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USDA REPORTS: The September Production Report pegged all-cotton production at 22.3 million bales. This report has taken into account the impact of Hurricane Katrina and the August 28th hail storm in West Texas. Total production was raised 5%, or 991,000 bales compared to USDA's estimate made a month ago. This total is only 14,000 bales below Informa's September forecast published two weeks ago. USDA's cottonseed production forecast at 7.984 million tons is 357,000 tons above the previous estimate. This is only 84,000 tons above our projection of 7.9 million tons released in the Cottonseed Digest two weeks ago.

The increase in production comes primarily from Texas, which shows a 1.1-million-bale increase, thanks to excellent growing conditions in the high plains. This is a 15% increase compared to expectations a month ago, but is still 540,000 bales below last year's output. Mississippi's production was lowered 100,000 bales with 10,000 fewer acres and yield expectations were down 33 lbs/acre. Louisiana's production increased 150,000 bales and harvested area was upped 10,000 acres. Georgia's production was raised 70,000 bales thanks to higher yields, while California's overall output was reduced the same amount.

COTTONSEED MARKET: With a stronger conviction that there will be a second year of large cottonseed production, weakness in most markets continues. There is very little nearby trading activity to report, since buying interest is weak. Generally speaking supplies appear tighter in the eastern markets than in the West. From the mid-point of September, it will be a couple weeks the markets before spot prices and as-ginned prices come much closer.

In the Southeast, the North Carolina nearby offer is only a dollar below last month's level. This market has seen the least amount of volatility over the past 11 months, as prices have kept to mostly within a \$10-range, while new crop quotes are \$10 lower. South Carolina's new crop offers dropped \$3, and likely has more downside. Georgia's new crop lost another \$10; this loss is a couple dollars more than last month's down move. The January-August quote slid \$8 as well. North Alabama's nearby lost \$5, meanwhile the new crop high-end offer matches the bid seen last month.

With few gins in the market, the Mid-South market is murky, as the market is thin with limited nearby supply. The nearby Memphis North trading level is higher than most have expected, and it is likely the highest price to be seen in the market for several months. Those buyers needing supply have precious few options. Memphis North as-ginned supplies traded \$7 below offered levels reported a month ago. Missouri Bootheel price reductions are not as low, but in the same neighborhood. These markets have yet to see strong buying activity, however, if and when this happens prices may hold steady. New crop quotes at the middle of the month are not too far off from last year's levels.

West Texas nearby and OND quotes dropped \$10. This region appears to be having a phenomenal crop for the second consecutive year. The likelihood of the late season rally appears im-

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probable at this point. There is only limited demand for nearby and harvest activity is moving along without many issues, which wasn't the case a year ago. The downward price movement on new crop supply is expected to continue.

Nearby prices in the Far West have dropped the most, off \$24. Fears of tight supplies are no longer an issue, as unseasonably warm weather in August slowed down feed intake. This availability of supply is pressuring new crop prices lower. More buying interest is expected to come to market, but a price spike seen last year is not expected.

COTTONSEED BALANCE SHEET: Old and new crop changes from the USDA's balance sheets paint a more bearish outlook for the transition between old and new crop. Some demand categories were up for old crop, namely the crush grew 23,000 tons and exports were elevated 15,000 tons. However, the feed, seed and other category was lowered 164,000 tons. The net result was ending stocks were raised 126,000 tons. The market is currently feeling the effect of this supply carried into new crop. The largest increase for new crop was the 357,000-ton increase to production. Total supply is up 483,000 tons. On the demand side, crush is unchanged, but exports are raised 20,000 tons. The feed, seed and other category was raised 339,000 tons. The total increase in ending stocks is 124,000 tons, similar to the old-crop levels.

Informa's old crop balance sheet had crush upped 53,000 tons to match the annual total from US Census crush reports. The feed, seed and other category was lowered 138,000 tons. Ending stocks was raised 85,000 tons. The old crop stocks to use ratio is 1.7% higher than the five-year average, but just under a percentage point above the ten-year average. New crop supply has the largest change production was up 400,000 tons compared to a month ago. Imports were dropped 160,000 tons because of larger new crop production and expectations for low domestic prices too competitive for imports. The crush remains unchanged for now with questions surrounding crushing economics and the amount to be crushed. The production increase raised expectations going to feed by 250,000 tons. Ending stocks were raised 60,000 tons. At this point in the year, it appears areas of demand will be similar to last year, but given the abundance of other feed ingredients in the marketplace, prices ranges will likely be lower than a year ago.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Sept / USDA	Sept / Informa	Sept / USDA	Sept / Informa
	<u>2003/04</u>	<u>2004/05E</u>	<u>2004/05E</u>	<u>2005/06F</u>	<u>2005/06F</u>
Beg. Stocks	347	421	421	592	592
Imports	2	5	4	25	20
Production	6665	8242	8242	7984	7900
Total Supply	7013	8668	8667	8601	8512
Crush	2639	2923	2933	2900	2840
Exports	355	365	380	375	365
Feed, Seed, & "Other"	3598	4788	4762	4789	4750
Total Disappearance	6592	8076	8075	8064	7955
End Stocks	421	592	592	537	557

COTTONSEED fob points				
<u>PRICES 9-16-05</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina (as ginned)	Spot	88b / 94o		170o
	OND	82b / 87o / 83t		105o
	Ja-Ag	100b / 105o		124o
So. Carolina (as ginned)	Spot	100b / 106o		n/a
	OND	92b / 95o		108o
	Ja-Ag	108b / 110o		125o
Georgia So. (as ginned)	Spot	120o		n/a
	OND	75-85b / 90o		110o
	Ja-Ag	106b / 112o		124o
Alabama No. (as ginned)	Spot	112b / 117o		n/a
	OND	92b / 97-103o		110b
	Ja-Ag	110b / 116o		n/a
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	Spot	118t		112o
	OND	98b / 100-101o / 98t		n/a
	Ja-Ag	112o		n/a
MO Bootheel	Spot	119t		n/a
	OND	98-100b / 103o		n/a
SOUTHWEST		(\$/ton)		
Texas	Spot	125b / 128o		155o
	OND	104-107o		108-110o
	Ja-Ag	123o / 123t		125o
FAR WEST		(\$/ton)		
Arizona	Spot	145b / 142.50t		n/a
	OND	150o		160t
Cal Corc. N & Stockton	Spot	165b / 170o / 165t		205o
	OND	165b / 170o / 165t		155t
	Clock	175o		166t
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	Spot	151o	210o
FuzZpellets™	Weldon, NC	Spot	125o	170o
Cotton Flo™	Weldon, NC	Spot	125o	170o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 9-16-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	149o			
	OND	146o			
SE Pennsylvania	Spot	128o			
	OND	127o			
NE Ohio	Spot	145o			
	OND	142o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	155o			
	OND	151o			
MN (Rochester)	Spot		150-153o	165-169o	
	OND		140o	159o	
WI (Madison)	Spot		148o	165o	
	OND		133o	155o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		145o		
	OND		130o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	OND				168o
Idaho (UP)	Spot				174o
	Clock				176o
WA/OR (BN)	OND				176o
	Clock				180o
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.