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COTTONSEED MARKET: Throughout August, the market focused on the 2018/19 cotton production forecasts, cotton crop conditions and progress, and logistical issues moving cottonseed. USDA released its *Crop Production* report on August 10, which provided the first forecasts of the season from NASS for corn, grain sorghum, soybeans, rice and cotton. USDA forecast all cotton production at 19.2 million bales, which was an increase from USDA's July *WASDE* report at 18.5 million bales causing a few changes to the cottonseed balance sheets. US cotton condition and progress in August featured a few improvements for the cotton crop, but conditions at month's end remain the lowest since 2011. Good-to-excellent ratings have been reported repeatedly throughout August for Tennessee, Alabama, and Georgia. The Mid-South and Southeast are expecting good yields due to the favorable growing conditions the regions have seen. Logistics have been an ongoing issue as demand has been exceeding capacity, and with the holiday season approaching expect these capacity issues to worsen as gin run falls into the same timeframe as the retail holiday trucking market.

From September to December, prices across the Mid-South and Carolinas are expected to decline due to the potential for record yields and logistical issues that are expected to continue. Poor pasture conditions along with tight hay supplies in the Western part of the US are causing cattle producers and dairies to start feeding grain and roughage earlier in the year than they typically would. IEG forecast prices for the West Texas region to decline at about eight percent from September to December compared to the five-year average of 12 percent due to the uncertainty that still lies around the actual cotton production since the weather has been unfavorable for the crop so far. The latest weather forecast for West Texas during the first 10 days, or so, of September calls for a widespread soaking rain as a tropical system combined with the Southwest monsoon is forecast to bring at least one to three inches of much needed rain to the West Texas cotton growing areas. Rain has not been plentiful for the region this year and this rain event is not expected to correct the yield that is expected to be lost by the dry conditions but will keep the cotton that is on the verge of dying alive allowing it to be harvested adding to the supply of cottonseed for the region.

Cotton harvest is expected to begin in the Mid-South and Southeast in the first half of September, which is a few weeks early, allowing ginning to begin early for these regions. Heavy spring

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rains in some parts of the Carolinas and Georgia delayed planting and actual gin run is expected to begin in the last half of October, which is a few weeks behind. October to December are the usual months when large volumes of seed are transported to either end users or long-term storage facilities. With the increased movement of cottonseed in those months, October is also the beginning of the holiday retail trucking market to deliver goods to stores before the holiday season. Capacity has been an ongoing issue in all modes of transportation with some trucking lanes experiencing more challenges moving goods than others. Year over year, dry van contractual freight costs have increased seven to 10 percent and are expected to continue to rise until capacity can catch up to demand. Freight costs from the Carolinas have increased on average about three percent throughout the month of August. There have been reports of less capacity in the Carolinas area to move cottonseed, and the trucking market has set the tone for a higher rate per mile. Expectations are for capacity issues to worsen before they get better, especially during gin run, as capacity is pulled to higher paying freight or more favorable delivery lanes.

COTTONSEED BALANCE SHEET: USDA released its *Crop Production* report on August 10, providing the first forecasts of the season from NASS for corn, grain sorghum, soybeans, rice and cotton. All 2018/19 cotton production was reported at 19.2 million bales, which is 700,000 thousand bales above USDA's July *WASDE* estimate at 18.2 million bales and 1.9 million bales above Informa Economics IEG's expectation at 17.3 million bales. USDA is forecasting to yield increases in all the Southeast states except North Carolina and Virginia with Alabama, Florida, Arizona and California estimating record high yields. IEG adopted USDA's 2018/19 cotton production at 19.2 million bales. This increase in cotton production allowed USDA to increase its cottonseed production forecast by 221,000 tons, which was about a 3.8-percent increase to 6,021 million tons. Due to IEG's projected lint-to-seed ratio, IEG's cottonseed production is 69,000 tons smaller than USDA's latest forecast. This change was offset by a 221,000-ton increase in USDA's feed, seed, and residual usage projections. The USDA crush remained unchanged at 1,900 million tons along with exports unchanged at 425 million tons.

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	6,021	5,952
Total Supply	4,496	5,811	6,822	6,822	6,471	6,534
Crush	1,500	1,769	1,850	1,825	1,900	1,925
Exports	136	342	475	425	425	450
Feed, Seed, & Residual	2,469	3,300	4,047	4,000	3,771	3,600
Total Disappearance	4,105	5,411	6,372	6,250	6,096	5,975
End. Stocks	391	400	450	572	375	559
Source: USDA ERS						

Cottonseed fob points						
		Bid	Offer	Trade	Change	Yr Ago
<i>Southeast</i>		<i>(\$/ton)</i>				
North Carolina	Spot	120	130		5o	180t
	Ag-Sp		130		5o	n/a
	OND	120	130		unc	143o
South Carolina	Spot		140		n/a	182o
	Ag-Sp		140		n/a	n/a
	OND		130		10o	142o
South Georgia	Spot		150		unc	196o
	Ag-Sp		150		unc	n/a
	OND	125	130-135		2o	145o
<i>Mid-South</i>		<i>(\$/ton)</i>				
Memphis North	Spot		175		5o	200o
	Ag-Sp		175		5o	n/a
	OND		143		-6o	160o
Missouri Bootheel	Spot	168	172-175	170	0o	195o
	Ag-Sp		172-175		0o	n/a
	OND	140	144		-6o	158t
Northeast Arkansas	Spot	168	172-175	170	3o	197o
	Ag-Sp		172-175		3o	n/a
	OND	140	144		-6o	158o
<i>Southwest</i>		<i>(\$/ton)</i>				
West Texas - Lubbock North	Spot		207		9o	209o
	Ag-Sp		205-207		n/a	n/a
	OND		195-198		1o	166o
<i>Far West</i>		<i>(\$/ton)</i>				
Arizona	Spot		270		-3o	290o
	Ag-Sp	265	270-275		0o	285t
	OND	255	260-265		2o	245o
California Corc. No.	Spot		290		-5o	340t
	Ag-Sp		290		-5o	n/a
Pima California	Spot		235		n/a	320o
<i>Specially Processed Products</i>		<i>(\$/ton)</i>				
Easi Flo - Courtland, AL	Spot		218		unc	242o
	Nv-Dc		190		unc	n/a
<i>b = bid o = offer t = trade n/a = not available</i>						

<u>Cottonseed dlvd. points</u>					
		<u>Truck Rail Change Yr Ago</u>			
<i>Northeast</i>		<i>(\$/ton)</i>			
West New York	Spot	202o		15o	243o
	Ag-Sp	202o		15o	n/a
	OND	202o		10o	204o
Southeast Pennsylvania	Spot	173o		2o	228o
	Ag-Sp	173o		2o	n/a
	OND	173o		-3o	189o
Northeast Ohio	Spot	195o		8o	243o
	Ag-Sp	195o		8o	n/a
	OND	195o		3o	204o
<i>Midwest</i>		<i>(\$/ton)</i>			
Michigan (Grand Rapids)	Spot	200o		3o	253o
	Ag-Sp	200o		3o	n/a
	OND	200o		-2o	214o
Minnesota (Rochester)	Spot	245o		unc	258o
	OND	225o		5o	223o
Wisconsin (Madison)	Spot	235o		unc	252o
	OND	215o		5o	218o
<i>b = bid o = offer t = trade n/a = not available</i>					

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: 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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