

May 2013

Volume 17, Issue 06

Cottonseed
Intelligence Monthly

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COTTONSEED MARKET: As of the middle of June, some markets traded a couple dollars lower. This mid-month downturn in prices is not expected to last very long. Dairies are expected to continue buying week-to-week as whole cottonseed is in their ration and they are not likely going to change their ration because a lower cost alternative is not readily available. The relative price of cottonseed to cash corn and distiller dried grains has recently climbed above last year's level, but still remains below the 3-year average. This price relationship means that whole cottonseed will be able to defend its inclusion rate in dairy rations. If this price relationship continues it suggests that inventories will continue to tighten and prices will climb in order to ration supply. For the balance of the month, buyers will likely continue active ahead of the Fourth of July shortened week which may provide additional upward price momentum.

In the Southeast, the North Carolina market had trading a couple dollars lower compared to the start of June, as sellers there were more eager to trade. On the contrary, Georgia offers were limited and prices held firm. Export results for April were the highest since September. Shipments nearly doubled from the previous month. Most of the increases came from Mexico and Saudi Arabia. Containerized buying interest continues in the Southeast. If exports continue strong as expected, prices will continue to ratchet higher as supply tightens. New crop offers are holding firm with only limited trading done in North Carolina. The slow development of the crop and persistent wet weather could push back harvest and lower yields, which could be bullish for new crop. Buying interest remains light as gins and oil mills haven't been active participants.

Mid-South markets have quieted after a fairly active first half of the month. The combination of dwindling supply and steady demand should prevent prices from going much lower. There has been an uptick in Mexican buying interest which has the potential to take more supply out of the market and be supportive for prices. As cottonseed supplies are tight west of the Mississippi, prices are apt to edge higher. At the same time dairy demand in the upper Midwest is expected to remain strong because of tight feed supply will raise the value of whole cottonseed in rations. New crop trading has held steady with last week's level, yet volumes are light this early and the supply outlook may have to be lowered.

Offers were lowered in West Texas this week as dairy buyers are holding off on making purchases. The recent rains are reason that some gins became willing to accept bids and move some of their inventories. Softer prices are not expected to last given the tight supply situation in the state on last year's drought. For the next few weeks prices should hold firm as alternatives to whole cottonseed are limited and dairies are apt to continue paying up for cottonseed.

In the Far West, buying interest has slowed. The Idaho rail market was quiet and traded a couple dollars below the previous week's offered levels. California nearby offers are unchanged and the market is quiet with light nearby trading. A vessel with Australian cottonseed is expected to land

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in the first half of July. For the next several weeks there should be ample supply of cottonseed. California rail offers are difficult to find as sellers will make more profit by selling into Idaho. Prices will likely remain firm on steady dairy demand.

COTTONSEED BALANCE SHEET: USDA's old crop balance sheet is unchanged from last month. The new crop balance sheet had production lowered 170,000 tons compared to a month ago. This was offset by a 170,000-ton drop in the Feed, Seed and Other category. Ending stocks are unchanged from last month. This results in a stocks to use ratio of 8.2% which is below last year's 8.6% and more than a percentage point below the 5-year average. This would make ending stocks the lowest in the past 3 years.

Imports for the 2012/13 Cottonseed Digest balance sheet were raised 20,000 tons as a vessel of Australian cottonseed is expected to land during the first half of July. The total imports might need to be adjusted slightly higher. The Feed, Seed and Other category was increased by 25,000 tons. Dairies demand remains firm and will likely continue at a steady pace for the next couple months due to price support from other feed ingredients like corn and distillers dried grains. The crush was raised 30,000 tons as oil mills are running stronger than anticipated. Oil mills have sufficient cottonseed supply for the next couple months and are expected to keep a crushing pace similar to the 5-year as cottonseed meal prices have helped profits. The net results of these changes lowered ending stocks 35,000 tons. The stocks to use ratio fell over a half percent from last month, yet it is not as tight as USDA's ratio by a half of a percentage point.

The 2013/14 balance sheet had beginning stocks lowered by 35,000 tons. Production is unchanged as Informa's June plantings survey suggests that all cotton acreage is 345,000 acres larger than USDA's March estimate. This is the reason for the larger cottonseed production forecast.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	June / USDA	June / CSD	June / USDA	June / CSD
	<u>2011/12</u>	<u>2012/13E</u>	<u>2012/13E</u>	<u>2013/14F</u>	<u>2013/14F</u>
Beg. Stocks	618	430	430	492	501
Imports	72	100	145	100	100
Production	5370	5666	5666	4700	4930
Total Supply	6059	6196	6241	5292	5531
Crush	2400	2500	2480	2250	2350
Exports	133	175	185	150	140
Feed, Seed, & "Other"	3097	3029	3075	2492	2600
Total Disappearance	5629	5704	5740	4892	5090
End Stocks	430	492	501	400	441

COTTONSEED fob points				
<u>PRICES 06-21-13</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	Spot	308-310t		225o
	Jly-Ag	315o		n/a
	OND	235-240o / 235t		200o
	Ja-Ag	255-260o / 255t		n/a
Georgia So.	Spot	330b / 340o		225o
	Jul	335b / 340o		n/a
	OND	235b / 240o		200o
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	325-330o / 318-320t		257o
	JAS	330		n/a
	OND	285o / 285t		240o
MO Bootheel	JAS	334-335		n/a
	OND	290o / 285t		245o
NE Arkansas	Spot	323t		255t
	OND	285t		n/a
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	375o		309o
	JAS	380o		n/a
	OND	310b / 315-317o		250t
<i>Far West</i>		(\$/ton)		
Arizona	Spot	385b / 400o		317t
	OND	335b / 340o		n/a
Cal. Corc. No. & Stockton	Spot	425-430o / 425t		355o
	OND	375o		335o
	Clock	385o		345o
Pima California	Spot	388o		n/a
	Nv-Ja	345o 343t		n/a
	Clock	355o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo</i> tm	Courtland, AL	Spot	370	300o
		JJA	370	n/a
		Nov	325	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 06-21-13</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	372o		285o
	OND	302o		255o
SE Pennsylvania	Spot	355o		268o
	OND	285o		238o
NE Ohio	Spot	372o		285o
	OND	302o		255o
Midwest		(\$/ton)		
MI (Grand Rpds.)	Spot	382o		297o
	OND	312o		267o
MN (Rochester)	Spot	396-405o		329o
	JJA	401-410o		n/a
	OND	350-351o		309o
WI (Madison)	Spot	391-400o		324o
	JJA	396-405o		n/a
	OND	345-346o		304o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	400t		335o
	JJA	400o		n/a
Rail - fob track points		(\$/ton)		
Laredo TX	Spot		410t	325o
	JJA		415o	n/a
Idaho (UP)	Spot		415o	330b
	OND		360-365o	315o
WA/OR (BN)	Spot		425o	342o
	OND		375o	328o
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@2013 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
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