

COTTONSEED MARKET: Trading remains light which is common for this time of year when supplies are limited due to gins having cleared out warehouses ahead of harvest and new crop supply. Nearby offers are thin and there hasn't been much buying interest nor trading nearby. Resellers and dairy buyers appear to have sufficient supplies booked for the nearby and are holding off on purchases until anticipated lower-priced new crop supplies become available.

In the Southeast, old crop supply has tightened through out the week with each trade supported by a modest increase in nearby prices. Trading volumes remain light given this time of year and tight supply. New crop trading volume remains below average levels. Dairy demand remains sluggish as availability of other feed ingredients suggests that prices will need to be more competitive than in past years in order to get back the demand that was lost over the past year.

Mid-South nearby offers have been difficult to find given the tight supply situation. The Delta states should have new crop cottonseed on the market during the last couple weeks of September. Mid-South new crop trading remains light. Gins are not motivated to sell at current prices yet other feed ingredient prices are weaker so they may need to reconsider their stance. Oil mills are keeping to the sidelines while their net-product value of whole cottonseed for oil mills has drifted a couple dollars lower as of Mid-September. The standoff between buyers and sellers is expected to last until October when more gins are running hard and offers are abundant. Currently, the buyers appear to have the upper hand and once supplies start backing up there will likely be additional downward pressure on prices.

West Texas nearby offers have firmed up by mid-September. End users are only coming to market once they need product to meet their immediate needs. New crop offers and bids have drifted lower, but trading remains light. There have been growing concerns about too much rain and not enough heat units for the West Texas crop to finish off the season to its full potential. Nonetheless, the percentage of abandonment will be below its average level and there should be ample cottonseed supply once ginning gets under way.

The California truck market had prices edge higher during September as supply tightened due to rail logistics. Dairy buying interest remains soft, and it appears that cottonseed prices will need to be more competitive. Pima supply continues to have difficulty to find demand even at its wide price spread to upland cottonseed.

Given larger than a year ago corn, soybean, and cottonseed crops, buyers are anticipating lower prices this fall. Gins are unwilling to sell at current levels in anticipation that there might be an event to prop up prices. New crop cottonseed prices are well below year ago and 5-year average levels suggesting

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there could be a glut of supply on the market this ginning season which poses the possibility of lower prices. This year the dairy margin outlook is favorable, but the dairy buyers have many competitive options available to them which will limit the upside price potential for cottonseed prices.

COTTONSEED BALANCE SHEET: USDA lowered 2015/16 crop imports 1,000 tons. Meanwhile, exports were raised 6,000 tons. The Feed, Seed, and Other category was lowered 8,000 tons. The net effect of the changes was a 1,000-ton increase from last month. This brings ending stocks to its lowest level since the 2009/10 crop year.

USDA raised 2016/17 production 92,000 tons which was the largest change in this month's balance sheet report. The Feed, Seed, and Other category was raised 75,000 tons. Ending stocks were raised 18,000 tons to a level 32,000 tons below the 5-year average. The stocks to use ratio was raised two-tenths of a percent, but remains 1.1% below the 5-year average.

The Cottonseed Digest 2015/16 balance sheet has imports lowered a percentage point. The crush was raised 5,000 tons. USDA didn't report a crush for July in the most recent Oilseed Crushing report. The crush has been running 30% below its 5-year average, so that is how a number for July was derived to raise the crop year total. Exports were raised 6,000 tons. Mexico was the primary destination for cottonseed with over 66,000 tons shipped. A close second place finisher was Saudi Arabia with more than 54,000 tons. The Feed, Seed, and Other category was raised 45,000 tons. Ending stocks were lowered 56,000 tons. The resulting ending stocks were eight-tenths a percent below the 5-year average.

For the 2016/17 crop year production was raised 45,000 tons, which was the largest change this month. The increase is based on increased acreage and mostly favorable crop conditions and ratings. Crop conditions are not as good as of mid-September a year ago when 43% of the crop was classified as good and 9% was excellent. The mid-month crop was classified at 39% as good and 9% as excellent. Imports were lowered 10,000 tons as ample supply and likelihood for below year ago prices should make the US market less attractive for sellers. The crush was raised 40,000 tons as greater seed supply and lower gin-run pricing should favor crusher profitability in coming months. Exports were raised 5,000 tons as lower prices should increase exports compared to a year ago. The Feed, Seed, and Other category are unchanged this week. Current dairy buying interest remains light, but prices are expected to be attractive enough to result in the highest usage from this category since the 2006/07 crop year. Ending stocks were 66,000 tons lower. The stocks to use ratio remains 1.5% above the 5-year average, which suggests supply should remain comfortable.

Year begins Aug 1	Cottonseed Supply/Demand Balance Sheet (000 tons)					
	USDA	USDA	Sept / USDA	Sept / CSD	Sept / USDA	Sept / CSD
	2013/14	2014/15E	2015/16F	2015/16F	2016/17F	2016/17F
Beg. Stocks	492	425	437	437	391	399
Imports	198	59	16	24	15	25
Production	4203	5125	4043	4043	5147	5130
Total Supply	4893	5609	4496	4504	5553	5554
Crush	2000	1900	1500	1515	1900	1640
Exports	219	228	136	136	250	225
Feed, Seed, & "Other"	2250	3044	2469	2454	3000	3175
Total Disappearance	4468	5172	4105	4105	5150	5040
End Stocks	425	437	391	399	403	514

COTTONSEED fob points				
<i>PRICES 09-16-16</i>		<i>Trade</i>		<i>Yr Ago</i>
Southeast		(\$/ton)		
North Carolina	Spot	225-230o		270o
	OND	190b / 195o		222o
	Ja-Ag	215o		247o
Georgia So.	Spot	240-24o		265t
	OND	190o / 185t		226o
	Ja-Ag	210o		247o
Mid-South		(\$/ton)		
Memphis No.	Spot	245-248o		280o
	OND	219-220o		250t
MO Bootheel	Spot	245o		n/a
	Oc-Nv	210b / 215o		n/a
	Ja-Ag	235o		270t
NE Arkansas	Spot	245o		n/a
	Oc-Nv	215o		n/a
Southwest		(\$/ton)		
West Texas: LN	Spot	260o		270t
	OND	218-220o		260o
	Ja-Sp	243-245o		282o
West Texas: SN	Spot	260o		n/a
	OND	218o		n/a
Oklahoma	OND	215b / 225o		265o
	Ja-Ag	225b / 235o		n/a
Far West		(\$/ton)		
Arizona	OND	310-315o		n/a
Cal. Corc. No.	Spot	365o		400t
	Oct	345o		n/a
	Nv-Sp	325o		n/a
Pima California	Spot	245-250o		342t
	OND	250-260o		n/a
Specially Processed Products (\$/ton)				
<i>Easi Flotm</i>	Courtland, AL	Spot	280o	330o
		Oc-Nv	255o	290o
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 09-16-16</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	292o		333o
	OND	262o		289o
	Ja-Ag	282o		309o
SE Pennsylvania	Spot	275o		315o
	OND	245o		270o
	Ja-Ag	260o		290o
NE Ohio	Spot	292o		333o
	OND	262o		288o
	Ja-Ag	282o		308o
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	302o		343o
	OND	272o		299o
	Ja-Ag	292o		319o
MN (Rochester)	Spot	310o		360o
	OND	280o		329o
WI (Madison)	Spot	305o		352o
	OND	275o		320o
	Ja-Ag	295o		348o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	280o		325o
Rail - job track points		(\$/ton)		
California	OND		305o	n/a
	Nv-Sp		310t	n/a
Idaho (UP)	Nv-Dc		303o	n/a
	Nv-Sp		308o	n/a
WA/OR (BN)	Nv-Dc		315o	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, dairymen in this group will migrate up into Groups 1, 2 or 3.

Cottonseed Intelligence Monthly is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@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.

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