

June 2015

Volume 19, Issue 06

Cottonseed Intelligence Monthly

CIM

COTTONSEED MARKET: Nearby prices remained mixed by mid-June. There is a slightly softer tone to the market because end user buying interest is holding on the sidelines and resellers are not willing to bid up prices. The robust demand early in the month seems to have covered most of its needs for the balance of the month. There are more sellers looking to move supply under contract. The higher prices have caused some spot buyers to exit the market. The price strength over the past several weeks appears to be successfully rationing supply.

The availability of new crop cottonseed will be delayed again this year due to slow planting progress in the Mid-South and West Texas and the loss of acres in Southern Texas. This sets up the scenario for stout prices later this summer as the industry may struggle to bridge the gap between old crop and new crop supplies. Mid-South nearby prices are at a \$50/ton premium over OND quotes. It is common for summer cottonseed prices to have a premium over new crop OND offerings. In 4 of the past 5 years the June offer averaged a \$94/ton premium over what the price of OND month's averaged. The highest premium was a year ago when summer prices were over \$200/ton higher than OND prices. This price premium was driven by tight soybean meal supplies and exceptional dairy demand fueled by historically high dairy margins.

In 2011 there was a similar situation to this year. There was a supply outlook for new crop being 200,000 tons smaller than old crop. The June traded at a \$90/ton premium over OND offers. Today's outlook for new crop supply is from 300,000 to 600,000 tons smaller than old crop. This anticipated large decline in next year's supply is part of the reason that the nearby price premium to new crop is comparatively small. This year's outlook for abundant corn and soybean supplies globally suggests that there is still risk for downward pressure on all feed ingredient prices. So there is the possibility that new crop prices may need to go lower in order to be competitive in rations compared to price levels currently being offered.

As of the middle of June, Southeast and Mid-South prices have held mostly steady, while spot buying interest remains lackluster and volumes trading are limited. Dairy buyers in the Northeast and Mid-West have been slightly less aggressive, as prices for distiller dried grains have softened and pose a threat to cottonseed's place in rations.

West Texas prices have drifted lower recently while California truck prices have held firm. The buying interest in West Texas has softened and a few more buyers have come to market to move supplies at higher prices, but the number of offers overwhelmed demand and trades were made at lower levels. The California market is still garnering support from resellers. Dairies are keeping to the sidelines at these price levels.

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 3464 Washington Drive, Suite 120, Eagan, MN 55122-1438.

For weekly cottonseed pricing and commentary contact:

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

COTTONSEED BALANCE SHEET: The June USDA balance sheet for the 2014/15 crop year had exports lowered 25,000 tons. This decline is warranted as the accumulative total is 190,000 tons with 3 months of the crop year missing. Given the pace of shipments are similar to the previous season there is potential for the total to drift lower in coming months. Old crop exports have been limited due to delayed harvest because of wet weather and the stout dollar didn't improve demand.

The 25,000 tons increased the carryout and increase the supply for the 2015/16 crop year. The demand side of the new crop balance sheet was left unchanged. As a result ending stocks were raised 25,000 tons. This raised the stocks-to-use ratio to 8.1%, yet it remains a percentage point below the 5-year average.

The Cottonseed Digest 2014/15 balance sheet is unchanged this month. However, if there is any risk for the balance sheet the feed, seed and other category may need to be lowered. The current cottonseed price strength is likely limiting demand which would suggest older crop supply may be carried over in to new crop. However, given new crop prices are lower; there really isn't an incentive to carry over old crop supplies into new crop.

The new crop balance sheet had production raised 100,000 tons. There is still uncertainty regarding final acres, but given the mostly positive outlook in the Southwest due to abundant moisture, production appears it could be above average levels. The increase in production raised the feed, seed and other category. Ending stocks are unchanged and the stocks-to-use ratio is a half percentage point above the 5-year average.

| Cottonseed Supply/Demand Balance Sheet (000 tons) | | | | | | |
|---|-------------|-------------|----------------|---------------|----------------|---------------|
| Year begins Aug 1 | USDA | USDA | June / USDA | June / CSD | June / USDA | June / CSD |
| | 2012/13 | 2013/14E | '14/15E | '14/15E | '15/16F | '15/16F |
| Beg. Stocks | 430 | 492 | 425 | 425 | 475 | 462 |
| Imports | 182 | 198 | 100 | 79 | 0 | 30 |
| Production | 5666 | 4203 | 5125 | 5125 | 4795 | 4495 |
| Total Supply | 6278 | 4893 | 5650 | 5629 | 5270 | 4887 |
| Crush | 2500 | 2000 | 1900 | 1742 | 1800 | 1600 |
| Exports | 191 | 219 | 250 | 245 | 225 | 200 |
| Feed, Seed, & "Other" | 3094 | 2250 | 3025 | 3180 | 2850 | 2650 |
| Total Disappearance | 5786 | 4468 | 5175 | 5167 | 4875 | 4450 |
| End Stocks | 492 | 425 | 475 | 462 | 395 | 437 |

| COTTONSEED fob points | | | | |
|--|----------------------|---------------------|-----|----------------------|
| <u>PRICES 06-19-15</u> | | <u>Trade</u> | | <u>Yr Ago</u> |
| <i>Southeast</i> | | (\$/ton) | | |
| North Carolina | Spot | 290-295o / 288-290t | | 400o |
| | OND | 240b / 245o / 240t | | 243o |
| Georgia So. | Spot | 290b / 296o | | 405o |
| | OND | 240b / 245o | | 243o |
| <i>Mid-South</i> | | (\$/ton) | | |
| Memphis No. | Spot | 310o | | 435t |
| | Jly-Ag | 315o | | n/a |
| | OND | 260b / 270o | | 282o |
| MO Bootheel | Spot | 310t | | 440o |
| NE Arkansas | Spot | 310t | | 440o |
| <i>Southwest</i> | | (\$/ton) | | |
| West Texas: LN | Spot | 365o / 360t | | 445o |
| | Jly-Ag | 365t | | n/a |
| | JAS | 370o | | n/a |
| | OND | 285t | | 295t |
| West Texas: SN | Spot | 365 | | 435o |
| <i>Far West</i> | | (\$/ton) | | |
| Arizona | Spot | 390 | | 470t |
| Cal. Corc. No. | Spot | 435-438o / 435-438t | | 520o |
| | Nv-Ja | 375 | | n/a |
| | Clock | 390t | | 410o |
| Pima California | Spot | 360o | | 505t |
| <i>Specially Processed Products (\$/ton)</i> | | | | |
| <i>Easi Flotm</i> | Courtland, AL | Spot | 360 | 490o |
| | | Jly-Ag | 365 | n/a |
| | | Nov | 305 | 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 06-19-15</u> | | <u>Truck</u> | <u>Rail</u> | <u>Yr Ago</u> |
| Northeast | | (\$/ton) | | |
| W. New York | Spot | 355-357o | | 462o |
| | OND | 307-310o | | 307o |
| SE Pennsylvania | Spot | 338-340o | | 440o |
| | OND | 288-290o | | 285o |
| NE Ohio | Spot | 355-357o | | 462o |
| | OND | 307-310o | | 307o |
| Midwest | | (\$/ton) | | |
| MI (Grand Rpd.) | Spot | 367o | | 472o |
| | OND | 318o | | 317o |
| MN (Rochester) | Spot | 370-380o | | 499o |
| | Jly-Ag | 375-390o | | n/a |
| WI (Madison) | OND | 340-345o | | 350o |
| | Spot | 365-375o | | 499o |
| | Jly-Ag | 370-380o | | n/a |
| | OND | 335o | | 347o |
| Southwest | | (\$/ton) | | |
| Texas / Dublin- Stephenville | Spot | 355o | | 485o |
| Rail - fob track points | | (\$/ton) | | |
| California | Spot | | 425o | n/a |
| | OND | | 380o | 390o |
| | Clock | | 385o | 400o |
| Idaho (UP) | Spot | | 405o | n/a |
| | OND | | 365o | 375o |
| WA/OR (BN) | Clock | | 375o | n/a |
| | Spot | | 420o | n/a |
| | OND | | 380o | 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.

Cottonseed Intelligence Monthly@2015 is published monthly Phone: 651-925-1052/Fax 651-925-1061 e-mail: james.bueltel@informaecon.com
Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc, 3464 Washington Drive, Suite 120, Eagan, MN 55122.