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USDA AUGUST PRODUCTION REPORT: All cotton production was forecast at 13.1 million bales, which would be 3.2 million lower than last year and was 1.7 million lower than the average trade estimate. USDA reduced cotton planted area 100,000 acres from June, based on a follow-up survey in Texas. USDA's issued its first survey-based cotton harvested area projection at 7.9 million acres (or about 90% of the planted total). Cotton yields are forecast to average 795 pounds per acre, 43 pounds below last year. USDA forecasts record yields in Kansas, Tennessee, Arkansas and New Mexico.

USDA's 2015/16 cottonseed projection was 4.198 million tons, more than 500,000 tons below the forecast from their July balance sheet. This level of production is below earlier expectations. Final cotton production could be higher than suggested in this report due to mostly favorable crop conditions. Over the past several years cottonseed turnouts have been trending lower. Ten years ago there were 60 more pounds of cottonseed per bale of cotton produced compared to last year's output.

COTTONSEED MARKET: The lack of trading activity over the first few weeks of August follow the decline in corn and soybean futures and has given the market a bearish tone. Spot prices continue to trade lower while dairy buyers are reluctant to buy nearby cottonseed at current prices given narrow profit margins. There continues to be only light inquiries from dairies on new crop supplies. New crop trading remains lethargic as gins haven't sold much new crop and they are still willing to wait to see how much supply they will have to sell. Dairies are willing to wait in anticipation that prices will be lower come ginning season. This year however, the ginning season discount may be less than normal on less acreage and supply. This sets up the scenario that less spot supplies will be on the market during the ginning season and a higher percentage of the crop will be put in storage for sale later in the crop year. Traditionally, prices have been stronger late in the year and that may hold true this year provided there is price support from other feed ingredient prices.

Southeast and Mid-South markets have been quiet as of mid-August as many buyers have been content with softer spot prices. This situation will likely continue for the next several weeks. Nearby supplies are snug, so sellers are apt to be less willing to accept bids. New crop trading has been limited because northeast dairy demand remains weak and buyers are willing to wait and see how the market develops.

West Texas prices have drifted lower this month as California dairy buying interest remains light. Ginning started in the Coastal Bend of Texas which is weighing on the spot Lubbock North prices due to potential supply pressure. Only modest new crop trades have been reported this week in California. Gins in California are looking forward to stronger prices during ginning season because delays with the West Texas and Mid-South cotton crop suggest that harvest and ginning will be later than normal. This means demand for California supply could be stronger than normal in early fall.

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COTTONSEED BALANCE SHEET: USDA's 2014/15 balance sheet had a 15,000 decrease to exports. The Feed, Seed, and Other category was raised 19,000 tons, which resulted in a 4,000 ton reduction to ending stocks. This relates to a 9.1% stocks-to-use ratio which is 3/10ths of a percent above the 5-year average.

USDA's 2015/16 balance sheet had some major revisions. Production was reduced by 545,000 tons on concerns that the late planting will result in less production. The crush was lowered by 200,000 tons while the Feed, Seed, and Other category was down 350,000 tons. The net effect of the changes was a modest 4,000-ton increase to ending stocks to 394,000 tons. The last time ending stock were below 400,000 tons was after the 2009/10 crop year.

The Cottonseed Digest balance sheet for 2014/15 had a 9,000 ton reduction to imports bringing imports down to the lowest level in 3 years. The crush was lowered 27,000 tons given poor crushing economics and lackluster demand for cottonseed oil. These changes raised ending stocks 18,000 tons to 492,000 tons, and increased the stocks-to-use ratio to 9.6%.

For the 2015/16 crop year beginning stocks were raised 18,000 tons. Imports were lowered 5,000 tons. Production was lowered 95,000 tons, but still 27,000 tons above USDA's projection as the recent increase in temperatures across the Cotton Belt holds the potential for accelerated crop development and increased yields. Normal to warmer than normal temperatures for the next 30 days combined with a late frost in West Texas could result in final production being larger than projected. The Feed, Seed, and Other category was lowered 100,000 tons based on reduced availability of supply. Narrow dairy margins for the next couple months suggest cottonseed inclusion rates in dairy rations at current price levels will be minimal. Ending stocks were lowered to 392,000 tons with a stocks-to-use ratio of 9%.

Cottonseed Supply/Demand Balance Sheet (ooo tons)						
Year begins Aug 1	USDA	USDA	Aug / USDA	Aug / CSD	Aug / USDA	Aug / 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	471	492
Imports	182	198	100	70	0	25
Production	5666	4203	5125	5125	4198	4225
Total Supply	6278	4893	5650	5620	4669	4742
Crush	2500	2000	1900	1695	1600	1550
Exports	191	219	235	233	225	200
Feed, Seed, & "Other"	3094	2250	3044	3200	2450	2600
Total Disappearance	5786	4468	5179	5128	4275	4350
End Stocks	492	425	471	492	394	392

COTTONSEED fob points				
<u>PRICES 08-21-15</u>		<u>Trade</u>		<u>Yr Ago</u>
Southeast		(\$/ton)		
North Carolina	Spot	268o / 262-265t		367t
	OND	220b / 230		205t
South Carolina	OND	220b / 230		200t
Georgia So.	Spot	270		357t
	OND	220b / 230		207o
Mid-South		(\$/ton)		
Memphis No.	Spot	285b / 290o		355o
	OND	255o		240o
MO Bootheel	Spot	291t		360o
	OND	260o		240o
	Ja-Ag	280o		263o
NE Arkansas	Spot	290o		357o
	OND	260o		235t
Southwest		(\$/ton)		
West Texas: LN	Spot	320-325o 315-318t		317t
	OND	260-265b / 270o		251t
West Texas: SN	Spot	317-320t		317o
	OND	267b		n/a
Oklahoma	Spot	320o 315t		n/a
	OND	275o		n/a
Far West		(\$/ton)		
Arizona	Spot	375o		370o
Cal. Corc. No.	Spot	405-415o		442o
Pima California	Spot	360o		420o
Specially Processed Products (\$/ton)				
<i>Easi Flotm</i>	Courtland, AL	Ag-Sp	335	n/a
		Oc-Nv	290	285o
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North				

COTTONSEED dlvd. points				
<u>PRICES 08-21-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	333-3350		4430
	OND	293-3000		2750
SE Pennsylvania	Spot	315-3180		4250
	OND	275-2830		2570
NE Ohio	Spot	3330		4430
	OND	2930		2750
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	340-3430		4530
	OND	310-3130		2870
MN (Rochester)	Spot	358-3650		4250
	OND	323-3400		3060
WI (Madison)	Ja-Ag	3550		n/a
	Spot	350-3550		4170
	OND	315-3250		2970
	Ja-Ag	3450		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	3500		3250
Rail - job track points		(\$/ton)		
California	Spot		3850	n/a
	OND		3650	3570
	Clock		3750	n/a
Idaho (UP)	Spot		3700	n/a
	OND		3500	3350
	Clock		3600	n/a
WA/OR (BN)	Spot		4000	n/a
	OND		3800	3650

b = bid o = offer t = trade

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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