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COTTONSEED MARKET: As of mid-September, there has been an increase in nearby buying interest in Eastern markets while most gin locations are out of old crop. New crop prices have drifted lower on intensified selling interest, yet end users and resellers are less interested in taking on ownership. It will be only a couple more weeks before new crop cottonseed will be easily accessible in the Southeast and Mid-South markets and this will result in narrowing of the spot and “gin-run” price spread.

Southeast markets are running short of nearby supply. The situation is the worst in North Carolina and that is the reason for firm nearby prices. Sellers have raised new crop prices, but most end users are not willing to trade at the higher price. Some of the buying is driven by resellers attempting to insure they will have sufficient coverage once ginning begins. Some merchants had anticipated that more gins would be running by now and it would not be a problem to cover requirements. During the balance of September, gin-run prices will drift several dollars lower absent an unsuspected improvement in demand.

Mid-South nearby prices are holding firm on tight old crop supply. New crop prices have drifted lower recently as oil mills have become less willing buyers in lieu of softer prices in West Texas. In addition, the net value of cottonseed for Mid-South oil mills slipped lower this week as the value of meal and hulls were adjusted lower. A part of the lower prices is related to weak end user demand. At the same time, resellers were not willing to take on any more supply. Gins wanting to put on sales have had to accept lower bids compared to earlier in September. It looks like there could be more downward price pressure that will be pushed into October unless there is some improvement in demand.

The West Texas market became active by the middle of the month, because an oil mill was selling new crop cottonseed. Resellers were not active buyers and this caused prices to fall. Merchants are comfortable with their current position and not willing to take on any additional ownership until more sales are put on the books. Given the lack of buyers, the market continues to have a bearish tone for new crop supply. This price correction helps bring the new crop price spread relationship between Memphis and West Texas closer in line with the typical level, around \$20/ton based on the 5-year average OND quote for this time of year.

Far West rail offers were raised due to higher rail rates. Buying interest remains lackluster and most buyers continue to focus on nearby supply. Idaho and PNW dairy buyers haven't been aggressive booking forward supply. Until they are comfortable with their margins going forward they will be buying month to month. California markets are quiet. Some of the reseller length is behind the softer prices. They are willing to accept lower prices to insure supply continues to move. There is an ample cottonseed inventory in California and it looks like upside potential for price will be limited for the next few months. Forward prices remain relatively flat, which doesn't provide end users an incentive to take on forward ownership. If soybean futures rebound and manage to climb, it is possible that cot-

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tonseed prices will garner some price support in coming months.

COTTONSEED BALANCE SHEET: USDA lowered old crop ending stocks 11,000 tons on minor adjustments to imports and exports. New crop cottonseed production was lowered 202,000 tons. This was based on USDA's 541,000-bale reduction to cotton production. The Feed, Seed and Other category was lowered 203,000 tons.

The Cottonseed Digest old crop balance sheet lowered imports by 21,000 tons as the ship that landed in July will likely show up in August data and fall under the 2012/13 crop year. Old crop exports were raised 3,000 tons, meanwhile ending stocks were lowered 24,000 tons. Cottonseed production for 2012/13 was lowered 220,000 tons given lower than expected production. The Feed, Seed and Other category was lowered 180,000 tons. This drop in usage is related to lower production expectations. Nonetheless, demand from dairies has the potential to improve through the year if soybean values continue to increase and there is some improvement in dairy margins. Exports were raised a modest 10,000 tons. These changes result in ending stocks 54,000 tons lower.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Sept. / USDA	Sept. / CSD	Sept. / USDA	Sept. / CSD
	<u>2010/11</u>	<u>2011/12E</u>	<u>2011/12E</u>	<u>2012/13F</u>	<u>2012/13F</u>
Beg. Stocks	342	618	618	419	527
Imports	0	72	72	100	125
Production	6098	5370	5370	5810	5860
Total Supply	6440	6059	6060	6329	6512
Crush	2563	2400	2372	2600	2540
Exports	275	133	133	300	280
Feed, Seed, & "Other"	2984	3108	3028	2939	3070
Total Disappearance	5822	5640	5533	5839	5890
End Stocks	618	419	527	490	622

COTTONSEED fob points				
<u>PRICES 09-14-12</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>		
No. Carolina	Spot	285-290o		315o
	Oct	265t		n/a
(as ginned)	OND	265o / 260-261t		270t
	Ja-Ag	275b / 280-285o		300o
So. Carolina	OND	265-270o		275o
	Ja-Ag	290o		n/a
Georgia So.	Spot	260t		337o
	OND	255b / 260-265o / 258-260t		270t
	Ja-Ag	275o 275t		n/a
No. Alabama	OND	280o		n/a
<i>Mid-South</i>		<i>(\$/ton)</i>		
Memphis No.	Spot	298b / 304o / 301t		352o
	OND	295b / 295-300o / 295t		310t
	Ja-Ag	312b / 318-320o / 317-320t		n/a
MO Bootheel	Spot	303-306o / 303t		365o
	OND	302-305o		315o
	Ja-Ag	325t		n/a
<i>Southwest</i>		<i>(\$/ton)</i>		
West Texas: LN	Spot	370t		385o
	OND	320t		385o
	Ja-Sp	335b / 340o / 345t		n/a
West Texas: SN	OND	315b		n/a
<i>Far West</i>		<i>(\$/ton)</i>		
Arizona	Spot	355o / 355t		390o
	OND	345o		370t
Cal. Corc. No.	Spot	400b / 405o		437o
	OND	390b / 400o		n/a
	Clock	410o		410o
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Spot	340o	430o
		Ja-Ag	365o	n/a
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, SN= Seminole North				

COTTONSEED dlvd. points				
<u>PRICES 09-14-12</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	OND	323o		330o
	Ja-Ag	348o		n/a
SE Pennsylvania	OND	306o		315o
	Ja-Ag	331o		n/a
NE Ohio	OND	323o		330o
	Ja-Ag	348o		n/a
Midwest		(\$/ton)		
MI (Grand Rpds.)	OND	335o		340o
	Ja-Ag	360o		n/a
MN (Rochester)	Spot	365o		427o
	Oc-Nv	355-365o		n/a
WI (Madison)	Spot	370-375o		437o
	Oc-Nv	370o		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	330o		385o
	OND	340o		n/a
Rail - fob track points		(\$/ton)		
Laredo TX	OND		365o	n/a
California	Spot		395o	n/a
Idaho (UP)	Spot		385-390o	425o
	OND		372-378o	405o
WA/OR (BN)	Ja-Sp		378-388o	n/a
	Spot		395-400o	435o
	OND		382-388o	415o
	Ja-Sp		388-398o	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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