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# Cottonseed Intelligence Monthly

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**USDA REPORTS:** The August *Crop Production* report from USDA had all cotton production pegged at 17.345 million bales, which is down from last year by 20%. This is 40,000 bales higher than Informa Economics' estimate. USDA's all cotton acres harvested is pegged at 10.6 million acres, down 16% from a year ago. Some of the difference in USDA and Informa production forecasts stems from harvest and yield estimates, where USDA's harvest assumption was 378,000-acres larger, yet the cotton yield was 27 pounds per acre lower compared to Informa. Harvested acreage estimates by Informa were only lower in Texas and Florida compared to USDA.

The cottonseed production estimate was 5.987 million tons, a reduction of 103,000 tons compared to USDA's cottonseed balance sheet. This is a reduction of 1.3 million tons or 19% from the previous year. USDA's estimate is 213,000 tons under Informa's recent forecast of 6.2 million tons, which anticipates crop conditions to remain at average to above average levels. West Texas is a wildcard and appears it is possible to make a larger than earlier anticipated crop. The first ginning report of the season did not show results for 2007 due to abundant rains slowing progress in the Southern Valley and Coastal Bend of Texas. Tropical storm activity appears to be lining up in such a way that it will continue to hamper harvest efforts for most of the month.

**COTTONSEED MARKET:** Markets are mostly quiet because dairy buyers are anticipating lower new crop prices and are willing to wait for ginning before buying. The lack of movement of contracted supplies has become an issue for some gins in the Mid-South. This has resulted in warnings from gins that if supplies don't move quickly merchants will lose ownership of unshipped contracted supplies. This may result in nearby price weakness, provided there is a rush to sell old crop. The bigger concern for merchants is the outlook of later harvesting activity especially in the Mid-South and Southeast. This factor could end up creating a log-jam situation where there will be an overabundance of sellers and supplies to move in the market and create problematic logistics with lot of seed needing to move at the same time.

The Southeast crop is suffering from oppressive heat and gin selling is limited. The wide price range in Georgia is based on larger quantities and the higher price is on smaller volume trades. Spreads to delivered markets are wider for new crop, but have not been wide enough to attract end user demand. The most notable price changes on new crop are from South Carolina and North Alabama with offers up over \$10/ton compared to a month ago. Meanwhile, North Carolina gin run supplies traded below last installment's offered levels.

In the Mid-South, later than usual Delta States harvest activity has kept those markets quiet with new crop FOB prices hovering in the mid-\$150's. Buying in the region has slowed, but prices do not seem to change much in the market as there are limited offers. Memphis North is offered a couple dollars above last month's trading level, but there is only limited trading activity. Some merchants are thinking prices will dip lower in coming weeks on an anticipated increase in sellers coming to mar-

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ket. Most of the buying interest is focused in Arkansas, and action in the Missouri Bootheel market is dormant.

There is a softer tone to the West Texas market, as trading is done a couple dollars below last month's level. Expectations are for nearby prices to slowly edge lower. New crop trading is quiet with price ideas from gins remaining well above what dairies are willing to pay. Reports of excellent crop conditions in West Texas are keeping dairies on the sidelines in hopes of lower prices once new crop supplies come to market. Oil mills remain active buyers in the market and it appears they are able to secure the supplies they require.

The Far West nearby rail markets have traded higher on steady end user demand. Stronger milk prices are reportedly helping keep end users buying hand to mouth. The new crop offers in the PNW were raised as increased freight rates will come into effect in October. California new crop traded a couple dollars lower. Availability of supply between old and new crop should be a smooth transition and price levels are expected to remain steady.

**COTTONSEED BALANCE SHEET:** The only change in the August USDA balance sheet was a 103,000-ton reduction to new crop production and a 108,000-ton reduction in the Feed, Seed and other category. The net effect was ending stocks being raised 5,000 tons. Next month, more revisions to old crop are anticipated.

The 2006/07 balance sheet for Informa had minor adjustments. Crush was increased 6,000 tons, due to the crush for July is expected to come in around 180,000 tons. Next month's change will reflect any difference from that estimated level. Exports were lowered because this season's monthly average of over 51,000 tons is not expected to be made in July. Demand from Mexico has pulled back in recent weeks. As a result, ending stocks were raised 6,000 tons.

Informa's new crop production balance sheet had a 36,000 ton increase to production. This increase is based on expectations of much stronger yields from West Texas and better than earlier anticipated production out of the Southeast. If growing or harvesting conditions in either of these regions deteriorate, this number will need to slip lower. The crush was raised modestly by 5,000 tons, as vegetable oil prices and demand remains stout and may encourage oil mills to crush more seed. The Feed, Seed and other category was lowered 125,000 tons, or 3%. The absence of dairy buying and expectations for much lower inclusion rates are behind this reduction. The sustained strength in seed prices appears to be rationing demand. Ending stocks were raised 161,000 tons. This brings the stocks to usage ratio a couple percentage points above the 5-year average. For the time being price levels are not expected to change.

Yrs beg Aug 1	Cottonseed Supply/Demand Balance Sheet (000 tons)				
	USDA	Aug / USDA	Aug / Informa	Aug / USDA	Aug / 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	615
Imports	0	0	0	0	0
Production	8172	7348	7348	5987	6200
<b>Total Supply</b>	<b>8764</b>	<b>7949</b>	<b>7950</b>	<b>6647</b>	<b>6815</b>
Crush	3011	2675	2656	2400	2425
Exports	523	625	608	300	350
Feed, Seed, & "Other"	4629	4089	4071	3447	3500
<b>Total Disappearance</b>	<b>8163</b>	<b>7389</b>	<b>7335</b>	<b>6147</b>	<b>6275</b>
End Stocks	602	560	615	400	540

<b>COTTONSEED fob points</b>				
<b><u>PRICES 08-17-07</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>		
<b>No. Carolina</b>	Spot	168b / 172o		131o
	OND	145b / 152o / 150t		94o
<b>So. Carolina</b>	Spot	160b / 165o		n/a
	OND	153b / 159o		97o
<b>Georgia So.</b>	Spot	155b / 160o		140o
	OND	140b / 152o / 140-150t		100o
<b>Alabama No.</b>	Spot	165b / 168o		138-140o
	OND	154b / 160o		105-110b
<b>MID-SOUTH</b>		<b>(\$/ton)</b>		
<b>Memphis No. (as-ginned)</b>	Spot	164b / 168o		125t
	OND	160b		106t
	Ja-Ag	173o		130o
<b>MO Bootheel (as-ginned)</b>	Spot	165o		130o
	OND	164o / 161t		110o
<b>SOUTHWEST</b>		<b>(\$/ton)</b>		
<b>West Texas (as-ginned)</b>	Spot	170b / 174o / 171-172t		160t
	OND	152.50b / 162.50		145t
	Ja-Sp	175b / 180o		165t
<b>FAR WEST</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Aug	215b / 225o / 220t		205t
	OND	221t		185o
<b>Cal Corc. N &amp; Stockton</b>	Spot	240b / 245o / 240-245t		200t
	OND	230b / 232o / 232t		195o
	Clock	238b / 240o		205o
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>				
<b>Easi Flo<sup>™</sup></b>	<b>Centre, AL</b>	Spot	205o	165o
<b>FuzPellets<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	209o	159o
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	209o	162o
<b>b = bid   o = offer   t = trade   n/a = not available</b>				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 08-17-07</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	221o			
	OND	212o			
<b>SE Pennsylvania</b>	Spot	207o			
	OND	198o			
<b>NE Ohio</b>	Spot	212o			
	OND	205o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpds.)</b>	Spot	225o			
	OND	219o			
<b>MN (Rochester)</b>	Spot		210-215o	219-221o	
	OND		206	217o	
<b>WI (Madison)</b>	Spot.		208-212o	214-218o	
	OND		202	210o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		205t		
	OND		185o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	August				216b 220o
<b>California</b>	Spot				234.50o
<b>Idaho (UP)</b>	Spot				248t
	OND				235t 237o
	Clock				248o
<b>WA/OR (BN)</b>	Spot				250o
	OND				246o
<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.

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