

June 2014
Volume 18, Issue 06

Cottonseed Intelligence Monthly

CIM

COTTONSEED MARKET: Old crop prices have weakened as of mid-June as end user demand remains light and trading is mostly done on small volumes. Recent weakness for soybean meal, distiller dried grains and other competing feed ingredients prices have resulted in a bearish tone in the market. Stout cottonseed prices over the past few months appears to have slowed old crop demand and now those with supply to sell nearby are willing to accept bids to insure supply keeps moving. Compared to previous months, dairies are less active buyers of spot supplies. Given cottonseed prices were at historical highs for several weeks combined with a bearish market environment, nearby prices will have additional downward price risk unless there is a radical increase in competing feed ingredient prices, which is not expected.

New crop gin-run prices have taken a downward turn. Most of the trading has been done between resellers. Volumes as of Mid-June have been off compared to the previous several weeks. End user buying activity as been light to date. The new crop production outlook points to being larger than earlier expected based on rains in the Southwest. Meanwhile, crop conditions are favorable for corn and beans, which should pressure feed ingredient prices lower. Current gin-run offers are at a \$20 to \$50/ton premium to the 5-year average price for the OND timeframe, which doesn't seem justified in lieu of increased supply and lower prices with other feed ingredients. This suggests that new crop cottonseed prices likely have additional downward price risk by harvest time.

Cotton plantings as of June 15, 2014 were 95% completed compared to the 5-year average of 96%. Texas is only 2 percentage points behind the 5-year average. 14% of the cotton crop is squaring, which is up 4 percentage points from a week ago and only 2 percentage points behind the average. The Texas crop is 10% squaring compared to the average of 13%. Cotton crop conditions remains favorable with 38% rated as good and 13% as excellent. If conditions in the Southwest stay favorable, larger cottonseed supplies will drive prices lower.

COTTONSEED BALANCE SHEET: USDA's old crop production was lowered to match the reduction in their May Production Report. Old crop exports were raised 50,000 tons while the Feed, Seed and Other category was lowered 153,000 tons. The net effect of the changes was a 100,000-ton reduction to ending stocks. The last time ending stocks were that tight was during the 2009/10 crop year.

USDA's new crop balance sheet has a number of increases. Production was raised 170,000 tons. The crush was increased 100,000 tons, exports were upped 50,000 tons and the Feed, Seed and Other category was raised 50,000 tons. The net effect of these changes was a 30,000-ton decrease to ending stocks. The stocks to use ratio for both years are 7.7%, which is below the 5-year average of 8.5%.

The Cottonseed Digest's 2013/14 balance sheet has supply unchanged. The crush was

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 3464 Washington Drive, Suite 120, Eagan, MN 55122-1438.

For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

raised 40,000 tons as crushing results continue to exceed expected levels. Likewise, exports were raised 15,000 tons. These changes lowered ending stocks 55,000 tons. The stocks to use ratio is 7% which is above the previous low stocks to use ratio of 6.8% from the 2006/07 crop year.

For the new crop balance sheet, production had the largest increase of 349,000 tons compared to last month's balance sheet. The increase was made following the beneficial rains in the Southwest and the general favorable growing conditions in the Mid-South and Southeast.

Based on the increase in supply, demand categories were raised. The Feed, Seed and Other category had the largest increase, up 165,000 tons. The steady strength in dairy margins are part of the reason this category received the most of the production increase. At the same time, the dairy herd will likely continue to grow which will increase demand as well. The crush was raised a modest 100,000 tons. There are concerns that cottonseed oil demand could be set back next year as the current strong basis will discourage usage. Exports were raised 35,000 tons. It is still rather early for export buyers to come to market. Price competition from other feed ingredients like distiller dried grains, could limit demand for some countries. Ending stocks were nudged 14,000 tons higher resulting in a stocks to use ratio of 8.8%, fractionally higher than the 5-year average.

Cottonseed Supply/Demand Balance Sheet (ooo tons)						
Year begins Aug 1	USDA	USDA	June / USDA	June / CSD	June / USDA	June / CSD
	<u>2011/12</u>	<u>2012/13E</u>	<u>2013/14E</u>	<u>2013/14E</u>	<u>2014/15F</u>	<u>2014/15F</u>
Beg. Stocks	618	430	492	507	343	317
Imports	72	0	110	162	0	62
Production	5370	5666	4203	4203	4990	5100
Total Supply	6059	6096	4805	4872	5333	5479
Crush	2400	2500	2000	2010	2200	2200
Exports	133	191	250	245	300	285
Feed, Seed, & "Other"	3096	2913	2212	2300	2450	2550
Total Disappearance	5629	5604	4462	4555	4950	5035
End Stocks	430	492	343	317	383	444

COTTONSEED fob points				
<u>PRICES 06-20-14</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>		
North Carolina	Spot	395b / 4000		309t
	Jul	4050		n/a
	OND	235-240b / 240-2460		235t
South Carolina	OND	245-2500		n/a
Georgia So.	Spot	400-4100		3400
	OND	235-235b / 240-2460		2400
<i>Mid-South</i>		<i>(\$/ton)</i>		
Memphis No.	Spot	420b / 4400 / 435t		319t
	OND	275b / 280-2850		285t
MO Bootheel	Spot	4400		n/a
NE Arkansas	Spot	4400		323t
	OND	275-281t		285t
<i>Southwest</i>		<i>(\$/ton)</i>		
West Texas: LN	Spot	440b / 4450		3750
	OND	285b / 2950 / 295t		3160
West Texas: SN	Spot	4350		n/a
	OND	290t		n/a
<i>Far West</i>		<i>(\$/ton)</i>		
Arizona	Spot	470t		4000
	OND	380b / 3900		3400
Cal. Corc. No.	Spot	515-5250		425t
	OND	4000		3750
	Clock	4100		3850
Pima California	Spot	505t		3880
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Spot	490	3700
		OND	325	n/a
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North				

COTTONSEED dlvd. points				
<u>PRICES 06-20-14</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	4620		3720
	OND	3070		3020
SE Pennsylvania	Spot	4400		3550
	OND	2850		2850
NE Ohio	Spot	4620		3720
	OND	3070		3020
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	4720		3820
	OND	3170		3120
MN (Rochester)	Spot	499-5000		4000
	OND	345-3550		3500
WI (Madison)	Spot	4990		3950
	OND	345-3500		3450
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	4800		400t
Rail - fob track points		(\$/ton)		
California	OND		3900	n/a
	Clock		4000	n/a
Idaho (UP)	OND		3750	3620
	JFM		3850	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.

Cottonseed Intelligence Monthly@2014 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc, 3464 Washington Drive, Suite 120, Eagan, MN 55122.