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# Cottonseed Intelligence Monthly

# CIM

**USDA REPORTS:** The September *Production Report* pegged all-cotton production at 20.345 million bales, which is 86,000 bales less than last month's report and 15% below last year's record large production. The average industry estimate was 19.86 million bales, while Informa's total was 20.157 million bales. USDA reduced its harvested area estimate for Mississippi by 10,000 acres and reduced California's Pima harvested area 14,000 acres. The cotton yield is forecast to average 762 pounds per acre, down 3 pounds from August and 69 below last year. USDA's cottonseed estimate was lowered 26,000 tons from last month to total 7.149 million tons.

States with largest decreases in production include California losing 145,000 bales, Mississippi dropping 100,000 bales, North Carolina off 80,000 bales and Louisiana and Georgia both less 50,000 bales. Of the seven states showing an increase this month, USDA raised production for Texas the most with a roughly 300,000-bale boost to bring its total to 5.466 million bales. The total for Texas is nearly 400,000 bales above Informa's forecast from earlier in the month. Arkansas and Missouri production were raised 50,000 and 45,000 bales, respectively.

**COTTONSEED MARKET:** Price ideas for the nearby are sketchy as there is little trading taking place during the transition to new crop. Weather setbacks are also playing a role in holding up picking activity in some markets, which will only suspend the inevitable softening of prices. Dairy buying interest has not been strong so far, and is not expected to be, as robust as a year ago at these price levels. Most resellers are refraining from taking on ownership at this point in the game, and are waiting for prices to move lower under the weight of ginning pressure before adding to their position.

There has been very little trading activity in the Southeast. Nearby Carolina prices continued to climb through the middle of the month, but are expected to drift lower during the last half of the month. Georgia nearby prices have settled down already as ginning has already started up elevating the nearby tightness. Oil mill bids in the region are reported in the mid-\$90 range, which should help establish a price floor on new crop. Alabama supplies remain tight and expectations are for only limited downside movement this fall. Most ginners in the state are looking at small yields and are expected to put as much seed as possible in storage hopeful to get higher prices later in the marketing year.

In the Mid-South, the Delta states continue to pick up the pace on ginning, and price levels have already moved lower and are now holding mostly steady. Memphis North prices have drifted a couple dollars lower, while the demand side of the market has backed off and is not very supportive of current price levels. In Missouri and Arkansas, an increase in harvesting and ginning activity is right around the corner. This is keeping buyers out of the nearby market, as they are only interested in buying at as-ginned price levels. Merchants have mentioned more gins calling around looking to sell. Spot prices by next month should be at least \$10/ton lower.

The West Texas nearby prices are holding steady and have the potential to bounce a couple

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**For weekly cottonseed pricing and commentary contact:**

James Bueltel - Phone 651-635-9157, Fax 651-635-0857 e-mail: [james.bueltel@informaecon.com](mailto:james.bueltel@informaecon.com)

dollars over the next couple weeks. After the rains at the tail end of August and early September, growers have put off picking in hopes warmer weather will promote more boll filling. The USDA *Cottons Ginnings* report as of September 1, showed 406,450 bales for the running bales ginned total, which is below the 3-year average by 167,550 bales. This slower ginning progress will likely help support nearby prices, but eventually ginning pressure will likely result in prices roughly \$15/ton lower once more gins in West Texas get up and running. New crop prices are holding steady, but still have some downside risk if crushers buy enough and exit the market.

In the Far West there was a flurry of rail buying for the OND period ahead of higher freight rates. Demand in the Far West continues to be an issue, as dairies will likely reduce inclusion rates due to higher priced cottonseed. For the time being, California continues to have steady nearby demand. Forward offers are a few dollars higher as resellers need to insure potential freight costs are covered for the timeframe later in the marketing year.

**COTTONSEED BALANCE SHEET:** Changes to USDA's balance sheets provide a more bearish finish to old crop, yet a bullish outlook for the current crop year. USDA's old crop balance sheet had crush and the feed, seed and other category reduced by 53,000 and 35,000 tons respectively. Exports were raised 15,000 tons, which netted a 74,000-ton increase to ending stocks. On the supply side for this crop year, production was scaled back 26,000 tons. On the demand side of the balance sheet, crush is unchanged, exports were lowered 10,000 tons, while the feed, seed and other category was raised 70,000 tons. These changes result in a net reduction of ending stocks by 12,000 tons. Ending stocks estimates are at 502,000 tons, the lowest level since the 2003/04-crop year when they were 421,000 tons.

Informa's balance sheet had a 30,000-ton reduction to old crop production, which relates to a reduction in ending stocks. The crush was pared back by 7,000 tons to match the crush totals from US Census reports. The feed seed and other category was raised 7,000 tons. The net effect of these changes is a 30,000-ton reduction to this year's beginning stocks, which also lowers ending stocks the same amount, as there were no other changes to the balance sheet.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Sept. / USDA	Sept. / Informa	Sept. / USDA	Sept. / Informa
	2004/05	2005/06F	2005/06F	2006/07F	2006/07F
	Beg. Stocks	421	592	592	603
Imports	1	5	2	100	2
Production	8242	8172	8170	7149	7050
<b>Total Supply</b>	<b>8664</b>	<b>8769</b>	<b>8764</b>	<b>7852</b>	<b>7655</b>
Crush	2923	2997	3014	2750	2725
Exports	379	500	500	405	420
Feed, Seed, & "Other"	4770	4670	4647	4195	4050
<b>Total Disappearance</b>	<b>8072</b>	<b>8167</b>	<b>8161</b>	<b>7350</b>	<b>7195</b>
End Stocks	592	603	603	502	460

<b>COTTONSEED fob points</b>				
<b><u>PRICES 9-15-06</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>SOUTHEAST</i></b>		<b>(\$/ton)</b>		
<b>No. Carolina</b>	Spot	140b / 142-144o / 143t		94o
	(as ginned) OND	92b / 95o		87o 83t
<b>So. Carolina</b>	OND	92b / 98o		95o
	Ja-Ag	112b / 117o		110o
<b>Georgia So.</b>	Spot	122-125o / 120-125t		120o
	OND	95b / 102o		99o
<b>Alabama No.</b>	Spot	140t		117o
	Oc-Nv	110b		97-103o
	Ja-Ag	128b		116o
<b><i>MID-SOUTH</i></b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	123o / 123t		118t
	Oct.	109t		n/a
	(as ginned) OND	110b / 112o		100-101o
<b>MO Bootheel</b>	Sp-Nv	110b / 112o		103o
	Ja-Ag	131o		n/a
<b>NE Louisiana</b>	Oc-Nv	110b		n/a
<b><i>SOUTHWEST</i></b>		<b>(\$/ton)</b>		
<b>West Texas</b>	Spot	161-162o / 161t		128o
	(as ginned) OND	143b / 146-148o / 146t		104-107o
	Ja-Sp	165-170o		123o
<b><i>FAR WEST</i></b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	200o		142.50t
	OND	177b / 180o / 180t		150o
<b>Cal Corc. N &amp; Stockton</b>	Spot	195b / 200o / 197-200t		165t
	OND	191b / 196o		165t
	Clock	208o		175o
<b><i>SPECIALLY PROCESSED PRODUCTS (\$/TON)</i></b>				
<b><i>Easi Flo™</i></b>	<b>Centre, AL</b>	Spot	158o	151o
<b><i>FuzZpellets™</i></b>	<b>Weldon, NC</b>	OND	135o	n/a
<b><i>Cotton Flo™</i></b>	<b>Weldon, NC</b>	OND	135o	n/a
<b>b = bid   o = offer   t = trade   n/a = not available</b>				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 9-15-06</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>			
<b>W. New York</b>	Spot	197o			
	OND	148o			
<b>SE Pennsylvania</b>	Spot	177o			
	OND	131o			
<b>NE Ohio</b>	Spot	193o			
	OND	143o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpd.)</b>	Spot	206o			
	OND	155o			
<b>MN (Rochester)</b>	Spot		172o	185-189o	
	OND		164o	172-174o	
<b>WI (Madison)</b>	Spot		162o	172-175o	
	OND		154o	164-166o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		165-170o		
	OND		165-170o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>California</b>	Spot				195o
	OND				191o
<b>Idaho (UP)</b>	Spot				195t
	OND				189-190o
<b>WA/OR (BN)</b>	Spot				196t
	OND				194o
<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.