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COTTONSEED MARKET: As of mid-June, offers continue to climb higher to such levels that dairy end users are not participating. Merchants are having difficulty finding available seed to trade. It appears that the market in general is short. Early in the season resellers took on a much smaller forward position, because there were many uncertainties in the market at the time and they were cautious about not buying more than they could sell. Additionally, the crop was smaller than average and there were concerns about quality related to the wet conditions that also kept buyers on the sidelines. As a result of these factors now it looks like not enough supply was purchased and now those who need cottonseed have to pay up.

Local end user demand in most markets has been choked off by the stout prices. This would suggest that prices may be close to topping out. Gins have been clear of the market. They are willing to wait as prices climb in hopes for a better return in a few more weeks. They are waiting to see how much inventory is left in the warehouse before they come back into the market because they don't want to oversell and have to worry about filling in. However, expectations are for prices to eventually top out by at least the end of July provided the crop continues to develop without issue. In such a case, they could sell their contracted August sales at today's inflated prices, and buy in cottonseed at the nearby price and still make a profit. This will only work if new crop grains and cotton yields meet expectations and prices for other competing ingredients continue to edge lower during the summer. Most seed holders are not willing to take on the risk as a change in weather could result in lower yields and prices retaining their strength.

Supply tightness in the Far West continues to drive prices higher. The slower than projected turn around in railcars is reason for the tight supplies. Without an improvement in the supply situation, the price of cottonseed will have less reason to drift lower. Pima prices are not moving up as fast as trading was done between \$298-300/ton. Reseller buying continues to support higher prices on fuzzy white cottonseed as they also reflect replacement costs from markets to the East. The nearby prices strength has spilled over into new crop as trading has taken place and offers were raised. It is possible that with the nearby strength, the new crop has still more upward price potential and resellers will manage to put more sales on at higher prices and then roll out of the position before the realization that new crop prices fall on ginning pressure.

Offers were raised in West Texas and there were more gins entertaining the idea to sell more of their remaining supplies. However, the main seller is still the oil mill, which has ratcheted their offer higher. Buying interest is now attempting to make purchases through the summer as well. New crop offers were raised slightly, but bids remain down at levels from previous weeks hence nothing was trading. The outlook for new crop supplies remains positive even if isolated storm damage took out some acreage. Conditions for the most part are favorable and for this reason buyers are not willing to raise bids and over pay if there is a bumper crop as expected.

There have been fewer offers in the Mid-South and that helped raise the price ideas of remain-

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ing sellers. Those with supply to sell are carefully monitoring prices in western markets and are proactive keeping prices increases on pace with these markets. End user demand remains lackluster at these lofty levels and with dairy economics as weak as they are the current price strength is not expected to last very long. New crop traded at last week's offered level, but not much volume changed hands. If growing conditions remain favorable, it should result in prices drifting lower on new crop.

Demand in the Southeast continues to provide support for prices. Prices in North Carolina rebounded higher by the middle of June to match levels in Georgia. Buying interest in the region has come mostly from truck buyers. The amount of seed going to export is expected to drift lower, and there hasn't been any new export interest reappearing in the market. New crop offers were raised a couple dollars, but interest is dead on both sides of the market.

COTTONSEED BALANCE SHEET: USDA's old crop numbers had the crush increase by 50,000 tons, which was offset by a reduction of the same amount in the Feed, Seed and Other category. Ending stocks are unchanged, which is at a level 134,000 tons below the 5-year average. For the 2010/11 crop year USDA's balance sheet is unchanged.

Informa's old crop balance sheet is unchanged. The Informa crush estimate is lower than USDA's. During the past few months the crush exceeded our projections. Expectations are for processors to drastically slow their pace of crush during the remaining months of the crop year due to switching to crushing other ingredients, or take longer downtimes as cottonseed quality may limit crushing yields and profitability.

Informa's production forecast for new crop was raised 80,000 tons. Acres planted to cotton may need to be adjusted higher, as growers are gravitating to cotton as it appears to be more economical than other crops. This being said, the increase in acres are expected to come primarily from the Mid-South and Georgia. Exports are unchanged, which is at a level below USDA's and 140,000 tons under the 5-year average. Lighter exports are projected on account of the large crop in Australia and the strength of the US dollar. The Feed, Seed and Other Category was raised 80,000 tons as the increase in supplies are most easily consumed by the feed industry. The outlook of a larger cottonseed crop suggest that because of abundant supplies, prices are apt to be more affordable this year for dairies compared to the past few years.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / Informa	June / USDA	June / Informa
	2008/09	2009/10E	2009/10E	2010/11F	2010/11F
	Beg. Stocks	643	514	514	425
Imports	0	0	24	0	0
Production	4300	4149	4149	5610	5580
Total Supply	4943	4663	4687	6035	5972
Crush	2250	1850	1820	2150	2250
Exports	191	270	260	400	320
Feed, Seed, & "Other"	1989	2118	2215	2910	2880
Total Disappearance	4429	4238	4295	5460	5450
End Stocks	514	425	392	575	522

COTTONSEED fob points					
PRICES 6-18-10		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	215b / 220o / 220t		212o	
	JAS	228o		n/a	
(as ginned)	OND	135b / 142o		178o	
So. Carolina	OND	140b / 145o		212o	
Georgia So.	Spot	220b / 222-224o		225o	
	Jn-Jly	215b		n/a	
(as ginned)	OND	135b / 142o		177o	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	238-240o / 240t		235t	
(as ginned)	OND	161t		195t	
MO Bootheel	Spot	240o		240o	
SOUTHWEST		(\$/ton)			
West Texas	Spot	250o / 250t		262-265o	
	JAS	250b / 255o		267-270o	
(as ginned)	OND	150-165b / 168-170o		212-215o	
FAR WEST		(\$/ton)			
Arizona	Spot	290b / 300o		315t	
Cal. Corc. N	Spot	340-345o		365o	
& Stockton	Jn-Sp	350o		350o	
(New Crop)	OND	255-260o / 248t		295o	
	Ja-Ag	262o		n/a	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
<i>Easi Flo</i> [™]	Courtland, AL	Spot	265o	275o	
<i>FuzZpellets</i> [™]	Weldon, NC	Spot	n/a	280o	
<i>Cotton Flo</i> [™]	Weldon, NC	Spot	n/a	280o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 6-18-10</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	276o			
	OND	192o			
SE Pennsylvania	Spot	259o			
	OND	175o			
NE Ohio	Spot	276o			
	OND	192o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	286o			
	OND	202o			
MN (Rochester)	Jn-Ag		275o	282-285o	
	OND		210-213o	220-223o	
WI (Madison)	Jn-Ag		270-273o	275-280o	
	OND		203-205o	212-215o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot.		295o		
Stephenville	JAS		300o		
	OND		188		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				300t 305o
California	Spot				n/a
Idaho (UP)	Spot				325o
	OND				230-240o
WA/OR (BN)	Spot				340o
	OND				250-255o
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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