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COTTONSEED MARKET: Trading has become lighter towards the end of May following the upward price moves during the first half of the month, and for the next several weeks prices are expected to hold firm. The price strength of cottonseed is the opposite of the general price weakness of other feed ingredients which is keeping many buyers on the sidelines. There is still the possibility for a round of buying during June as there are some short position needing to cover requirements. Since prices have climbed higher gins are willing to only show small offers and hope to make trades at higher prices.

Far West supply pipelines have improved towards the end of May thanks to the arrival of rail cars with cottonseed. This modestly eases the supply tightness situation, but the supply outlook doesn't appear to be comfortable enough for prices to drift lower. Current price levels are rationing supply and this is expected to continue for the balance of the crop year. The number of players with seed to sell is dwindling and suggests that remaining supplies are kept in strong hands which means prices could continue to strengthen. Given favorable growing conditions for most of the country for most crops, the abundance of supply should cause prices to soften longer term. However, for the near-term limited supply should lend support to prices.

Texas prices were steady to slightly softer as some end users resisted buying this week in favor of lower cost alternatives. Some dairies are not willing to add to their position at current price levels. This means that users that may normally be including from 4-6 pounds per day in feed rations will be lowering their inclusion rates. Dairies have mentioned that usage would be cut in half under pressure from thin margins and price competition from other feed ingredients like distiller dried grains. New crop trading remains light as planting has been held up due to wet fields. The moisture holds hope for the prospects of above average yields provided fields get planted in a timely fashion.

Mid-South and Southeast price held steady with most of the buying interest only focused on the nearby. Dairy demand in the Northeast and Midwest has softened at current price levels. Demand from rail buyers who will move supplies west have the stronger hand in the market and are apt to be the main buyers for the next few months. At these price levels, end users will continue to buy hand-to-mouth.

Less than half of the cotton crop is planted, so many holding cottonseed are waiting to see if the planting could be delayed like a year ago before they sell remaining supply. This also is part of the reason that new crop trading remains light as gins want to see that the cotton crop is progressing without issue before they come back to market to sell.

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COTTONSEED BALANCE SHEET: The USDA's balance sheet for 2014/15 had production lowered 189,000 tons. This decline in cottonseed production suggests a new historical low lint-to-seed ratio. The Feed, Seed and Other category was lowered 150,000 tons which resulted in endings stocks dropping 39,000 tons.

This is the first month of a balance sheet for the 2015/16 crop year. USDA's production is projected to be 4.795 million tons, which is a 6% decline from this year. The disappearance side of the balance sheet is lower than 2014/15 for all categories. The crush estimate was 100,000 tons below the current year. The Feed, Seed and Other category forecast would be 175,000 tons under their estimate for this year's level. Exports expectations are down 50,000 tons or 18% from this year's projection. Ending stocks at 370,000 tons would be the lowest level since the 2009/10 crop year, which also was the last time cotton plantings were less than 10 million acres.

Since cottonseed production numbers don't typically change after May, the Cottonseed Digest is adopting USDA's production amount for the 2014/15 crop year. This represents a 199,000 ton decline from last month and relates to a new historical low seed-to-lint ratio. This confirms the continuation of the trend of new cotton varieties having less seed yields compared to lint yields. The crush was lowered 51,000 tons, as crush economics remain poor and runtimes continue to be less than anticipated. Loss of runtimes in the Southwest will contribute to the lower crush. The ending stocks were lowered 148,000 tons which brings the stocks to use ratio with in a tenth of a percent of the 5-year average.

For the 2015/16 crop year production is lower on less planted acres. The production forecast still exceeds the total from the 2013/14 crop year. The crush was lowered due to tighter availability of cottonseed and continued unfavorable crush economics with abundant soybeans, palm and other vegetable oil sources affordable on the world market. Cottonseed exports were projected to be 19,000 tons below the 5-year average. If US dollar strength continues it will discourage export buyers from using US cottonseed. They will use other price competitive feed ingredients, as the global outlook implies there will be ample grain supplies to drive prices lower. The Feed, Seed and Other category is projected to be down more than 500,000 tons from the current year. The combination of less supply and the likelihood of modest dairy herd expansion next year mean cottonseed inclusion rates will be lower. The tighter supply situation should lend support to cottonseed prices relative to other feed ingredient prices. Ending stocks are projected to be similar to the 2013/14 crop year.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	May / USDA	May / CSD	May / USDA	May / CSD
	2012/13	2013/14E	'14/15E	'14/15E	'15/16F	'15/16E
Beg. Stocks	430	492	425	425	450	462
Imports	182	198	100	79	0	30
Production	5666	4203	5125	5125	4795	4395
Total Supply	6278	4893	5650	5629	5245	4887
Crush	2500	2000	1900	1742	1800	1600
Exports	191	219	275	245	225	200
Feed, Seed, & "Other"	3094	2250	3025	3180	2850	2650
Total Disappearance	5786	4468	5200	5167	4875	4450
End Stocks	492	425	450	462	370	437

COTTONSEED fob points				
<u>PRICES 05-22-15</u>		<u>Trade</u>		<u>Yr Ago</u>
Southeast		(\$/ton)		
North Carolina	Spot	265b / 268-2700		402t
	JJA	280t		n/a
	OND	231-2350		2700
South Carolina	Spot	2700		4100
Georgia So.	Spot	265b / 268o		4150
	Jun	280t		4150
	OND	225b / 231-2350		2700
Mid-South		(\$/ton)		
Memphis No.	Spot	290-295t		450t
	Jun	3050		n/a
	OND	255b		3110
MO Bootheel	Spot	300t		4550
NE Arkansas	JJA	301-308o		n/a
Southwest		(\$/ton)		
West Texas: LN	Spot	3700 / 365t		4400
	JJA	3700		n/a
West Texas: SN	Spot	3700		4300
Far West		(\$/ton)		
Arizona	Spot	3900 / 380t		475t
Cal. Corc. No.	Spot	4250		5200
	Jn-Sp	425-4300		n/a
	Clock	3850		n/a
Pima California	Spot	3600		5000
	Jn-Sp	360t		n/a
	OND	3500		n/a
Specially Processed Products (\$/ton)				
Easi Flotm	Courtland, AL	Spot	3400	4850
		Nov	3000	n/a
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 05-22-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	326-333o		467o
	OND	295o		330o
SE Pennsylvania	Spot	316-318o		449o
	OND	277-278o		312o
NE Ohio	Spot	326o		467o
	OND	295o		330o
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	336-346o		477o
	OND	305-310o		340o
MN (Rochester)	Spot	359-361o		500o
	JJA	364-370o		510o
WI (Madison)	OND	329-332o		375o
	Spot	356-358o		495o
	JJA	361-363o		510o
	OND	320-322o		370o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	355o		450o
Rail - job track points		(\$/ton)		
California	Spot		415-420o	n/a
	OND		375t	415o
Idaho (UP)	Spot		400o	510t
	OND		370-375o	n/a
WA/OR (BN)	Spot		410o	n/a

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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