

April 2012
Volume 16, Issue 04

Cottonseed Intelligence Monthly

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COTTONSEED MARKET: The beginning of April was marked with follow through price strength from the previous month. As of the middle of April, there has been a slowdown in buying interest since the holiday weekend. Offers drifted down and buyers lowered their bids or withdrew them altogether. Some sellers have accepted the lower bids to insure that supplies are kept moving. The seasonal tightening of available trucks is also seen as reason for the slowdown in trading and movement of cottonseed.

Dairy demand remains lackluster and due to abundant milk supply, it looks like milk prices will have difficulty edging higher. Absent lower cost feed ingredients or stronger milk prices, economic conditions for dairies will remain difficult. Due to narrow margins, cottonseed inclusion rates will remain low compared with average levels in past years.

At the middle of the month, Far West rail markets had a number of nearby trades a few dollars below the levels at the beginning of the month. The trading being done is associated with end users only buying because they have to cover their nearby needs. The California truck market has drifted lower on less buying interest. There are offers shown with a couple-dollar inverse for the summer months. However, these are not trading as end users are not willing to commit themselves at current price levels. This suggests that expectations are set for the arrival of Australian cottonseed this summer. There is also an inverse in corn futures, which is also reason for the lower summer prices. Hay and alfalfa prices are apt to trend lower and are likely to be more price-competitive than last year.

West Texas nearby continues to trade at the \$330/ton level. Supply is being held in strong hands and it appears that prices will continue to hold firm. Seasonal tightening of available trucks has limited the opportunities for cottonseed to be brought in from other regions. End user demand remains lackluster and the merchants that are buying are only in the market because the end users' bins need to be replenished. Inclusion rates are kept at the same level and there hasn't been a significant improvement in end user demand. The summer months have a couple-dollar premium but are mostly flat. Recent rains in West Texas are seen as positive for growers' potential to make a crop, but gins are still not willing to trade new crop. Once the crop is up and growing, then there could be an increase in new crop trading as long as yield prospects look certain. By next month there will likely be more new crop traded.

The Mid-South markets have become quiet compared to the end of last month. Many resellers do not have to buy additional loads to cover contracts. End users haven't had to buy as many fill-in loads as the mild weather over the past few months have limited the demand for feed ingredients. For now buyers have an advantage for nearby trading as trades have taken place closer to bids. New crop interest has become lighter, and for the time being resellers and gins are holding firm on offers.

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For weekly cottonseed pricing and commentary contact:

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

Southeast markets were lower as sellers are more willing to trade and accept bids. End user demand from Northeast dairies remains lackluster. Buyers in the region are content with their current position and are not willing to add to it. A springtime slowdown in trading activity is taking place as is normal. New crop offers have been kept unchanged since the beginning of the month, and nothing has traded recently.

COTTONSEED BALANCE SHEET: For the second consecutive month USDA's balance sheet was left unchanged. The production estimate suggests that cottonseed yields were a pound per bale below last year and 6 pounds below the 5-year average. It appears that the demand side of the balance sheet will need to be adjusted lower in coming months.

The Cottonseed Digest balance sheet has a few minor adjustments which results in ending stocks 25,000 tons higher. Production was left unchanged as the final bale count is apt to hold close to current expectations based on the most recent ginning report.

On the demand side of the balance sheet, the crush was lowered. The demand for cottonseed oil continues to be lackluster and the basis to soybean meal remains in negative territory, which doesn't provide much of an incentive for oil mills to produce any more. Runtimes have been light and some mills appear they will not be running as much as they did last year.

Exports have been down the past couple months. Mexico historically has been the largest importer of cottonseed. This crop year through February, South Korea has been the largest single export destination for US cottonseed. The weak peso and more economical pricing on other feed ingredients are reason for the lower Mexican volumes. There is still time for there to be a late-year reversal as inquiries from Mexico have recently increased during the past several weeks. But, prices would need to become more competitive and the likelihood of that happening doesn't seem very probable.

The Feed, Seed and Other category was raised as dairies continue to use cottonseed in rations albeit at lower levels than in past years. If milk prices hold their value later in the summer as futures are suggesting, it is possible that cottonseed demand could improve. Currently dairies don't have an incentive to increase milk production per cow and raise cottonseed inclusion rates in their rations.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	Apr. / USDA	Apr. / USDA	Apr. / CSD
	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
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	2365
Exports	190	291	275	160	130
Feed, Seed, & "Other"	1999	2154	3984	2995	2845
Total Disappearance	4429	4305	5822	5555	5340
End Stocks	514	342	618	430	620

COTTONSEED fob points				
<u>PRICES 04-13-12</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
No. Carolina	Spot	245b / 255o / 252t		270-275o
	April	255t		n/a
	My-Ag	255-260o / 255t		n/a
(as ginned)	OND	215b / 225o		185t
So. Carolina	Spot	255o / 255t		270o
Georgia So.	Spot	250o / 250t		272-275o
	My-Ag	267o / 265t		n/a
	(as ginned)	OND	225o	
No. Alabama	April	260o		n/a
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	260b / 265-270o		288-290o
	April	260t		n/a
	My-Ag	270-275o / 275t		293-295o
(as ginned)	OND	260o		220o
NE Arkansas	April	270o / 270t		n/a
MO Bootheel	Spot	268-275o / 275t		290o
	OND	265o / 260t		220o
<i>Southwest</i>		(\$/ton)		
West Texas	Spot	330o / 330t		305-308o
	My-Sp	330b / 340o		315o
(as ginned)	OND	280b		250o
<i>Far West</i>		(\$/ton)		
Arizona	Spot	330o		340t
Cal. Corc. No.	Spot	385-387o		380o
& Stockton	Jly-Sp	380o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Spot	320o	330o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points				
<u>PRICES 04-13-12</u>		<u>Dump/ Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
Northeast		(\$/ton)		
W. New York	Spot	318o		
	OND	285o		
SE Pennsylvania	Spot	300o		
	OND	265o		
NE Ohio	Spot	316t		
	OND	285o		
Midwest		(\$/ton)		
MI (Grand Rpd.s.)	Spot	327o		
	OND	295o		
MN (Rochester)	Spot	335o	345o	
	My-Ag	345o	350o	
WI (Madison)	Spot	327o	335-340o	
	My-Ag	335o	340o	
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot		350o	
	My-Ag		350o	
Rail - job track points		(\$/ton)		
Laredo TX	Spot			355o
California	Spot			380t/o
Idaho (UP)	Spot			363o 360t
	My-Sp			365o
WA/OR (BN)	Spot			378o
	My-Sp			380o
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@2011 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
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