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COTTONSEED MARKET: Trading activity has been light and nearby prices are beginning to move lower and gravitate toward new crop prices levels. As of mid-September markets have been mostly quiet as participants have been on the sidelines for a variety of reasons. New crop concerns related to the drought in West Texas has ginners and resellers willing to wait and see before taking on any more ownership. End users are noticing corn prices have backpedaled recently, which raises hopes that cottonseed prices may follow suit. There are concerns that the demand outlook for other feed ingredients will weaken over the next several months given the probability that profit margins for livestock producers will continue to be narrow. However, this may not impact cottonseed markets, as prices are already significantly stronger than a year ago and are at levels that certainly are limiting demand from dairy buyers. Much like last year, oil mills appear they will be able to pay top dollar for cottonseed as vegetable oil prices continue at stout levels. Even if cottonseed oil continues to trade a few cents below soybean oil, oil mills should keep crushing strong.

Southeast markets have been quiet for the first half of September. Quotes have been holding relatively steady, but not much has traded. Buyers and sellers are content waiting each other out. It looks like the Southeast will continue to have the most competitive prices in the country. The supply situation in the region could be good enough for gins to run longer than in neighboring regions. New crop quotes are holding firm, but trading is limited as end users are not willing to take on any more ownership as they anticipate there is the possibility of prices drifting lower because prices are at such high levels that demand has been lost.

In the Mid-South markets are quiet as old crop supplies are very tight. The tropical storm at the beginning of the month soaked fields in the lower Delta and prevented farmers from picking cotton. Therefore resellers have been sitting on their hands regarding nearby trades, which is keeping the market quieter than participants would like. This situation has the potential to return if subsequent storms move through the region. For the time being new crop offers have not changed much over the past several weeks and end users are not showing much buying interest.

In West Texas, light nearby trading continues at even money to levels for the past several weeks. Demand continues to be anemic at these price levels. Meanwhile merchants are not participating in trading, they are not willing to take on any more ownership, at the same time gins are not willing to sell. Dairies are resisting these price levels and it looks like they are willing to wait for prices to edge lower before buying. It appears that the market will continue to be focused on nearby trading and forward activity will remain light.

In the Far West markets are quiet. The vessel of Australian cottonseed has been offloaded in California. There hasn't been a significant change to pricing in California. Nearby prices are expected to hold relatively stable as the boat load of cottonseed is expected to satisfy nearby demand until local gins start supplying new crop seed. Dairies are anxious to see lower prices, but there doesn't appear there will be enough supply pressure for it to happen this month.

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COTTONSEED BALANCE SHEET: For the old crop balance sheet, the final statistics are in for the demand side of the market. USDA increased their crush by 63,000 tons and exports were lowered 15,000 tons. The largest change was the Feed, Seed and Other category dropping 223,000 tons. Ending stocks were raised 175,000 tons. The Cottonseed Digest adopted the changes for old crop. It is worth mentioning that the ending stocks represent the amount at oil mills.

For new crop, USDA lowered production by 3,000 tons. Their Feed, Seed and Other category was lowered 175,000 tons, which resulted in ending stocks being lowered by 3,000 tons.

The Cottonseed Digest new crop balance sheet has production up 10,000 tons, on expectations of better than anticipated output in the Mid-South and Southeast. The crush was raised 50,000 tons on continued strength in vegetable oil prices and support from strong crushing economics. Prime product sales haven't been real strong, but given the strength in other oils, cottonseed oil will find demand. It is possible that the crush will need to be adjusted higher once it is evident that the crushers have purchased enough cottonseed. Exports are unchanged as activity remains light and the outlook for another good crop in the southern hemisphere suggests that export markets will have ample supply outside of the US. The Feed, Seed and Other category was lowered 30,000 tons as dairy economics appear to be soft later into 2012 and cottonseed usage is expected to be lower early in the season. Ending stocks rose 31,000 tons, and are above the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Sept. / USDA	Sept. / CSD	Sept. / USDA	Sept. / CSD
	<u>2009/10</u>	<u>2010/11E</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
Beg. Stocks	514	342	342	618	618
Imports	24	0	0	100	100
Production	4149	6098	6098	5562	5568
Total Supply	4687	6440	6440	6280	6286
Crush	1900	2563	2563	2400	2450
Exports	291	275	275	225	200
Feed, Seed, & "Other"	2154	2984	3984	3235	3043
Total Disappearance	4305	5822	5822	5860	5693
End Stocks	342	618	618	420	593

COTTONSEED fob points					
<u>PRICES 9-16-11</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
<i>SOUTHEAST</i>		(\$/ton)			
No. Carolina	Spot	310-320b / 325-335o		220-215o	
(as ginned)	OND	270b / 275o / 270t		158o	
	Ja-Ag	300o		n/a	
So. Carolina	Spot	335o		210t	
(as ginned)	OND	270b / 275o		158o	
Georgia So.	Spot	335-340o		200-215o	
(as ginned)	OND	280o / 270t		150t	
<i>MID-SOUTH</i>		(\$/ton)			
Memphis No.	Spot	345-360t		220t	
(as ginned)	OND	310b / 310t		180o	
MO Bootheel	Spot	365o		220o	
(as ginned)	OND	315o		180o	
<i>SOUTHWEST</i>		(\$/ton)			
West Texas	Spot	385o		260-262o	
(as ginned)	OND	380b / 385o		175-177t	
<i>FAR WEST</i>		(\$/ton)			
Arizona	Spot.	390o		320t	
(as ginned)	OND	370o / 370t		225o/t	
Cal. Corc. N	Spot	425b / 435-440		355o	
& Stockton	Nv-Dc	390b / 400o		265-270o	
	Clock	410o / 408t		280o	
<i>SPECIALLY PROCESSED PRODUCTS (\$/TON)</i>					
Easi Flo[™]	Courtland, AL	Spot	430o	260o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 9-16-11</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	390o			
	OND	330o			
SE Pennsylvania	Spot	375o			
	OND	315o			
NE Ohio	Spot	390o			
	OND	330o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	400o			
	OND	340o			
MN (Rochester)	Spot		420-425o	435-440o	
	OND		375o	385o	
WI (Madison)	Spot		415-420o	425-430o	
	OND		365o	375o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		385o		
RAIL - FOB TRACK		(\$/ton)			
Laredo TX	OND				390o
California	Spot				n/a
Idaho (UP)	Spot				425o
	OND				395b 405o
WA/OR (BN)	Spot				435o
	OND				405b 415o
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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