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COTTONSEED MARKET: Compared to price levels at the end of May, cottonseed hasn't kept pace with the recent price strength of soybean meal and corn. As of the middle of June, less buying interest has been the main feature of the market and has kept things quiet. Resellers are not able to stomach the risk to taking on any more ownership at these lofty price levels. The financial woes of dairy and livestock industries are the main reason that buyers have backed away. These factors point to the likelihood of prices having to settle down some before end user buying returns. Expectations are for the possibility of more price weakness ahead of month's end.

Southeast markets have a heavier feeling compared to a month ago as there are more old crop offers and sellers have lowered price expectations, meanwhile bids have drifted lower. End user demand has evaporated and that is related to fewer reseller shorts and poor dairy economics. Old crop is weaker but not well defined due to lack of trading. For new crop, the spread between offers and bids has widened \$10 as of the middle of the month, as offers were raised and bids slid \$5. There are planting concerns regarding new crop due to wet conditions and the cutoff for insurance is June 15th. Therefore, those fields not planted yet, or with subpar emergence are expected to be planted with soybeans. Gins and oil mills have not participated in new crop trading as the supply situation is not clear and they will likely remain on the sidelines next month as well.

Nearby offers in the Memphis North market are \$25/ton higher compared to last month's installment, yet prices are off their highs. Merchants are still looking for a bid. The price weakness in the Southeast is apt to keep Mid-South prices in check. As of the middle of the month, only small volumes trades were done and this condition is likely to continue for the next several weeks. Without short positions on the horizon to support trading activity, prices will drift in the current range to even lower levels. New crop trading remains quiet as gins are not feeling certain enough about their supply situation. The price spread between old and new crop is much wider than in the past and from the perspective of ginners, new crop should climb and be closer to old crop prices. However, demand is not strong enough to result in such price strength.

Offers for immediate shipment are difficult to find in West Texas, but this is a moot point, as there aren't buyers lining up to buy nearby supply. Offers compared to a month ago are \$40/ton higher, but without buying interest the market expectations are for prices to edge lower later this month. Some beneficial rains in West Texas have contributed to the bearish tone in the market. The outlook for the crop has improved greatly compared to several weeks ago. The amount of irrigated cotton acres is expected to be higher this year in West Texas as growers have switched acres to cotton from peanuts, which should result in higher yields than on dryland. New crop offers are unchanged, and similar to old crop while the market lacks buying interest.

Trading in Far West markets has slowed significantly as prices are more than \$40/ton higher compared to last month's report. There are fewer rail offers to Idaho due to less merchant participation. Recently, lower offerings in California have been related to the arrival of rail supplies and less

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end user dairy demand at higher price levels. The financial condition of dairies in the state is a concern for the trade. Several dollar price swings are anticipated, but due to tight supply the downside risk will likely remain minimal and strong prices will remain necessary to discourage usage.

COTTONSEED BALANCE SHEET: USDA's old crop balance sheet only had a change to the disappearance side. The crush was lowered by 50,000 tons and oil production was lowered accordingly. Exports were lowered 20,000 tons. These changes resulted in an increase of 70,000 tons for the Feed, Seed and Other category. The new crop balance sheet had 25,000-ton offsetting change with the crush increased and exports decreased.

Informa's old crop balance sheet had changes to the demand side. Crush was lowered 100,000 tons, as the drop off in crushing activity appears it will linger for the remaining months of the crop year. Besides plants gone off line for the balance of the crop year, there have been unscheduled downtimes and lighter runtimes. Exports for April were stronger than expected, so exports were raised 2,000 tons. The Feed, Seed and Other category was raised 40,000 tons and ending stocks were raised 58,000 tons. Due to the lighter crush, it appears oil mills will need to pick up the pace on selling old crop seed, or the projected amount to be fed needs to be adjusted lower and stocks need to be raised. The new crop balance sheet has higher beginning stocks. Imports were lowered 6,000 tons; however, the timing of the anticipated shipment is unclear and could show up on old crop's balance sheet. The Feed, Seed and Other category was raised 52,000 tons, and ending stocks were unchanged with last month's level.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / Informa
	2007/08	2008/09E	2008/09E	2009/10F	2009/10F
	Beg. Stocks	489	643	643	330
Imports	3	0	0	0	24
Production	6589	4300	4300	4730	4447
Total Supply	7080	4943	4943	5060	4907
Crush	2706	2350	2270	2675	2375
Exports	599	180	167	350	170
Feed, Seed, & "Other"	3132	2083	2070	1700	1997
Total Disappearance	6437	4613	4507	4725	4542
End Stocks	643	330	436	335	365

COTTONSEED fob points				
<u>PRICES 06-12-09</u>		<u>Trade</u>	<u>Yr Ago</u>	
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	215b / 220o		410t
(as-ginned)	OND	170b / 185o		300o
So. Carolina	Spot	215b / 220o		385o
(as-ginned)	OND	170b / 185o		n/a
Georgia So.	Spot	215b / 220-240o		365t
(as-ginned)	OND	165-170b / 185o		300b
No. Alabama	Spot	245o		n/a
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	250o		400t
	Jn-Jly	255o		n/a
(as ginned)	Oc-Nv	200o		340t
MO Bootheel	Spot	250o		403t
SOUTHWEST		(\$/ton)		
West Texas	Spot	265-266o		390t
	JAS	265b / 270o		410t
(as-ginned)	OND	205-210b / 215o		327t
FAR WEST		(\$/ton)		
Arizona	Spot	321o / 315t		355b
	OND	265t		n/a
Cal Corc. N	Spot	365-370o		405t
& Stockton	JAS	360-365o		410o
	OND	300o		390o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flotm</i>	Courtland, AL	Spot	290o	432o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	290o	427o
<i>Cotton Flotm</i>	Weldon, NC	Spot	290o	427o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 06-12-09</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	273o			
	OND	237o			
SE Pennsylvania	Spot	255o			
	OND	220o			
NE Ohio	Spot	273o			
	OND	237o			
MIDWEST		(\$/ton)			
MI (Grand Rpsds.)	Spot	282o			
	OND	247o			
MN (Rochester)	Spot		294-298o	304-308o	
	OND		251-254o	260-263o	
WI (Madison)	Spot		289-292o	298-302o	
	OND		242-244o	251-254o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		295o		
	My-Ag		300o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				310o
	Spot				n/a
California Idaho (UP)	Spot				320b 330o
	OND				290o
WA/OR (BN)	Spot				340-347o
	OND				n/a
b = bid o = offer t = trade					

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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