

July 2013

Volume 17, Issue 07

# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** Mid-July rains in the Southwest will go far to improve the production potential of dry-land acres this year. Certainly more rain will be needed in August for the crop to finish off with above average production, but the rain will likely increase the yield potential of irrigated fields as well. In all markets, trading for the nearby has been slow since before the long 4th of July weekend. Hot weather has limited feed intake and buying interest is light which has weighed on prices. Meanwhile, the rains in West Texas caused traders to focus on new crop trading. The net effect of the rain was lower new crop pricing. There were a number of resellers and gins that came to the market to move supply at what could be highs for new crop if cottonseed production ends up being significantly higher than anticipated.

North Carolina nearby has edge several dollars lower since last month. Inquiries for nearby supply have been light and sellers were willing to accept bids to keep supply moving. As old crop supplies continue to tighten, and it is possible that spot prices will edge back higher. The Georgia nearby continues to trade at a significant premium to North Carolina. It looks like this price spread will continue as long as dairy demand in Florida continues to support the Georgia price. Once new crop supplies become available, price spreads will likely return to more normal levels.

The Mid-South market has been quiet while there has been steady movement of contracted supply. Dairy end users in the Midwest are content with their ownership and not needing additional supply. The relative price of whole cottonseed to cash corn and distiller grains remains below the 5-year average for this time of year. The mid-July heat wave is part of the reason that buying interest is limited. New crop buying interest has been light and most gins are waiting to see what oil mills will be willing to pay. Dairy buyers are staying clear of the new crop market, as they are anticipating that prices will go lower due to abundant grain supplies that will be priced below levels seen the past few years.

New crop offers in West Texas edged lower mid-month following the beneficial rains. This caused trading levels to drop several dollars. The drop in new crop prices was the largest price move in cottonseed for the past several weeks for any market. While the rain will undoubtedly improve crop conditions, the seed is still not in the barn and there is possibility of further price volatility before ginning season. Old crop prices are expected to remain firm as supply remains tight and the same buyers that have been using cottonseed are expected to continue for the next several weeks.

In the Far West, prices have held steady after edging higher before the 4th of July weekend. Rail buying interest in Idaho continues at the same level since the beginning of the month. In California, there have been some feed mills buying rail supply for the nearby. Otherwise, rail buying interest in California remains quiet. Given that another vessel of Australian cottonseed is expected in the state, the focus of the market for the next several weeks will be on truck supply. Prices are apt to remain firm on price given stout grain values.

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**COTTONSEED BALANCE SHEET:** USDA's old crop balance sheet remains unchanged from last month. The 2013/14 balance sheet had production down 175,000 tons. The Feed, Seed and Other category was reduced the same amount putting it more than 300,000 tons below the 5-year average. The ending stocks have been unchanged for the past several months. The stocks to usage ratio for old crop is 8.6% and new crop is 8.5% which is in line with the 5-year average of 8.3%.

The Cottonseed Digest's old crop balance sheet had imports raised on the recent arrival of Australian supply. This category could need to be adjusted higher if another ship lands before the end of July. On the demand side of the market, crushing was raised 45,000 tons. Oil mills have been running stronger than anticipated and oil sales at some points are brisk. Oil mills are holding on to cottonseed inventories and for now it appears the crush will exceed the 5-year average by over 200,000 tons. Exports were raised a modest 3,000 tons while movement of supplies to the Middle East are stronger than anticipated. The Feed, Seed and Other category is unchanged, but it may need to be adjusted lower if crushers end up holding on to more cottonseed than currently projected.

New crop production was lowered 150,000 tons. Late planting and slow development of the crop, could limit yields resulting in less production. The Feed, Seed and other category was lowered 200,000 tons. The combination of less cottonseed production and larger grain supply will result in stiff price competition from grain-based ingredients in dairy rations. Exports were unchanged, but it is possible there could be less exports due to price competition from abundant grain.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	July / USDA	July / CSD	July / USDA	July / 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	480
Imports	72	100	172	100	100
Production	5370	5666	5666	4525	4780
<b>Total Supply</b>	<b>6059</b>	<b>6196</b>	<b>6268</b>	<b>5117</b>	<b>5360</b>
Crush	2400	2500	2525	2250	2350
Exports	133	175	188	150	140
Feed, Seed, & "Other"	3097	3029	3075	2317	2400
<b>Total Disappearance</b>	<b>5629</b>	<b>5704</b>	<b>5788</b>	<b>4717</b>	<b>4890</b>
End Stocks	430	492	480	400	470

<b>COTTONSEED fob points</b>				
<b>PRICES 07-19-13</b>		<b>Trade</b>		<b>Yr Ago</b>
<b>Southeast</b>		<b>(\$/ton)</b>		
North Carolina	Spot	310o / 305t		265t
	OND	225b / 230o		265t
Georgia So.	Spot	325-330t		270o
	OND	225b / 230o		260o
<b>Mid-South</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	335o		280t
	Aug	335o		n/a
	OND	275b / 280o		287t
MO Bootheel	Spot	337o		285t
NE Arkansas	Spot	335o		292o
<b>Southwest</b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	380o / 375t		372t
	Ag-Sp	281b / 283o		n/a
	OND	300-309b / 310-315o / 300-310t		314t
West Texas: PN	Spot	380b / 385o		n/a
West Texas: SN	Spot	377t		n/a
<b>Far West</b>		<b>(\$/ton)</b>		
Arizona	Spot	380-390b / 395-400o		330t
	OND	335o		320o
Cal. Corc. No. & Stockton	Spot	435b / 440o		392t
	OND	375o		400o
Pima California	Ja-Sp	385o		n/a
	Spot	393t		n/a
	Jly-Ag	398o		n/a
	OND	345o		n/a
	Ja-Sp	355o		n/a
<b>Specially Processed Products (\$/ton)</b>				
<i>Easi Flo</i> <sup>™</sup>	Courtland, AL	Spot	377o	340o
		JAS	377o	n/a
		OND	325o	n/a
<b>b = bid o = offer t = trade n/a = not available</b> <b>West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North</b>				

<b>COTTONSEED dlvd. points</b>				
<b><u>PRICES 07-19-13</u></b>		<b><u>Truck</u></b>	<b><u>Rail</u></b>	<b><u>Yr Ago</u></b>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	372o		330o
	OND	292o		330o
<b>SE Pennsylvania</b>	Spot	355o		313o
	OND	275o		313o
<b>NE Ohio</b>	Spot	372o		330o
	OND	292o		330o
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	382o		343o
	OND	302o		343o
<b>MN (Rochester)</b>	Spot	407-415o		370o
	Ag-Sp	407-415o		n/a
	OND	350-355o		368o
<b>WI (Madison)</b>	Spot	402-405o		365o
	Ag-Sp	402-405o		n/a
	OND	335-345o		363o
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	400o		365o
	Aug	400o		365o
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	Spot		410o	363o
<b>California</b>	Spot		425-428o	380t
	OND		367-368t	375o
<b>Idaho (UP)</b>	Spot		410o	368t
	OND		350t	365t
<b>WA/OR (BN)</b>	Spot		420o	378o
<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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