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COTTONSEED MARKET: Softer prices are continuing to drift lower after staging a modest rebound at the beginning of the month. The main feature has been abundant availability with more offers than bids in all locations. Dairy demand remains light and is a factor that is getting sellers to accept bids to insure their supply keeps moving. Compared to last month, there seems to be an increase in the amount of cottonseed on the market.

In the Southeast, North Carolina has been the most active market. Most trading was done for the nearby, but there were trades done through July at the same price as the nearby. The price spread between North Carolina and Georgia continues to widen. Supply in North Carolina is at a freight advantage. Nonetheless, demand from the Northeast dairy shed is not as strong as anticipated and now the advantage in price negotiations is shifting over to buyers. Supply in Georgia is heavy and prices may need to edge lower to get dairies to buy. New crop offers have dropped \$25/ton compared to last month. Early planting and improved soil moisture in the region are cited as reason for gins' willingness to put on forward sales.

Mid-South merchants have been spending most of their time chasing down available trucks. Prices have edged lower the past few weeks in order to make trades. There has been an increase in gin selling and there is more supply than earlier anticipated needing to be sold. There is a sense of urgency to insure that old crop inventories gets shipped. The early start of planting suggest that new crop will be coming in earlier. New crop offers have dropped lower recently, which is dominated by resellers. Oil mills are staying clear of the market for now and it may take a few more months before they start buying. Given current cottonseed prices and if vegetable oil prices remain stout, it would suggest that crush economics will be favorable and oil mills will be aggressive buyers this fall.

West Texas offers have edged lower after holding firm at \$330/ton for all of April. Sellers kept offers comparatively high as they expected end users would continue to pay. However, recent rains and difficult economics for dairies have caused sellers to reevaluate their price ideas and to accept bids. Buyers remain on the sidelines and not much supply has traded at these lower price levels. This suggests that prices will need to edge lower before there is an increase in buying activity. The possibility of weather-related crop damage is still a reality, which could cause a price spike before the end of summer. New crop buying interest is spotty and gins are not active participants.

Far West rail offers dropped as end users lost interest in buying. California truck and rail offers were lower in an attempt to drum up more demand. The likelihood of Australian cottonseed in California is pressuring merchants to get their inventories shipped west before additional supply shows up in the market. Dairies are more interest in buying Pima seed as it is still trading at a discount. Due to the lack of dairy demand, more downward pressure is likely during the next several weeks, unless there is a radical improvement in dairy economics which doesn't seem likely.

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COTTONSEED BALANCE SHEET: Old crop USDA production was raised 103,000 tons. This increase came from the Mid-South according to USDA's May Crop Production report. The Feed, Seed and Other category was adjusted 103,000 tons higher to offset the production increase. Ending stocks were unchanged, and are 2 percentage points below the 5-year average. Meanwhile, the percentage of crush to total supply is in line with the 5-year average.

This is the first month with data on the 2012/13 balance sheet. Production at 5.985 million tons is above last year's level by 615,000 tons or 11%. Increased production is based on expectations for better growing conditions in the Southwest compared to last year.

On the demand side of the new-crop balance sheet, exports had the largest year-over-year change up 140,000 tons. The crush was raised 100,000 tons compared to last year. This increase in crush suggests improved demand for vegetable oils. The Feed, Seed and Other category for 2012/13, was raised a modest 17,000 tons above the current year's usage. Ending stocks are 9,000 tons below the 5-year average.

Cottonseed production typically doesn't change after the May report, so the Cottonseed Digest adopted USDA's 2011/12 production number. This was 128,000 tons larger. Currently the market is dealing with greater than anticipated supply. Imports were edged lower by 10,000 tons. This was lowered because it is possible that only one vessel of Australian material might land before the old-crop season comes to a close at the end July. So far this crop year more than 70,000 tons of cottonseed have been imported. Exports were lowered 7,000 tons as results for the first 2/3 of the crop year are less than half compared to a year ago at this time. The Feed, Seed and Other category was raised 55,000 tons as cottonseed prices will need to edge lower in order to attract additional demand from dairy buyers. Ending stocks were raised 20,000 tons to a level that is roughly 120,000 tons above the 5-year average.

The Cottonseed Digest's new crop production was over 6 million tons on expectations for a better growing season than last year. The crush is higher as oil demand should be stronger due to the tight soybean supply. The Feed, Seed and Other category is larger as prices should be competitive and result in higher inclusion rates next year. Supply will be adequate. Price levels are apt to drop lower next year as other feed ingredients are expected to be lower.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	May / USDA	May / CSD	May / USDA	May / CSD
	<u>2009/10</u>	<u>2010/11E</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
Beg. Stocks	514	618	618	430	640
Imports	24	100	90	0	25
Production	4149	5370	5370	5985	6210
Total Supply	4687	6088	6078	6415	6875
Crush	1900	2400	2415	2500	2550
Exports	291	160	123	300	200
Feed, Seed, & "Other"	2154	3098	2900	3115	3250
Total Disappearance	4305	5658	5438	5915	6000
End Stocks	342	430	640	500	875

COTTONSEED fob points					
PRICES 05-18-12		Bid	Offer	Trade	Yr Ago
Southeast		(\$/ton)			
No. Carolina	Spot	240b / 245o / 240-245		300-305o	
	Jn-Jly	245		n/a	
(as ginned)	OND	195b / 200-206o		200-202o	
So. Carolina	Spot	240b / 243o		300-305o	
	(as ginned)	OND	195b / 205o		202o
Georgia So.	May	230-231t		300-305o	
	(as ginned)	OND	190b / 200o		200-202o
No. Alabama	May	260o		n/a	
Mid-South		(\$/ton)			
Memphis No.	Spot	255o / 251t		315t	
	Jn-Jly	251t		n/a	
(as ginned)	OND	236o		250o	
NE Arkansas	May	255o		n/a	
MO Bootheel	Spot	255o		320t	
	(as ginned)	OND	240o		250o
Southwest		(\$/ton)			
West Texas	Spot	320b / 325o		345o	
	My-Sp	325o		350o	
(as ginned)	OND	250b / 255-260o		275t	
Far West		(\$/ton)			
Arizona	Spot	335o		385o	
Cal. Corc. No. & Stockton	Spot	360-365o		410-415t	
	JAS	360o		n/a	
	OND	330o		325t	
Specially Processed Products (\$/ton)					
<i>Easi Flo</i> tm	Courtland, AL	Spot	305o	360o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points				
<u>PRICES 05-18-12</u>		<u>Dump/ Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
Northeast		(\$/ton)		
W. New York	Spot	302o		
	OND	260o		
SE Pennsylvania	Spot	285o		
	OND	243o		
NE Ohio	Spot	302o		
	OND	260o		
Midwest		(\$/ton)		
MI (Grand Rps.)	Spot	312o		
	OND	270o		
MN (Rochester)	Spot	315o	320-330o	
	My-Ag	310o	325o	
WI (Madison)	Spot	305-310o	320-325o	
	My-Ag	300o	315o	
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot		350o	
	My-Ag		350o	
Rail - job track points		(\$/ton)		
Laredo TX	Spot			340o
California	Spot			362o
	JAS			352o
Idaho (UP)	Spot			345-355o
	JAS			345o
	OND			325o
WA/OR (BN)	Spot			360o
	JAS			355o
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.