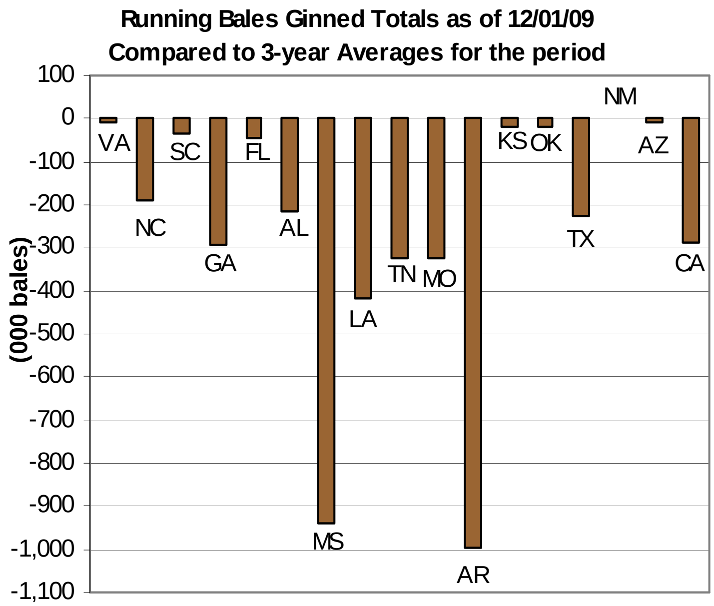
December 2009

Volume 13, Issue 12

Cottonseed Intelligence Monthly

CIM

GINNING REPORT: The running bales ginned total as if December 1st was 7.874 million bales. Compared to the 3-year average, this is behind by over 4.3 million bales or 35%. Before the end of the ginning season, some of this ground will be made up as ginning started later due to wet conditions. Compared to the previous report, the running bales ginned total increased over 2.9 million bales. This increase was over a half million bales greater than what was reported in last year's report. Since the last report, Texas contributed an increase of over a million bales. The state that is furthest behind the pace set last year is Arkansas with nearly a half million fewer bales. Mississippi and Missouri are next in line with a rough average of 270,000 bales behind the year ago pace. Given USDA's production forecast of 12.6 million bales, over a 37% of the crop is yet to be ginned and ginning progress will show dramatic slowing over the course of the next few reports. At this point a year ago, 30% of the crop remained to be ginned.



COTTONSEED MARKET: Buying interest became subdued by the middle of December. However, oil mill buying continues to be a main feature of the market. Gins are not inclined to accept bids and this environment has led to nearby prices climbing higher. Forward pricing remains sketchy as neither buyer nor seller are very interested in booking at this point. Gins appear to be more confident that the market will reward them for storing their seed for sale later in the year. That very well could be the case providing quality does not become an issue. The main concern is that if the seed went into storage wet, it may be difficult to sell later. This may be part of the reason that merchants have backed away from the market and are not interested in forward contracts.

The Southeast market is quiet due to the lack of open offers. Resellers have shown prices higher to narrow spreads to other markets. Prices in the region continue to be competitive compared to the Mid-South. Export buying interest has backed away from the market. Forward offers were quoted with a stout premium, but nothing has traded.

The Memphis North market climbed higher with few offers and thin buying interest. Those re-

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

sellers trading appear to be taking profit. Rail buyers are not as aggressive as in past weeks. End users in the West have backed away from the market at such price levels. With most gins done for the season, it appears there is minimal risk of prices dropping until after the holidays.

West Texas continues to have an abundance of buyers in the market. Cottonseed from West Texas will likely find its way to oil mills in neighboring markets. The lack of cottonseed, or concerns related to moisture with their local supply are reason for crushers coming to the West Texas market to satisfy their needs. Meanwhile, dairies that didn't book earlier appear to be "fishing behind the net". Some dairies have reportedly cut cottonseed in their ration by half. For now, given current pricing, they are not planning on using any more cottonseed.

In the Far West, rail spreads have not been keeping pace with the price increases at origin. Replacement costs are rising and it is difficult to find buyers at the higher prices. Therefore, rail markets have been mostly focused on spot supplies or at best 30 days out. Similarly, in California the main focus is on nearby supply. Expectations are for additional rail cars to arrive, before the end of December. Merchants are not sure how to evaluate prices for forward months, as demand is lackluster and the supply outlook will potentially be tighter than last year. Pima continues to trade at the $276-280/ton level, and demand is not considered to be robust.

COTTONSEED BALANCE SHEET: Production was raised 33,000 tons, following the 96,000-bale increase in USDA's December crop production report. Compared to last year, the total supply of seed is off by 187,000 tons. The crush number dropped 138,000 tons compared to last month's report and down 200,000 tons compared to a year ago. Exports remain unchanged, but may need to be adjusted lower, as export buying hasn't been as robust as a few years ago. The Feed, Seed and Other category was increased 171,000 tons, which is the largest change amongst categories. Ending stocks are unchanged. The stocks-to-use ratio was adjusted slightly lower, but is still a percentage point higher than the 5-year average.

Informa's balance sheet had production lowered 18,000 tons. The slow start to harvest and ginning combined with some unexpected downtimes for oil mills kept the crush low for the first two months. Crushing for the new crop year was more than 150,000 tons under the 5-year average and just below that mark compared to the year ago. Nonetheless, demand for cottonseed oil remains lackadaisical which suggests that crushing could be lost. On the contrary, oil mills have been aggressive buyers attempting to secure as much cottonseed as possible. Because of high-moisture related quality concerns with this year's crop, it would suggests that oil yields will be lower, which means more seed will need to be crushed. At this time, the crush was lowered 75,000 tons, meaning at least half of the run lost in the first two months will not be made up later in the year. Exports and the Feed, Seed and Other category were unchanged. Ending stocks were raised 57,000 tons, but due to the smaller crop, supply will remain snug.

Cottonseed Supply/Demand Balance Sheet (000 tons)

Yrs beg Aug 1	USDA 2006/07	USDA 2007/08	Dec. / USDA 2008/09E	Dec. / USDA 2009/10F	Dec. / Informa 2009/10F
Beg. Stocks	602	489	643	514	514
Imports	0	3	0	0	24
Production	7348	6589	4300	4242	4265
Total Supply	**7950**	**7080**	**4943**	**4756**	**4803**
Crush	2680	2706	2250	2050	2153
Exports	616	599	191	350	220
Feed, Seed, & "Other"	4165	3132	1988	1927	1948
Total Disappearance	**7461**	**6437**	**4429**	**4327**	**4321**
End Stocks	489	643	514	429	482

COTTONSEED fob points

PRICES 12-18-09		*Trade*	*Yr Ago*
SOUTHEAST		**($/ton)**	
No. Carolina	Spot	200b / 208o	195o
	JFM	205b / 212o	n/a
So. Carolina	Spot	180b / 185o	190o
Georgia So.	Spot	170-172b / 175-178o	205o
	Ja-Ag	190b / 203o	212o
No. Alabama	JFM	232o	n/a
MID-SOUTH		**($/ton)**	
Memphis No.	Spot	220o	220-225o
	JFM	232o / 230t	215t
	Ja-Ag	225b / 235o	225o
MO Bootheel	Spot	215t	220-225o
SOUTHWEST		**($/ton)**	
West Texas	Spot	210-212o	225o
	JFM	220o	235t
	Ja-Ag	225b / 230o	245o
FAR WEST		**($/ton)**	
Arizona	Spot	235b	275o/t
Cal. Corc. N	Spot	295-298o / 295-298t	290-295t
& Stockton	JFM	290b / 295o	305o

SPECIALLY PROCESSED PRODUCTS ($/TON)

Easi Flo tm	**Courtland, AL**	Spot	235o	260o
FuzZpellets tm	**Weldon, NC**	Spot	240o	n/a
Cotton Flo tm	**Weldon, NC**	Spot	240o	n/a

b = bid o = offer t = trade n/a = not available

Volume 13, Issue no. 12

Cottonseed Intelligence Monthly **CIM**

December 2009

COTTONSEED dlvd. points

PRICES 12-18-09		*Dump*	*Hopper*	*Live Floor*	*Rail*
NORTHEAST		**($/ton)**			
W. New York	Spot	260o			
	Ja-Ag	273o			
SE Pennsylvania	Spot	243o			
	Ja-Ag	256o			
NE Ohio	Spot	260o			
	Ja-Ag	273o			
MIDWEST		**($/ton)**			
MI (Grand Rpds.)	Spot	273o			
	Ja-Ag	286o			
MN (Rochester)	Spot		266-268o	274-278o	
	Ja-Ag		276-278o	284-288o	
WI (Madison)	Spot		258-260o	268-269o	
	Ja-Ag		268-270o	277-278o	
SOUTHWEST		**($/ton)**			
Texas / Dublin-	Spot		235o		
Stephenville	Ja-Ag		255o		
RAIL - FOB TRACK POINTS		**($/ton)**			
Laredo TX (Mid-Bridge)	Spot				255b 265o
	JFM				173o
California	JFM				290o
Idaho (UP)	Spot				275b 278o
	JFM				288o
	Ja-Ag				298o
WA/OR (BN)	Spot				288o
	Ja-Ag				308o

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

Cottonseed Intelligence Monthly©2009 is published monthly Phone**: 651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
 Published by Informa Economics, Inc, 3464 Washington Drive, Suite 102, Eagan, MN 55122.