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# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** With the limit down and up days of grain futures recently, markets are not well defined due to the lack of buying interest and limited trading. For example, the May corn contract was down more than a dollar per bushel from the contract high that was established earlier in the month. Futures price volatility has kept end users from buying in anticipation of a similar change in cottonseed prices. But, cottonseed has held its value. Right after the down days, there were a couple sellers willing to show offers a few dollars lower, but not very much traded. Since that week of dramatic futures volatility, cottonseed offers were brought back up, but this did not result in any more trading.

The market appears to be in a healthy balance between price and supply for this time of year. Given high hay and other ingredient prices, cottonseed provides a reasonable value for dairy end users. Because of the recent grain price fluctuations, there are concerns that dairy buyers might find a better value from some other feed ingredients and end up booking forward requirements. They could fill their ration with other ingredients and end up limiting their cottonseed usage. This would be a potentially bearish scenario for cottonseed. For this to happen, prices of other feed ingredients would need to remain competitive. It may require more time before such a situation will play itself out. New crop cottonseed supplies would have to meet forecast expectations to provide an outlook for sufficient supply longer term. Current dry conditions in Texas are seen as price supportive.

Southeast markets were quiet with some nearby trades done on bids. The North Carolina nearby offer is \$10/ton above the level last month. The price spread between the nearby and summer months has contracted a couple dollars, yet end users are reluctant to buy. New crop trading remains lackluster without gin participation. New crop offers have edged lower. The outlook for planting looks good with mild temperatures and abundant moisture. The spot price is expected to gradually climb higher as grain futures have rebounded.

The Mid-South market continues trading higher even with nearby end user demand weak. Sellers have the upper hand in the market and are holding firm on offers. The premium for the summer months is only several dollars higher, while the 5-year average is over \$20/ton. It seems like there really isn't much supply in the region to be had, so expectations are set for the more upward price moves. New crop cottonseed price ranges are not likely to move much until the market has a better feel for new crop supply. Recently the interest in new crop has backed off.

West Texas' month over month nearby price increase was \$18/ton, which was the largest increase compared to other regions. This increase in prices will likely result in some lost demand from local feedlots. Sellers were not fazed by the drop in grain Futures prices as offers were kept unchanged. Regarding dairy buyers, they were frustrated that cottonseed prices didn't drop along with grain futures and other ingredients like DDGS, to give them a buying opportunity. Summer offers were raised \$16/ton compared to last month, but not much trading has been reported. If West Texas doesn't get a good rain in the next few weeks, summer prices might have more increases. For now

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new crop is a non-issue, as gins are not willing to offer and end users are in a wait-and-see mode.

Nearby trading moved up roughly \$15/ton since the last installment. Improved milk prices have certainly put dairies in a better financial situation compared to a few months ago. Buying interest still is light, but a few nearby fill-in loads are trading each week. Dairies haven't shown as much interest in forward contracts recently. Inclusion rates are not expected to be raised dramatically at this time. But, there is potential for some stronger cottonseed demand provided dairy economics rebound. For the next several weeks, prices are likely to hold to a similar range.

**COTTONSEED BALANCE SHEET:** USDA's balance sheet had a 50,000-ton reduction to exports. Meanwhile, the Feed, Seed and Other category were raised by the same amount. January's exports fell below levels shipped the past two months and below last year's level. Based on the past 5 years of data, by this time 48% of the cottonseed that will ship has shipped. This year could be different due to the larger crop in Australia as some export buyers will satisfy their demand with Aussie seed.

The Cottonseed Digest's balance sheet lowered exports 40,000 tons due to the outlook for lighter exports during the last half of the crop year. Recently in the US, there has been less buying interest. Beyond March, export sales are lighter and unless new demand shows up, as it appears that shipments for the balance of the crop year will be less than the first half. The recent drop in corn futures has provided a buying opportunity of other feed ingredients. This could result in end users not needing as much or any more cottonseed than what they currently have booked. This is why the tonnage removed from the export category was added to ending stocks. Ending stocks are within several tons of the 5-year average level. There is still potential for ending stocks to grow. If oil mills slow crushing and don't sell their supply into the feed market based on new crop concerns, ending stocks will increase. For ending stock to drift lower, feed demand will need to show an increase in demand. For now the market has a slightly bearish tone.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	USDA	Mar. / USDA	Mar. / USDA	Mar. / CSD
	2007/08	2008/09	2009/10E	2010/11F	2010/11F
	Beg. Stocks	489	643	514	342
Imports	3	0	24	0	0
Production	6589	4300	4149	6191	6210
<b>Total Supply</b>	<b>7080</b>	<b>4943</b>	<b>4687</b>	<b>6533</b>	<b>6552</b>
Crush	2706	2240	1900	2500	2500
Exports	599	191	291	300	300
Feed, Seed, & "Other"	3132	1999	2154	3290	3245
<b>Total Disappearance</b>	<b>6437</b>	<b>4429</b>	<b>4305</b>	<b>6090</b>	<b>6045</b>
End Stocks	643	514	342	443	507

<b>COTTONSEED fob points</b>					
<b>PRICES 3-18-11</b>		<b>Bid</b>	<b>Offer</b>	<b>Trade</b>	<b>Yr Ago</b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
<b>No. Carolina</b>	Spot	218o		188	
	Ap-Ag	220b / 225o		n/a	
<b>(as ginned)</b>	OND	166-168o		n/a	
<b>So. Carolina</b>	Spot	218o		194o	
	Ap-Ag	220b / 225o		n/a	
<b>(as ginned)</b>	OND	165b / 168o		n/a	
<b>Georgia So.</b>	Spot	218o / 215-216t		190o	
	Ap-Ag	220b / 225o		n/a	
<b>(as ginned)</b>	OND	168-170o		n/a	
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
<b>Memphis No.</b>	Spot	235b / 240-245o / 238-240t		195-197t	
	Ap-Sp	240b / 242-245o		198t	
<b>(as ginned)</b>	OND	195b / 202o		160o/t	
<b>MO Bootheel</b>	Spot	240o		200o	
	OND	202o		160o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>West Texas</b>	Spot	260b / 265-268o / 263t		195-200t	
	Ap-Sp	273-275o		197-200o	
<b>(as ginned)</b>	OND	215b / 220-225o		160o/t	
<b>FAR WEST</b>		<b>(\$/ton)</b>			
<b>Arizona</b>	Spot.	310b / 320t		250o	
<b>Cal. Corc. N &amp; Stockton</b>	Spot	330-332o / 328-330t		275t	
	Ap-Sp	335b / 342-345o		275-280o	
	OND	290b / 310o		245-250o	
<b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>					
<b>Easi Flo<sup>tm</sup></b>	<b>Courtland, AL</b>	Spot	290o	230o	
b = bid o = offer t = trade n/a = not available					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 3-18-11</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	268o			
	Ap-Ag	276o			
<b>SE Pennsylvania</b>	Spot	251o			
	Ap-Ag	259o			
<b>NE Ohio</b>	Spot	268o			
	Ap-Ag	276o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpd.)</b>	Spot	278o			
	Ap-Ag	286			
<b>MN (Rochester)</b>	Spot		298o	309o	
	Mr-Ag		309o	315o	
<b>WI (Madison)</b>	Spot		289o	299o	
	Mr-Ag		299o	308o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		282o		
	Ap-Sp		287o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Spot				310o
	AMJ				310o
<b>California</b>	Spot				No quote
<b>Idaho (UP)</b>	Mr-Sp				312b 317o
	OND				280b 285o
<b>WA/OR (BN)</b>	Spot				325b 328t
	Ap-Sp				325b 332o
	OND				290o 305o
<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.