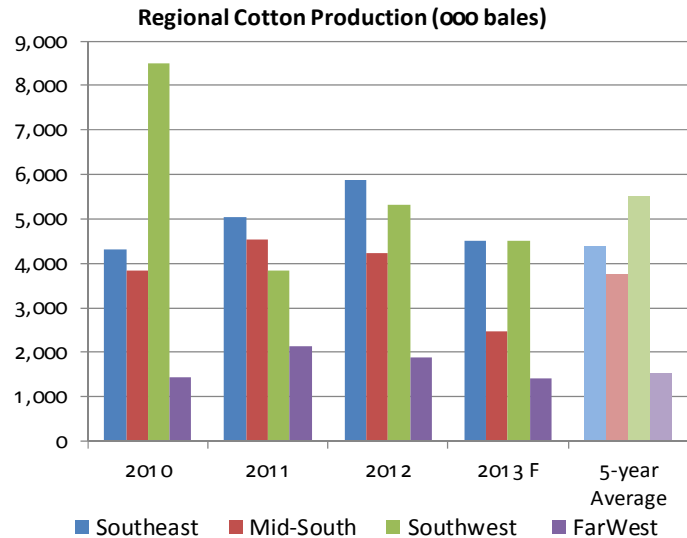


**USDA REPORTS:** The September *Crop Production* Report lowered all cotton production to 12.898 million bales from last month's 13.053 million bales, a reduction of 1 percentage point. Production is projected to be down 26% compared to the year ago. The Mid-South is forecasted to have the largest drop in production with 1.78 million fewer bales. The Southeast has the second largest production loss with a reduction of 1.36 million bales. However, the Southeast is the only region with this year's production expected to be above the 5-year average, albeit a mere 119 bales.



**COTTONSEED MARKET:** In the last half of September, there were more sellers in the market dropping prices lower, which narrowed the price spread between nearby and gin-run prices. The net effect of this put a price floor in the nearby market. The volumes being traded are limited and it hasn't been able to spur on a noticeable increase in nearby demand. It doesn't seem likely that there will be a rebound to spot prices as offerings will likely continue to be just enough to satisfy nearby demand. There continues to be several steady dairy buyers in the nearby. Neighboring markets have yet to see their nearby prices fall drastically lower, albeit inevitable over the next several weeks once new crop supply comes to market.

Southeast and Mid-South nearby price declines have been limited because the availability of supply for immediate shipment remains tight as there are fewer locations with open offers, as of the middle of September. The volumes that are trading are small, single or couple-truckload trades. The tight supply situation will linger longer than normal due to delayed planting and slow crop development. The Mid-South region is furthest behind and is apt to have ginning started by the second week of October. Because of the small crop, gins will likely fill their storage before selling the as-ginned supply because they are not pleased with gin-run price quotes and anticipate higher prices due to the smaller cottonseed crop.

The Far West is the only region where the cotton crop is consistently further along than the 5-year average. Growers in the Far West are expecting a later harvest because of rains during September and the strong lint prices. By pushing back the harvest date, they will let the cotton plants put on a few more bolls to increase yields. In the Far West, nearby rail offerings are thin and this situation is expected to continue for the next few weeks until new crop supply starts coming to market. In Califor-

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nia, nearby supply is ample since there was a cottonseed vessel that unloaded during the first half of September. New crop dairy buying has been light and given stout cottonseed new crop prices inclusion rates will be lower as dairies will likely have cost-competitive alternatives in corn and corn co-products.

**COTTONSEED BALANCE SHEET:** Changes were made to USDA's old crop balance sheet for the first time in several months. The largest difference was in the Feed, Seed and Other category, which was lowered 116,000 tons. The decline in supply came from the surprising removal of 100,000 tons of imports. Exports were raised 16,000 tons.

USDA's new crop production was lowered 76,000 tons. The crush total was left unchanged. The Feed, Seed and Other category was lowered 112,000 tons. The net effect was a 36,000-ton increase to ending stocks. Stocks-to-use are roughly a half percentage point above the 5-year average.

The Cottonseed Digest old crop balance sheet raised imports 11,000 tons. Total imports were the largest since the 2001/02 crop year. The crush was raised 14,000 tons to a level over 200,000 tons above the 5-year average. Exports were raised 3,000 tons, thanks to stronger buying from Mexico compared to the past few months. The Feed, Seed and Other category was lowered 40,000 tons as prices have held stout. Ending stocks were raised 34,000 tons. The stocks-to-use ratio is less than a percent below the 5-year average level.

Crop production for the 2013/14 crop year was lowered 219,000 tons compared to last month's balance sheet. Crop conditions have worsened and with the later plantings and slow crop development yields have been pared back. This tightens the supply outlook. The crush was lowered 125,000 tons. Oil mills have yet to show interest in buying gin-run cottonseed. Due to abundance in global oil seed supply, the outlook for crushing has been bearish and the crush may need to be lowered in coming months based on thin crushing margins. Exports were raised 20,000 tons as there has been an uptick in buying interest because other countries are no longer have supply to sell. The Feed, Seed and Other category was lowered 80,000 tons. The abundance of corn and other feed ingredients this fall and their lower prices suggest dairies will lower usage or eliminate cottonseed from rations given current price levels. Ending stocks are unchanged at 11% below the year ago level as the smaller crop will keep supply tight.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Sept / USDA	Sept / CSD	Sept / USDA	Sept / 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	514
Imports	72	0	183	100	100
Production	5370	5666	5666	4291	4347
<b>Total Supply</b>	<b>6059</b>	<b>6096</b>	<b>6279</b>	<b>4883</b>	<b>4961</b>
Crush	2400	2500	2539	2200	2175
Exports	133	191	183	150	160
Feed, Seed, & "Other"	3097	2913	3043	2092	2170
<b>Total Disappearance</b>	<b>5629</b>	<b>5604</b>	<b>5765</b>	<b>4442</b>	<b>4505</b>
End Stocks	430	492	514	441	456

<b>COTTONSEED fob points</b>				
<b><u>PRICES 09-20-13</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b><i>(\$/ton)</i></b>		
North Carolina	Spot	290b / 293-295o / 295t		292o
	OND	233b / 237-240o / 240t		254t
South Carolina	Spot	235b / 240o		n/a
Georgia So.	Spot	315-320t		275o
	OND	240o / 230-238t		255o
<b><i>Mid-South</i></b>		<b><i>(\$/ton)</i></b>		
Memphis No.	Spot	302-305t		290t
	OND	260b / 270-275o / 268t		284t
MO Bootheel	Spot	305-310t		n/a
	OND	275o		290o
NE Arkansas	Spot	305t		293t
	OND	270o		288t
<b><i>Southwest</i></b>		<b><i>(\$/ton)</i></b>		
West Texas: LN	Spot	295-310o / 300-310t		360t
	OND	285b / 292-295o / 293t		310t
<b><i>Far West</i></b>		<b><i>(\$/ton)</i></b>		
Arizona	Spot	360b / 375o		350o
	OND	315b / 325-330o		345o
Cal. Corc. No. & Stockton	Spot	410-420o / 420t		400o
	OND	365-370b / 370-375o		392o
	Clock	385o		400o
Pima California	Spot	405o / 400t		372t
	OND	350o		360t
<b><i>Specially Processed Products (\$/ton)</i></b>				
<i>Easi Flo<sup>tm</sup></i>	Courtland, AL	Spot	370	340o
		OND	315	335o
<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>				
<u>PRICES 09-20-13</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	3520		3150
	OND	2970		n/a
<b>SE Pennsylvania</b>	Spot	3350		2980
	OND	2800		n/a
<b>NE Ohio</b>	Spot	3520		3150
	OND	2970		n/a
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	3620		3270
	OND	3070		n/a
<b>MN (Rochester)</b>	Spot	380-3900		3630
	OND	345-3550		3560
	JFM	3600		n/a
<b>WI (Madison)</b>	Spot	375-3850		3560
	OND	340-3450		3480
	JFM	3550		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	3000		3250
	OND	3000		3350
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	OND		3450	3600
<b>California</b>	OND		368b	3850
<b>Idaho (UP)</b>	Spot		405t	375t
	OND		3560	370t
	JFM		3640	n/a
<b>WA/OR (BN)</b>	Spot		4150	3950
<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.