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# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** For the past several weeks cottonseed prices have been able to move higher in sympathy with price increases in corn and soybean futures. July's USDA reports projecting smaller grain supplies helped to intensify buying interest. Buyers have realized that cottonseed was competitively priced compared to other ingredients, because of rising grain prices. Competing grain byproduct ingredients like DDGS, corn gluten feed and wheat midds have shot higher resulting in more nearby cottonseed inquiries. During the first half of July, offers were raised considerably and trading in each region became varied based on local weather and supply concerns. Sellers have held firm on price and given the end-of-crop-year tightness, buyers can expect higher prices when securing additional supply. The price spread between nearby and new crop offerings have narrowed on crop development concerns.

Nearby trades in Southeast markets are roughly \$30/ton higher at mid-July compared to last month's installment. Dairy demand from the Northeast is still considered below expectations. Volume for nearby trading remains light and export buying interest hasn't been a factor compared to previous years. Cotton crop conditions in the region are not a concern as there have been regular rains mixed with the heat. New crop offers have jumped considerably and gins are looking for higher prices. With fewer offers in the market, there will likely be additional upward moves as long as other feed ingredients provide price support.

The combination of increased dairy buying interest and weather concerns in the Mid-South caused sellers to raise offers. Dairies in the Midwest have become more aggressive buyers through the summer. There are concerns that gins are close to selling out of old crop raising the possibility of tighter supply. Resellers and oil mills are holding most of old crop supply and offerings will be limited as they attempt to ration supplies. The feed sector has inquired about new crop supply, yet buying for the time being remains limited. Oil mills haven't been active buyers, as they haven't had much end user oil buying interest. This year it is possible that oil mills will be slow buyers unless the demand for cottonseed oil improves.

West Texas nearby offers climbed over the past couple weeks. By mid-month offers shot even higher as some buyers became aggressive about getting enough supply before prices rise even more. The rains in the Southern Valley and Coastal Bend during the first half of July could slow harvesting efforts and require some dairies and resellers to do some fill-in buying until the new crop supply is accessible. Dairies are not profitable and higher input prices will only make matters worse. However, until West Texas gets enough rain to finish the cotton crop, downside risk will be limited. Gins in West Texas have been holding off on making new crop sales until production and price prospects are better defined.

In the Far West, prices edged higher while nearby demand is steady. Rail offers have been limited recently, with the Idaho market the most active for the past several weeks. Supply in California

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is less of a concern given a ship of cottonseed landed in Stockton during July with more shipments expected in new crop, which will keep supply ample for the next few months. Even if dairy economics have not greatly improved, dairymen are buying cottonseed because it is a better value than other ingredients and availability shouldn't be a concern. The price strength in other feed ingredients should continue to provide upward momentum to cottonseed prices.

**COTTONSEED BALANCE SHEET:** USDA balance sheet for old crop was unchanged. New crop production was lowered 240,000 tons following the drop in acreage from the Prospective Plantings report at the end of June. New crop production is still expected to exceed last year's results. Total disappearance was lowered 190,000 tons based on reductions made to the Feed, Seed and Other category. The stocks to use ratio at 8% is right in line with the 10-year average.

The Cottonseed Digest old crop balance sheet has imports raised a modest 3,000 tons, with the last vessel of cottonseed from Australia expected to arrive during the first half of July. The crush was raised 25,000 tons as oil mills appear to have an incentive to process their remaining cottonseed holdings because of the recent strength in vegetable protein prices. Nearby cottonseed oil demand is steady, but not strong enough for the basis to soybean oil to improve. Exports were lowered 2,000 tons. Accumulative exports are 99,000 tons, with two months remaining to be reported. This is over 135,000 tons below last year's pace and more than 95,000 tons below the 5-year average. Ending stocks were lowered 20,000 tons, but the stocks to use ratio is still nearly 3 percentage points above the 10-year average.

New crop production was lowered 610,000 tons since the Perspective Plantings report was published at the end of June. Because of worsening crop conditions over the past month, production was lowered. Imports for 12/13 were raised 40,000 tons. This is based on expectations for a couple vessels of Australian cottonseed over the course of the next several months.

Due to continued subdued end user demand for cottonseed oil, the crush was lowered 50,000 tons. Longer term, signs of improved demand will need to be evident before the crush will be raised. Crushers haven't been very aggressive buyers this year and will likely have less than normal competition from dairy buyers given weak dairy economics. This situation is a part of the reason the Feed, Seed and Other category was lowered. The new crop outlook is for slightly tighter supply due to unfavorable weather.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	July / USDA	July / CSD	July / USDA	July / CSD
	<u>2010/11</u>	<u>2011/12E</u>	<u>2011/12E</u>	<u>2012/13F</u>	<u>2012/13F</u>
Beg. Stocks	342	618	618	430	594
Imports	0	100	93	0	85
Production	6098	5370	5370	5745	5600
<b>Total Supply</b>	<b>6440</b>	<b>6088</b>	<b>6081</b>	<b>6175</b>	<b>6279</b>
Crush	2563	2400	2375	2500	2500
Exports	275	135	112	300	200
Feed, Seed, & "Other"	2984	3123	3000	2925	3000
<b>Total Disappearance</b>	<b>5822</b>	<b>5658</b>	<b>5487</b>	<b>5725</b>	<b>5700</b>
End Stocks	618	430	594	450	579

<b>COTTONSEED fob points</b>				
<b><u>PRICES 07-13-12</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b>(\$/ton)</b>		
<b>No. Carolina</b>	Spot	245b / 250-252o / 250t		333t
<b>(as ginned)</b>	OND	250b / 251t		235o
<b>So. Carolina</b>	Spot	245b / 250o		344o
<b>(as ginned)</b>	OND	245b / 250o		235o
<b>Georgia So.</b>	Spot	245b / 250o		350o
<b>(as ginned)</b>	OND	245b / 250o		222b
<b>No. Alabama</b>	Spot	265b / 270o		n/a
<b><i>Mid-South</i></b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	July	280o / 280t		n/a
<b>(as ginned)</b>	OND	275t		271t
<b>MO Bootheel</b>	Spot	285o / 285t		365o
<b>(as ginned)</b>	OND	301t		n/a
	Ja-Ag	280t		271t
<b>NE Arkansas</b>	Spot	280o / 280t		n/a
	Ag-Sp	286t		n/a
<b>(as ginned)</b>	OND	280t		n/a
	Ja-My	295t		n/a
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
<b>West Texas</b>	Spot	345-365o / 335-360t		380t
<b>(as ginned)</b>	OND	285b		350t
<b><i>Far West</i></b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	325o		415t
	OND	290o / 290t		n/a
<b>Cal. Corc. No.</b>	Spot	380-385o / 380-385t		475t
<b>&amp; Stockton</b>	OND	360b / 365o		362t
	Ja-Sp	370t		n/a
	Clock	370o		371t
<b><i>Specially Processed Products (\$/ton)</i></b>				
<b><i>Easi Flo™</i></b>	<b>Courtland, AL</b>	Spot	330o	410o
<b>b = bid o = offer t = trade n/a = not available</b>				

<b>COTTONSEED dlvd. points</b>				
<b><u>PRICES 07-13-12</u></b>		<b><u>Dump/ Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b><i>Northeast</i></b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	309o		
	OND	309o		
<b>SE Pennsylvania</b>	Spot	292o		
	OND	292o		
<b>NE Ohio</b>	Spot	309o		
	OND	309o		
<b><i>Midwest</i></b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	321o		
	OND	321o		
<b>MN (Rochester)</b>	Spot	340o	345-349o	
	OND	330o	340-344o	
<b>WI (Madison)</b>	Spot	340o	349-355o	
	OND	330o	344-350o	
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot		350o	
	Jly-Ag		350o	
<b><i>Rail - job track points</i></b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	Spot			348o
<b>California</b>	Spot			370o
<b>Idaho (UP)</b>	Spot			355-360t
	JAS			355o
	OND			355t
<b>WA/OR (BN)</b>	Spot			370-375o
	OND			373o
<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.