

COTTONSEED MARKET: Lackluster end user buying interest related to poor dairy producer margins continues to keep a bearish tone in the market during July. Prices have been pressured lower buy cottonseed holders attempting to generate buying interest. Recent declines in corn and soybean meal futures related to strong crop condition ratings has keep buyers out of the market in anticipation of buying opportunities with even lower prices.

The condition of the cotton crop remains mostly favorable. There was an decline to the cotton crop index early in the month, but stayed a half point above the 2014's rating. Timely rains during the next several more weeks will be necessary to insure that Texas makes another above average crop. Heat and spotty rains are raising concerns that if there isn't a good rain by the first week of August yield potential will need to be lowered. Conditions in the Southern Valley are better than last year and by the end of July new crop supply should be flowing though distribution channels.

The arrival of this new crop supply is prompting sellers to step up sales. They want to make sure that old crop inventories are sold before new crop supply pressures nearby prices lower. Given the lack of dairy interest and there being more dairies have discontinued using cottonseed or cut way back on usage, it will be difficult for cottonseed prices to rebound. Cottonseed prices haven't softened enough to get dairies to bring back or increase cottonseed in rations. There are abundant and affordable supplies of alfalfa. Additionally, dairies are not willing to book very far forward because of the current volatile situation with corn and soybean futures drifting lower during the last half of July, which is keeping downward pressure on cottonseed prices.

USDA - US 2016 Regional Cotton Plantings Estimate (000 Acres)					
Region	2015 Plantings	2016 Plantings	% Change from 2015	YOY Change in Acreage	5-year Averages
Southeast	2235	2270	1.6%	35	2745
Mid-South	985	1520	54.3%	535	1636
Southwest	5066	5864	15.8%	798	6540
Far West	136	170	25.0%	34	274
Total	8422	9824	16.6%	1402	11195
Pima	158.5	199	25.6%	41	220
US Total	8581	10023	16.8%	1443	11415

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COTTONSEED BALANCE SHEET: USDA's 2015/16 balance sheet is unchanged. Their 2016/17 crop year balance sheet had production raised 155,000 tons. The Feed, Seed and Other category was increased 120,000 tons. The ending stocks were raised 35,000 tons the remainder of the production increases.

The Cottonseed Digest's 2015/16 crop year has imports lowered 20,000 tons as the vessel of Australian cottonseed has been pushed back several weeks and should land in the middle to last half of August. Slower than expected oil mill runtimes are reason for the 20,000-ton reduction to the 2015/16 crush. Exports were upped 11,000 tons due to strong exports during May. The Feed, Seed and Other category was lowered 11,000 tons. These changes offset each other leaving ending stock unchanged with last month.

For 2016/17 production was raised 304,000 tons on the outlook for increased cotton acres and favorable crop conditions. This is over 100,000 tons larger than the 5-year average. If abandonment is below average it is possible that production will be further increased. Imports were raised 20,000 tons since the vessel of Australian cottonseed is expected to land in August. Total supply was raised 324,000 tons.

Given the increase in supply, exports were modestly raised 25,000 tons. There are concerns that the strength in the US dollar may continue to hamper buying interest, but increased supply suggests there will be supply to move to export channels. The Feed, Seed and Other category was raised 300,000 tons. Improvements in dairy economics at the end of 2016 and into 2017 should increase cottonseed usage in rations. The stocks to use ratio remains steady at 8.9% for both years, a tenth of a percent below the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	July / USDA	July / CSD	July / USDA	July / 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	25	0	35
Production	4203	5125	4043	4043	45130	4985
Total Supply	4893	5609	4480	4505	5522	5390
Crush	2000	1900	1500	1530	1900	1600
Exports	219	228	100	116	250	205
Feed, Seed, & "Other"	2250	3044	2488	2489	2922	3145
Total Disappearance	4468	5172	4088	4135	4952	4950
End Stocks	425	437	392	370	450	440

COTTONSEED fob points				
<i>PRICES 07-15-16</i>		<i>Trade</i>		<i>Yr Ago</i>
Southeast		(\$/ton)		
North Carolina	Spot	235b / 240-245o		290o
	OND	195b / 205o		240o
Georgia So.	Spot	230b / 235-240o		295o
	OND	190-195b / 210o		240o
Mid-South		(\$/ton)		
Memphis No.	Spot	260o		311o
	OND	230o		265b
	Ja-Ag	250o		n/a
MO Bootheel	Spot	260-265o		316o
	OND	230o		270o
NE Arkansas	Spot	260-265o		312o
	Jly-Ag	261t		n/a
Southwest		(\$/ton)		
West Texas: LN	Spot	255-260o / 250t		317t
	Ag-Sp	255o		n/a
	OND	220b / 225o		272b
West Texas: SN	Spot	250o		325o
	OND	225o		n/a
Oklahoma	Spot	260o		325t
Far West		(\$/ton)		
Arizona	Spot	330b		385o
Cal. Corc. No.	Spot	350-355o		426t
	Nv-Ja	340o		n/a
	Clock	335o		392o
Pima California	Spot	290o		360o
	OND	290o		365o
Specially Processed Products (\$/ton)				
<i>Easi Flotm</i>	Courtland, AL	Spot	310o	360o
			265o	305o
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North				

COTTONSEED dlvd. points				
<i>PRICES 07-15-16</i>		<i>Truck</i>	<i>Rail</i>	<i>Yr Ago</i>
Northeast		(\$/ton)		
W. New York	Spot	303o		359o
	OND	273o		312o
	Ja-Ag	293o		n/a
SE Pennsylvania	Spot	285o		345o
	OND	255o		294o
	Ja-Ag	275o		n/a
NE Ohio	Spot	303o		364o
	OND	273o		315o
	Ja-Ag	293o		n/a
Midwest		(\$/ton)		
MI (Grand Rpds.)	Spot	313o		374o
	OND	283o		325o
	Ja-Ag	303o		n/a
MN (Rochester)	Spot	322o		384o
	OND	286o		337o
WI (Madison)	Spot	318o		375o
	OND	278o		325o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	295o		365o
Rail - job track points		(\$/ton)		
California	Ag-Sp		340o	n/a
	OND		320o	n/a
	Clock		330o	385o
Idaho (UP)	Spot		340o	395o
	OND		320o	365o
	Clock		330o	n/a
WA/OR (BN)	Spot		355o	n/a
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.

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