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# Cottonseed Intelligence Monthly

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**COTTONSEED MARKET:** Throughout July, the market focused on 2018/19 cotton production forecasts, the weather situations across the Midwest and Southern Plains, and the decline of competing feed prices. Since the last monthly balance sheet forecasts, projected 2018/19 cottonseed production has been reduced roughly 350,000 tons in both Informa Economics IEG's and USDA's view. While USDA expects the reduced production to be completely offset by reductions to usage, Informa expects usage to fall less, resulting in a roughly 30,000-ton increase to 2018/19 carryout at 499,000 tons. This causes a mild increase in Informa's expected 2018/19 cottonseed price projections compared to its price forecasts in June.

From June to July, North Carolina decreased five percent and West Texas increased 2.5 percent, though Memphis North and California remained essentially the same, declining 0.8 percent. Compared to the year prior, cottonseed prices in July were down \$17 per ton in North Carolina, up \$32 in West Texas, down \$15 in Memphis, and down \$4 in California. In the several months ahead, a decline in prices is expected. As ginning gets underway throughout the US, cottonseed production risk premium will dissipate, lowering prices as is seasonally typical. Additionally, USDA is calling for cottonseed production at 5.800 million tons, the largest since 2010 aside from the massive 2017/18 estimated production. Informa believes USDA's 2018/19 production projection is pessimistic given the critical precipitation period has just begun. USDA's reduction from last year's large crop may support market prices until either an increase is made to its official projections (bearish) or August-October weather causes reductions to actual production (bullish).

In a major development, US tariffs on \$34 billion worth of Chinese goods were put into place July 6, realizing the market fears from the proposals during April-June. Futures prices of feeds competing with cottonseed had already fallen from those fears, and June 6 exhibited gains in corn, soybeans, and soybean meal that have endured to the present. This year, high soybean crush margins and volumes have led to high soybean meal availability, which is expected to continue for months and reduce cottonseed meal's competitiveness. The Trump Administration is now proposing increasing tariffs from 10 percent to 25 percent on an additional \$200 billion worth of Chinese goods. On net, the tariffs will pressure prices of competing feeds and thus prices of cottonseed.

The Midwest exhibits drier-than-normal weather patterns across the Corn Belt, and the Southern Plains continues its drought. The abundance of rains in the Southeast – once a source of com-

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plaint – are now largely being ignored, though heavy rains tend to be much more of a benefit to yields than a detriment. If one field floods, the rain typically benefits the surrounding fields, and the net result boosts aggregate production. The scarcity of moisture in West Texas is attracting much more attention as a factor of supply and prices as Texas tends to account for 40 percent of US cotton production. NOAA's Drought Monitor showed a slight shrinking of area affected by the drought in West Texas earlier in the month of July, but the Drought Monitor on July 24 showed the intensity becoming severe again in many areas that were improving earlier in the month. Rains across the West Texas region have been scarce, but the erratic moisture has allowed the stressed crop to struggle along as it enters the critical development period. Timely adequate moisture during August-October will produce better yields than the market is expecting.

**COTTONSEED BALANCE SHEET:** USDA released its *Crop Production* and *WASDE* reports on July 12, reporting a reduction of the cotton crop by one million bales due to an increase in its estimated 2018/19 acreage abandonment. The subsequent 350,000-ton reduction to 2018/19 cottonseed production is a supportive factor to cottonseed price projections, though Informa has withheld greater reductions to cotton and cottonseed production expectations given the historical disconnect between pre-August rainfall and ultimate crop size.

Whereas USDA maintained its 2018/19 ending stocks projections from June to July by lowering feed, seed, and residual forecasts by the same amount it reduced production, Informa believes reductions to usage will be spread more evenly among the usage sectors. Informa reduced crush forecasts by 50,000 tons; reduced exports by 25,000 tons; and reduced feed, seed, and residual by 225,000 tons. (Informa increased 2018/19 carryin by 25,000 tons from a reduction to 2017/18 crush.) In total, Informa's reductions to expected usage were roughly 30,000 tons lighter than its reductions to expected production, causing a 30,000-ton decline in projected 2018/19 ending stocks. Those ending stocks are now expected to be approximately 500,000 tons, which if realized would be the largest since 2010/11 aside from the 572,000-ton 2017/18 estimate. After accounting for Informa's higher-than-normal usage projections however, 2018/19 is expected to be a typical, low-priced marketing year. Cottonseed will likely trade near the price floor created by the competing feeds markets, which themselves may be lower than in recent years due to US' trade wars.

	Cottonseed Supply & Demand Estimates (1,000 tons)						
	Year begins Aug 1	USDA 15/16	USDA 16/17	USDA 17/18 F	IEG 17/18 F	USDA 18/19 F	IEG 18/19 F
Beg. Stocks		437	391	400	400	450	572
Imports		16	51	0	0	0	10
Production		4,043	5,369	6,422	6,422	5,800	6,542
<b>Total Supply</b>		<b>4,496</b>	<b>5,811</b>	<b>6,822</b>	<b>6,822</b>	<b>6,250</b>	<b>7,124</b>
Crush		1,500	1,769	1,850	1,825	1,900	1,850
Exports		136	342	475	425	425	500
Feed, Seed, & Residual		2,469	3,300	4,047	4,000	3,550	4,275
<b>Total Disappearance</b>		<b>4,105</b>	<b>5,411</b>	<b>6,372</b>	<b>6,250</b>	<b>5,875</b>	<b>6,625</b>
End Stocks		391	400	450	572	375	499

<b>Cottonseed fob points</b>						
		<b>Bid</b>	<b>Offer</b>	<b>Trade</b>	<b>Change</b>	<b>Yr Ago</b>
<b>Southeast</b>		<b>(\$/ton)</b>				
North Carolina	Spot	130	135		unc	187o
	JAS	130	135		n/a	n/a
	OND	125	135		-5o	165o
South Carolina	JAS	135	145		n/a	n/a
	OND	125	135		-15o	165o
South Georgia	Spot		160		-5o	194o
	JAS	150	160		n/a	n/a
	OND	130-132	140		unc	164o
<b>Mid-South</b>		<b>(\$/ton)</b>				
Memphis North	Spot		170		-5o	198o
	JAS		170		n/a	n/a
	OND	140	150		-6o	175o
Missouri Bootheel	Spot		173		-4o	203o
	JAS		173		n/a	n/a
	OND		160		-5o	176o
Northeast Arkansas	Spot		170		n/a	202o
	OND		150		n/a	n/a
	Ja-Ag	163	168		n/a	n/a
<b>Southwest</b>		<b>(\$/ton)</b>				
West Texas - Lubbock North	Spot	210	220-225		-7o	210o
	JAS	210	225-230		n/a	n/a
	OND		200		-5o	175t
<b>Far West</b>		<b>(\$/ton)</b>				
Arizona	Spot	270-275	275-280		n/a	290o
	JAS	270-275	275-280		n/a	295o
	OND	240	260		n/a	244o
California Corc. No.	Spot		290-295		-7o	315t
	JAS		290-295		n/a	n/a
	OND		295		n/a	285o
Pima California	Ag-Sp	225	235		-5o	n/a
	OND	242	248		n/a	n/a
	Ja-Sp	242	248		n/a	n/a
<b>Specially Processed Products</b>		<b>(\$/ton)</b>				
Easi Flo - Courtland, AL	Spot		225		unc	n/a
	Ag-Sp		228		unc	242o
	Nv-Dc		205		unc	n/a

**b = bid o = offer t = trade n/a = not available**

<u>Cottonseed dlvd. points</u>					
		<u>Truck</u>	<u>Rail</u>	<u>Change</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>			
West New York	Spot	197o		unc	247o
	JAS	197o		unc	n/a
	OND	197o		-5o	224o
Southeast Pennsylvania	Spot	181o		unc	232o
	JAS	181o		unc	n/a
	OND	181o		-5o	209o
Northeast Ohio	Spot	197o		unc	247o
	JAS	197o		unc	n/a
	OND	197o		-5o	224o
<b>Midwest</b>		<b>(\$/ton)</b>			
Michigan (Grand Rapids)	Spot	207o		unc	259o
	JAS	207o		unc	n/a
	OND	207o		-5o	234o
Minnesota (Rochester)	Spot	240o		6o	265o
	OND	218o		-7o	240o
Wisconsin (Madison)	Spot	230o		6o	n/a
	OND	208o		-7o	230o
<b>Rail - job track points</b>		<b>(\$/ton)</b>			
California - Rail	Spot		280o	n/a	300o
	OND		275-280o	n/a	272o
<b><i>b = bid o = offer t = trade n/a = not available</i></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, dairy men in this group will migrate up into Groups 1, 2 or 3.

*Cottonseed Intelligence Monthly* is published monthly. Phone: 901-766-4667. E-mail: mary.gammel@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. Information has been obtained by Informa Economics from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, 7900 International Drive, Ste 650, Minneapolis, MN 55425.

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