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# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** Compared to last month's installment prices are mixed as the Southeast had weaker nearby prices while the remaining regions had higher prices. Following Easter there was price strength based on a tighter supply situation in Far West rail markets. There has been some follow through buying in the wake of the firmer pricing. As a result of the firmer prices there were a few short resellers stepping in the market and buying to cover contractual requirements. Without significant support from dairy buyers, this price increase may fizzle out, unless the recent gains in grains and other feed ingredient prices like DDGS manage to hold.

Southeast markets were mostly quiet, but some small volume trades took place. Dairy demand from the Northeastern market remains lackluster. This means that cottonseed sellers in the Southeast are more dependent on export markets and rail demand from the Far West. For the most part, supply has been moving well, shipping off of contracts as anticipated. The movement of supplies hasn't become an issue even with seasonal availability of trucks tightening as equipment gets tied up to move springtime merchandise. There has been an increase in new crop offerings, but trading is limited and resellers are keeping bids low. Meanwhile, gins are not willing to accept bids this early as they are unsure about their supply situation without the crop planted. They anticipate an increase in acreage, but elect to stay out of the market in hopes of higher prices.

The Mid-South markets have been quiet, trading only several trucks at a time. Ranges are up a couple dollars from last month, but there hasn't been enough end user buying to propel prices higher. Resellers were showing the most buying interest. As old crop prices edged higher during the first couple weeks of April, there was an increase in new crop inquiries. The gin-run trade reported at \$160 appears to be a better sale than buy at this time. Gin-run prices may soften further because of larger acreage with conditions that appear good for the crop.

End user dairy demand in West Texas remains lackluster due to difficult economic conditions for milk producers. However, there continues to be a trickle of end users coming to market month in and month out. The availability of supply is most abundant compared to other regions. But, the seed yet to be sold is held in strong hands. An oil mill in the region exited the market, which results in buyers having fewer options. New crop traded at last month's bid level. Without a cotton crop calamity, offers will likely drift lower based on larger planted acres and ideal subsoil moisture conditions to start the growing season for dryland acres.

The California market has been quiet as of Mid-April as a local convention took the majority of its traders out of the market. The tight supply situation persists and is the reason for stronger prices. By the end of the month, supply pipelines are apt to come back to comfortable levels once rail cars arrive. This should result in a downward price correction. For the time being nearby prices are holding steady. Forward offers have drifted several dollars lower in anticipation of larger supply. Dairies are not buying new crop as most are dealing with limited cash flow, which is preventing them from securing lines of credit. Until this cash flow situation improves, dairies will be relegated to buying hand-

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to-mouth. Due to the outlook of thin margins for dairies, it would appear the upside for cottonseed prices will be minimal as there will be stiff price competition from other grain byproduct feed ingredients.

**COTTONSEED BALANCE SHEET:** The only change this month to USDA's balance sheet was a 50,000-ton offsetting move between the crush and the Feed, Seed and Other category. The crush was lowered to a historically low level, and more is expected to be fed than earlier anticipated.

The crush for the last half of the crop year will be lighter than the first half as some processors will shift their production from cottonseed to other products. Informa's crush was lowered 10,000 tons. Demand for cottonseed oil remains lackluster and crushers are reluctant to lower oil prices. Seed quality is another factor suggesting that oil mills may forego crushing and liquidate cottonseed holdings to the feed market rather than crush low yielding cottonseed.

Informa's total exports were raised 18,000 tons as the results for February came in above expectations. Compared to last year at this time, accumulative exports were up by nearly 50,000 tons. Exports for the remaining 5 months of the crop year are projected to exceed last year's average pace by roughly 2,000 tons per month. Lower prices late in the crop year should help boost exports. However, availability of containers is a wildcard that has the potential to rein in export demand.

The largest increase was made to the Feed, Seed, and Other category which was raised 90,000 tons. This increase is based on the outlook for larger cottonseed and other grain supplies next year. Because of increased supply, those holding seed will liquidate to limit their carry over into new crop. This results in ending stocks dipping below the 400,000 ton level for the first time in 7 years. The ending stocks to use ratio is at 9.3%, which is below USDA's 10% but above the 5-year average of 8.5%. Lower ending stocks suggest there might be greater year-end price volatility for spot supplies if availability of new crop is delayed.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	USDA	April /	April /	April /
	<u>2006/07</u>	<u>2007/08</u>	<u>USDA</u>	<u>USDA</u>	<u>Informa</u>
			<u>2008/09E</u>	<u>2009/10F</u>	<u>2009/10F</u>
Beg. Stocks	602	489	643	514	514
Imports	0	3	0	0	24
Production	7348	6589	4300	4178	4174
<b>Total Supply</b>	<b>7950</b>	<b>7080</b>	<b>4943</b>	<b>4692</b>	<b>4712</b>
Crush	2680	2706	2250	1800	1820
Exports	616	599	191	250	248
Feed, Seed, & "Other"	4165	3132	1988	2217	2245
<b>Total Disappearance</b>	<b>7461</b>	<b>6437</b>	<b>4429</b>	<b>4267</b>	<b>4313</b>
End Stocks	489	643	514	425	399

<b>COTTONSEED fob points</b>					
<b>PRICES 4-16-10</b>		<b>Bid</b>	<b>Offer</b>	<b>Trade</b>	<b>Yr Ago</b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
<b>No. Carolina</b>	Spot	182b / 188o		175o	
	Ap-Ag	182b / 192o		179o	
	OND	130b / 136o / 130t		143o	
<b>So. Carolina</b>	Spot	185b / 188o		180o	
	Ap-Ag	178b / 188o		184o	
	OND	130b / 136o		143o	
<b>Georgia So.</b>	Spot	180b / 185-187o		180t	
	Ap-Ag	188o		n/a	
	OND	130b / 135o		n/a	
<b>No. Alabama</b>	Spot	192t		185o	
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
<b>Memphis No.</b>	Spot	205o / 203-205t		185t	
	Ap-Sp	194b / 212o / 210t		190o	
	OND	160t		175o	
<b>MO Bootheel</b>	Spot	205o		185o	
	OND	155-157b		n/a	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>West Texas</b>	Spot	205o / 205t		240t	
	My-Sp	205b / 210o		250o	
<b>(as ginned)</b>	OND	145-155b / 165o / 158t		185o	
<b>FAR WEST</b>		<b>(\$/ton)</b>			
<b>Arizona</b>	Spot	245b / 255o		224t	
<b>Cal. Corc. N &amp; Stockton</b>	Spot	285-290o		275-276t	
	My-Sp	285o		280o	
<b>(New Crop)</b>	OND	245o		n/a	
	Clock	255o		290-300o	
<b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>					
<b>Easi Flo™</b>	<b>Courtland, AL</b>	Spot	225o	215o	
<b>FuzZpellets™</b>	<b>Weldon, NC</b>	Spot	n/a	207o	
<b>Cotton Flo™</b>	<b>Weldon, NC</b>	Spot	n/a	207o	
<b>b = bid o = offer t = trade n/a = not available</b>					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 4-16-10</u></b>		<b><u>Dump</u></b>	<b><u>Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
W. New York	Spot	239o			
	OND	187o			
SE Pennsylvania	Spot	222o			
	OND	170o			
NE Ohio	Spot	239o			
	OND	187o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
MI (Grand Rpbs.)	Spot	249o			
	OND	197o			
MN (Rochester)	Spot		249-250o	255-258o	
	OND		210o	220o	
WI (Madison)	Spot		240o	251o	
	OND		198-200o	208-210o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
Texas / Dublin- Stephenville	Spot.		243o		
	Ap-Sp		248o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
Laredo TX (Mid-Bridge)	Ap-Jn				255o
	OND				207o
California	Ap-Sp				n/a
Idaho (UP)	Ap-Sp				272o
	OND				245o
WA/OR (BN)	Ap-Sp				280o
	OND				255o
<b>b = bid   o = offer   t = trade</b>					

**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.