

USDA REPORTS: The *Ginning Report* as of November 1, 2013 had a running bales total of 3.041 million bales. This is the first ginning report of significance this season due to the slow start to harvest and the government shut-down. Ginning results are 3.8 million bales behind the 3-year average for this time of year. The state furthest behind the average on a percentage basis for this time of year is Tennessee, lagging by 86%. The state furthest below the average based on the number of bales is Texas, behind by 1.135 million bales. Due to fewer acres planted this year, running bales ginned will remain below the 3-year average for the rest of this season.

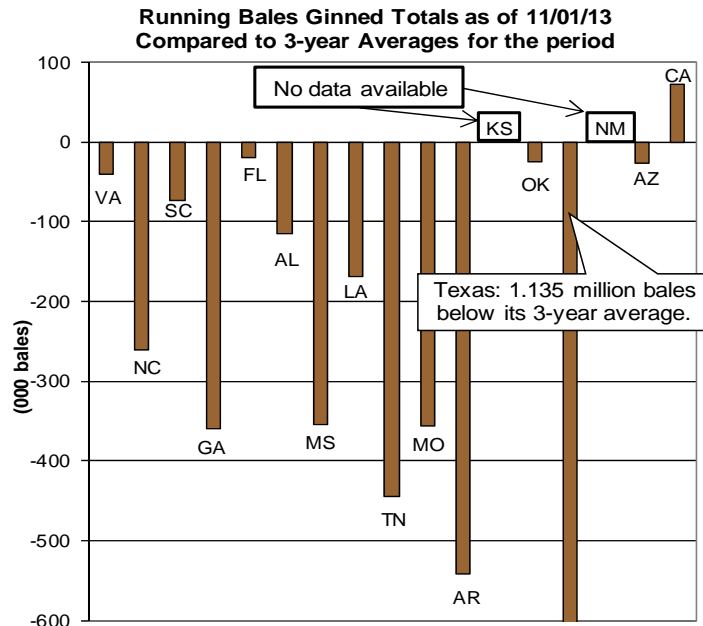
The *Crop Production* report projected a cottonseed total of 4.357 million tons. This was an increase of 66,000 tons compared to the September report. Total cotton production was 13.1 million bales an increase of 2% from September's forecast. Compared to a year ago, cottonseed production is down 23%.

COTTONSEED MARKET: The ginning season continues to ramp up, but the supply pressure has not been a negative factor for prices as normally would be the case during harvest. Meanwhile, some gins in the Mid-South are only a few weeks away from finishing their gin run.

In the Far West, rail offers are limited and because of this spot truck prices are holding firmer than expected. At the same time, stronger Southeast prices have raised replacement costs in the Far West for rail supply. California markets are holding steady and prices remain firmer than expected. End users are only interested in buying nearby and are holding off on booking forward supply.

West Texas nearby prices have edged slightly higher. But, following a hard frost during the first half of November, harvest activity will increase and gins will run harder. The uptick in supply should pressure nearby prices lower.

Mid-South nearby cottonseed prices are much higher compared to the 3-year average relationship to cash corn which is more than 50 percentage points above the average. Meanwhile, cottonseed's relative price to distiller dried grains is only a few percentage points above the average and this month moved closer to the average. Stout cottonseed prices are being used to ration limited supply this crop year. The price relationship to these competing ingredients will likely remain stronger



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For weekly cottonseed pricing and commentary contact:
James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

than the average levels because of supply rationing.

Gins in the Southeast have been more active spot sellers. Due to the smaller crop, a higher percentage of the total supply will be put into storage compared to a year ago. Buyers needing to cover requirements for the nearby have bid up prices in order to entice gins to sell. Most nearby selling is done by gins in order to cover their immediate cash flow needs. The normal carry during the January-August timeframe will be difficult for sellers to get if other feed ingredient prices turn weaker this spring provided South America's crop meets expectations as is reflected in the forward inverse in soybean meal futures.

COTTONSEED BALANCE SHEET: USDA's balance sheet for the 2012/13 crop year was unchanged since the last report released in September. There was no October report this year due to the government shutdown. Larger than the previous year ending stocks for 2012/13 were needed the past couple months to satisfy demand due to this year's delayed harvest and arrival of new crop cottonseed.

USDA raised 2013/14 cottonseed production 66,000 tons compared to the last report in September. The region where cotton production is expected to be better than earlier expectations is in the Southeast. This increase in production is offset by the Feed, Seed and Other Category being raised the same amount which results in ending stocks left unchanged.

The Cottonseed Digest's balance sheet had 2013/14 production unchanged and 30,000 tons larger than USDA's forecast. On the demand side of the balance sheet, exports were raised 5,000 tons. Results for August and September were over 45,000 tons which was above the 5-year average of 37,700 tons for this timeframe. Export buying interest in the Southeast continues and this total may need to be raised later.

The Feed, Seed and Other category was lowered 5,000 tons. The reduction is based on the strong cottonseed prices which is rationing limited supply. It appears that dairies will need to limit daily usage levels and more dairies in the Midwest and Northeast will be falling into Group 3 and Group 4 of our Cottonseed Dairy Buyer Profile. The CSD crush was unchanged and is 25,000 tons smaller than USDA's estimate as crushing economics remain a challenge for oil mills given stout whole seed prices. It is possible that crushing will be curtailed further in coming months unless there is an improvement in cottonseed oil and meal prices.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Nov / USDA	Nov / CSD	Nov / USDA	Nov / CSD
	2011/12	2012/13E	2012/13E	2013/14F	2013/14F
Beg. Stocks	618	430	430	492	507
Imports	72	0	183	100	100
Production	5370	5666	5666	4357	4387
Total Supply	6059	6096	6279	4949	4994
Crush	2400	2500	2539	2200	2175
Exports	133	191	191	150	185
Feed, Seed, & "Other"	3097	2913	3046	2158	2185
Total Disappearance	5629	5604	5765	4508	4545
End Stocks	430	492	507	441	449

COTTONSEED fob points				
<u>PRICES 11-15-13</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>		
North Carolina	Spot	248-250o / 246-250t		230t
	JFM	250b		n/a
	Ja-Ag	260b / 270o		250o
South Carolina	Spot	240b / 245-246o		236o
Georgia So.	Spot	230-236b / 238o		225t
	Ja-Ag	252b / 262o		247o
<i>Mid-South</i>		<i>(\$/ton)</i>		
Memphis No.	Spot	270t		260o
MO Bootheel	Spot	271t		256t
	Ja-Ag	285t		n/a
NE Arkansas	Ja-Ag	285t		n/a
<i>Southwest</i>		<i>(\$/ton)</i>		
West Texas: LN	Spot	300o / 295t		315o
	Ja-Sp	320b / 325o		n/a
<i>Far West</i>		<i>(\$/ton)</i>		
Arizona	Spot	335o		340o
	Nv-Dc	340t		n/a
Cal. Corc. No. & Stockton	Spot	395b / 400o		383t
	Ja-Ag	385b / 395o		n/a
Pima California	Spot	360o		n/a
	Dec	360t		353t
	Clock	370o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flotm</i>	Courtland, AL	Dec	310o	n/a
		JFM	310o	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				
PRICES 11-15-13		Truck	Rail	Yr Ago
Northeast		(\$/ton)		
W. New York	Spot	3140		n/a
	Ja-Ag	3340		3100
SE Pennsylvania	Spot	2940		n/a
	Ja-Ag	3140		2730
NE Ohio	Spot	3140		n/a
	Ja-Ag	3340		3100
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	3240		n/a
	Ja-Ag	3440		3220
MN (Rochester)	Spot	3450		n/a
	Nv-Dc	345-3500		3370
	JFM	355-3600		n/a
WI (Madison)	Spot	3350		n/a
	Dec	335-3400		n/a
	JFM	345-3500		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	3100		3400
	JFM	3200		n/a
Rail - fob track points		(\$/ton)		
Laredo TX	Spot		3650	n/a
California	Spot		385t	n/a
Idaho (UP)	Spot		3750	n/a
	JFM		3750	n/a
	Ja-Ag		3800	3650
WA/OR (BN)	Spot		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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