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COTTONSEED MARKET: The cottonseed market focus through October primarily was focused on weather events that occurred affecting some primary cotton-growing areas in the US that potentially impacted cotton yields and quality. Earlier in the month, there were finalized negotiations regarding the NAFTA 2.0 agreement to form the new US-Mexico-Canada Agreement (USMCA). This agreement has brought an optimistic outlook for the US dairy industry as it focused on some key US dairy-related trade topics with both Canada and Mexico. Along with the weather and trade agreement information, USDA increased 2018/19 cotton production to 19.8 million bales in its October *Crop Production* report released on October 12. This increase in cotton production also led USDA to boost 2018/19 cottonseed production by 28,000 tons to 6.18 million tons in the October *Oilseeds Outlook* report released on October 15. The increase in cotton production mostly was due to an increase in cotton yields for several states but did not account for damage from storms. Gins were operating at full capacity for most of October across all regions, but some areas did experience delays due to the weather. The storms that moved through Texas and the Southeast caused flooding, wind damage, and power outages. These issues delayed ginning and caused a tight supply of cottonseed, creating a volatile spot market for the areas that experienced the most damage.

Two significant weather systems moved across the primary cotton-growing regions of the US in Texas and the Southeast. Hurricane Sergio made landfall off the coast of Mexico the week of October 8 and moved across New Mexico into Texas as a low-pressure system. This low-pressure system stalled over Texas bringing excessive rainfall to the area and causing major flooding and washing away bridges and roads. As the remnants of Sergio brought rain to Texas and moved into the Mid-South region, Hurricane Michael made landfall on the Florida Panhandle as a category 4 hurricane. As Hurricane Michael approached landfall, Georgia, the second largest cotton-producing state in the US, had approximately 88 percent of its bolls open and approximately 12 percent was reported harvested. This hurricane swept across some of the major agricultural areas in the Florida Panhandle, Alabama, and southwest Georgia, affecting a widespread area of cotton and other commodities that were ready to be harvested prior to the storm's landfall with cotton at a vulnerable state with the percentage of bolls open. Some reports indicate that Hurricane Michael caused a 1.1-million-bale loss of cotton for the Southeast region, but damage still is being assessed ahead of USDA's November *Crop Production* report.

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COTTONSEED BALANCE SHEET: USDA released its *Oil Crops Outlook* report October 15 and it reported an increase in 2018/19 cottonseed production of 28,000 tons, bringing USDA's cottonseed production forecast to 6.18 million tons. This increase in cottonseed production carried throughout the remainder of USDA's balance sheet with no change in usage. There was an increase in 2018/19 ending stocks, bringing it to 438,000 tons, reflecting the increase in cottonseed production. This increase in cottonseed production was due to a slight increase in cotton production to 19.8 million bales in the October *Crop Production* report. USDA's increased cotton production was due to a six-pound-per-acre yield increase from 895 to 901 pounds per acre. USDA stated if the forecast by-state yields are realized, Alabama and Missouri would have record yields. USDA forecast Alabama's yield at 1,065 pounds per acre while Missouri was forecast by USDA at 1,245 pounds per acre. Informa Economics IEG adopted USDA's forecasts into its lint-to-seed ratio for 2018/19 cottonseed production, which brought IEG's 2018/19 cottonseed production to 6.3 million tons. This increase in cottonseed production flowed into ending stocks with stocks now forecast at 436,000 tons.

Prior to the release of USDA's reports, one of the strongest hurricanes recorded hit the Florida Panhandle. This hurricane was not considered in USDA's October *Crop Production* or *Oilseeds Outlook* reports. Traders are expecting to see yield losses across parts of Florida, Alabama, Georgia, South Carolina, and North Carolina due to Hurricane Michael's impact once the damage is fully assessed. Along with the hurricane in the Southeast, heavy rains have created concerns of yield and quality losses through Texas, Oklahoma, and Kansas. With the information that is known after the reports, USDA's increase in cotton yields across several states could be adjusted down. Some are looking for a decrease in yield in USDA's November *Crop Production* report, to be released on November 8, along with a decrease in cottonseed production in its *Oilseeds Outlook* report due to the timeline of the weather events that occurred a day before the release of the October report. Since the market is expecting a decrease in cotton and cottonseed production due to yield losses, IEG will be evaluating its 2018/19 cottonseed production forecast and balance sheet ahead of the November reports and adjust as necessary.

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	6,184	6,281
Total Supply	4,496	5,811	6,822	6,822	6,634	6,731
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	438	436
Source: USDA ERS						

Cottonseed fob points						
		Bid	Offer	Trade	Change	Yr Ago
Southeast		(\$/ton)				
North Carolina	Spot		130-132		1o	132o
	Nv-Dc		130-132		n/a	n/a
	Ja-Ag	150	152-155		n/a	145o
South Carolina	Spot		130-132	125	1o	130o
	Nv-Dc		130		n/a	n/a
South Georgia	Spot		150-155		-2o	130o
Mid-South		(\$/ton)				
Memphis North	Spot		153		-2o	145o
	OND		153		-2o	n/a
	Ja-Ag	170	180		n/a	n/a
Missouri Bootheel	Spot		159		-1o	150o
	OND		159		-1o	n/a
	Ja-Ag	175	190		n/a	170o
Northeast Arkansas	Spot		155		-5o	n/a
	OND		155		-5o	n/a
	Ja-Ag	170	185		unc	n/a
Southwest		(\$/ton)				
West Texas - Lubbock North	Spot		250		2o	172o
	Nv-Dc		210-218		n/a	159o
	Jn-Sp		245		n/a	n/a
Far West		(\$/ton)				
Arizona	Spot		275		10o	260t
	Nv-Dc		275		5o	n/a
California Corc. No.	Spot		305-310		n/a	282t
	OND		305-310		n/a	n/a
	Ja-Sp		315		n/a	n/a
	Clock		310		n/a	n/a
Pima California	Clock	255	260		n/a	n/a
Specially Processed Products		(\$/ton)				
Easi Flo - Courtland, AL	Spot		200		n/a	n/a
	Ja-Sp		220		n/a	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>
Northeast		(\$/ton)			
West New York	Spot	204o		2o	195o
	OND	204o		2o	190o
	Ja-Ag	222o		-5o	210o
Southeast Pennsylvania	Spot	175o		2o	180o
	OND	175o		2o	175o
	Ja-Ag	193o		-5o	195o
Northeast Ohio	Spot	197o		2o	195o
	OND	197o		2o	190o
	Ja-Ag	215o		-5o	210o
Midwest		(\$/ton)			
Michigan (Grand Rapids)	Spot	202o		2o	205o
	OND	202o		2o	200o
	Ja-Ag	220o		-5o	220o
Minnesota (Rochester)	Spot	242o		n/a	n/a
	Ja-Ag	255o		n/a	223o
Wisconsin (Madison)	Spot	228o		n/a	n/a
	Ja-Ag	248o		n/a	n/a
Rail - fob track points		(\$/ton)			
California - Rail	Nv-Mr		295o	unc	n/a
<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, 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, Bloomington, MN 55122.

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