

June 2007

Volume 11, Issue 06

Cottonseed Intelligence Monthly

CIM

COTTONSEED MARKET: Compared to a month ago, the major differences in the marketplace include much stronger grain prices and Class III milk prices. With Class III milk prices above the \$20-mark dairies are expected to have greater interest in raising inclusion rates of cottonseed, which has the potential to drive prices even higher. Expectations for tighter cottonseed supplies next year are also raising the interest in trading new crop. While price ideas and expectations are going higher for new crop, most of the buying interest is reportedly going on between resellers. This early in the season, not all merchants are willing to add to their position at these price levels. The phenomenal moisture condition in West Texas is most often mentioned as the reason for cottonseed supplies to greatly exceed expectations. As of Mid-June, nationally cotton condition ratings slipped slightly, but 52% of the crop was classified in the good to excellent category, compared to a year ago the rating was 10 percentage points lower.

In the Southeast nearby and forward prices have ratcheted higher during June. Markets are reported as mostly quiet, as there are few open offers giving the market a tight feeling. Gins are not willing to step into the market and sell as dry weather in Alabama and Georgia is keeping them on the side lines. Some of the gins that did come to market a couple months ago and sold early are now becoming nervous about having enough supply to cover those sales. Delivered prices in the Northeast have climbed higher, but merchants are not noticing a significant increase in buying just yet. However, more buying interested is expected before the end of summer.

The Mid-South market has more buyers than sellers of old crop supplies. Larger trading companies have turned into more aggressive buyers compared to last month, when some had turned seller. The remaining sellers are tightfisted with their supplies, and the market appears it will reward them for the balance of the summer for holding on to their seed. The measured pace of sales is expected to continue and prevent downside risk. As of the middle of the month, new crop as-ginned supplies have climbed more than \$40/ton above the 5-year average. End users have not supported these price levels and there may be downside risk before the ginning season gets started.

The West Texas market is quiet as it is lacking end user demand. Nearby prices have edged higher as sellers are expecting to get a premium for holding onto seed. Merchants, however, are not very bullish as new crop supply potential remains a bearish factor. Lubbock is having the wettest year thus far since 1941. Nearby price increases appear to be independent of the local demand situation, as buyers continue to stay on the sidelines at these price levels. New crop buying interest has backed off while offered levels have edged higher.

In the Far West, prices continue to edge higher. The increase in milk prices have resulted in an increase in demand and take out. There are more buyers than sellers in the market, which is also helping pressure prices higher. Some of the price increase in the Far West is pegged on the increase in markets to the east and logistical costs as well. Due to improved dairy economics, there appears to be less downward price risk from now until ginning season.

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 2633 Innsbruck Drive, Suite D, New Brighton, MN 55112.

For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-635-9157, Fax 651-635-0857 e-mail: james.bueltel@informaecon.com

COTTONSEED BALANCE SHEET: USDA's balance sheet had minor changes for old crop and offsetting changes for new crop. For the 2006/07 crop year, the disappearance side of the balance sheet was reduced. Crush was raised 25,000 tons, but the feed, seed and other category was lowered by 35,000 tons. This netted a 10,000-ton increase to ending stocks.

For new crop supplies, 100,000 tons were deleted from exports which brought it down to zero. Meanwhile, production is unchanged from last month. Exports were pared back 25,000 tons, while the feed, seed and other category was lowered 65,000 tons. The ending stocks are unchanged at 450,000 tons, which is below the 5-year average by over 40,000 tons.

Informa's old crop balance sheet had exports reduced by 40,000 tons, based on the idea that because of stronger prices; the monthly average shipped will decline in the remaining months of the crop year. The feed, seed and other category was lowered 10,000 tons due to slower than expected usage over the past few months. These changes raise the ending stocks by 50,000 tons. Crushers appear more likely to carry larger seed inventories into new crop, given stronger price indications. While a larger ending stock figure is typically a bearish indicator, availability of supplies is expected to remain tight and keep a bullish attitude in the market through the summer.

New crop beginning stocks were increased 50,000 tons. On the demand side of the sheet, this amount was split evenly between ending stocks and the feed, seed and other category. Production is unchanged, but if the crop in Texas develops without problems, its production should more than offset anticipated reduced production in the Southeast. Provided production increases in coming months, the feed, seed and other category will need to be adjusted higher as well.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / 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	560	629
Imports	0	0	0	0	0
Production	8172	7348	7348	6620	6550
Total Supply	8764	7949	7950	7180	7179
Crush	3011	2675	2650	2500	2450
Exports	523	625	600	375	500
Feed, Seed, & "Other"	4629	4089	4071	3855	3825
Total Disappearance	8163	7389	7321	6730	6775
End Stocks	602	560	629	450	404

COTTONSEED fob points				
<u>PRICES 06-15-07</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	158b / 163o		110o
	Jn-Ag	160b / 167o		113o
	OND	140b / 145o		95o
So. Carolina	Spot	158b / 161o		108o
	Jn-Ag	158b / 162o		111o
Georgia So.	Spot	150b / 155o		113t
	Jn-Ag	150b / 160o		115o
	OND	137b / 141o		100o
Alabama No.	Spot	158b / 164o		135o
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	160b / 163o		137o
	JJA	160b / 167o		n/a
(as-ginned)	OND	145b / 150-152o / 150t		107o
MO Bootheel	Spot	164o		138-140o
SOUTHWEST		(\$/ton)		
West Texas	Spot	169b / 173o		160t
	Jn-Sp	170b / 175-178o		165o
(as-ginned)	OND	150b / 162-165o		135-140o
FAR WEST		(\$/ton)		
Arizona	Spot	210b / 220o		200b
	Jn-Ag	210b / 220o		n/a
Cal Corc. N & Stockton	Spot	230b / 234-236o		210o
	Jn-Sp	234b / 239-240o		215o
	OND	228b / 235o		192-195o
	Clock	236b / 245o		205o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo[™]	Centre, AL	Spot	199o	168o
FuzZpellets[™]	Weldon, NC	Spot	199o	135o
Cotton Flo[™]	Weldon, NC	Spot	199o	140o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 06-15-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	212o			
	Jn-Ag	214o			
SE Pennsylvania	Spot	198o			
	Jn-Ag	200o			
NE Ohio	Spot	211o			
	Jn-Ag	213o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	220o			
	Jn-Ag	222o			
MN (Rochester)	Spot		205-210o	218-220o	
	Jn-Ag		209-213	219-223o	
WI (Madison)	Spot		203-205o	213-218o	
	Jn-Ag		205-208o	206-208o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		205o		
	JAS		208o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Jn-Jly				213t
California	Spot				225o
Idaho (UP)	Spot				233t
	Jly-Ag				237t
WA/OR (BN)	June				242o
	Jn-Ag				247o
	OND				227b 232o
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.