

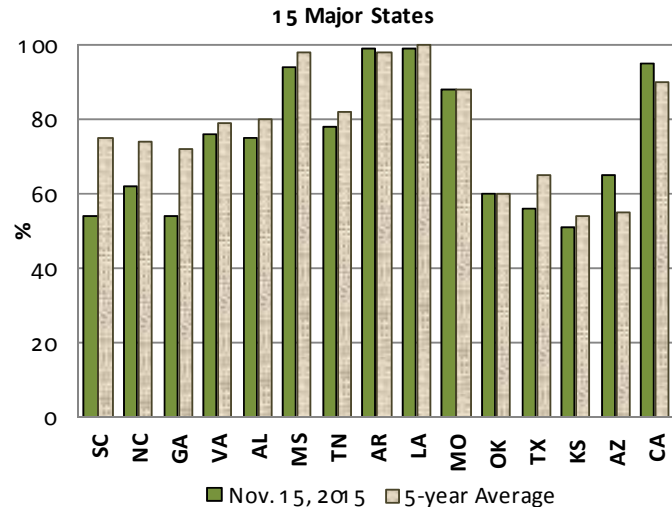
**COTTONSEED MARKET:** The South-east's slow harvest and delayed ginning situation continues to negatively influence trading. The graph shows that the Carolinas and Georgia are furthest behind and from 12 to 21 percentage points behind the normal harvest pace for this time of year. Gins have not been willing to sell any additional supply as they are concerned about meeting contractual commitments. Some short buying as of Mid-November boosted nearby prices. Some traders anticipate there might be a glut of spot supply on the market if gins decide they do not want to run the risk of keeping supply in storage. However, if the warehouse has proper ventilation, storage should not be an issue provided the seed will be used for feed. The lack of open offers is expected to continue for the next couple months.

Mid-South markets are quiet as most supplies are going to storage. By the end of November the majority of gins in the region are expected to be winding down but will likely continue to wait on selling their stored supplies until 2016. Over the next couple months, only small volumes of cottonseed are expected to be offered on the market if an individual gin needs cash. Trading is apt to be quiet for most of December and there will likely be only a handful of gins running.

West Texas prices are lower while harvest progresses. Gins have been able to run hard as of the middle of November helping supplies build. Local dairies continue to hold off on making additional purchases because low milk prices continue to keep margins at breakeven levels. Prices may need to drift several dollars lower before dairies come back to cover more of their needs. For now most of the supplies moving in West Texas are being railed to western markets.

California prices have drifted lower on the modest slowdown in dairy demand and the nearby increase in rail car availability. The movement of rail cars has been quicker than earlier anticipated, which provides the possibility of prices to soften as sellers are more willing to accept bids in order to insure supply and rail cars keep moving. Dairies continue to threaten less cottonseed usage due to poor dairy economics, but for the past several weeks they continue buying spot supply. Any rail car logistical problems could tighten supply and cause prices to increase.

### US Cotton Harvest Progress



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**COTTONSEED BALANCES SHEET:** USDA's November balance sheet had a 17,000-ton decline to 2015/16 production. This was offset by a lowering of the Feed, Seed and Other category. This resulted in a tenth of a point increase in the stocks-to-use ratio to 8.5% which is four-tenths of a percent below the 5-year average.

The Cottonseed Digest balance sheet for 2014/15 remains unchanged. The 2015/16 balance sheet had a 15,000-ton reduction to production related to rain damage in the Southeast. Meanwhile, it looks like there will be some increase in production in the Southwest. Imports are unchanged for now as supplies from South America have been moving into the Pacific Northwest and will likely continue for a few more months given favorable exchange rates.

Demand from the Feed, Seed and Other category is unchanged. Dairy margins are near breakeven and will likely remain weak into early 2016 as Class III milk contracts for December through February have been trading below \$15/CWT. International dairy demand would need to increase to have milk prices improve which doesn't appear likely in the next couple months. Exports are unchanged and continue to lag below average levels. The strong dollar and the abundance of other feed ingredients in the market are more price competitive, resulting in less export demand. For the first couple months of the crop year, exports are roughly a third of the 5-year and suggests projected levels may need to be adjusted lower. The crush is unchanged as it remains below its 5-year average and cottonseed oil buying interest hasn't improved.

Ending stocks were lowered 15,000 tons which brings the stocks to use ratio down to 9.4%. This is half of a percentage point above the 5-year average. Prices are strong compared to other feed ingredients and are rationing supply.

Cottonseed Supply/Demand Balance Sheet (ooo tons)						
Year begins Aug 1	USDA	USDA	Nov. / USDA	Nov. / CSD	Nov. / USDA	Nov. / CSD
	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15E</u>	<u>2014/15E</u>	<u>2015/16F</u>	<u>2015/16F</u>
Beg. Stocks	430	492	425	425	437	486
Imports	182	198	59	59	0	20
Production	5666	4203	5125	5125	4257	4266
<b>Total Supply</b>	<b>6278</b>	<b>4893</b>	<b>5609</b>	<b>5609</b>	<b>4694</b>	<b>4772</b>
Crush	2500	2000	1900	1695	1650	1500
Exports	191	219	228	228	225	180
Feed, Seed, & "Other"	3094	2250	3044	3200	2452	2680
<b>Total Disappearance</b>	<b>5786</b>	<b>4468</b>	<b>5172</b>	<b>5123</b>	<b>4327</b>	<b>4360</b>
End Stocks	492	425	437	486	367	412

<b>COTTONSEED fob points</b>				
<b><u>PRICES 11-20-15</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b>(\$/ton)</b>		
North Carolina	Spot	245-260t		194t
	Nv-Dc	250b 255t		n/a
	Ja-Ag	260b		221b
Georgia So.	Spot	245b / 248o		192t
	Nv-Dc	235-240b		n/a
<b><i>Mid-South</i></b>		<b>(\$/ton)</b>		
Memphis No.	Spot	270b / 280-285o		220t
	Nv-Dc	288o		n/a
	Ja-Ag	290o		n/a
MO Bootheel	Spot	285o		220o
	JFM	285b / 290o		n/a
	Ja-Ag	290o		n/a
NE Arkansas	Spot	285o		220o
	Ja-Ag	290o		250o
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	270-272t		247o
	Dec	270o / 270t		n/a
West Texas: SN	Spot	267b		n/a
Oklahoma	Spot	245b / 25o		n/a
<b><i>Far West</i></b>		<b>(\$/ton)</b>		
Arizona	Spot	345b / 355o		355t
Cal. Corc. No.	Spot	375-378t		367t
	JFM	378o		n/a
	Ja-Sp	378o		n/a
Pima California	Spot	315o		325t
	Nv-Dc	315o		n/a
<b><i>Specially Processed Products (\$/ton)</i></b>				
<b><i>Easi Flo<sup>tm</sup></i></b>	Courtland, AL	Spot	315o	265o
		Ja-Ag	330o	290o
<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 11-20-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Nv-Dc	3320		n/a
	Ja-Ag	3520		2950
<b>SE Pennsylvania</b>	Nv-Dc	3150		n/a
	Ja-Ag	3350		2780
<b>NE Ohio</b>	Nv-Dc	3320		n/a
	Ja-Ag	3520		2950
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Nv-Dc	3450		n/a
	Ja-Ag	3650		3150
<b>MN (Rochester)</b>	Spot	350-3550		3100
	Ja-Ag	350-3550		3300
<b>WI (Madison)</b>	Spot	3490		3020
	Ja-Ag	3490		3220
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	2950		2500
<b>Rail - job track points</b>		<b>(\$/ton)</b>		
<b>California</b>	JFM		3650	n/a
	Ja-Sp		3650	n/a
<b>Idaho (UP)</b>	JFM		3650	3500
	Ja-Sp		365-3680	3550
<b>WA/OR (BN)</b>	Nv-Dc		365-3700	n/a
	Ja-Sp		3800	n/a
<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.

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