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# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** Trading as of mid-March remains light as buying interest has slowed since the end of February. There appears to be sufficient end user ownership for the time being which is common for this time of year. The volume of nearby trading is not strong enough to support higher prices even if prices are competitively priced compared to other ingredients like corn or distiller dried grains. Given cottonseed is price competitive to other ingredients, end users are expected to continue using cottonseed. They are holding off on buying more because the outlook for larger than expected cotton acreage could weigh on prices. If growing conditions for crops are favorable for the next few months the seasonal increase in whole cottonseed prices may not be as large as the market has seen the past couple years.

Recently, the Southeast has had the most activity in the nearby. Forward trading has settled down as buyers are concerned that there could be more cotton acres than earlier anticipated. Recent wet conditions in the region hampered growers' opportunity to plant corn. This combined with stronger cotton fiber prices could mean more than expected cotton acres. Regarding new crop trading, Georgia was most active with trading levels holding steady for the first half of March. This new crop trading has been done by gins as well, which suggests they are more comfortable with the amount of seed they will have to sell. Trading for the summer remains light, as end users are holding out for the possibility of prices softening if growing conditions are favorable enough to be a drag on price.

Compared to the last installment, the Mid-South market has a softer tone because buyers have been scarce. Those with supply to sell have become more aggressive. Resellers are trying to shorten their position for the time being while the market has been illiquid. Those needing to sell during March may have to accept lower prices during the remainder of the month to insure supplies move. Currently it is easy to find available trucks while next month it will likely be difficult as they will be tied up moving other products. The price spread between the Mid-South and Southeast market has narrowed, but most anticipated it would be from Southeast prices rising rather than Mid-South prices dropping. New crop trading has been at a standstill as most resellers are focused on selling nearby supply. This market is apt to remain quiet for the balance of the month, which is a common occurrence.

West Texas buying is lighter than normal, yet nearby prices are holding firm. There are dairies that come to market on a weekly or monthly basis and are paying similar prices to a month ago. Over the past 10 years, the March average price was higher than February's average 80% of the time. This year, there is some risk of prices drifting lower due to the lack of demand and softness in neighboring markets. Due to the smaller crop and supply being held in strong hands, prices will likely remain range bound. New crop buying interest has fizzled as cotton acres could be larger than earlier anticipated.

Far West markets haven't changed much, but are slightly weaker as supply remains sufficient. Similar to West Texas, nearby buyers periodically show up and pay the asking. Forward demand re-

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mains light and is contributing to the soft tone in the market.

**COTTONSEED BALANCE SHEET:** The USDA had a 50,000-ton offsetting change with exports lower and the Feed, Seed and Other category higher. Exports results for January were only 8,154 tons, which is the smallest result for the month since the 1990's. Total exports are ahead of last year's pace and price levels should keep exporters buying. This year's total will stay ahead of last year's level.

The Cottonseed Digest balance sheet had supply increase. The import results for January were 10,000 tons larger than earlier expected. For the time being it appears that there are sufficient cottonseed supplies, and it is possible that before the end of the crop year there will be more imports.

The crush was lowered 50,000 tons as runtimes have recently drifted lower. Currently this season's crush is expected to be more than 115,000 tons larger than the 5-year average. The net product value for crushers had drifted lower, but recent gains in cottonseed meal should be supportive for bolstering crusher margins.

Exports were lowered 25,000 tons, but the total still represents a 69% increase from last year while running 24% below the 5-year average. In 3 of the last 5 years, exports were smaller in the last half of the crop year compared to the first half. This year there is still an outside chance for exports to be larger because prices remain comparatively competitive in the Southeast. The Feed Seed and Other category was raised 40,000 tons as even though milk prices are weak, compared to other feed ingredients whole cottonseed is a reasonable value for dairies. Inclusion rates are expected to remain above last year's level as usage in the Midwest and Northeast is higher than a year ago and is expected to continue. Ending stocks were raised 45,000 tons bringing the stocks to use ratio to 10.5% which is a percentage point above the 5-year average and 2 points above USDA's balance sheet.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	Mar. / USDA	Mar. / USDA	Mar. / CSD
	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12E</u>	<u>2012/13F</u>	<u>2012/13F</u>
Beg. Stocks	514	342	618	430	430
Imports	24	0	72	100	125
Production	4149	6098	5370	5759	5856
<b>Total Supply</b>	<b>4687</b>	<b>6440</b>	<b>6059</b>	<b>6289</b>	<b>6401</b>
Crush	1900	2563	2400	2500	2475
Exports	291	275	133	250	225
Feed, Seed, & "Other"	2154	2984	3097	3047	3100
<b>Total Disappearance</b>	<b>4305</b>	<b>5822</b>	<b>5629</b>	<b>5797</b>	<b>5800</b>
End Stocks	342	618	430	492	611

<b>COTTONSEED fob points</b>				
<b><u>PRICES 03-15-13</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b>(\$/ton)</b>		
North Carolina	Spot	245b / 250o		226t
	Mr-Ag	245b / 250o		n/a
	OND	226-230o		200o
South Carolina	Spot	244b / 249o		230o
Georgia So.	Spot	244b / 246o / 243-245t		227t
	OND	220b / 225o / 220t		190o
No. Alabama	Spot	272o		n/a
<b><i>Mid-South</i></b>		<b>(\$/ton)</b>		
Memphis No.	Spot	275o		242t
	Ap-Ag	275o		253o
	OND	260o / 260t		220t
MO Bootheel	Spot	285o		252o
	Mr-Ap	285t		n/a
NE Arkansas	Ap-Ag	285o		n/a
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	335b / 340o / 335-340t		313o
	Ap-Sp	355o		325o
	OND	290b / 295o		265o
West Texas: PN	Spot	340b / 345o / 343t		n/a
West Texas: SN	Spot	335o		n/a
<b><i>Far West</i></b>		<b>(\$/ton)</b>		
Arizona	Spot	360b / 365o		320o
Cal. Corc. No. & Stockton	Spot	375b / 380o		353t
	Ap-Sp	385o		355t
	OND	355o		n/a
	Clock	365o		n/a
Pima California	Spot	355o		n/a
	Ap-Sp	363o		n/a
<b><i>Specially Processed Products (\$/ton)</i></b>				
<b><i>Easi Flo™</i></b>	Courtland, AL	Spot	320	295o
		Ap-Ag	325	n/a
<b>b = bid   o = offer   t = trade   n/a = not available</b> <b>West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North</b>				

<b>COTTONSEED dlvd. points</b>				
<u>PRICES 03-15-13</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	307o		282o
	Mr-Ag	313o		n/a
<b>SE Pennsylvania</b>	Spot	290o		265o
	Mr-Ag	296o		n/a
<b>NE Ohio</b>	Spot	307o		282o
	Mr-Ag	313o		n/a
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpds.)</b>	Spot	317o		292o
	Mr-Ag	323o		n/a
<b>MN (Rochester)</b>	Spot	355t		315o
	Mr-Ag	350o		n/a
<b>WI (Madison)</b>	Spot	343o		311o
	Mr-Ag	345o		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	350o		340o
	Mr-Sp	355o		n/a
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	Spot		352o	335o
<b>California</b>	Spot		374o	350o
	Ap-Sp		375o	n/a
<b>Idaho (UP)</b>	Spot		355o	330o
	Ap-Sp		358o	n/a
	OND		345o	310o
<b>WA/OR (BN)</b>	Spot		367t	345o
	Ap-Sp		370o	350o
<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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