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COTTONSEED MARKET: Prices firmed in late February on strong buying from reseller shorts. This prices strength held through the first week of the month, with limited trading activity. By the middle of March, trading activity has come to a halt due to the lack of buying interest. Those short positions that supported the market are apparently satisfied for the time being. The standoff situation between buyers and sellers will likely hold until the last few days of March. Before the new month the shorts may come back to cover their needs ahead of the Passover/Easter holidays. However, longer term the abundance of cottonseed and feed ingredients supply suggest that there may be less support for prices.

The Southeast and Southwest regions had the largest crops compared to their 5-year averages and are expected to still have unsold supplies in storage owned by gins. Because prices have firmed over the past several weeks, gins are still waiting to sell in anticipation of higher prices. But, given abundant supplies of other feed ingredients and grain, the upside price potential for cottonseed will likely be limited. The export buyers in the Southeast are less interested as new crop supplies from the Southern Hemisphere will become available to meet their needs. Dairy demand from the Far West continues on an even keel, which is sourcing supplies out of West Texas as rail logistics are the best option compared to points further east. Most dairies booked a majority portion of their cottonseed needs early and are not willing to add to their position given narrow profit margins related to weak milk prices. Given current market conditions, dairies will need to see prices soften before they come back to the market. Dairies would only pay current cottonseed prices if other feed ingredient prices drastically rally, which doesn't seem likely given South America's looming crop with ample corn and soybean supplies domestically.

New crop buying has declined as of mid-March. Most of the action over the previous couple weeks has been done primarily between resellers. For now, it appears resellers are content with their position. There still are some markets with open bids, but sellers are not willing to trade at such levels. The bids are looking like a better buy than a sale. Gins are keeping to the side lines and this will likely be the case for the next couple weeks. Once the first USDA Prospective Plantings report is released at month's end, there will likely be a flurry of trading based on the report. New crop trading interest from gins may take a bit more time this year given concerns about fewer planted acres. The outlook for less cotton acres and cottonseed supply will likely mean that gins will anticipate stronger prices. However, the abundant global supply of soybeans would suggest that the value of cottonseed will not be as strong as it had been the past few years.

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COTTONSEED BALANCE SHEET: The USDA's latest balance sheet was unchanged compared to last month. Cottonseed production is 1.111 million tons larger than a year ago and 217,000 tons above the 5-year average. The USDA's estimated Feed, Seed and Other category is 825,000 tons above last year's level making up the majority of this year's increase in production. USDA's crush forecast matches last year's level and is 272,000 tons below the 5-year average. The ending stocks to use ratio is 9.1% above the 5-year average of 8.8%, but below last year's 9.5%.

The Cottonseed Digest's balance sheet for 2014/15 raised imports a modest 3,000 tons. Only a small increase is expected in coming months as cottonseed supply in Australia is less than last year and will likely satisfy demand in other markets and not be shipped to the US. Cottonseed production was left unchanged from last month.

The crush category was lowered 180,000 tons making it the largest change compared to a month ago. Monthly crush totals have averaged 25% below the 5-year average level during the first half of the crop year. There have been breakdowns and other issues with plants not being able to run which suggests the industry will not be able to reach the average level. The last time the crush was below 2 million tons was in 2009/10 when cottonseed production was at a historically low 4.1 million tons. Based on 25 years of data it was the only time that the crush was below 2 million tons. This year the crush will likely be even lower as the net-product value of cottonseed for crushers remains below the nearby cottonseed price.

The Feed, Seed and Other category was raised 150,000 tons as the majority of the supply earmarked for crushing will find its way into the feed market. For this amount of cottonseed to be fed, prices will likely need to drift lower in order to attract additional demand. Likewise, dairy economics appear that they will not be as poor as they appeared to be a month ago. Cottonseed exports were unchanged as exports are expected to slow in coming months as Southern Hemisphere supplies will displace US supplies in export supply channels. Ending stocks were raised 33,000 tons making it the highest level since the 2007/08 crop year when ending stocks were 644,000 tons. The higher stocks of other grains and an outlook for fewer cotton acres suggest more cottonseed supply could be carried over into next year.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	March / USDA	March / USDA	March / CSD
	2011/12	2012/13	2013/14E	2014/15F	2014/15F
Beg. Stocks	618	430	492	425	425
Imports	72	182	198	100	64
Production	5370	5666	4203	5314	5324
Total Supply	6059	6278	4893	5839	5813
Crush	2400	2500	2000	2000	1815
Exports	133	191	219	275	250
Feed, Seed, & "Other"	3096	3094	2250	3075	3165
Total Disappearance	5629	5786	4468	5350	5230
End Stocks	430	492	425	489	583

COTTONSEED fob points				
<u>PRICES 03-13-15</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	Spot	245b / 247-250o / 245t		355t
	Mar	245t		n/a
	Ap-Ag	245b / 255o /		360o
	OND	220b		260o
South Carolina	Spot	240b / 250o		360o
Georgia So.	Spot	242b / 250-255o		360o
	Ap-Ag	255o		360b
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	280o		397o
MO Bootheel	Spot	280o / 275-276t		405o
	Apr	280t		n/a
	OND	250b / 260o		n/a
NE Arkansas	Spot	280o / 270t		405o
	OND	250b / 260o		296o
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	285o		395o
	Ap-Sp	290o		410o
West Texas: SN	Spot	280b / 280-285o		n/a
<i>Far West</i>		(\$/ton)		
Arizona	Mar	345t		n/a
	Mr-Jn	340b / 350o		n/a
Cal. Corc. No.	Spot	380b / 385o		470t
	OND	365o		410o
Pima California	Spot	345o		460o
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flotm</i>	Courtland, AL	Spot	325o	440o
		Ap-Ag	330o	445o
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 03-13-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Mar	310-3140		n/a
	Mr-Ag	320-3260		n/a
SE Pennsylvania	Mar	293-2950		n/a
	Mr-Ag	303-3070		n/a
NE Ohio	Mar	312-3140		n/a
	Mr-Ag	324-3260		n/a
Midwest		(\$/ton)		
MI (Grand Rpds.)	Mar	324-3250		n/a
	Mr-Ag	335-3360		n/a
MN (Rochester)	Mar	340-3450		n/a
	Mr-Ag	3500		n/a
WI (Madison)	Mar	3400		n/a
	Mr-Ag	3500		n/a
Southwest		(\$/ton)		
Texas / Dublin-	Spot	2950		4350
Stephenville	Ap-Sp	3150		n/a
Rail - job track points		(\$/ton)		
California	Spot		3700	4790
	Ap-Sp		3650	n/a
	OND		355-358t	n/a
Idaho (UP)	Spot		3550	4650
	Ap-Sp		3600	n/a
WA/OR (BN)	Spot		3750	4800
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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