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# Cottonseed Intelligence Monthly

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**COTTONSEED MARKET:** As of mid-October trading activity and open offers were limited in the Carolinas following the heavy rains and winds from Hurricane Matthew. Prices managed to hold firmer than most anticipated due to limited supply being offered on the market. Besides logistical issues related to washouts and flooding, not all gins were able to run because of downed power lines. The impact on cottonseed production is still unclear. There is some optimism that this year's impact will be less than last year's Hurricane Joaquin. The reason being that weather quickly changed to dry and clear skies and cooler temperatures allowing for bolls to dry. Even if some production is lost, the impact on price will likely be much less than last year because not much of new crop has been sold at this point due to weak dairy demand and gins not willing to accept bids. This means there should be fewer short positions in the market to drive prices higher.

The Georgia market had prices drift slightly lower during the first couple weeks of October as new crop supply increased. Harvest continued to progress and gin runtimes have ramped up while Hurricane Matthew didn't have much of an impact on the Georgia market. The standoff in the market continues as price levels are below what gins are willing to sell and above what dairies are willing to pay. The weakness in western markets recently suggests that Southeastern prices have more downside price risk in order to remain competitive in delivered markets.

Harvest progress in the Mid-South continues to be ahead of the average level thanks to open weather. The dry conditions should help with the quality of cottonseed for a quick and smooth flowing ginning season. Most gins are expected to be done with ginning before or by the first week of December. Currently, most gins are filling their storage in anticipation that they will be able to sell their cottonseed at higher prices in early 2017. Once the storage fills up, ginning pressure is expected to develop and pressure prices lower. It could take a couple more weeks for this situation to develop.

West Texas nearby prices are keeping a premium compared to gin-run offers. Spot trading remains limited as buyers are willing to hold off on making purchases as they can get their hands on new crop supply under contract which is priced lower. Dairy demand remains lackluster, but prices are expected to move lower leading to an increase in inclusion rates.

Far West prices have drifted lower as supply pipelines have edged higher. In California more gins are running on upland cotton. The second boatload of Australian cottonseed is expected to land during the second half of October. Likewise, more rail cars of cottonseed are expected to arrive as well. This leaves the market well supplied. Meanwhile, dairy buyers have been showing interest, but not much trading has been accomplished due to competitively priced alternatives like distillers dried grains.

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**COTTONSEED BALANCE SHEET:** USDA balance sheets for the 2015/16 was unchanged from last month. 2016/17 crop production was lowered 37,000 tons. The drop in production is related to lower cotton yields and production estimates compared to a month ago. Projected harvested area remains unchanged from last month. Imports were raised 20,000 tons resulting in total supply drifting 17,000 tons lower than last month. The feed, seed and other category was lowered 19,000 tons. Ending stocks were raise a modest 2,000 tons.

The Cottonseed Digest balance sheet for 2015/16 is unchanged from last month. The 2016/17 balance sheet has production lowered 30,000 tons related to the 108,000 bale projected decline to cotton production. Next month could have additional modest production declines based on Hurricane Matthew. Elsewhere on the supply side, imports were raise 25,000 tons as another vessel of Australian cottonseed is scheduled to land this month. The net effect of the changes was a 5,000-ton decline in supply.

The crush total remains unchanged as favorable crushing economics should lead to increased crushing than a year ago. Runtimes should be stronger given the larger supply of cottonseed. Exports were raised 15,000 tons. September's monthly results for exports to Mexico were the largest since 2014. Ample supply and expectations for lower prices this fall should bring more export buying interest to the market. Current export bookings are mediocre, but should improve once more ginning takes place. The feed, seed and other category is unchanged. Current forward buying remains less than normal at this point in the season. Cottonseed prices are expected to soften enough to attract more demand than last year. The net result is a 20,000-ton drop in ending stocks. The stock to use ratio at 9.8% is still 1.1 percentage points above the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	Oct / USDA	Oct / CSD	Oct / USDA	Oct / 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	35	50
Production	4203	5125	4043	4043	5110	5100
<b>Total Supply</b>	<b>4893</b>	<b>5609</b>	<b>4496</b>	<b>4504</b>	<b>5536</b>	<b>5549</b>
Crush	2000	1900	1500	1515	1900	1640
Exports	219	228	136	136	250	240
Feed, Seed, & "Other"	2250	3044	2469	2454	2981	3175
<b>Total Disappearance</b>	<b>4468</b>	<b>5172</b>	<b>4105</b>	<b>4105</b>	<b>5131</b>	<b>5055</b>
End Stocks	425	437	391	399	405	494

<b>COTTONSEED fob points</b>				
<u>PRICES 10-14-16</u>		<u>Trade</u>		<u>Yr Ago</u>
<b>Southeast</b>		<b>(\$/ton)</b>		
North Carolina	Spot	205-210t		n/a
	OND	185b		242o
Georgia So.	Spot	185o		250o
	OND	185o / 180t		241o
<b>Mid-South</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	200-205o		275o
	OND	200-202o		275t
	Ja-Ag	220o		290o
MO Bootheel	Spot	205t		n/a
	OND	200-204o		277o
NE Arkansas	Spot	205t		280o
	OND	200-204o		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	230o / 228t		268t
	OND	205b / 210-212o		265t
	Ja-Sp	220b / 225-230o		285o
West Texas: SN	Spot	230o		n/a
	OND	210t		n/a
Oklahoma	OND	210b / 220		260o
<b>Far West</b>		<b>(\$/ton)</b>		
Arizona	Spot	290-295o		370o
Cal. Corc. No.	Spot	325-335o		397t
	Nv-Dc	310o		378o
	Nv-Sp	308-310o / 305t		n/a
Pima California	OND	255o		n/a
<b>Specially Processed Products (\$/ton)</b>				
<b>Easi Flo<sup>tm</sup></b>	Courtland, AL	OND	253o	n/a
		Ja-Ag	270o	335o
<b>b = bid o = offer t = trade n/a = not available</b> <b>West Texas: LN=Lubbock North, PN=Plainview North, SN=Seminole North</b>				

<b>COTTONSEED dlvd. points</b>				
<u>PRICES 10-14-16</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	277o		312o
	OND	262o		309o
	Ja-Ag	282o		329o
<b>SE Pennsylvania</b>	Spot	260o		295o
	OND	245o		292o
	Ja-Ag	265o		312o
<b>NE Ohio</b>	Spot	277o		312o
	OND	262o		309o
	Ja-Ag	282o		329o
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	287o		322o
	OND	272o		319o
	Ja-Ag	292o		339o
<b>MN (Rochester)</b>	Spot	275o		347o
	OND	270-275o		347o
	Ja-Ag	285-290o		362o
<b>WI (Madison)</b>	OND	265o		340o
	Ja-Ag	270o		360o
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	280o		285o
<b>Rail - job track points</b>		<b>(\$/ton)</b>		
<b>California</b>	OND		293-295o	n/a
	Nv-Sp		297t	368t
<b>Idaho (UP)</b>	OND		290o	n/a
	Nv-Sp		295o	365o
<b>WA/OR (BN)</b>	OND		300o	n/a
<b>b = bid o = offer t = trade n/a = not available</b>				

**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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