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# Cottonseed Intelligence Monthly

# CIM

**USDA'S PRODUCTION REPORT:** USDA's September *Production Report* pegged US all cotton production at 17.8 million bales, up 466,500 bales from last month, but below the previous year by 17%. This total exceeded the average industry estimate of 17.41 million bales, yet still was over 200,000 bales below Informa's September estimate published a week earlier. Differences between Informa and USDA forecasts stem from smaller expected harvested area of 93,000 acres and slightly lower yield rate of one bale per acre. Regionally, USDA's forecasts compared to Informa's were 13,000-bales lower in the Southeast, 30,000 bales below for the Mid-South and over 150,000 bales lighter for the Southwest. The largest state difference was in Georgia with USDA expecting production 150,000 bales larger, while the next largest difference on the upside is Tennessee showing 90,000 bales more. On the downside, lower expected production was shown for Texas with 100,000 fewer bales. Warm weather in the final weeks of the season in West Texas provides the potential for production to exceed expectations. The next matter will be how favorable conditions will be for a timely harvest. USDA's 2007/08 cottonseed production is estimated to be 6.163 million tons, which is under Informa's estimate by 87,000 tons. If expectations of larger yields in West Texas come to be, then chances are good that production will need to be adjusted higher.

**COTTONSEED MARKET:** Markets continue mixed as the lack of new crop supplies at hand are becoming a greater concern for the Southeast, Mid-South and Far West. The lack of supply and the rally in Chicago has kept gins from offering as they are concern about how much and when they will have something to sell. On the demand side, dairy buyers are seeing prices well above average and are expecting that prices must have a better chance to stage a reversal before they buy. This standoff situation is expected to continue for a couple more weeks before trading commences.

Nearby offers in the Southeast are hard to find as old crop supplies are scarce, yet there appears to be an abundance of resellers willing to buy. Dairy buying interest in the Northeast is holding steady. With strong forward pricing, merchants are concerned that export demand in the region will be lighter. North Carolina has kept a premium over South Carolina, meanwhile Georgia prices are the lowest in the region. According to USDA's production estimate for Georgia, there will be more supply than anticipated earlier in the year. Given the price strength in other regions, prices are likely to climb.

In the Mid-South, prices continue to edge higher on short supplies. A couple of rainy days early in September set back harvest progress and this is giving the nearby market a tighter feel as new crop supplies that were anticipated were absent from the market. The net value for crushers continues to climb higher, which is being helped by stronger oil prices and cottonseed meal prices. New crop offers have moved higher as well. Even with these stronger price ideas, not much trading is done. This lack of trading action at higher prices is leading some market participants to believe that prices will have to dip lower once ginning starts to keep supplies moving.

West Texas nearby prices are edging lower. Gins are beginning to show more interest in sell-

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

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: [james.bueltel@informaecon.com](mailto:james.bueltel@informaecon.com)

ing as they are seeing a large crop in the fields and are more comfortable with their supply situation. Additionally a downward move in an oil mill bid was another factor to help get gins in a "selling mood". Given expectations for a large crop in West Texas, as-ginned prices may have more downside risk, but it might take several more weeks to fully develop. Rail supplies continue to move to the California market and this is helping take old crop supplies out of the market.

In the Far West there were more concerns that there could be a shortage of seed in October. Reseller buying cleared the market of offers, which gave sellers reason to raise offered levels. Stronger end user demand during the second week of the month was reported as reason for the recent price strength. Forward offers moved higher as well and the rallies in futures markets were likely helpful in getting some end users to step up and cover some of their requirements.

**COTTONSEED BALANCE SHEET:** The most significant changes to USDA's balance sheet lowers old crop ending stocks by 78,000 tons. This resulted in part by an increase of 92,000 tons to the Feed, Seed and Other category. For new crop, production was raised 176,000 tons, which was the largest change this month. The Feed, Seed and Other category was raised over a hundred thousand tons.

Informa's old crop balance sheet had changes to the demand side of over 70,000 tons. The largest move was a 50,000-ton increase to the Feed, Seed and Other. The crush was raised 14,000 tons to bring it in line with census data. Exports were raised 8,000 tons as the final months of the season had stronger shipments than anticipated. Ending stocks were reduced 72,000 tons, yet exceed USDA's balance sheet which is representative of supply at crushers. New crop production was adjusted 50,000 tons higher as yield potential has improved. Much stronger than anticipated net-values for Mid-South crushers have been shown the past several weeks, and this is a development which could result in a larger crush. For the time being, the crush is unchanged until there is a notable increase in cottonseed oil demand.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	Sept / USDA	Sept / Informa	Sept / USDA	Sept / Informa
	<u>2005/06</u>	<u>2006/07F</u>	<u>2006/07F</u>	<u>2007/08F</u>	<u>2007/08F</u>
	Beg. Stocks	592	602	602	482
Imports	0	0	0	0	0
Production	8172	7348	7348	6163	6200
<b>Total Supply</b>	<b>8764</b>	<b>7950</b>	<b>7950</b>	<b>6645</b>	<b>6793</b>
Crush	3011	2670	2670	2400	2425
Exports	523	616	616	300	350
Feed, Seed, & "Other"	4629	4181	4121	3550	3540
<b>Total Disappearance</b>	<b>8163</b>	<b>7467</b>	<b>7407</b>	<b>6250</b>	<b>6315</b>
End Stocks	602	482	543	395	478

<b>COTTONSEED fob points</b>				
<b><u>PRICES 09-14-07</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>SOUTHEAST</i></b>		<b>(\$/ton)</b>		
No. Carolina	OND	165b / 169o		95o
	Ja-Ag	177b / 182o		n/a
So. Carolina	OND	160b / 165o		98o
	Ja-Ag	177b / 182o		117o
Georgia So.	OND	150b / 155o / 155t		102o
	Ja-Ag	170b / 175o		n/a
Alabama No.	Spot	168b / 172o		140t
	OND	168b / 172o		110b
<b><i>MID-SOUTH</i></b>		<b>(\$/ton)</b>		
Memphis No. (as-ginned)	Spot	172o / 172t		123t
	OND	166b / 170o		112o
MO Bootheel (as-ginned)	Spot	172o		n/a
	OND	172o		112o
<b><i>SOUTHWEST</i></b>		<b>(\$/ton)</b>		
West Texas (as-ginned)	Spot	165b / 170o / 167-169t		161t
	OND	160-162o / 160t		146t
	Ja-Sp	175b / 178o		165-170o
<b><i>FAR WEST</i></b>		<b>(\$/ton)</b>		
Arizona	Spot	222.50t		200o
	OND	223b		180o/t
Cal Corc. N & Stockton	Spot	250b / 255o / 252t		197-200t
	OND	242b / 246-248o		191o
	JFM	247-250t		n/a
	Clock	255o		208o
<b><i>SPECIALY PROCESSED PRODUCTS (\$/TON)</i></b>				
<b><i>Easi Flo<sup>tm</sup></i></b>	<b>Centre, AL</b>	Spot	211o	158o
<b><i>FuzZpellets<sup>tm</sup></i></b>	<b>Weldon, NC</b>	Spot	219o	135o
<b><i>Cotton Flo<sup>tm</sup></i></b>	<b>Weldon, NC</b>	Spot	219o	135o
<b>b = bid   o = offer   t = trade   n/a = not available</b>				

<b>COTTONSEED dlvd. points</b>					
<u>PRICES 09-14-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
<b>W. New York</b>	OND	221o			
	Ja-Ag	238o			
<b>SE Pennsylvania</b>	OND	204o			
	Ja-Ag	216o			
<b>NE Ohio</b>	OND	217o			
	Ja-Ag	225o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpd.)</b>	OND	231o			
	Ja-Ag	244o			
<b>MN (Rochester)</b>	Spot		212-215o	210-222o	
	OND		209	219o	
<b>WI (Madison)</b>	Spot.		210-212o	216-218o	
	OND		203	212o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin-</b>	Spot		205o		
<b>Stephenville</b>	OND		185o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Spot				215-218o
	OND				240o
<b>California</b>	Spot				248t 250o
	OND				245t 247o
<b>Idaho (UP)</b>	Clock				257o
	Spot				258t
<b>WA/OR (BN)</b>	Spot				258t
	Clock				270o
<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.