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Cottonseed Intelligence Monthly

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COTTONSEED MARKET: Trading has become less active during the middle of March compared with the first week of the month. Cottonseed prices are edging higher on mostly reseller to reseller trading with underlying strength from grain prices. Gins are keeping to the sidelines and holding out for higher prices. The recent strength in grain futures is seen as supportive for cottonseed prices. For the time being it looks like the upward price momentum will be able to continue for the next several weeks.

In the Southeast, nearby markets are quiet and what has traded is only on small volumes. Dairy demand from the Northeast remains lackluster and this is keeping a lid on prices. It is common for the market to be quiet as end users are working through contracted supply. There has been renewed inquires for new crop, but nothing has traded.

The Memphis North price this year has drifted lower since November. This goes against the typical seasonality of firming prices once the majority of ginning has been completed. The last time the low for the crop year occurred during March was in 2008/09. In that year, autumn prices were supported by strong grain prices and a substantial drop in cottonseed supply. Cottonseed production for the 2008/09 crop year was down 1.314 million tons compared to the previous year. This year's cottonseed production drop in production is projected to be 1.462 million tons from the year ago. There are plenty of similarities between the two crop years. Milk prices in early 2009 were below average and fell under \$10/cwt from May through July. Given the similarities between the two crop years, it appears that the market could be close to a bottom. However, competing feed ingredients are apt to soften this summer limiting the upside potential.

West Texas nearby trading remains limited as dairies are dealing with narrow margins. There has been a bit more new crop selling interest from resellers and a handful of gins, which are behind firmer quotes. Offer and bids are getting close, but no trades were reported. Gins are holding out for higher prices and dairies are expected to continue buying hand to mouth.

In the Far West, prices have firmed up since ginning in the region is completed. California rail offers held steady, but nearby truck supplies have traded higher recently. Lackluster dairy demand is still a concern for traders and this will likely keep usage below average for the next couple months. Nonetheless, there continues to be enough buying to support higher prices.

This year's cotton plantings are a major question that has been looming over the market. In the Southeast, there are concerns that cotton acreage might be lost to soybeans or peanuts. The Mid-South has abundant moisture, but the strength in soybean prices could mean that there will be fewer cotton acres than last year. West Texas is the perennial wildcard in the market regarding plantings and weather. A modest drop off in cotton acres can be expected as other crops look to be more profitable. Much of West Texas is still under a Palmer Drought Index between Extreme and Moderate.

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Availability of ground water for irrigation is a concern absent additional rains in the region. California is dry and if this doesn't change it could lead to less cotton acreage as well. Crop development issues could provide some upward lift for cottonseed prices this summer, but the weight of unsold supply will likely limit the upside potential.

COTTONSEED BALANCE SHEET: USDA's balance sheet was left unchanged from last month. Total supply remains roughly 4% below the 5-year average. Meanwhile USDA's crush is below the average by just less than 1%. Only the Feed, Seed and Other category is larger than the 5-year average up nearly 4%. Given tough economic conditions for dairies, it is difficult to expect that usage will be above the 5-year average. Price levels during the first part of this crop year should have reduced dairy usage. Without a significant drop off in cottonseed prices, inclusion rates are not expected to return to levels seen a year ago.

The Cottonseed Digest balance sheet had imports lowered 20,000 tons as production in Australia may not be as large. Asian markets are a wildcard and could take more supply. Dairies do not appear to be aggressive enough in their usage to require more imports. However, if cottonseed prices begin to soften and milk prices improve then imports might need to be revisited and adjusted higher. The Feed, Seed and Other category was lowered 60,000 tons. Dairy buying continues to be lackluster and it looks like improved availability of other feed ingredients will limit cottonseed usage. Ending stocks were raised 40,000 tons, but still remain 23,000 tons below last year's level. For the time being, it appears there will be sufficient supply of cottonseed.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	Mar. / USDA	Mar. / USDA	Mar. / CSD
	2008/09	2009/10	2010/11E	2011/12F	2011/12F
Beg. Stocks	643	514	342	618	618
Imports	0	24	0	100	100
Production	4300	4149	6098	5267	5242
Total Supply	4943	4687	6440	5985	5960
Crush	2240	1900	2563	2400	2375
Exports	190	291	275	160	160
Feed, Seed, & "Other"	1999	2154	3984	2995	2830
Total Disappearance	4429	4305	5822	5555	5425
End Stocks	514	342	618	430	555

COTTONSEED fob points				
<u>PRICES 03-16-12</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>		
No. Carolina	Spot	230o / 225-228t		218o
	Ap-Ag	235o / 232t		225o
(as ginned)	OND	190b / 200o		166-168o
	So. Carolina	Spot	230o	218o
Georgia So.	Spot	228-230o / 225-230t		215-216t
	Ap-Ag	232b / 240o / 235t		225o
(as ginned)	OND	180-190b / 185-195o		168-170o
<i>Mid-South</i>		<i>(\$/ton)</i>		
Memphis No.	Spot	245o / 240-244t		238-240t
	Ap-Ag	245-250b / 251-255o		242-245o
(as ginned)	OND	215b / 220o / 220t		202o
MO Bootheel	Spot	250b / 252o		240o
	Ap-Ag	255o		n/a
<i>Southwest</i>		<i>(\$/ton)</i>		
West Texas	Spot	310b / 312-315o		263t
	Ap-Sp	325o		273-275o
(as ginned)	OND	255-265b / 260-270o		220-225o
<i>Far West</i>		<i>(\$/ton)</i>		
Arizona	Spot	320o		320t
Cal. Corc. No.	Spot	350b / 355o / 353t		328-330t
& Stockton	Ap-Sp	360o / 355t		342-345o
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Spot	295o	290o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points				
<u>PRICES 03-16-12</u>		<u>Dump/ Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
Northeast		(\$/ton)		
W. New York	Spot	282o		
	Ap-Ag	290o		
SE Pennsylvania	Spot	265o		
	Ap-Ag	273o		
NE Ohio	Spot	282o		
	Ap-Ag	290o		
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	292o		
	Ap-Ag	300o		
MN (Rochester)	Spot	299-305o	310-320o	
	Ap-Ag	315o	325o	
WI (Madison)	Spot	295-300o	310-312o	
	Ap-Ag	309o	318o	
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot		335o	
	Ap-Ag		335o	
Rail - fob track points		(\$/ton)		
Laredo TX	March			335o
California	Spot			350o
Idaho (UP)	Spot			330o
	Ap-Ag			335o
	OND			310o
WA/OR (BN)	Spot			345o
	Ap-Sp			350o
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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