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# Cottonseed Intelligence Monthly

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**COTTONSEED MARKET:** Stout prices appear to be successfully rationing this crop's smaller supply and has caused demand to back away from the market. The decline in interested buyers and trading suggests that prices may have reached a top. There could be an uptick in trading activity following Easter weekend, but this month's increase in prices has limited the amount of cottonseed trading. Sellers will likely hold firm on price as rationing of supply will need to continue for several months as the small crop will keep the market tight.

A decline in buying activity is common for this time of year as temperatures moderate and some end users are occupied with other spring time activities like planting. Still, dairy nearby margins are robust and this continues to keep a limited number of dairies in the spot market buying hand-to-mouth. Class III Milk futures prices are lower in coming months and that could result in less dairy demand for cottonseed at current prices. During the next couple months, other grain co-product feed ingredient supplies should increase and their prices should edge lower as long as plantings and crop development stay in line with expectations.

Trading of supply for the summer months is light as buying interest is limited at current prices. Given the current historical high price for spot supply, traders and dairies are anticipating that there is a strong probability that prices will drift lower in coming months as other feed ingredient prices are expected to seasonally soften. Even if prices hold firm for a couple more months, absent crop failure, by the end of summer prices are apt to be below current prices.

The April average net-value of whole cottonseed for Mid-South crushers has moved above \$400/ton matching the previous monthly average high in 2008. The recent increase in the net value has come from strength in cottonseed oil basis and cottonseed meal price. The strength in the cottonseed oil price is based on lower production. The higher net value has come closer to the current cottonseed price and increases the equity that oil plants have in their seed position.

The amount of cottonseed oil trading at the current prices is limited. Crushers are not able to take on new oil sales and buy more cottonseed because their net value is still below the level that dairies are willing to pay for cottonseed. With the net value climbing to meet the previous high, it appears net values could fall back if soybean oil and feed ingredient prices soften as expected before the end of summer. The increase to the net value results in a higher price floor for the cottonseed market. If spot cottonseed prices fall much below \$400/ton it provides a scenario for oil mills to start buying and increase their crush.

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**COTTONSEED BALANCE SHEET:** USDA's April cottonseed balance sheet was unchanged from last month. Compared to last year's balance sheet, the 1.2-million ton reduction in production continues to be the largest change. This is also one of the main reasons for stronger prices this year.

The Cottonseed Digest's balance sheet has raised supply by 34,000 tons with added imports. As much as 2 more vessels of Australian cottonseed are expected to be imported to California this crop year. Rains in Australia have slowed the movement of cottonseed to the port and will cause supply to ship to the US later than anticipated. Current prices in the Far West are at historically high levels. This high price suggests that Far West markets need more supply. The risk of Australian seed going to a different markets in the world other than the US appears limited given the stout US market.

The cottonseed crush for March was stronger than expected resulting in the total crush being raised 20,000 tons. The net value of cottonseed for Mid-South crushers has climbed recently thanks to much tighter cottonseed oil and cottonseed meal markets and stronger prices. This suggests oil mills will crush their cottonseed inventories rather than selling to the feed market.

Exports are unchanged and are expected to exceed last year's level. Strong buying interest early in the crop year caused monthly totals to exceed the 5-year average in all but one month thus far this year. During the last half of the crop year exports are expected to modestly decline below the pace set the first half of the year due to rallying prices.

The Feed, Seed and Other category was raised 14,000 tons. Dairy margins remain stout and are reason for dairies less willing to radically change feed rations. However, tightening cottonseed supply during the last half of the crop year will keep prices firm compared to other feed ingredients. This will result in lower cottonseed inclusion rates for those that didn't cover needs this crop year. Ending stocks were unchanged and remain 23,000 tons below the 5-year average.

Cottonseed Supply/Demand Balance Sheet (ooo tons)					
Year begins Aug 1	USDA	USDA	April / USDA	April / USDA	April / CSD
	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13E</u>	<u>2013/14F</u>	<u>2013/14F</u>
Beg. Stocks	342	618	430	492	507
Imports	0	72	0	100	162
Production	6098	5370	5666	4406	4429
<b>Total Supply</b>	<b>6440</b>	<b>6059</b>	<b>6096</b>	<b>4998</b>	<b>5098</b>
Crush	2563	2400	2500	2200	1970
Exports	275	133	191	200	230
Feed, Seed, & "Other"	2984	3096	2913	2365	2442
<b>Total Disappearance</b>	<b>5822</b>	<b>5629</b>	<b>5604</b>	<b>4565</b>	<b>4642</b>
End Stocks	618	430	492	433	456

<b>COTTONSEED fob points</b>				
<b><u>PRICES 04-18-14</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b>(\$/ton)</b>		
North Carolina	Spot	395b / 4000 / 395-400t		248t
	AMJ	4050		n/a
	OND	260b / 265-2700 / 265t		205t
Georgia So.	Spot	4000		245t
	OND	2650		2150
No. Alabama	Spot	410t		272t
<b><i>Mid-South</i></b>		<b>(\$/ton)</b>		
Memphis No.	Spot	4250		2700
MO Bootheel	Spot	420 426-4280 / 425t		2750
	Ap-Ag	4300		n/a
	OND	3050 / 300t		n/a
NE Arkansas	Ap-Ag	4300		n/a
	OND	3050 / 300t		n/a
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	4300		3500
	My-Sp	4350		3570
	OND	3250		2900
<b><i>Far West</i></b>		<b>(\$/ton)</b>		
Arizona	Spot	465t		3650
	OND	365t		330b
Cal. Corc. No.	Spot	505b / 5100 / 505-508t		368t
	OND	415t		3500
	Clock	425t		3600
Pima California	Spot	485-4870		n/a
<b><i>Specially Processed Products (\$/ton)</i></b>				
<i>Easi Flo<sup>tm</sup></i>	Courtland, AL	Spot	4650	3150
		Ap-Ag	4700	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 04-18-14</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	4700		3140
	My-Ag	4800		3190
<b>SE Pennsylvania</b>	Spot	4520		2900
	My-Ag	4620		2950
<b>NE Ohio</b>	Spot	4700		3140
	My-Ag	4800		3190
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpsds.)</b>	Spot	4800		3170
	My-Ag	4900		3220
<b>MN (Rochester)</b>	Spot	484-4850		3480
	Ap-Ag	489-4950		n/a
	OND	365-3700		3190
<b>WI (Madison)</b>	Spot	479-4800		3360
	Ap-Ag	484-4900		n/a
	OND	360-3650		3090
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	4350		3700
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Idaho (UP)</b>	AMJ		5100	n/a
	OND		395-4000	3480
<b>WA/OR (BN)</b>	Spot		5200	3650
<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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