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# Cottonseed Intelligence Monthly

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**COTTONSEED MARKET:** There has been upward price momentum based on rallying corn and soybean futures. Markets have been slightly quieter since prices have edged higher during the first half of May. The buying that has been done is primarily coming from resellers. The majority of trading is focused on the nearby suggesting any short positions are driving sales and supporting prices.

California prices continue to edge higher as there has been follow through buying from a variety of merchants after there were some logistical short comings which tightened up supply at the end of April and beginning of May. The price actions suggest that others have jumped on board to insure they have sufficient supply to meet their needs. Forward contracts for the summer have garnered only limited buying interest from dairies as they are concerned about profitability in coming months. Meanwhile, other feed ingredient prices in California have firmed following the rally in grain futures. The relative price of whole cottonseed in California to distillers dried grains is 31 percentage points above its 3-year average suggesting cottonseed is overvalued compared to the historical relationship. The Mid-South market has a similar price relationship to distillers dried grains.

Mid-South nearby traded up \$15/ton compared to offers last month given the tight supply situation in this thinly traded market. The price is higher than in Texas which prevents supplies from trading to the Far West. For the time being, sellers are content holding price firm and selling to local users. Prices are expected to remain firm for the next couple months due to last year's small crop and tighter than normal supply. New crop buying and selling interest remains light and it may take the cotton crop to emerge before sellers will start making new crop sales.

West Texas nearby prices climbed a couple dollars higher on the increases from price strength in the Far West market, but reported trades are only on small volumes. The price increase should bring more willing sellers to market since many gins with cottonseed holdings were waiting for higher prices before coming to market. The West Texas market continues to be most competitive compared to historical price relationships. The light demand situation related to poor dairy producer economics is preventing the West Texas price from moving higher.

Southeast markets have been quiet in May because end users are resisting price increases. Delivered markets had offers increase based on the upward price momentum from other neighboring cottonseed markets. Without evidence of follow through trading coming from end users, prices are at risk to stall and rollback.

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**COTTONSEED BALANCE SHEET:** The USDA's balance sheet for 2015/16 had production lowered 110,000 tons compared to last month while the lint-to-seed ratio is at a new historical low. The ratio has trended lower for the past 4 years. Exports were raised 40,000 tons and the Feed, Seed and Other category dropped 150,000 tons offsetting the other changes and leaving ending stocks unchanged with last month. Ending stocks are 60,000 tons less than the 5-year average.

This is the first month of a balance sheet for the 2016/17 crop year. USDA's production is projected to be 4.975 million tons, which would be an increase of 23% compared to this crop year. The disappearance side of the balance sheet is higher than the 2015/16 crop year for all categories. The crush is raised to 1.9 million tons which would match the crush of 2014/15 crop year. The Feed, Seed, and Other category is 4.952 million tons. Exports expectations are up by 150,000 tons compared to the current year's projection. Ending stocks come to 415,000 tons which are 20,000 tons below the 5-year average.

Cottonseed production numbers don't change much after May for the current crop year, so the Cottonseed Digest is adopting USDA's production for the 2015/16 crop year. This is a 102,000-ton decline from last month. The lower lint-to-seed ratio is a trend that is driven by improved genetics for lint production. Imports are unchanged as over 20,000 tons have been imported through March. The crush was lowered 20,000 tons as crush economics have worsened with the recent increases in seed prices. Exports were raised 18,000 tons on steady shipment of supply. The Feed, Seed and Other category was lowered 55,000 tons as dairy economics remain weak. Ending stocks were lowered 25,000 tons to the lowest level since the 2009/10 crop year.

For the 2016/17 crop year production is higher as planted acres are up over 900,000 acres and harvest acres are forecast to exceed last year by over 600,000 acres. The crush was raised above the current crop year due to increased cottonseed supply and the likelihood for improved crushing economics if soybean stocks will be a low as the USDA projected in their May WASDE report. Exports were raised, but remain 24,000 tons below the 5-year average. A weaker dollar and favorable weather at harvest could result in more exports. The Feed, Seed and Other category was raised making roughly 55% of total supply. This demand sector will continue to be the largest and most important determining factor for price.

The outlook for improved dairy margins at the end of this year suggests that cottonseed inclusion rates in diets could rise. Ending stocks are projected within 2,000 tons of the 5-year average.

Year begins Aug 1	Cottonseed Supply/Demand Balance Sheet (000 tons)					
	USDA	USDA	May / USDA	May / CSD	May/ USDA	May / CSD
	2013/14	2014/15E	2015/16F	2015/16F	2016/17F	2016/17F
Beg. Stocks	492	425	437	437	392	367
Imports	198	59	0	30	0	15
Production	4203	5125	4043	4043	4975	4750
<b>Total Supply</b>	<b>4893</b>	<b>5609</b>	<b>4480</b>	<b>4510</b>	<b>5367</b>	<b>5132</b>
Crush	2000	1900	1500	1550	1900	1650
Exports	219	228	100	93	250	180
Feed, Seed, & "Other"	2250	3044	2488	2500	2802	2865
<b>Total Disappearance</b>	<b>4468</b>	<b>5172</b>	<b>4088</b>	<b>4143</b>	<b>4952</b>	<b>4695</b>
End Stocks	425	437	392	367	415	437

<b>COTTONSEED fob points</b>				
<i>PRICES 05-13-16</i>		<i>Trade</i>		<i>Yr Ago</i>
<b>Southeast</b>		<b>(\$/ton)</b>		
North Carolina	Spot	240o		268t
	JJA	250t		n/a
	OND	190b / 200-205o / 200t		231o
South Carolina	OND	190b / 200o		n/a
Georgia So.	Spot	240o / 235-240t		270t
	My-Ag	225-230b		n/a
	OND	200o		231t
<b>Mid-South</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	265t		297t
	JJA	270o		n/a
	OND	220b / 225-235o		260b
MO Bootheel	Spot	265t		300t
NE Arkansas	Jly-Ag	265t		n/a
	Spot	265t		300t
JJA	260b		n/a	
<b>Southwest</b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	255-260o		370t
	OND	220-225b / 235o		270o
West Texas: PN	Spot	260-265o		n/a
West Texas: SN	Spot	255-260o		370t
Oklahoma	Spot	265o		360o
<b>Far West</b>		<b>(\$/ton)</b>		
Arizona	Spot	290b		390t
Cal. Corc. No.	Spot	345o		425o
	Jn-Sp	345o		427o
Pima California	Spot	290b / 295-300o		365t
<b>Specially Processed Products (\$/ton)</b>				
<i>Easi Flo™</i>	Courtland, AL	Spot	305o	325o
<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 05-13-16</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	303o		332o
	OND	263o		297o
<b>SE Pennsylvania</b>	Spot	285o		322o
	OND	245o		277o
<b>NE Ohio</b>	Spot	303o		332o
	OND	263o		297o
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	313o		343o
	OND	273o		307o
<b>MN (Rochester)</b>	Spot	310-315o		370o
<b>WI (Madison)</b>	Spot	305-308o		362o
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	265o		330o
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>California</b>	Spot		340o	420o
	Jn-Sp		340o	n/a
	OND		330o	n/a
	Clock		340o	n/a
<b>Idaho (UP)</b>	Spot		335o	402t
	Jn-Sp		335o	n/a
	OND		325o	372o
	Clock		335o	n/a
<b>WA/OR (BN)</b>	Spot		345o	410o
<b>b = bid o = offer t = trade n/a = not available</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.

*Cottonseed Intelligence Monthly* 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.

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