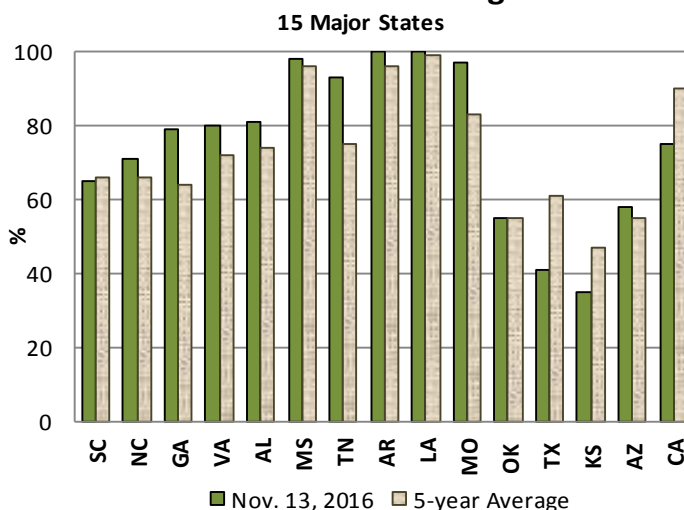


**COTTONSEED MARKET:** The market turned quiet at the midpoint of November as there have been fewer offers and less new trades done. Most resellers are taking supply off of contracts, but there has been a slow-down in movement on light end user demand. The recent strength in milk prices at the end of October and has kept above \$16.60/cwt for most of November should help dairy margins. Beyond an improvement to dairy profitability for the next couple months the milk price it is not expected to be enough of an influence to cause an increase in cottonseed demand.

The harvest progress graph shows that most states in the Eastern half of the Cotton Belt are ahead of their average pace. From Texas to the West, most states are behind their average. This coincides with gins in the Southeast and Mid-South less willing to sell additional supply as they are pacing their remaining supply in the warehouse and not over commit on sales. For the West Texas market, trading has been moderate with most supply moving to oil mills or rail shipping points. Once supply pipelines fill, prices will likely begin to erode. There doesn't appear to be enough support for prices since dairy profitability longer-term is questionable and there are abundant supplies of competing feed ingredients like distillers dried grains and more than normal on-farm feed supply like high quality alfalfa and silage.

The flow of supplies shipping by rail to Far West markets continues at a steady pace. In California, there are a number of gins running bringing new crop supply to market as well. Dairy buyers have kept on the sidelines as they have a large variety of different feed ingredients that they can use in their feed rations. For cottonseed to have larger inclusion rate prices will need to soften several dollars.

**US Cotton Harvest Progress**



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**COTTONSEED BALANCE SHEET:** USDA's November balance sheet had 2016/17 production raised 50,000 tons. The feed, seed and other category was raised by the same amount. The offsetting changes kept ending stocks unchanged. The stocks-to-use ratio was 7.8%, a tenth of a percent lower than a month ago. This appears tighter than expected given the 5-year average stocks-to-use ratio is 8.7% and this year there is an abundance of feed ingredients.

The Cottonseed Digest balance sheet for the 2015/16 crop year is unchanged from last month. The 2016/17 balance sheet has a 40,000-ton production increase following the increase in cotton yield estimates. The majority of the increase comes from West Texas while there were reductions in the Carolinas. Imports are unchanged from last month, but given the large crop in Australia, there is the possibility that imports need to be monitored and may have to be raised later.

The increase in production went to raising ending stocks to 534,000 tons. The last time ending stocks were over 500,000 tons was during the 2010/11 crop year. That year cottonseed production was over 6 million tons and the stocks-to-use ratio was 10.6%, in line with Cottonseed Digest's current ratio.

Crush, exports, and the feed, seed and other category were unchanged. Until there is a clear signal in the market that dairies are increasing inclusion rates of cottonseed in diets, the feed, seed and other category will not increase. Given the abundance and affordability of other feed ingredients in the market, it appears that cottonseed is missing a marketing opportunity. The current market environment suggests that cottonseed prices will need to move lower in order to attract enough demand to make the current feed, seed and other category total. Dairy demand is down due to the outlook for weak profit margins.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	Nov / USDA	Nov / CSD	Nov / USDA	Nov / CSD
	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16E</u>	<u>2015/16E</u>	<u>2016/17F</u>	<u>2016/17F</u>
Beg. Stocks	492	425	437	437	391	399
Imports	198	59	16	24	35	50
Production	4203	5125	4043	4043	5160	5140
<b>Total Supply</b>	<b>4893</b>	<b>5609</b>	<b>4496</b>	<b>4504</b>	<b>5586</b>	<b>5589</b>
Crush	2000	1900	1500	1515	1900	1640
Exports	219	228	136	136	250	240
Feed, Seed, & "Other"	2250	3044	2469	2454	3031	3175
<b>Total Disappearance</b>	<b>4468</b>	<b>5172</b>	<b>4105</b>	<b>4105</b>	<b>5181</b>	<b>5055</b>
End Stocks	425	437	391	399	405	534

<b>COTTONSEED fob points</b>				
<u>PRICES 11-18-16</u>		<u>Trade</u>		<u>Yr Ago</u>
<b>Southeast</b>		<b>(\$/ton)</b>		
North Carolina	Spot	185b / 195o / 185t		252t
	JFM	195-200o		n/a
	Ja-Ag	190b / 210o		260b
South Carolina	Spot	176b / 180o		n/a
	JFM	190b / 195o		n/a
	Ja-Ag	198b / 200o		n/a
Georgia So.	Spot	175b / 180-185o		248o
	JFM	190b / 195o		n/a
	Ja-Ag	195-198o		n/a
<b>Mid-South</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	200o / 200t		282o
	Dec	203t		n/a
	JFM	210o		n/a
	Ja-Ag	218o		290o
MO Bootheel	Spot	200-203o		285o
	Ja-Ag	220o		290o
NE Arkansas	Spot	200-203o		285o
	Ja-Ag	220o		290o
<b>Southwest</b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	208-210o		271t
	Ja-Sp	225o		n/a
West Texas: SN	Spot	210o		267b
	Ja-Sp	225o		n/a
Oklahoma	Spot	210o / 215o		250o
	Ja-Sp	225o		n/a
<b>Far West</b>		<b>(\$/ton)</b>		
Arizona	Spot	265-270o / 280o		355o
Cal. Corc. No.	Spot	305o / 310o		376t
	Nv-Sp	305o		n/a
Pima California	Spot	255o		315o
	Nv-Sp	260o		n/a
<b>Specially Processed Products (\$/ton)</b>				
<i>Easi Flo<sup>tm</sup></i>	Courtland, AL	Spot	245o	315o
		Ja-Ag		330o
<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>				
<b>PRICES 11-18-16</b>		<b>Truck</b>	<b>Rail</b>	<b>Yr Ago</b>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	255o		332o
	JFM	267o		n/a
	Ja-Ag	273o		352o
<b>SE Pennsylvania</b>	Spot	238o		315o
	JFM	250o		n/a
	Ja-Ag	256o		335o
<b>NE Ohio</b>	Spot	255o		332o
	JFM	267o		n/a
	Ja-Ag	273o		352o
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpd.)</b>	Spot	265o		345o
	JFM	277o		n/a
	Ja-Ag	283o		365o
<b>MN (Rochester)</b>	Spot	265o		352o
	Ja-Ag	275o		352o
<b>WI (Madison)</b>	Spot	260o		349o
	Ja-Ag	270-273o		349o
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	240o		295o
<b>Rail - job track points</b>		<b>(\$/ton)</b>		
<b>California</b>	Nv-Ja		297o	n/a
	Nv-Sp		295t	n/a
<b>Idaho (UP)</b>	Spot		283o	n/a
	Nv-Sp		283o	n/a
<b>WA/OR (BN)</b>	Spot		298o	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.

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