

March 2009

Volume 13, Issue 03

Cottonseed  
Intelligence Monthly

CIM

**COTTONSEED MARKET:** Markets remain quiet as account receivable issues become a larger issue in the trade. Merchants are much more cautious about payment terms and how slow payments are coming in from end users. The concern is that this will result in supplies backing up and it is not clear how buyers and sellers will reconcile the situation. This factor is seen as the main reason for keeping markets illiquid. Over the next couple months these issues will need to be hashed out. The concern is that there will be a downward spiral of prices, as dairies will be slow paying and look for lower cost feed ingredient alternatives to remain profitable. The net result will be washouts and the potential for supplies coming back on the market.

Far West rail markets edged lower the past several weeks as abundant supply availability was reason for prices to be lowered to insure supplies kept moving. The California market was offered lower as well. Price competition from other grain-based feed ingredients including DDGs, corn gluten feed and canola meal have taken price support away from cottonseed. At the same time, dairies are looking at alternatives to cheapen their feed bill given low milk prices. Additionally, dairies are not booking forward supplies as they have in past years and this is believed to be partially behind significantly lower hay prices. Dairies are not specifically looking to buy cottonseed forward as milk prices remain weak and they are in survival mode. The lack of trading activity has also caused sellers to be more willing to accept bids in order to keep supplies moving.

The West Texas market managed a mid-month rally, after sellers showed resistance to lower prices in neighboring markets. Merchants have noted that with the stronger prices fewer trades were getting done. Seed appears to be held in strong hands and the dry weather conditions in the state have sellers thinking that it may be best if they hold on to some supplies rather than sell out early, as there is still possibility for prices to rally back. However, dairies are exhausted with low milk prices and pricey feed ingredients. The majority of the trading interest was only for nearby quick-ship type deals, as dairies are not willing to commit all the way through the summer at these price levels. Summer offers have become nearly flat to the nearby, but it still doesn't represent enough of an incentive to attract more buying. If dry conditions persist, new crop offers might be a good buy, but gins are not willing to take part in trading as they are not sure about how much seed they will have to sell.

Merchants in the Mid-South and Southeast are dealing with the slow movement of supplies. The dairies that have supplies bought are either slow taking delivery, because they have cut back on cottonseed in order to cheapen up their feed ration. Or, the merchant is holding back on deliveries until the dairies get current with payments. Whatever the reason for the slow shipments, gins are now beginning to voice their concern about slow shipments. The pressure from gins to get contracted supplies shipped has been cited as reason for the trading at lower price levels. Supply expected to ship for exports has fallen through and is likely a factor keeping buyers cautious and hopeful for lower prices in the Southeast.

While markets may be closer to a bottom, nobody in the trade is convinced that a bottom for

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., 3464 Washington Drive, Suite 102, Eagan, MN 55122-1438.

**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)

cottonseed prices has been established. The demand side of the market still has too many negative factors, which include lower animal numbers and weak economics for milk production and crushing. It appears there will continue to be a bearish attitude in the market for the next couple months.

**COTTONSEED BALANCE SHEET:** USDA's balance sheet released mid-March was unchanged from a month ago. The report mentions the general downturn in domestic demand for vegetable oil related to the provisional EU biodiesel tariff that will be put into place and reevaluated in 6 months. Informa's balance sheet had only minor reductions to the demand side of the balance sheet. The crush was lowered 10,000 tons due to lackluster demand and building inventories. It appears oil stocks will remain high as crushers are holding out for higher prices and are reluctant to lower offers, as they are dealing with a negative margin environment.

The Feed, Seed and Other category was lowered 10,000 tons due to poor economic conditions for milk producers. Dairies have limited their use of cottonseed as they find lower cost feed ingredients to displace cottonseed in their ration. Exports remain unchanged for now, but may need to be lowered if shipments keep trending downward. The resulting weakness in demand has raised the stock-to-use ratio to 10.7%, above the 5-year average of 7.4%. The carryover has grown over the past couple months, due to the bearish economic outlook. Cottonseed prices have only inched lower compared to other ingredients as seed holders are attempting to fight the loss of their equity.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	USDA	Mar. /	Mar. /	Mar. /
	<u>2005/06</u>	<u>2006/07</u>	<u>USDA</u>	<u>USDA</u>	<u>Informa</u>
			<u>2007/08E</u>	<u>2008/09F</u>	<u>2008/09F</u>
Beg. Stocks	592	602	489	643	643
Imports	0	0	3	50	5
Production	8172	7348	6589	4429	4486
<b>Total Supply</b>	<b>8764</b>	<b>7950</b>	<b>7080</b>	<b>5122</b>	<b>5134</b>
Crush	3010	2680	2706	2400	2398
Exports	523	616	599	350	200
Feed, Seed, & "Other"	4630	4165	3132	2042	2040
<b>Total Disappearance</b>	<b>8163</b>	<b>7461</b>	<b>6437</b>	<b>4792</b>	<b>4658</b>
End Stocks	602	489	643	330	496

<b>COTTONSEED fob points</b>				
<b><u>PRICES 03-13-09</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>		
No. Carolina	Spot	150b / 160o		290-295t
	Ap-Ag	160b / 165o		n/a
(as-ginned)	OND	135b / 140o		275o
	Spot	155b / 165o		295o
So. Carolina	Ap-Ag	155b / 165o		n/a
	OND	135b / 140o		275o
(as-ginned)	Spot	170b / 175o		301t
	OND	135b / 140o		270-275o
Georgia So.	Spot	170b / 175o		301t
(as-ginned)	OND	135b / 140o		270-275o
<b>MID-SOUTH</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	170b / 174o / 172t		300-303t
	Ap-Sp	175o		301t
	OND	155b / 160o		285t
MO Bootheel	Spot	175o		303t
	Ap-My	175o		n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>		
West Texas	Mr-Ap	220b / 223-225o / 223t		300-305o
	Ap-Sp	225-235o		305-310o
(as-ginned)	OND	170b / 175o		300o
<b>FAR WEST</b>		<b>(\$/ton)</b>		
Arizona	Spot	215o		320o/t
Cal Corc. N	Spot	260-263o / 260t		355-360o
& Stockton	Ap-Sp	255b / 263-265o		370o
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>				
<i>Easi Flo<sup>tm</sup></i>	Courtland, AL	Spot	205o	340o
<i>FuzZpellets<sup>tm</sup></i>	Weldon, NC	Spot	210o	318o
<i>Cotton Flo<sup>tm</sup></i>	Weldon, NC	Spot	210o	318o
b = bid   o = offer   t = trade   n/a = not available				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 03-13-09</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	212o			
	Ap-Ag	218o			
<b>SE Pennsylvania</b>	Spot	195o			
	Ap-Ag	200o			
<b>NE Ohio</b>	Spot	210o			
	Ap-Ag	217o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpds.)</b>	Spot	222o			
	Ap-Ag	230o			
<b>MN (Rochester)</b>	Spot		223-224o	232-233o	
	Ap-Ag		224-225o	232-234o	
<b>WI (Madison)</b>	Spot		214-216o	222-224o	
	Ap-Ag		215-217o	223-225o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		250o		
	Ap-Ag		260o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Spot				230o
	AMJ				235o
<b>California</b>	Spot				n/a
<b>Idaho (UP)</b>	Spot				250o
	Ap-Sp				255o
<b>WA/OR (BN)</b>	Spot				260o
	Ap-Sp				265o
<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.

*Cottonseed Intelligence Monthly@2009* is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com  
 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, 3464 Washington Drive, Suite 102, Eagan, MN 55122.