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Cottonseed Intelligence Monthly

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USDA PRODUCTION REPORT: USDA's August production report showed all cotton production at 13.21 million bales down from 13.25 million in July. Harvested acres were reduced 13,000 acres to 7.77 million acres. Informa had expected 13.546 million bales for production and 7.757 million acres harvested. The main difference between reports was that Informa pegged Texas output a half-million bales larger. For Alabama, Arkansas, Georgia and Oklahoma, USDA's projections averaged 50,000 bales larger than Informa's recent report. The slower than average development with this year's crop will make production difficult to peg, because the impact of late season weather remains a wildcard.

USDA's forecast for cottonseed production was lowered by 267,000 tons to 4.463 million tons. Given USDA's projections, the ratio of cottonseed tons per bale is inline with the 5-year average, but the cottonseed to harvested acres is marginally lower. With mostly favorable growing conditions for most of the Cotton Belt, it appears that as of mid-August chances are better for production needing to be adjusted higher rather than pared back unless there is a drastic change in crop conditions.

COTTONSEED MARKET: Prices have drifted lower by the middle of August as buying interest has become light. The short covering that was taking place over the course of the past few weeks has been completed. Now, typical end user buying is on only single truckloads and it appears that the advantage is on the side of buyers as sellers are willing to accept bids. Even with lower new-crop prices, resellers are content on the sidelines. It doesn't appear any feed merchants are buying and building their position. With end users apt to continue with their hand to mouth approach, resellers are not willing to start building up their ownership position. Most resellers are anticipating a higher likelihood that prices will drift lower in coming months once harvest activity and gins start up, allowing supply to put downward pressure on prices.

Southeast and Mid-South markets are quiet and many in the region are thinking that there will be additional downward risk. New crop offers have drifted lower as growing conditions are favorable even if development is delayed. Expectations are for the harvest to be later than normal, which could result in the potential for price volatility and some upside movement provided there are legitimate concerns about production expectations being met.

The West Texas market remains quiet because there are a few buyers. At the same time, gins are not overly excited to sell at these prices levels. Some resellers have traded limited volumes because the spread between the West Texas and Mid-South provides an opportunity for profits. End users are likely to continue buying month by month for the balance of the year.

Trading in the Far West is minimal. Rail supply in the PNW is adequate. In California, the ship with Australian cottonseed has landed, and the market hasn't had much of a reaction. The downward price move is based on weakness in other markets and bearish news with other feed ingredients. More downward price pressure is anticipated.

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COTTONSEED BALANCE SHEET: USDA raised old crop ending stocks 100,000 tons by lowering the crush 25,000 tons and dropping the Feed, Seed and Other category by 75,000 tons. New crop beginning stocks were raised 100,000 tons. This change offset a portion of the 267,000-ton reduction made to new crop production. The single largest change this month was the 287,000-ton reduction to the crush. The Feed, Seed and Other category was lowered 100,000 tons, which takes it down to a level not seen since the 1986/87 crop year when cottonseed production was only 3.8 million tons. Exports are unchanged. Ending stocks were raised 20,000 tons. This brings the stocks to use ratio down to 7.4% similar to the 2005/06 crop year.

Informa's balance sheet had the 24,000 tons of imports shifted from old crop to new crop; otherwise the old crop balance sheet remains unchanged. New crop production was adjusted 47,000 tons higher, as there is still the potential for the crop to exceed earlier expectations. Exports were raised 5,000 tons, as there have been a number of inquiries from Asia in the market and some sales are getting accomplished. These changes increase ending stocks by 32,000 tons causing the stock to use ratio to rise just above 10%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Aug. / USDA	Aug. / Informa	Aug. / USDA	Aug. / Informa
	<u>2007/08</u>	<u>2008/09E</u>	<u>2008/09E</u>	<u>2009/10F</u>	<u>2009/10F</u>
	Beg. Stocks	489	643	643	430
Imports	3	0	0	0	24
Production	6589	4300	4300	4463	4484
Total Supply	7080	4943	4943	4893	4956
Crush	2706	2275	2270	2388	2325
Exports	599	175	175	350	175
Feed, Seed, & "Other"	3132	2063	2050	1800	1980
Total Disappearance	6437	4513	4495	4538	4480
End Stocks	643	430	448	355	476

COTTONSEED fob points				
<u>PRICES 08-14-09</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina (as-ginned)	Spot	180b / 185o		345o
	OND	140b / 145o		285-290o
So. Carolina (as-ginned)	Spot	180b / 185o		355o
	OND	140b / 145o		295o
Georgia So. (as-ginned)	Spot	180b / 185o		355o
	OND	140b / 145o		290o
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	Spot	196-198o / 196t		335-337t
	OND	179o / 176t		305t
MO Bootheel (as ginned)	Spot	198t		345o
	OND	178o		n/a
SOUTHWEST		(\$/ton)		
West Texas (as-ginned)	Spot	197-198o / 195t		320-325t
	Sept.	195o		n/a
	OND	160b / 165o / 165t		315-320t
	Ja-Ag	175-178o		n/a
FAR WEST		(\$/ton)		
Arizona	Spot	260o		n/a
	OND	240o		370o
Cal Corc. N & Stockton	Spot	270o		398t
	Ag-SP	270o		n/a
	OND	250o / 245t		405o
	Clock	260o		410o
SPECIALY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flotm</i>	Courtland, AL	Spot	220o	413o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	n/a	n/a
<i>Cotton Flotm</i>	Weldon, NC	Spot	n/a	n/a
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 08-14-09</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	242o			
	OND	202o			
SE Pennsylvania	Spot	225o			
	OND	185o			
NE Ohio	Spot	242o			
	OND	202o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	252o			
	OND	212o			
MN (Rochester)	Spot		248o	255-258o	
	OND		223o	233o	
WI (Madison)	Spot		248o	245-250o	
	OND		213o	223o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		240o/t		
	OND		190o		
	Ja-Sp		205o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				242t
	OND				232t
California	Spot				265o
Idaho (UP)	Ag-Sp				270o
	OND				250b 260o
WA/OR (BN)	Spot				275o
	OND				265o
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.