

June 2011

Volume 15, Issue 06

# Cottonseed Intelligence Monthly

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**COTTONSEED MARKET:** The main feature of all cottonseed markets continues to be concern over new crop because of hot and dry weather in West Texas and southern Georgia. Consecutive days of weaker corn futures at mid-month has put a bearish tone in the Mid-South and Southeast markets. Cottonseed holders were much more eager sellers this week. Offers were lowered and sellers were willing to accept bids, which hadn't been the case over the past several weeks. It appears that prices have climbed high enough to ration demand and now given softness in other ingredients markets, cottonseed sellers are interested in keeping pace with other ingredient price changes and not choke off demand completely.

The mid-June crop report shows that planting is close to the average pace, yet squaring is varied state to state. With the release of the first cotton crop conditions, results were well below last year as suspected. The crop at this time last year was rated 62% as good to excellent, but this year only 28% falls into those categories. Texas had the lowest rating with 44% in the poor to very poor column. Only one-fifth of the Texas crop was in the good to excellent category. If the weather pattern holds, over half of the crop could be in the bottom two classifications before the end of the month.

West Texas continues to be the leading market with price increases. Unfavorable growing conditions for all crops has kept cottonseed demand strong in the state as dairies have few options to replace the cottonseed used in rations. Demand at such price levels remains limited and end users continue to buy only hand-to-mouth. New crop offers are difficult to find, as gins are not willing to over commit and resellers do not want to make a commitment as there could still be more upside price risk.

Nearby offers in the Southeast are steady with last week, but there is a weaker tone in the market as nothing has traded. Recently, sellers were more interested in hearing bids. If buyers stay out of the market and nothing trades, it is possible for more downside price risk. There has been an increase in new crop buying interest. Dairies appear more willing to take on some ownership, as comparatively steady milk prices and lower corn prices suggest better profitability.

The Mid-South market showed the most willingness to trade at lower levels this week. Buyers have exited the market as lower offers were not being countered. It looks like some end users are willing to wait and see if the nearby has the potential to move lower. Because prices are climbing higher in West Texas, it appears that the down side risk for the Mid-South is limited. Eventually spreads should widen enough to result in supplies moving into western markets. New crop inquiries are up with some dairies looking at booking forward, but trading is limited due to the lack of gins willing to sell at bid levels.

As of the middle of the month, the offered range in the California market shifted down and then back up with limited trading. Nearby availability of supply continues to be an issue in the market. Rail car shipments have been slower than anticipated as a few destinations have run out of supply. Unless there is a significant change in the origin of cottonseed being supplied to this market, logistical problems supplying California in a timely fashion will continue to be an issue to pressure prices

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higher. End users are turned off to cottonseed at these nearby price levels, yet there are a few buyers that continue to pay this high prices. The new crop trading that has taken place is only on small volumes.

**COTTONSEED BALANCE SHEET:** The old crop balance sheet for USDA was unchanged. The production outlook for new crop was dropped 345,000 tons, which was the largest change this month. The Feed, Seed and Other category was lowered 195,000 tons and the crush was decreased 150,000 tons. The changes on the demand side of the balance sheet offset the drop in production, so ending stocks were left unchanged.

The Cottonseed Digest's old crop balance sheet had a 20,000-ton drop in exports on lighter demand. It appears that lofty prices are limiting the potential for any additional sales late in the season. Also some countries that would have bought from the US are going to Australia to satisfy their demand for cottonseed.

New crop production was reduced 305,000 tons. The drought situation in the Southwest and southern Georgia will result in higher abandonment and yields will be hurt due to the heat even for irrigated fields. There is potential for more downward adjustments if conditions do not improve. Imports are unchanged at zero, because there has yet to be confirmation of cottonseed being imported.

On the demand side of the balance sheet, the crush was pared back 50,000 tons, as a tighter seed supply outlook means that crushing margins are apt to be less attractive. Currently there is ample supply of cottonseed oil, so until there is an improvement noted in demand, oil mills are not expected to be overly aggressive in maximizing their crush. The Feed, Seed and Other Category was lowered 200,000 tons due to tighter supply. Lofty prices similar to current levels will likely be used next year to limit the usage of cottonseed in dairy rations.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	June / USDA	June / CSD	June / USDA	June / CSD
	<u>2009/10</u>	<u>2010/11E</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
	Beg. Stocks	514	342	342	443
Imports	24	0	0	0	0
Production	4149	6098	6098	5875	5859
<b>Total Supply</b>	<b>4687</b>	<b>6440</b>	<b>6440</b>	<b>6318</b>	<b>6464</b>
Crush	1900	2500	2450	2500	2500
Exports	291	300	290	300	290
Feed, Seed, & "Other"	2154	3197	3095	3085	3073
<b>Total Disappearance</b>	<b>4305</b>	<b>5997</b>	<b>5835</b>	<b>5885</b>	<b>5863</b>
End Stocks	342	443	605	433	601

<b>COTTONSEED fob points</b>					
<b><u>PRICES 6-17-11</u></b>		<b><u>Bid</u></b>	<b><u>Offer</u></b>	<b><u>Trade</u></b>	<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
No. Carolina (as ginned)	Spot	350b / 355o / 350t			220t
	OND	240b / 250o / 240-247t			142o
So. Carolina (as ginned)	Spot	350b / 355o			n/a
	OND	245b / 250o			145o
Georgia So. (as ginned)	Spot	350b / 355o			222-224o
	OND	245b / 250o			142o
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
Memphis No. (as ginned)	Spot	370-378o / 370t			240t
	Jn-Jly	380o			n/a
	OND	280-290o			161t
MO Bootheel (as ginned)	Spot	378o			240o
	June	280o			n/a
	OND	285-290o			n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
West Texas (as ginned)	Spot	390-395o			250o/t
	Ag-Sp	395t			255o
	OND	330-335o			168-170o
<b>FAR WEST</b>		<b>(\$/ton)</b>			
Arizona	Spot.	420o			300o
Cal. Corc. N & Stockton	Spot	465-470o			340-345o
	JAS	470o			350o
	OND	365o / 365t			248t
	Clock	375o			n/a
<b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>					
<i>Easi Flo<sup>™</sup></i>	Courtland, AL	Spot	415o		264o
b = bid   o = offer   t = trade   n/a = not available					

<b>COTTONSEED dlvd. points</b>					
<u>PRICES 6-17-11</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
<b>W. New York</b>	Spot	407o			
	OND	307o			
<b>SE Pennsylvania</b>	Spot	390o			
	OND	290o			
<b>NE Ohio</b>	Spot	407o			
	OND	307o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpd.)</b>	Spot	417o			
	OND	317o			
<b>MN (Rochester)</b>	Spot		433-438o	439-442o	
	OND		340-343o	345-350o	
<b>WI (Madison)</b>	Spot		430-435o	435-440o	
	OND		337-340o	342-345o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		415o		
	JAS		422o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Spot				No quote
<b>California</b>	Spot				460o
	OND				365o
<b>Idaho (UP)</b>	Spot				455o
	OND				350b 360o
<b>WA/OR (BN)</b>	Spot				463o
	OND				368o
<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.

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