

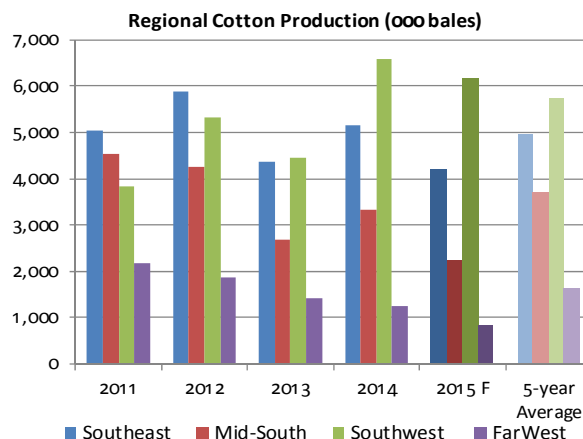
USDA SEPTEMBER PRODUCTION REPORT: The report raised all cotton production to 13.486 million bales, for an increase of 346,000 bales compared to its August report. The forecast for Texas was increased 450,000 bales due to favorable weather, high boll counts, and the likelihood of below average abandonment. The Southwest is the only region where 2015 projected production is above its 5-year average. Mid-South results would be the furthest behind its 5-year average, down 1.5 million bales.

COTTONSEED MARKET: Southeast and Mid-South spot prices jumped higher as of Mid-September because of tightening spot supply. Spot trades recently have been on small volumes. There are fewer gins with open offers since movement of supply was robust at the end of August and during the first half of September. This uptick in prices is not expected to last very long as harvest and ginning activity is around the corner.

Harvest in the Southeast is expected to start during the last week of September. The large peanut crop will need to be harvested first which could hold up the cotton harvest if there are rain delays, which appears likely by the end of next week. Harvest in the Mid-South will not likely start up until the first week of October due to delayed planting as the cool wet spring which held up the crop's development. Because of the earlier arrival of new crop supplies in the Southeast, their spot prices are apt to drift lower sooner than those in the Mid-South.

West Texas prices have steadily trended lower during September as there continues to be ample nearby supply to sell. Meanwhile, local dairy buying interest remains lackluster. Poor dairy economics on low milk prices combined with price competition from other grain byproducts like distiller dried grains are expected to displace some cottonseed in feed rations for the next several months.

Far West prices have held steady, yet trading remains light. There is still risk that supplies will tighten in the California market before local new crop supplies are available to the market and cause prices to rally. Any rail tightness during the last half of September and first half of October suggests that California price will likely shoot higher. Spot Pima prices are weak and appear to have more upside potential. Forward sales in California were made due to the narrow price spread between new crop gin-run prices and clock offers. If more bookings are made the price spread is apt to widen on stronger clock offers rather than softer gin-run offerings.



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COTTONSEED BALANCE SHEET: USDA's 2014/15 balance sheet had imports decline 41,000 tons, lowering total supply the same amount. Exports were lowered 7,000 tons. The stocks-to-use ratio declined to 8.4% the lowest in the past 3 years.

The largest change to the 2015/16 USDA balance sheet was the 107,000 ton increase to production thanks to cotton crop conditions remaining above average levels. Beginning stocks were lowered 34,000 tons, netting a 73,000-ton increase to total supply. USDA increased their crush estimate by 50,000 tons which is still 623,000 tons below the 5-year average. Meanwhile, they raised their Feed, Seed and Other category 30,000 tons. The Feed, Seed and Other total is nearly 400,000 tons below its 5-year average. Ending stocks dropped 27,000 tons. The stocks-to-use ratio of 8.4% was even with their 2014/15 projection.

The Cottonseed Digest balance sheet for 2014/15 lowered imports 11,000 tons to just under half of the 5-year average. Exports were lowered 5,000 tons, but are above the previous year's level and 6,000 tons above the 5-year average.

Beginning stocks for the 2015/16 crop year were lowered 6,000 tons. Production was raised 86,000 tons. If conditions remain favorable in West Texas and boll-counts remain above average, cottonseed yields will likely be higher than expected and could result in larger production. Export buying interest has been lackluster due to the strong dollar and the projected amount was lowered 20,000 tons, which would be 30,000 tons below the 5-year average. The crush was unchanged with last week as crushing economics haven't improved enough from last month to increase the total. The Feed, Seed and Other category was raised 80,000 tons. Current dairy economics are weak, but producer margins haven't turned negative yet. In 2016, the outlook for modest improvements in milk prices and should improve dairy profitability. Ending stocks were raised 15,000 tons. The stocks-to-use ration was raised to 9.2%, up 0.2%.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	Sept. / USDA	Sept. / CSD	Sept. / USDA	Sept. / 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	437	486
Imports	182	198	59	59	0	20
Production	5666	4203	5125	5125	4305	4311
Total Supply	6278	4893	5609	5609	4742	4817
Crush	2500	2000	1900	1695	1650	1550
Exports	191	219	228	228	225	180
Feed, Seed, & "Other"	3094	2250	3044	3200	2500	2680
Total Disappearance	5786	4468	5172	5128	4375	4410
End Stocks	492	425	437	486	367	407

COTTONSEED fob points				
<u>PRICES 09-18-15</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	Spot	2700		n/a
	OND	215b / 220-225o		193t
	Ja-Ag	240b / 245-250o		n/a
South Carolina	OND	215b / 220-225o		193t
Georgia So.	Spot	268o / 265t		n/a
	OND	215b / 225-227o		193t
	Ja-Ag	240b / 245-250o		n/a
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	2800		n/a
	OND	250b / 255o / 250t		225t
	Ja-Ag	265b		n/a
MO Bootheel	OND	250b / 255o		228t
	JFM	265t		n/a
	Ja-Ag	270t		n/a
NE Arkansas	OND	246t		228t
	Ja-Ag	266t		n/a
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	270t		265t
	OND	255b / 260o		230o
	Ja-Sp	282o		n/a
Oklahoma	Spot	290t		n/a
	OND	260b / 265o		n/a
<i>Far West</i>		(\$/ton)		
Arizona	Spot	370o		360t
Cal. Corc. No.	Spot	405o / 400t		430o
	Nv-Ja	370o		n/a
	Clock	372o		355o
Pima California	Spot	350o / 340-345t		385o
	Nv-Ja	340o		n/a
	Clock	350o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Oc-Nv	290	265o
		Ja-Ag	315	280o
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 09-18-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	OND	288-2900		2560
	Ja-Ag	308-3100		2760
SE Pennsylvania	OND	2700		2450
	Ja-Ag	2900		2650
NE Ohio	OND	2880		2560
	Ja-Ag	3080		2760
Midwest		(\$/ton)		
MI (Grand Rps.)	OND	298-3000		2660
	Ja-Ag	318-3200		2860
MN (Rochester)	Spot	3600		4490
	OND	328-3300		2900
WI (Madison)	Ja-Ag	348-3500		3100
	Spot	350-3550		4490
	OND	3200		2850
	Ja-Ag	3480		3050
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	3250		2650
Rail - fob track points		(\$/ton)		
California	Nv-Ja		3600	n/a
	JFM		3650	n/a
Idaho (UP)	Spot		3600	n/a
	OND		3500	3210
	Clock		3550	3320
WA/OR (BN)	Nv-Ja		3750	n/a
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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