

COTTONSEED MARKET: The market focus throughout September was primarily on an increase in cotton and cottonseed production, cotton crop progress and conditions, weather events across regions, and continued US trade talks with China along with Mexico and Canada. USDA released its *Oil Crops Outlook* report September 14 and it showed an increase in 2018/19 cottonseed production by 356,000 tons. Informa Economics IEG also increased its 2018/19 cottonseed production by 305,000 tons. Along with the increase in cottonseed production, cotton conditions for were reported as improved conditions for the last two weeks of the month. Harvest is underway for most of the Delta, Mid-South, and Southeast areas with California, Arizona and other Far West states expected to start in October. Good cotton quality and yields are expected in most areas given weather does not hinder the harvest progress further. In the latest USDA's *Crop Progress* report released on September 24, cotton harvested was reported at 16 percent. This is well ahead of the four-year average of nine percent with harvest expected to continue ahead of average as the weather outlook for October remains favorable for harvest activity.

With harvest underway or nearly approaching for most growing regions, weather is the topic of interest as some areas were still experiencing a slight drought while others saw 30+ inches of rainfall. Tropical Storm Gordon hit earlier in the month on the coast of Alabama and brought rains in the lower Delta, northward into the Mid-South area. This tropical system brought welcomed rains for the later planted crops but delayed harvest activities across parts of the region. Shortly after Gordon's departure in the Delta and Mid-South, the Carolinas were the focus of many as Hurricane Florence made landfall on September 14 near Wilmington, North Carolina. This hurricane brought more than 30+ inches of rainfall to some areas and caused severe flooding. Some of the crop areas that received less rainfall benefited, but the others did not fare well. Crop damage reports since the storm passed have been variable on the amount of real damage as it still is being assessed. USDA's latest *Crop Progress* report from September 24, did report an increase from 14 percent to 22 percent in the poor cotton condition rating, an increase from 33 percent to 45 percent in the fair condition rating, and a decline from 43 to 23 percent in the good rating. With prolonged warm and wet conditions, some areas can expect to see quality issues with both cotton lint and cottonseed that could vary from regrowth to seed sprout. If any of these issues arise, it can lead to heavy discounts on both the lint and seed sides and hinder the ginning process as the machines cannot easily gin cotton with these issues causing seed breakage amongst other issues.

As the trade war continues, the US announced another 10 percent on \$200 billion of Chinese exports and China retaliated on \$60 billion of US goods that were effective simultaneously with the US duties on September 24. This announcement caused the commodity market to trade mostly sideways and an enhanced uncertainty that a trade deal will be negotiated anytime soon. The uncertainty around a trade deal has soybean

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basis levels trading at some of the lowest levels seen since 2005/06 and some grain elevators discussing storage capacity issues since there is not enough storage for the large 2018/19 crop that is expected. Due to the ongoing trade wars and the effect it has had on the soybean futures market, one can expect to see an increase in planted cotton acres for 2019/20 crop year if cotton futures continue to remain supportive and a trade deal with China is not reached. IEG has increased its 2019/20 crop year forecast for US planted acres up four percent from 2018/19 crop year to 14.5 million acres. This increase came from the utilization of current price relationships, expectations for global trade and the general economic outlook for the US and the world. Given the trade negotiations and other trade factors, IEG will adjust the initial outlook as changes in price relationships and economic conditions warrant.

COTTONSEED BALANCE SHEET: USDA released its *Oil Crops Outlook* report September 14 and it showed an increase in 2018/19 cottonseed production by 356,000 tons, bringing their cottonseed production forecast to 6.16 million tons. This increase in cottonseed production was offset by increasing feed, seed and residual by 321,000 tons to 3.87 million tons, leaving ending stocks at 410,000 tons. Informa Economics IEG also increased its 2018/19 cottonseed production due to the increase of 524,000 acres of cotton planted and the 447,000-bale production increase reported in the USDA's *Crop Production* report released September 12. IEG increased its 2018/19 cottonseed production by 305,000 tons to 6.26 million tons. This increase in cottonseed production was offset by increasing exports 20,000 tons to a total of 470,000 tons along with increasing feed, seed, and residual use by 300,000 tons to 3.9 million tons. These changes brought ending stocks to 412,000 tons. Export demand is expected to remain stable and potentially increase compared with last year even though trade tariffs are in place. This is partly due to record dry conditions across other countries and the shortages of feedstuffs that have been seen so far this year.

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	450
Imports	16	51	0	0	0	0
Production	4,043	5,369	6,422	6,422	6,156	6,257
Total Supply	4,496	5,811	6,822	6,822	6,606	6,707
Crush	1,500	1,769	1,854	1,854	1,900	1,925
Exports	136	342	478	478	425	470
Feed, Seed, & Residual	2,469	3,300	4,040	4,040	3,871	3,900
Total Disappearance	4,105	5,411	6,372	6,372	6,196	6,295
End. Stocks	391	400	450	450	410	412
Source: USDA ERS						

Cottonseed fob points						
		Bid	Offer	Trade	Change	Yr Ago
Southeast		(\$/ton)				
North Carolina	Spot		120-128		-1o	200t
	OND	115	120		unc	135t
	Ja-Ag	136	140		n/a	157o
South Carolina	Spot		120-128		-1o	190t
	OND	115	120		-1o	135t
	Ja-Ag	136	140		n/a	135o
South Georgia	Spot		135		-10o	195o
	OND		135		-5o	135t
Mid-South		(\$/ton)				
Memphis North	Spot		170		-17o	230o
	OND		150		5o	152o
Missouri Bootheel	Spot		170		-13o	n/a
	OND	142	150		4o	152o
Northeast Arkansas	Spot		170		-13o	232o
	OND	142	150		4o	155o
	Ja-Ag	165	170		4o	n/a
Southwest		(\$/ton)				
West Texas - Lubbock North	Spot		190		unc	200t
	OND		194		7o	154o
Far West		(\$/ton)				
Arizona	Spot	260	270-275		5o	290o
	OND	250	260		unc	230t
Pima California	OND		255		5o	n/a
	Ja-Sp		255		n/a	n/a
Specially Processed Products		(\$/ton)				
Easi Flo - Courtland, AL	Oc-Nv		190		n/a	200o
	Ja-Sp		210		n/a	n/a
b = bid o = offer t = trade n/a = not available						

Cottonseed dlvd. points					
		Truck	Rail	Change	Yr Ago
Northeast		(\$/ton)			
West New York	Spot	192o		-5o	255o
	OND	192o		2o	200o
	Ja-Ag	212o		n/a	215o
Southeast Pennsylvania	Spot	163o		-5o	240o
	OND	163o		2o	185o
	Ja-Ag	183o		n/a	200o
Northeast Ohio	Spot	185o		-5o	255o
	OND	185o		2o	200o
	Ja-Ag	205o		n/a	215o
Midwest		(\$/ton)			
Michigan (Grand Rapids)	Spot	190o		-5o	265o
	OND	190o		2o	210o
	Ja-Ag	210o		n/a	225o
Minnesota (Rochester)	OND	222o		2o	216o
	Ja-Ag	242o		n/a	233o
Wisconsin (Madison)	OND	212o		2o	211o
	Ja-Ag	232o		n/a	228o
Rail - job track points		(\$/ton)			
California - Rail	OND		275o	n/a	n/a
	Clock		285o	n/a	n/a
Idaho - Rail UP	OND		255o	n/a	n/a
	Clock		265o	n/a	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, 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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