

COTTONSEED MARKET: Rain delays early in the month slowed cotton harvest and ginning progress. Overall, nearby trading volumes have been light and those needing to buy are only looking to cover needs for the week before they can get their hands on new crop supply. By the last week of October, more gins will be up and running. Spot demand should be satisfied because new crop supply will be flowing through supply pipelines.

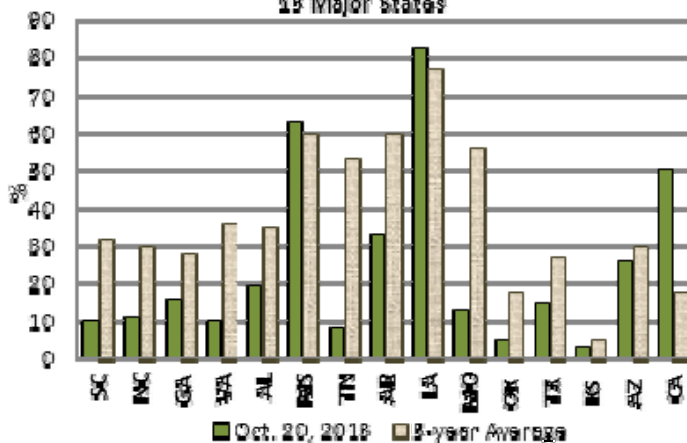
The Southeast region has had a few weeks of gins running so more new crop supply has been available compared to the Mid-South and West Texas. Nearby trades were done at lower prices by the middle of October. Supply pipelines are not at their regular levels for this time of year, nonetheless there has been an increase in contracted supply being available for pick up. There have been reports of above expected yields in Georgia, which suggests the Southeast will again be the main source of cottonseed for rail markets in the West. Georgia's ginning season is expected to run into January due to the late start. Buying interest beyond December remains light, still there have been a few modest trades reported. Export buyers continue to linger in the market, but trading volume remains below last year's level.

Mid-South nearby prices have trended lower, however due to the lack of nearby supply have traded at higher prices at the end of October. There was enough nearby buying interest and some stronger bids that haven't traded because there isn't enough supply this week. The increase in runtimes by the end of the month suggest the nearby price premium will erode. Regardless of the late start, the ginning season in the Mid-South will likely end slightly sooner than average due to fewer planted acres. Trading of gin-run supply has been light this week, as gins are not aggressive sellers. Gins will deliver to meet their commitments, but are expected to put the majority of their supply in storage. Buying interest past the ginning season has been light. This price premium on supply coming out of storage may not be possible this crop year due to the abundant grain situation domestically and the current favorable growing conditions in South America. Larger grain supply should cause feed prices to soften in the spring and could apply downward pressure on cottonseed prices at that time.

Most West Texas market participants anticipated that new crop supply under gin-run contracts will be available by the last week of October. Clear weather the last few weeks of the month are expected and availability of sup-

US Cotton Harvest Progress

13 Major States



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ply likely will drag spot prices lower. Dairy buying interest remains lackluster given current new crop prices. Price levels suggest that dairy users will limit cottonseed usage to only a couple pounds per day. Oil mill buying interest hasn't shown a willingness to increase what they are willing to pay. Lower prices for cottonseed co-products do not allow oil mills to pay as much as they have for cottonseed over the past couple years.

The decline of California's spot price has drifted slower than in other regions. Meanwhile, ginning progress has been moving northward and should be going strong in Corcoran North by the last week of October. California rail offers are holding steady yet buying interest remains lackluster. Given the abundance of cottonseed available for the nearby with the onset of ginning, nearby prices are expected to edge lower for the last week of October and the first few weeks during November.

COTTONSEED BALANCE SHEET: Due to the government shut down, USDA has not released a cottonseed balance sheet for October. Last month's USDA numbers are displayed in this month's balance sheet. If USDA releases a cottonseed balance sheet for October, changes will be reported in coming weeks.

The Cottonseed Digest's balance sheet for the 2012/13 crop year had the crush increased by 7,000 tons, which lowered ending stocks the same amount. The largest old crop difference to USDA's last balance sheet is the 183,000 tons of cottonseed imports, which USDA did not recognize. This imported cottonseed was used in the feed industry and is reason for the Cottonseed Digest's larger Feed, Seed and Other category.

Production for 2013/14 was raised 40,000 tons as early yield results are above expectations. The Lower Delta and Southeast are expected to have better than average yields. The increase in production was split between exports and the Feed, Seed and Other category. There has been a recent increase in export inquiries to Asian markets. Stout domestic prices this year are apt to prohibit exports from exceeding year ago levels. The Feed, Seed and Other category was raised, but still represents a 850,000-ton decline in usage compared to last year due to lower production. Ending stocks tightened further, dropping an additional 7,000 tons which is 30,000 tons below the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Sept / USDA	Oct / CSD	Sept / USDA	Oct / CSD
	<u>2011/12</u>	<u>2012/13E</u>	<u>2012/13E</u>	<u>2013/14F</u>	<u>2013/14F</u>
Beg. Stocks	618	430	430	492	507
Imports	72	0	183	100	100
Production	5370	5666	5666	4291	4387
Total Supply	6059	6096	6279	4883	4994
Crush	2400	2500	2546	2200	2175
Exports	133	191	191	150	180
Feed, Seed, & "Other"	3097	2913	3035	2092	2190
Total Disappearance	5629	5604	5772	4442	4545
End Stocks	430	492	507	441	449

COTTONSEED fob points				
<u>PRICES 10-18-13</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	Spot	260-265t		250t
	OND	230b / 240o / 235t		241t
	Ja-Ag	250o / 248t		265o
South Carolina	OND	230b		245o
Georgia So.	Spot	240-250o		240o
	OND	225t		232t
	Nv-Dc	230t		n/a
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	270-275t		280o
	OND	250-260b / 265-270o		275o
MO Bootheel	Spot	280o		n/a
	OND	271o		280o
NE Arkansas	OND	270o		n/a
	Ja-Ag	281t		n/a
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	300-305t		306t
	OND	285-290b / 290-295o / 290-292t		304t
West Texas: SN	Spot	280-290o		n/a
<i>Far West</i>		(\$/ton)		
Arizona	Nv-Dc	310b / 330o		n/a
Cal. Corc. No. & Stockton	Spot	400-405		390t
	OND	370b / 375o		390o
	Ja-Sp	380o		n/a
Pima California	Spot	375o		370t
	Nv-Dc	340o		n/a
	Clock	350o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flotm</i>	Courtland, AL	Nv-Dc	305	n/a
		JFM	315	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 10-18-13</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<i>Northeast</i>		(\$/ton)		
W. New York	Spot	3340		n/a
	OND	2970		3010
SE Pennsylvania	Spot	3170		n/a
	OND	2800		2840
NE Ohio	Spot	3340		n/a
	OND	2970		3010
<i>Midwest</i>		(\$/ton)		
MI (Grand Rpd.)	Spot	3440		n/a
	OND	3070		3130
MN (Rochester)	Spot	355t		n/a
	Nv-Dc	345-3500		n/a
	JFM	355-3590		n/a
WI (Madison)	Spot	3450		n/a
	Nv-Dc	335-3400		n/a
	JFM	345-3500		n/a
<i>Southwest</i>		(\$/ton)		
Texas / Dublin- Stephenville	Spot	3150		3150
	OND	3150		3250
<i>Rail - fob track points</i>		(\$/ton)		
Laredo TX	OND		3450	3500
	JFM		3550	n/a
California	Nv-Dc		365-3700	3750
Idaho (UP)	Spot		3800	375t
	OND		3650	n/a
WA/OR (BN)	OND		3750	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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