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Cottonseed Intelligence Monthly

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COTTON ACREAGE: On June 15th, Informa released the June Acreage Report, which shows all cotton plantings at 14.8 million acres, this is 90,000 acres larger than the May report. Compared to USDA's March report upland planted estimates are up 245,000 acres, with 100,000 acres of that expected in Texas and the remainder in the Mid-South and Southeast. Pima area is forecasted at 294,000 acres, with California pegged with 40,000 fewer acres than USDA's March estimate, but for the entire country 24,000 above last year. All cotton acreage is estimated 4.5% up compared to a year ago. New crop cottonseed production estimates are unchanged for now. It is still early in the crop year, but regardless of the larger acreage, expectations are for smaller supplies of cottonseed.

COTTONSEED MARKET: Prices continue to climb higher, as there are fewer offerings in most markets. Merchants have mentioned that with these stronger prices, inquiries from end users have backed off. It appears that there are still resellers needing to buy supplies, which is helping support prices. After last year's large crop, most anticipated there would still be an abundance of offers to pick and choose from at price levels well below the 5-year average for this time of year.

The situation of less-than-favorable weather and growing condition on the western side of the Texas Panhandle is also a psychological factor pressuring prices higher. Additionally, slower plant development so far this year suggests a higher probability of later harvest and new crop seed coming to market later than the past couple years. Later availability of new crop supplies will likely put a several-dollar premium on prices through September. It is still early, and if a couple nice slow-moving weather systems move across the western Cotton Belt over the next couple weeks then crop could still make up ground and the production outlook could improve.

In the Southeast, Georgia was leading the climb towards higher prices last month and now the other markets are following suit. Nearby quotes in the Carolinas and Alabama have shot \$10/ton higher. The quotes for the balance of the summer have gained a couple dollars, and are keeping a premium over the nearby. Much of the strength is being attributed to continued strong export demand for containerized supplies moving off the East Coast. Following the latest rally, there has been less trading done. Until there is another round of buying to support these price levels, the market has the feeling of stalling out.

Mid-South prices have ratcheted higher on resellers buying over the past few weeks. The supply situation is much tighter than anticipated, as oil mills in the region are not selling in the nearby market as they did a year ago. Missouri Bootheel prices moved up to the \$140-level, and are expected to hold steady until new crop supplies become available. Gins appear to be sold out, or are still holding out for higher prices. For now, it looks like this will continue to be a sellers' market. The supplies that are left in the market are in firm hands.

West Texas nearby trading levels have moved \$6/ton higher since the last installment as steady demand continues to help drive prices higher. An oil mill sold some supplies at the \$160/ton

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level and price are holding at that level. Crop conditions keep on declining and this is helping fuel some of the buying interest. New crop price ranges have moved up several dollars, but end users are still not willing to pay more than what they paid last year this early in the year. Demand from the Far West and Mexico has helped with disappearance of old crop supplies.

In the Far West, Arizona old crop supplies are very scarce, and spot prices continue to climb. California sellers are showing higher offers, as rail points have run out of seed and sellers are using higher prices to ration the nearby demand. Offers for the balance of the summer are keeping a several dollar premium, but end users are continuing their hand-to-mouth buying strategy. With new crop quotes \$15/ton above year ago levels, end users are willing to wait for lower prices.

COTTONSEED BALANCE SHEET: For June, USDA had more changes to their old crop balance sheet. On the supply side, production was scaled back 329,000 tons, which reflects the changes made in the most recent Crop Production report. Imports were drawn down by 20,000 tons, which lowers total supply by 349,000 tons. On the disappearance side, the feed, seed and other category had the largest move, down 354,000 tons. Old crop crush was pared back 25,000 tons. The only category raised was exports, elevated 35,000 tons, surpassing last year's level by 81,000 tons. Old crop ending stocks were nudged lower by 5,000 tons. USDA's new crop balance sheet had the most changes to the disappearance side with exports boosted by 75,000 tons. The feed, seed and other category dropped 125,000 tons, but is still more than a million tons above the 10-year average. The net reduction in demand boosted ending stocks by 45,000 tons.

Informa Economics' old crop balance sheet had a 40,000-ton change with exports raised. Sustained strong demand from Mexico and Asian markets are on pace to beat out last year's level. The presence of export buyers has continued longer this year than usual, as availability of early new crop supplies in the Rio Grande Valley will be tighter due to drought conditions. In the interim, Mexican demand will need to be satisfied with old crop supplies. This lowers ending stocks by 40,000 tons. For new crop disappearance, the crush was shifted 20,000 tons higher. Exports were upped 40,000 tons, as strong demand is expected to continue. If exports estimates are met, they will double the 10-year average. The feed, seed and other category was lowered 60,000 tons. With supplies lower than a year ago, this tightness will likely drive cottonseed prices higher and put a crimp on dairy demand.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / Informa
	<u>2004/05</u>	<u>2005/06F</u>	<u>2005/06F</u>	<u>2006/07F</u>	<u>2006/07F</u>
Beg. Stocks	421	592	592	584	600
Imports	1	5	2	25	2
Production	8242	8172	8200	7915	7800
Total Supply	8664	8769	8794	8524	8402
Crush	2923	3050	2950	2950	2900
Exports	379	460	464	450	440
Feed, Seed, & "Other"	4770	4675	4780	4525	4620
Total Disappearance	8072	8185	8194	7925	7960
End Stocks	592	584	600	599	442

COTTONSEED fob points					
PRICES 6-16-06		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	104b / 110o		n/a	
	Jn-Ag	110b / 113o		103o	
	(as ginned) OND	91b / 95o		105o	
So. Carolina	Spot	106b / 108o		n/a	
	Jn-Ag	111o		109o	
Georgia So.	Spot	110b / 114o / 113t		116-118o	
	Jn-Ag	110b / 115o		n/a	
	(as ginned) OND	91b / 100o		108-112o	
Alabama No.	June	135o		115-116t	
	Jn-Ag	128b / 135o		n/a	
	OND	104b / 110o		111t	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	133b / 137o		118o	
	(as ginned) OND	107o		110t	
MO Bootheel	Spot	140o / 138-140t		118t	
	Jn-Ag	145o		120o	
SOUTHWEST		(\$/ton)			
West Texas	Spot	155b / 162o / 160t		125t	
	Jly-Sp	165o		n/a	
	(as ginned) OND	125-131b / 135-140o		121t	
FAR WEST		(\$/ton)			
Arizona	Spot	200b		160o	
	OND	175b / 186o		160o	
Cal Corc. N & Stockton	Spot	205-208b / 210o		n/a	
	Jn-Sp	215o		190o	
	OND	185-187b / 192-195o		180o	
	Clock	195-200b / 205o		190o	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo™	Centre, AL	Spot	168o	150o	
FuzZpellets™	Weldon, NC	Spot	135o	132o	
Cotton Flo™	Weldon, NC	Spot	140o	133o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 6-16-06</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Jn-Sp	164o			
	OND	151o			
SE Pennsylvania	Jn-Sp	144o			
	OND	132o			
NE Ohio	Jn-Sp	159o			
	OND	146o			
MIDWEST		(\$/ton)			
MI (Grand Rps.)	Jn-Sp	171o			
	OND	161o			
MN (Rochester)	Spot		171o	179-181o	
	OND		157o	167o	
WI (Madison)	Spot		162o	172-179o	
	OND		148o	158o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		186o		
	Ag-Sp		179o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Spot				208o
	OND				185o
Idaho (UP)	Spot				208-210o
	OND				185o
WA/OR (BN)	Spot				212o
	OND				187o
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.