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COTTONSEED MARKET: As of mid-June the upward price momentum has stalled as corn and soybean complex futures drifted lower a couple days in a row. Because of the lower futures prices, buyers have withdrawn bids and are willing to hold off on making purchases. Many dairies have kept cottonseed inclusion rates low because other ingredients have been more price competitive than cottonseed. Trading volumes have been light as of mid-month and unless soybean meal futures decline, there is only modest risk for cottonseed prices to drift slightly lower. Compared to the historical price relationship to cash corn, soybean meal or distillers dried grain, cottonseed prices are below the 5-year average and competitively priced.

The price rally in Class III Milk futures has helped increase the number of inquiries, but it hasn't generated enough new cottonseed trading to cause prices to rally. Milk prices will need to continue to rise and hold gains before dairies see the increase in their milk check and feel confident enough to commit to increasing cottonseed usage in rations. Margins should improve some during July and August, and by the 4th quarter margins are projected to become positive. Then demand for cottonseed is apt to increase higher again and bring cottonseed's price relationship to corn, soybean meal and distillers dried grains closer to their normal levels.

Southeast markets have had only limited trading activity by mid-June as dairy buyer inquiries have resulted in only small volume new crop trades. New crop offers were raised following modest new crop trading in the first half of June. Those with old crop supplies booked have steadily taken delivery, but they haven't sped up the pace or caused merchants to anticipate they will be back in the market buying adding to their position. Remaining supplies are held in strong hands and those sellers are expected to hold firm on price. Meanwhile, in the Mid-South old crop offers have nudged slightly lower on softer demand. Not much Mid-South gin-run trading has been accomplished.

West Texas nearby prices drifted lower at mid-month as sellers have become more aggressive to put on sales after futures softened. New crop cotton has a favorable start elevating concerns of burdensome supply for those with old crop. New crop trades remain limited, as the focus of the market continues to be on old crop supplies. California prices are steady with last week while supply has been sufficient and hasn't caused prices to climb. Australian imports are expected to bolster domestic supply during July. Its impact on price will likely be light given the seed is likely already sold to end users. If futures keep climbing there could be more upside price risk.

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COTTONSEED BALANCE SHEET: USDA's balance sheets for both the 2015/16 and 2016/17 crop years are unchanged with last month. The Cottonseed Digest for the 2015/16 crop year has imports raised 15,000 tons. A vessel of Australian cottonseed is scheduled to arrive mid-July. Total cottonseed imports for the August-April timeframe are over 21,000 tons. To date Argentina has been the largest supplier of imports, but it is expected to fall to second place once the ship from Australia arrives.

Exports were raised 12,000 tons based on stronger than expected results for April. The largest destination for supply was Saudi Arabia. It imported 8,700 tons in April the largest monthly total for a single country this crop year. It was an increase of 60% compared to what it imported during March. Without data for the final quarter of the crop year, it is only 11,000 tons behind the total it imported last year.

The 2015/16 crush and feed, seed and other category were unchanged. The crush for the final 4 months of the crop year should continue to run 30% less than the 5-year average. The Feed, Seed and Other category is unchanged and using over 60% of supply. Ending stocks are up slightly, but the stocks to use ratio is unchanged and only a 1/10 of a percentage point below the 5-year average.

The Cottonseed Digest production projection for 2016/17 was lowered 69,000 tons on expectations for lower cotton acreage than thought earlier. Informa lowered its planted cotton acres forecast by over 100,000. Southeastern states are expected to have most the declines compared to earlier forecasts. Planted acres are still projected to be over 900,000 acres larger than last year and cottonseed supply will be larger than the previous year.

Given the reduction in 2016/2017 supply, the crush was lowered 50,000 tons yet still would be larger than the current crop year. The outlook for stout soybean oil prices should support cottonseed crushing economics. The Feed, Seed and Other category was lowered 20,000 tons, but this category has the largest year over year increase up over 345,000 tons. Dairy economics are expected to improve in 2017 compared to the current low-margin situation.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	June / USDA	June / CSD	June / USDA	June / CSD
	2013/14	2014/15E	2015/16F	2015/16F	2016/17F	2016/17F
Beg. Stocks	492	425	437	437	392	370
Imports	198	59	0	45	0	15
Production	4203	5125	4043	4043	4975	4681
Total Supply	4893	5609	4480	4525	5367	5066
Crush	2000	1900	1500	1550	1900	1600
Exports	219	228	100	105	250	180
Feed, Seed, & "Other"	2250	3044	2488	2500	2802	2845
Total Disappearance	4468	5172	4088	4155	4952	4625
End Stocks	425	437	392	370	415	441

COTTONSEED fob points				
<i>PRICES 06-17-16</i>		<i>Trade</i>		<i>Yr Ago</i>
Southeast		(\$/ton)		
North Carolina	Spot	255b / 260-263o		289t
	JAS	263o		n/a
	OND	215b / 225o / 220t		240t
Georgia So.	Spot	245-250b / 255o		296o
	OND	215b / 220o		245o
Mid-South		(\$/ton)		
Memphis No.	Spot	276o		310o
	Jly-Ag	276o		315o
	OND	235b / 245o / 240t		270o
MO Bootheel	Spot	280o		310t
	OND	240b / 250o		n/a
NE Arkansas	Spot	275-280o		310t
Southwest		(\$/ton)		
West Texas: LN	Spot	275-280o / 275t		360t
	JAS	278-282o		370o
	OND	230-235b / 240o		285t
West Texas: SN	Spot	270b / 280o		365o
	OND	225b / 240o		n/a
Oklahoma	Spot	280t		360t
	OND	250b		n/a
Far West		(\$/ton)		
Arizona	Spot	330b / 340o		390o
Cal. Corc. No.	Spot	380o / 375t		436t
Pima California	Spot	300o		360o
Specially Processed Products (\$/ton)				
<i>Easi Flotm</i>	Courtland, AL	Spot	320o	360o
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 06-17-16</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	321o		356o
	JAS	326o		n/a
SE Pennsylvania	Spot	303o		339o
	JAS	308o		n/a
NE Ohio	Spot	321o		356o
	JAS	326o		n/a
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	331o		367o
	JAS	336o		n/a
MN (Rochester)	Spot	325-329o		375o
	OND	310o		342o
	Ja-Ag	325o		n/a
WI (Madison)	Spot	325-329o		370o
	OND	305o		335o
	Ja-Ag	320o		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	300o		355o
Rail - job track points		(\$/ton)		
California	Spot		365o	425o
	JAS		365o	n/a
	OND		335o	380o
	Clock		345o	385o
Idaho (UP)	Spot		355o	405o
	JAS		355o	n/a
	OND		330o	365o
WA/OR (BN)	Spot		365o	420o
b = bid o = offer t = trade n/a = not available				

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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