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COTTONSEED MARKET: Prices have been mixed during August as local supplies have influence price direction. West Texas market prices shifted lower during the last half of August while trading has been light. Favorable rains have alleviated drought concerns in West Texas and as of mid-August there are more possibilities for rain. The Coastal Bend and Northern Coast will have their harvest and ginning efforts delayed several days because of the rain. The arrival of new crop seed in the Coastal Bend has put pressure on spot prices in the area. New crop offers in West Texas have been pressured lower as well, but trading remains limited as gins see current prices as being undervalued. Resellers and dairies have only bought a fraction of their forward needs. They are waiting on ginning pressure to push prices lower before coming to market to cover more of their needs.

Southeast and Mid-South markets have only limited open offers. Given the lack of buying interest, tight supply is a moot point yet prices have managed to edge modestly higher. Dairies in the Upper Midwest have put on some light coverage through the end of the year, but more buying is expected in coming months. Northeast dairies have been less willing to cover their needs. This year's larger crop has many buyers holding off on making purchases as there will likely be more downward price pressure once gins are running and new crop hits the market.

The vessel of Australian cottonseed arrived in California boosting the nearby supply situation as of mid-month. Price spreads to eastern markets are holding steady, but there hasn't been much trading of rail supplies given weak dairy demand. Pima prices have likely have bottomed this week as the price spread to upland seed is \$100/ton; the widest of the year and should narrow.

Mid-South cottonseed's relative price to distillers dried grains and cash soybean meal have edged slightly higher during the first half of August compared to July. The relative price is in line with their 5-year average which suggests that cottonseed is reasonably priced and should be defending its place in feed rations. Distillers dried grains could have more downward price potential which would likely be a drag on whole cottonseed prices as well. Cottonseed's relative prices are apt to drift lower in coming months in order to stay competitive in feed rations.

COTTONSEED BALANCE SHEET: USDA's 2015/16 balance sheet had imports raised 17,000 tons after being at zero all of the crop year. Exports were raised 30,000 tons while the feed, seed and other category was lowered 11,000 tons. Total disappearance was raised 19,000, which results in

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ending stocks down 2,000 tons. This brings the stocks-to-use ratio to 9.5% which is 0.6% above the 5-year average.

USDA lowered 2016/17 cottonseed beginning stocks by 2,000 tons, and production by 75,000 tons. Imports were zero last month and are pegged at 15,000 tons. These changes result in total supply being lowered 62,000 tons. The feed seed and other category was increased 3,000 tons. The stocks-to-use ratio at 7.6% is the lowest level since the 2011/12 crop year.

The Cottonseed Digest 2015/16 balance sheet has the crush lowered 20,000 tons on lighter than expected runtimes in recent months. Exports were raised 14,000 tons on stronger than expected shipments to Mexico and Saudi Arabia in recent months. The feed, seed and other category was lowered 80,000 tons as dairy demand has been below expectations. These changes resulted in an 86,000-ton increase to ending stocks. This puts the stocks-to-use ratio over 11%. Ending stock would be the highest since the 2008/09 crop year.

For the 2016/17 crop year ending stocks were raised 86,000 tons. Production was raised 100,000 tons as recent rains and expectations for an increase in reported cotton acreage from USDA's Farm Service Agency. If conditions become favorable in West Texas and abandonment is below average, the production number may need to be adjusted higher in coming months. Total supply was raised 186,000 tons. The crush is unchanged from last month. This year should have better than year ago crushing economics as whole seed prices are apt to be lower and soybean oil prices should be higher to lend support to cottonseed oil prices. Until crushers show stronger interest in booking seed, the crush will remain at 1.6 million tons, which is 460,000 tons below the 5-year average. Exports were raised a modest 15,000 tons as competitive pricing this fall holds the potential for greater exports. The feed, seed and other category was raised 30,000 tons as some improvement in dairy economics raises the possibility of increased cottonseed inclusion rates provided prices remain competitive. Ending stocks were raised 141,000 tons and is at the largest level in 6 years. This crop year's larger supply of corn and other feed ingredients is reason for large ending stocks.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	Aug. / USDA	Aug./ CSD	Aug. / USDA	Aug. / CSD
	2013/14	2014/15E	2015/16F	2015/16F	2016/17F	2016/17F
Beg. Stocks	492	425	437	437	390	456
Imports	198	59	17	25	15	35
Production	4203	5125	4043	4043	5055	5085
Total Supply	4893	5609	4497	4505	5460	5576
Crush	2000	1900	1500	1510	1900	1600
Exports	219	228	130	130	250	220
Feed, Seed, & "Other"	2250	3044	2477	2409	2925	3175
Total Disappearance	4468	5172	4107	4049	5075	4995
End Stocks	425	437	390	456	385	581

COTTONSEED fob points				
<u>PRICES 08-19-16</u>		<u>Trade</u>		<u>Yr Ago</u>
Southeast		(\$/ton)		
North Carolina	Spot	220b / 225o		263t
	OND	192-195b / 198-200o		230o
	Ja-Ag	220o		n/a
Georgia So.	Spot	216b / 225o		270o
	Ag-Sp	225t		n/a
	OND	185-190b / 195-200o		230o
Mid-South		(\$/ton)		
Memphis No.	Spot	241b / 245o / 245t		290o
	OND	220b / 225o		255o
	Ja-Ag	245o		n/a
MO Bootheel	Spot	245o		291t
	OND	220b / 225o / 220-225t		260o
NE Arkansas	Spot	245o		290o
	OND	225o		260o
Southwest		(\$/ton)		
West Texas: LN	Spot	250b / 255o		316t
	OND	220b / 230o		270o
	Ja-Sp	250o		n/a
West Texas: SN	Spot	255o		318t
Oklahoma	Spot	265o		315t
	OND	235b / 245o		275o
Far West		(\$/ton)		
Arizona	Spot	310-315b /		375o
	OND	280b /		n/a
Cal. Corc. No.	Spot	350-355o		410o
	Clock	335o		n/a
Pima California	Spot	255b		360o
	OND	280o		n/a
Specially Processed Products (\$/ton)				
<i>Easi Flo</i> tm	Courtland, AL	Spot	280o	n/a
<p>b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North</p>				

COTTONSEED dlvd. points				
<u>PRICES 08-19-16</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	291o		334o
	OND	263o		296o
	Ja-Ag	283o		311o
SE Pennsylvania	Spot	273o		316o
	OND	245o		279o
	Ja-Ag	265o		296o
NE Ohio	Spot	291o		333o
	OND	263o		293o
	Ja-Ag	283o		303o
Midwest		(\$/ton)		
MI (Grand Rpds.)	Spot	301o		341o
	OND	273o		311o
	Ja-Ag	293o		331o
MN (Rochester)	Spot	304-310o		361o
	OND	284o		331o
WI (Madison)	Spot	299o		352o
	OND	279o		320o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	285o		350o
Rail - job track points		(\$/ton)		
California	Spot		335o	385o
	OND		320o	365o
	Clock		325-330o	375o
Idaho (UP)	Spot		330o	370o
	OND		315o	350o
	Clock		320o	360o
WA/OR (BN)	Spot		340o	400o
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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