

From a fundamental perspective, I always look forward to Fall, since it provides the most accurate supply fundamentals for the year in the cottonseed market. Because once harvest is complete, the amount of supply information entering the market is minuscule. For this reason, I mentally run supply updates almost weekly for cottonseed starting in September, until the final report is released in January. On September 12, the USDA released their September 1, 1998 Cotton Forecast, which came it at just 13.560 million bales. Today independent reports are surfacing which suggest a crop size at a mere 12.9 to 13.2 million bales. If we were to utilize the most recent lint-to-seed yields and a cotton crop of 13.0 million bales, these new estimates would further reduce the 1998-99 cottonseed supply to a mere 4.876 million tons. An additional reduction of 209,000 tons. And if we use our current usage level of 2.240 million tons for the 1998-99 crush, and cottonseed imports of 200,000 tons, this would leave total cottonseed supplies for feed & seed use at just 2.836 million tons.

So what does this mean? Using January 1, 1998 USDA Milk Cows That Have Calved inventory levels, this suggests in Arizona and California (1,475,000 head), approximately 1276 lb./cow will be available (includes 160,000 tons of imported cottonseed + subtracts 10,000 tons for planting seed). Adjusting this figure to a 305 day lactation, this would result in 4.2 lb./head/day approximately. And if we factor in the delayed crop maturity this year (a late 1998 crop could result in an 11 month selling cycle, Nov-Sep), actual feeding levels could approach the 4.6 lb./head/day level. From a historical perspective, this should be an adequate level of cottonseed to fulfill demand.

If we group the remaining states together, the number of milk cows would be 7,176,000 head. The remaining cottonseed available for feed use would be 1,884,939 tons (includes 40,000 tons of cottonseed imported into Longview + subtracts 122,000 tons for planting seed). Once again if we use a 305 day lactation, this would result in an available cottonseed sup-

**COTTONSEED PRICE TREND
ANALYSIS BY REGION**

<u>REGION</u>	<u>MONTH</u>	<u>PRICE TREND</u>
<u>SOUTHEAST</u>	SPOT	Sideways to higher
(AL,GA,SC,NC,VA)	OCT-DEC	Sideways to Lower
	JAN-AUG	Sideways to Lower
<u>NORTHEAST</u>	SPOT	Sideways to Lower
(NY,PA,VT,OH,MO)	OCT-DEC	Sideways to Lower
	JAN-AUG	Sideways to Lower
<u>MID-SOUTH</u>	SPOT	Sideways
(MS,LA,AR,TN,	OCT-DEC	Sideways to Lower
	JAN-AUG	Sideways to Lower
<u>MIDWEST</u>		Sideways
(MI, IL, WI, MN,IA)		Sideways to Lower
		Sideways to Lower
<u>SOUTHWEST</u>	SPOT	Lower
(TX,OK,NM,CO)	OCT-DEC	Sideways
	JAN-AUG	Not Available
<u>PACIFIC NW</u>	SPOT	Sideways
(WA, OR, ID)	OCT-DEC	Sideways
	JAN-AUG	Sideways to Lower
<u>FAR WEST</u>	SPOT	Sideways
(AZ, CA)	OCT-DEC	Sideways to Lower
	JAN-AUG	Sideways to Lower

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ply of 409 lb./cow, which would equate to a daily usage rate of 1.62 lb./head/day.

How would this compare to the 1997-98 crop year. If we estimate total cottonseed crush at 3.7 million tons (225,000 tons for California & Arizona), imported cottonseed at 150,000 tons (130,000 tons into California & 20,000 tons into Longview), utilize the same level for planting seed, here are the numbers. In California/Arizona, available cottonseed per cow would be 1557 lb. and cottonseed/cow/day would be near 5.1 lb. In essence, projected availability will decline by approximately 0.5 lb./cow/day or 10% during the 1998/99 crop year. For the remaining states, total cottonseed availability for feed use would amount to 2,073,000 tons or approximately 576 lb./head. In turn, this would put cottonseed usage at 1.89 lb./cow/day, which equates to a decline of 0.27 lb./cow/day or 14%.

Two factors become apparent from this study. First, it's apparent this year's short cotton crop will impact cottonseed oil mills significantly more than the dairy sector. Utilizing current projections, the crush rate will be off nearly 40%, "97-98" vs. "98-99". Secondly, although available 1998 cottonseed supplies into the dairy sector will decline, the net effect on a per head, per cow, per day basis is relatively minor in comparison.

With all this said, now the market must focus on demand fundamentals. As always, demand fundamentals are elusive, and full of "gut feel". Here's some of my thoughts:

- Feed ingredients from corn, to canola meal, to distillers dried grains, to soybean meal, seem to get cheaper by the week. Outside of whole cottonseed, the only other major commodity trading at a historical premium is possibly hay. And even here, prices vary greatly on a region-by-region basis. As long as competing ingredients continue their downward trend, it may be virtually impossible to get the end user to seek forward coverage on whole cottonseed, regardless of supply.
- Sources generally confer that demand is off, the question is how much. The numbers above suggest demand should be off 10-14% across the U.S. if we are to maintain ending stocks at static level.
- Strong milk and butterfat prices are essential if cottonseed prices are to remain at current price levels.
- If demand is suspect heading into the "as gin" season, it's questionable whether dairymen will be willing to support a \$10-15 premium for Jan-Aug positions.

Anyway you slice-and-dice it, prices should remain finicky.

WEATHER-WEATHER-WEATHER: Although demand may be off, it's a good thing it is in the Mid-South and Southeast. The clear skies of August are now being shaken almost weekly by new tropical depressions moving up from the Atlantic Ocean. For example, spot loads from Georgia to Louisiana are generally in tight supply and commanding a \$5 premium. Good harvest weather started to materialize late in the week (week of September 25), however, Hurricane Georges could negatively impact weather patterns by the weekend. What was anticipated to be an early har-

COTTONSEED fob points

Trade Yr Ago

PRICES COLLECTED		Sept. 23, 1998	
SOUTHEAST		(\$/ton)	
No. CAROLINA	Spot	121-24t	n/a
"AS GIN"	Oc-Nv	120t	122o
	Ja-Ag	134t	143o
NC - DELINT	Oc-Dc	159o	170o
So. CAROLINA	Spot	122-23o	n/a
	Oc-Nv	122o	118o
GEORGIA So.	Spot	124-28t	132-40t
	"AS GIN"	Oc-Nv	122o
ALABAMA No.	Spot	131-34o	n/a
	"AS GIN"	Oc-Nv	131o
MID-SOUTH		(\$/ton)	
MEMPHIS No.	Spot	136-37t	141-43t
"AS GIN"	Oc-Nv	132t	128-30t
	Ja-Ag	146o	153o
NE Miss.	Spot	140t	n/a
"AS GIN"	Oc	129t	n/a
E. LOUISIANA	Oc-Nv	136o	n/a
	Ja-Ag	147b	n/a
SOUTHWEST		(\$/ton)	
TEXAS			
(Seminol No)	as gin	150t	145t
FAR WEST		(\$/ton)	
ARIZONA	Oc-Dc	180o	165t
CALIFORNIA (Corcoran N)	spot	188t	187-89t
	Oc-Dc	180-83o	174t
	Oc-Sp	189-90o	185o
	Ja-Mr	187t	n/a

**b = bid o = offer t= trade
n/a = not available**

vest, is quickly fading. However, the northern tier of cotton states (the Carolinas to Arkansas) are having better luck, and harvest is progressing closer to earlier projections. In fact one gin reportedly commented in the Missouri Bootheel that he may complete ginning by the end of October.

In west Texas, early harvest is underway with limited quantities of "as gin" seed filtering into the market as we write this column.

In Arizona and California, harvest is still a couple weeks away. However, with another boatload of cottonseed arriving in San Diego early in the week, there appears to be ample supplies till new crop supplies become available.

Our Thoughts on Milk Prices:

Although many analysts are predicting a severe drop in milk prices (and they might be right), I personally doubt the decline will be as severe as many are predicting. And a corresponding drop in fat price differentials may not materialize to the same degree. In the end, many dairymen will continue to benefit from the use of cottonseed in their rations.

COTTONSEED dlvd. points					
		<i>Dump</i>	<i>Hop- per</i>	<i>Live Floor</i>	<i>Easi- flo</i>
NORTHEAST		(\$/ton) Prices collected 9/23/98			HOPPER
W. New York	Spot	160t			186o
"as gin"	Oc-Nv	160t			178o
	Ja-Ag	173o			
SE Pennsylvania	Spot	145t			179o
"as gin"	Oc-Dc	145t			171o
	Ja-Ag	159o			
NE Ohio	Spot	161t			186o
"as gin"	Oc-Dc	159t			178o
MIDWEST		(\$/ton)			
IA (Cedar Rpds.)	Spot			168t	
MI (Grand Rpds.)	Spot	169t			187o
"as gin"	Oc-Dc	168-70o			179o
	Ja-Ag	183-84o			
MN (Rochester)	Oc-Nv	"as gin"	168-69o	180-82o	197o
WI (Madison)	Spot		165o		197o
"as gin"	Oc-Nv		162-65o	171-76o	189o
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot			174-85o	
"as gin"	Oc-Dc			170-72o	
b = bid o = offer t = trade					

COTTONSEED 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.

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USDA COTTONSEED PRODUCTION est. (short tons)

	1998 USDA Projected Harvested Acres	1998 USDA Cotton Production Lb/Acre	1998 USDA Cotton Forecast (Bales)	1998 CSD Cottonseed Lb/Bale est.	1998 CSD Cottonseed Prod. - Proj. (tons)	Percentage Change vs. 1997	1998 CSD Imported Cottonseed Proj.	1998 CSD oil mill- seed Demand	1998 CSD Feed Useage
AL	455,000	600	568,750	660	187,688	96%			
FL	80,000	498	83,000	710	29,465	65%			
GA	1,300,000	572	1,549,167	695	538,335	82%			
NC	695,000	640	926,667	685	317,383	99%			
SC	280,000	540	315,000	702	110,565	78%			
VA	91,000	770	145,979	650	47,443	119%			
Southeast	2,901,000		3,588,563		1,230,879	88%		300000	930,879
AR	855,000	646	1,150,688	780	448,768	71%			
LA	540,000	640	720,000	750	270,000	75%			
MS	915,000	787	1,500,219	780	585,085	83%			
MO	330,000	625	429,688	780	167,578	75%			
TN	445,000	593	549,760	775	213,032	82%			
Mid-South	3,085,000		4,350,354		1,684,464	77%		900000	784,464
KS	14,000	501	14,613	680	4,968	166%			
NM	69,500	774	112,069	685	38,384	94%			
OK	100,000	480	100,000	702	35,100	49%			
TX	3,337,000	440	3,058,917	801	1,225,096	62%			
Southwest	3,520,500		3,285,598		1,303,548	62%		1000000	303,548
AZ	264,000	1138	625,900	745	233,148	75%			
CA	834,000	984	1,709,700	741	633,444	67%			
Far West	1,098,000		2,335,600		866,592	69%	200,000	40000	1,026,592
TOTALS	10,604,500		13,560,115		5,085,483	73%		2,240,000	3,045,483