

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volume clock trading done at \$188 delivered to dairies. This week there is still some buying interest at that level, but sellers have raised offers and expect this price level to be a price floor for the market. During ginning season, there likely will still be buying opportunities at lower prices. The nearby market is not well defined as offers have a much wider range. Demand remains steady and inclusion rates are expected to hold around the 5 pounds / head / day level.

**COTTONSEED BALANCE SHEET:** The USDA August cottonseed balance sheet had more major changes to new crop than to old crop. The only change to the supply side of old crop was a 20,000-ton reduction of imports. On the disappearance side, crush was increased 65,000 tons, while the feed, seed and other category had a similar increase of 64,000 tons. Ending stocks were lowered 21,000 tons, but the total is still 93,000 tons above the 5-year average.

USDA's big shift for new crop was in production with the total rocketing 846,000 tons higher. Timely rains in West Texas and improving crop conditions are behind the dramatic increase in anticipated supplies. If crop conditions continue to improve, there are still chances for production to nudge higher in the next couple reports. The disappearance side of the market has the feed, seed and other category absorbing the lion's share of the production increase, upped 665,000 tons. Crush was raised 165,000 tons to the same level anticipated for old crop. Ending stocks were raised only 16,000 tons with over 50,000 tons less than old crop.

Informa's old crop balance sheet reduced imports by 13,000 tons. Data from the Foreign Agricultural Service shows imports of 3800 tons from August through June. For the remaining couple months of the crop year, not much more will likely be imported. The largest increase with old crop disappearance is the 50,000-ton increase in the crush, thanks to above-average runtimes continuing through the last half of the crop year. There was a 25,000-ton increase to the feed, seed and other category. The next effect of these changes is a 90,000-ton drop to ending stocks, which is 134,000 tons above the 5-year average.

For new crop, Informa's production was raised to 7.5 million tons. At this point in the season, problems may still arise limiting production. However, if crop conditions continue to improve, there are still chances for production to climb higher. Imports were lowered 55,000 tons given prospects of larger supply. The feed, seed and other category shot 610,000 tons higher to attract the majority of the production increase. 30,000 tons were added to the crush as more buying interest is starting to move into the new crop market and book supplies. Ending stocks are raised 37,000 tons.

**Cottonseed Supply/Demand Balance Sheet (000 tons)**

| Yrs beg Aug 1              | USDA           | Aug /<br>USDA   | Aug /<br>Informa | Aug /<br>USDA   | Aug /<br>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              | 466             | 507              |
| Imports                    | 2              | 5               | 4                | 25              | 180              |
| Production                 | 6665           | 8242            | 8242             | 7627            | 7500             |
| <b>Total Supply</b>        | <b>7013</b>    | <b>8688</b>     | <b>8687</b>      | <b>8118</b>     | <b>8187</b>      |
| Crush                      | 2639           | 2900            | 2880             | 2900            | 2840             |
| Exports                    | 355            | 350             | 380              | 355             | 350              |
| Feed, Seed,<br>& "Other"   | 3598           | 4952            | 4900             | 4450            | 4500             |
| <b>Total Disappearance</b> | <b>6592</b>    | <b>8202</b>     | <b>8160</b>      | <b>7705</b>     | <b>7690</b>      |
| End Stocks                 | 421            | 466             | 507              | 413             | 497              |

| <b>COTTONSEED fob points</b>                                 |                      |                     |      |                      |
|--|----------------------|---------------------|------|----------------------|
| <b><u>PRICES 8-19-05</u></b>                                 |                      | <b><u>Trade</u></b> |      | <b><u>Yr Ago</u></b> |
| <b>SOUTHEAST</b>   |                      | <b>(\$/ton)</b>     |      |                      |
| <b>No. Carolina</b>  | Spot                 | 90b / 95o / 90-95t  |      | 153o                 |
| (as ginned)  | OND                  | 88b / 97o           |      | 108o                 |
| <b>So. Carolina</b>  | Spot                 | 105b / 108o         |      | 151t                 |
| (as ginned)  | OND                  | 93b / 98o           |      | 107o                 |
| <b>Georgia So.</b>   | Spot                 | 120b / 123-125o     |      | 145-150o             |
| (as ginned)  | OND                  | 93-95b / 98-100o    |      | 105o                 |
|  | Ja-Ag                | 110b / 120o         |      | 120o                 |
| <b>Alabama No.</b>   | Spot                 | 115b / 120-121o     |      | 168o                 |
| (as ginned)  | OND                  | 103b                |      | 110o                 |
| <b>MID-SOUTH</b>   |                      | <b>(\$/ton)</b>     |      |                      |
| <b>Memphis No.</b>   | Spot                 | 118b / 122-124o     |      | 158t                 |
| (as ginned)  | OND                  | 101b / 105o         |      | 105-106t             |
|  | Ja-Ag                | 115b / 119o         |      | 124o                 |
| <b>MO Bootheel</b>   | Spot                 | 125-126o            |      | 155b                 |
|  | OND                  | 108o                |      | 106t                 |
| <b>SOUTHWEST</b>   |                      | <b>(\$/ton)</b>     |      |                      |
| <b>Texas</b>   | Spot                 | 138-140o / 138-140t |      | 129-130t             |
|  | OND                  | 110b / 118o / 117t  |      | 110t                 |
|  | Clock                | 121b / 124o / 123t  |      | n/a                  |
| <b>FAR WEST</b>  |                      | <b>(\$/ton)</b>     |      |                      |
| <b>Arizona</b>   | Spot                 | 150o / 145t         |      | 185o                 |
|  | OND                  | 150o                |      | 170o                 |
|  | Oc-Ag                | 160o                |      | n/a                  |
| <b>Cal Corc. N</b>   | Spot                 | 186-190o            |      | 158t                 |
| <b>&amp; Stockton</b>  | OND                  | 181o                |      | 158o                 |
|  | Clock                | 185o                |      | 168-169o             |
| <b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>                 |                      |                     |      |                      |
| <b>Easi Flo™</b>   | <b>Courtland, AL</b> | Spot                | 154o | 198o                 |
| <b>FuzPellets™</b>   | <b>Weldon, NC</b>    | Spot                | 131o | 183o                 |
| <b>Cotton Flo™</b>   | <b>Weldon, NC</b>    | Spot                | 132o | 183o                 |
| <b>b = bid   o = offer   t = trade   n/a = not available</b> |                      |                     |      |                      |

| <b>COTTONSEED dlvd. points</b>         |       |                    |                      |                          |                    |
|--|-------|--------------------|----------------------|--------------------------|--------------------|
| <b><u>PRICES 8-19-05</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                            | Spot  | 145o               |                      |                          |                    |
|  | OND   | 145o               |                      |                          |                    |
| SE Pennsylvania                        | Spot  | 129o               |                      |                          |                    |
|  | OND   | 129o               |                      |                          |                    |
| NE Ohio                                | Spot  | 141o               |                      |                          |                    |
|  | OND   | 141o               |                      |                          |                    |
| <b>MIDWEST</b>                         |       | <b>(\$/ton)</b>    |                      |                          |                    |
| MI (Grand Rpsds.)                      | Spot  | 157o               |                      |                          |                    |
|  | OND   | 157o               |                      |                          |                    |
| MN (Rochester)                         | Spot  |                    | 160-162o             | 169-170o                 |                    |
|  | OND   |                    | 150o                 | 160-162o                 |                    |
| WI (Madison)                           | Spot  |                    | 150-152o             | 166-169o                 |                    |
|  | OND   |                    | 145o                 | 158                      |                    |
| <b>SOUTHWEST</b>                       |       | <b>(\$/ton)</b>    |                      |                          |                    |
| Texas / Dublin-<br>Stephenville        | Spot  |                    | 158o                 |                          |                    |
|  | OND   |                    | 140o                 |                          |                    |
| <b>RAIL - FOB TRACK POINTS</b>         |       | <b>(\$/ton)</b>    |                      |                          |                    |
| California                             | Spot  |                    |                      |                          | 180o               |
| Idaho (UP)                             | Spot  |                    |                      |                          | 183t               |
|  | OND   |                    |                      |                          | 169b 172o          |
| WA/OR (BN)                             | Spot  |                    |                      |                          | 183b 187o          |
|  | OND   |                    |                      |                          | 170b 176o          |
|  | Clock |                    |                      |                          | 186o               |
| <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.