

March 2010
Volume 14, Issue 03

Cottonseed Intelligence Monthly

CIM

COTTONSEED MARKET: While February normally is a slow month for cottonseed trading, thus far March hasn't provided much reason for market participants to expect there to be change in attitudes. Prices have edged lower compared to the last installment. With the revised USDA grain production numbers, the bearish tone continues to be the main feature of the market. Grain co-product ingredients have had weaker markets and cottonseed prices have moved lower as well. Cottonseed prices haven't dropped as sharply as other products as supplies are not as burdensome, still some sympathetic downward moves are necessary for cottonseed not to be completely removed from rations. Sellers are slow to let offered levels drop, but there have been a few more gins taking note and showing a willingness to trade at the today's prices, rather than possibly trading at a lower level next week.

Southeast markets are quiet on only limited dairy buying interest. Compared to last month the price changes have been minimal, which might be a part of the reason that dairies in the Northeast have been slow to come back to the market. Resellers were anticipating an increase in demand due to the winter storms that hit the region. Evidently dairies have increased usage of lower cost grain byproducts. Regarding new crop, there hasn't been much field work getting accomplished due to recent rains. There have been a few more gins in the region willing to sell stored seed. The limited supply situation should prevent prices from deteriorating drastically. End users are expected to show a bit more interest before Easter.

Mid-South merchants were delighted to announce a slight improvement to nearby buying interest as of the middle of the month. Spot prices dipped several dollars since the last report and this is being mentioned as reason for the increase in buying activity. Mid-South crusher net values have stayed below \$200, which suggests that it could be better for oil mills to sell their seed rather than crush it for oil. End users are not interested in buying supplies for the summer months. Poor margins for dairies are behind this lack of interest in booking forward. This lack of buying for the summer months is a common situation with other feed ingredients as well. This makes sellers uneasy and it heightens their willingness to trade at lower prices to at least get some trading on the books.

West Texas markets are dull because of lackluster demand. Dairies are concerned about preserving profit margins given weak milk prices. Gins are willing to hold on to their supply in hopes of some improvement in demand. The window of opportunity for that to happen keeps on being pushed forward. Possibly that won't happen until the summer, if at all. Pricing for the summer months is difficult to call as it hasn't been well tested. Abundant moisture over the past few months is seen as a plus for the projected increase in cotton acres. This fact could mean above average yields next year, which is seen as bearish for new crop pricing.

In the Far West, rail offers are lower on light demand. The spread between the Idaho and Pacific Northwest markets has widened out on some short-term supply tightness in the PNW. California markets are dealing with sub-par demand, but there has been a slight increase in volumes trading by

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 3464 Washington Drive, Suite 102, Eagan, MN 55122-1438.

For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

mid-month compared to the previous several weeks. Merchants are pleased to at least have some signs of improved demand even if prices have dropped a few dollars. End users are expected to continue buying on a hand-to-mouth type basis. Supplies are ample and are not expected to tighten up for the next couple months or until dairies become aggressive buyers. That doesn't appear it will be the case for the next few months.

There have been a few more trades on new crop supplies. The participation on the part of gins remains minimal at this time. Resellers are participating in the buying, but they are having difficulty finding end users willing to buy. Of the prices being quoted, it appears that oil mills should be able to turn a profit at such levels, provided vegetable oil prices don't tank.

COTTONSEED BALANCE SHEET: USDA's balance sheet is unchanged from last month. The WASDE Report mentioned smaller cottonseed supplies for the 2009/10 crop year in China and Uzbekistan, which could be the reason that exports have been stronger than anticipated. For the first half of the crop year, over 136,000 tons have been exported. This exceeds last year's pace at this time by over 40,000 tons. Still, compared to the 5-year average pace, exports are behind by over 85,000 tons. During the last half of the crop year, exports are apt to be less as other and more affordable protein sources become available to global markets.

For Informa's balance sheet, the supply side remains unchanged with last month. The crush had a 70,000-ton reduction as demand for cottonseed oil remains lackadaisical with lighter runtimes while some plants will be crushing other products. Exports have been stronger than projected, so expectations were raised a modest 13,000 tons. The Feed, Seed and Other category was raised 40,000 tons. With oil mills in the market selling cottonseed, some of what was expected to be crushed will now find its way to the feed market. The net result of these changes was an increase of ending stocks by 17,000 tons. This elevates the stocks to use ratio to 11%, which is a percentage point above USDA's level and is on par with the ratio a year ago. The increase in stocks can be seen as a bearish development. However, the outlook of a million more cotton acres, abundant supplies of grain byproducts and weak protein prices will have a greater sway on cottonseed prices potentially softening in coming months.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Mar. /	Mar. /	Mar. /
	2006/07	2007/08	USDA	USDA	Informa
			2008/09E	2009/10F	2009/10F
Beg. Stocks	602	489	643	514	514
Imports	0	3	0	0	24
Production	7348	6589	4300	4178	4174
Total Supply	7950	7080	4943	4692	4712
Crush	2680	2706	2250	1850	1830
Exports	616	599	191	250	230
Feed, Seed, & "Other"	4165	3132	1988	2167	2155
Total Disappearance	7461	6437	4429	4267	4215
End Stocks	489	643	514	425	497

COTTONSEED fob points					
<u>PRICES 3-12-10</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	185b / 190o / 190t			160o
So. Carolina	Spot	195b / 198o			165o
Georgia So.	Spot	187-188b / 190-193o			175o
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	200o / 197-200t			172t
	Ap-Ag	205b / 206-208o			175o
	OND	160b / 165o			160o
MO Bootheel	Spot	200t			175o
	Ap-Ag	210-208o			175o
	OND	160b / 162o / 162t			n/a
No. Alabama	Spot	172t			n/a
	Spot	197t			n/a
SOUTHWEST		(\$/ton)			
West Texas	Spot	200b / 205o / 200t			223t
	Ap-Sp	203-205o			225-235o
(as ginned)	OND	158b / 163o			175o
FAR WEST		(\$/ton)			
Arizona	Spot	250o			215o
Cal. Corc. N	Spot	280o / 278t			260t
& Stockton	Ap-Sp	275b / 282o			263-265o
(New Crop)	OND	250-255o			n/a
	Clock	255b / 260o			n/a
SPECIALY PROCESSED PRODUCTS (\$/ton)					
<i>Easi Flotm</i>	Courtland, AL	Spot	230o		205o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	n/a		210o
<i>Cotton Flotm</i>	Weldon, NC	Spot	n/a		210o
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 3-12-10</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	242o			
	Ap-Ag	247o			
SE Pennsylvania	Spot	225o			
	Ap-Ag	230o			
NE Ohio	Spot	242o			
	Ap-Ag	247o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	252o			
	Ap-Ag	257o			
MN (Rochester)	Spot		247-250o	256-259o	
	Ap-Ag		251-255o	261-265o	
WI (Madison)	Spot		242-248o	245-249o	
	Ap-Ag		251o	256o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot.		240o		
	Ap-Sp		245o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Ap-Jn				260o
	Ap-Sp				265o
California	Spot				270o
	Mar.				206b 265o
Idaho (UP)	OND				230b 238o
	Mar.				284t
WA/OR (BN)	OND				253o
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.

Cottonseed Intelligence Monthly@2010 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
 Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc, 3464 Washington Drive, Suite 102, Eagan, MN 55122.