

**USDA PROSPECTIVE PLANTINGS REPORT:** There were 2.3 million fewer cotton acres projected which is a reduction of 18.6% from last year. Compared to the 5-year average, cotton plantings are expected to be down 11%, or 1.3 million acres. Texas is estimated to reduce cotton area by more than a million acres, which is reason for the Southwest having the largest regional reduction in acres. The Southeast was the only region with a single-digit reduction in acres. Georgia and Florida were the only states forecast to have an increase with gains, of 10,000 and 7,000 acres, respectively. The estimate on cotton production would be over 15 million bales provided weather is favorable. The estimate for 2013 cottonseed production is 5.15 million tons absent crop development shortfalls.

USDA - US 2013 Regional Cotton Plantings Forecast (000 Acres)					
Region	2012 Plantings	2013 Plantings	% Change from 2012	Change in Acreage	5-year Averages
Southeast	2748	2580	-6.1%	-168	2512
Mid-South	2030	1260	-37.9%	-770	1995
Southwest	6957	5730	-17.6%	-1227	6279
Far West	342	250	-26.9%	-92	312
Total	12077	9820	-18.7%	-2257	11098
Pima	238.4	206	-13.6%	-32	213
US Total	12315	10026	-18.6%	-2289	11311

**COTTONSEED MARKET:** Trading has been light which is the seasonal norm for this time of year. Markets are thin with fewer buyers and sellers. This situation can cause trading to vary modestly with several dollar swings from one week to the next. For the balance of the month prices are expected to hold in a similar trading range to current levels. It is possible that prices will be choppy for the next several weeks. This situation could continue into next month. Most resellers appear to have enough ownership and are not eager to buy more, or liquidate their position. Gins are apt to be content holding out for higher prices later in the summer. Historically this is the normal price trend during the summer months. However, if cotton, corn and bean crops get planted and develop without major issues, the best that can be expected for cottonseed is for it to hold its value, which it should for the nearby. Downward price pressure from other weakening feed ingredients like distiller dried grains will drag cottonseed prices lower.

At mid-April, the Southeast markets had a flurry of trading activity in the nearby and for new crop. Nearby trading levels have been at similar levels this month on light volume trades. Even though markets are thin, end users are not concerned that supplies are becoming scarce. Trading for the summer months has been a non-issue. New crop prices started to soften by the middle of the

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month. The interest to trade was based on concerns about more new crop cottonseed supply than earlier anticipated in the region. Wet fields and cool weather are reason for fewer corn acres in the region compared to early estimates.

The Mid-South market had more trading for the summer months recently. Nearby trading has been hampered by the limited availability of trucks. The cold weather in the Midwest should slow the seasonal decline in demand. New crop prices have held steady this month, but could drift lower in coming weeks if more than expected cotton is planted.

Prices in West Texas have held firm, as end users continue to buy remaining supply. South-east supply is expected to continue being trucked into Texas. Due to the tight supply situation it looks like prices will continue to hold their value unless price spreads become too wide with Eastern markets. Concern about new crop plantings will be a price supportive factor.

Far West offers are lower as supply for the next few months will be adequate. Meanwhile, dairy buyers are seeing weaker prices on other feed ingredients and expect the same down moves in cottonseed prices. Cottonseed prices will need to soften in order to stay competitive in rations.

**COTTONSEED BALANCE SHEET:** The USDA balance sheet had a 25,000-ton offsetting change with exports lowered and the Feed, Seed and Other category raised. Compared to a year ago, this year's accumulative exports through February are roughly 33,000 tons larger, yet below the 5-year average by 64,000 tons. Stout US prices and abundant supply out of Australia has limited buying interest to date. This year's export pace lags the projected total by 9 percentage points. But, as was the case last year, exports are apt to gradually increased through the end of the year. This is due to the Australian cotton crop projected to be 20% smaller than a year ago, and less will be available to export.

The production side of the Cottonseed Digest balance sheet is unchanged. Disappearance in for the Feed, Seed and Other category was raised 50,000 tons. Movement of cottonseed to dairies remains brisk. The cold and late spring should increase usage in the upper Midwest and Northeast. Oil mills continue to crush at a rate above the 5-year average for this time of year. Exports are unchanged, and shipments are anticipated rise in coming months as less supply will be exported out of Australia.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	April / USDA	April / USDA	April / 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	225	225
Feed, Seed, & "Other"	2154	2984	3097	3072	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>				
<u>PRICES 04-19-13</u>		<u>Trade</u>		<u>Yr Ago</u>
<b>Southeast</b>		<b>(\$/ton)</b>		
<b>North Carolina</b>	Spot	245b / 250o / 248t		254o
	My-Ag	250o		n/a
	OND	205b / 210o / 207t		215t
	Ja-Ag	225t		n/a
<b>South Carolina</b>	Spot	245b / 250o		245-243o
<b>Georgia So.</b>	Spot	245b / 250o / 245t		235t
	My-Ag	260o		240o
	OND	205b / 210-220o		215-220o
<b>No. Alabama</b>	Spot	272o / 272t		n/a
<b>Mid-South</b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	270o		256t
	My-Ag	275o / 275t		260o
	OND	240b / 245o / 242t		n/a
<b>MO Bootheel</b>	Spot	275o		260o
	My-Ag	278o / 278t		n/a
<b>NE Arkansas</b>	Spot	273o		260t
	My-Ag	277o / 277t		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>West Texas: LN</b>	Spot	350o		330t
	My-Sp	355-360o		340o
	OND	285b / 290o		285o
<b>Far West</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	365o		330o
	OND	330b		n/a
<b>Cal. Corc. No. &amp; Stockton</b>	Spot	370o / 368t		383t
	OND	350o		n/a
	Clock	360o		n/a
<b>Pima California</b>	AMJ	353o / 350t		n/a
	My-Ag	355t		n/a
<b>Specially Processed Products (\$/ton)</b>				
<b>Easi Flo™</b>	<b>Courtland, AL</b>	Spot	315	310o
		My-Ag	315	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>				
<b><u>PRICES 04-19-13</u></b>		<b><u>Truck</u></b>	<b><u>Rail</u></b>	<b><u>Yr Ago</u></b>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	314o		314o
	My-Ag	319o		n/a
<b>SE Pennsylvania</b>	Spot	290o		300o
	My-Ag	295o		n/a
<b>NE Ohio</b>	Spot	314o		314o
	My-Ag	319o		n/a
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpds.)</b>	Spot	317o		312o
	My-Ag	322o		n/a
<b>MN (Rochester)</b>	Spot	341-355o		329o
	OND	313-325o		n/a
<b>WI (Madison)</b>	Spot	332-340o		325o
	OND	304-315o		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	370o		350o
	My-Ag	370o		350o
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	Spot		372t	350o
<b>California</b>	Spot		363-364t	370o
<b>Idaho (UP)</b>	Spot		345-355o	n/a
	JAS		358o	n/a
	OND		348o	n/a
<b>WA/OR (BN)</b>	Spot		365o	368o
<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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