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# Cottonseed Intelligence Monthly

# CIM

**COTTONSEED MARKET:** Nationally, cottonseed prices during December were steady to firmer due to the end of fresh ginning supplies and a rise in the price of competing feed ingredients. Prices in California sunk a bit further during December despite tightness in the region caused by a hotter-than-normal growing season. North Carolina exhibited a price increase during the past month, partially on account of the greater trouble the region has had with truck logistics. While the rest of the country suffered a setback on December 18 from the US Department of Transportation's (DOT) implementation of electronic logging devices (ELD), the stricter regulations may have hit the Southeast disproportionately hard because of the region's long-running truck tightness already present. Over the next three to six months, the Midsouth may also feature particular impacts from the ELD implementation because of the region's tendency to service Midwest dairies through long-haul routes.

Informa's projected carryout remains larger than USDA's, chiefly due to USDA's very large crush usage expectation. Informa's greater carryout implies still further price declines may be ahead. However, the strong feed usage observed in December suggest that a leg lower in cottonseed prices may only come after other feed ingredient prices relax. While the bulk of the relaxation is not expected to take long, feeders' full return to corn-, soy-, and canola-ingredients may not remove support from cottonseed until well into the first quarter. By then, the more supportive, intervening tone in cottonseed markets may discourage sellers from chasing the cottonseed market lower. In short, the bulk of the downside price risk to cottonseed has been pushed into the latter half of the marketing year by the market's recent price support.

**COTTONSEED BALANCE SHEET:** During December, USDA's ERS increased its 2017/18 production projected by a modest 25,000 tons to 6.758 million tons, which was more than offset by its 40,000-ton increase to 360,000 tons in projected exports. USDA does not typically adjust acreage estimates in December, and the increase in cottonseed production estimates were due to increased cotton yield estimates. Both USDA's adjustments moved estimates closer to Informa's, which has been calling for slightly greater production and far greater non-crush consumption to account for USDA's remarkably high 2.400-million-ton crush forecast.

On January 2, USDA's NASS released its estimates of November cottonseed crushing volumes. These estimates were lower than the market was anticipating despite being nearly 10 percent higher

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than those of the preceding month. November's figure was six percent higher than the same month the year prior and two percent above the five-year average, but it failed to catch up to the sharply higher pace needed to reach USDA's or Informa's 2017/18 projections. If USDA's forecast were to be realized, it would imply an average monthly volume at 224,000 tons, including a seasonal peak in December at 257,000 tons. So far this year, crush has averaged 152,000 tons per month.

Admittedly, crush volumes typically climb throughout the fall and winter, cresting around March before beginning their decline through spring and summer. According to anecdotal evidence, the market was expecting that November could exhibit much stronger month-over-month gains after smoothing out the operational inefficiencies suffered in October. Cottonseed prices in September had still been holding onto much of their pre-ginning premiums, dis-incentivizing crushers.

While low crushing volumes in September made it more difficult for the industry to reach USDA's lofty 2.400-million-ton 2017/18 crush projection, lower-than-expected estimates for November indicate crushers have not been keeping pace with USDA's projections even after substantial and large crush margins emerged in October. The implication is that such crushing capacity may simply no longer exist. In 2012/13, crushers managed to process 2.500 million tons. Since that time, plant closures have led to significant declines in crush capacity, ostensibly removing roughly 300,000 tons from cottonseed crushing capacity.

Additionally, the outlook for crushing margins has deteriorated. During December, cottonseed's net product value – a calculated value of the total worth of meal, hulls, and oil – declined for the benchmark Midsouth region. It fell from a recent peak at \$209 per ton on December 1 to \$186 per ton immediately before the holiday period, the latest period for which data are available. At the same time, cottonseed prices in the region have climbed from an early December low at \$125 per ton to roughly \$153 per ton due to less readily available supplies caused by the end of ginning. The compression of crushing margins may not last, but the immediate effect could be a dimming enthusiasm for cottonseed crush.

In light of the lower-than-expected November crush estimate, Informa reduced its 2017/18 crush projection by

100,000 tons to 2.100 million tons. This projection may be further reduced in the future, placing a larger onus on feeders to increase usage to compensate for the larger available supplies. If feeders are flush with cheap feed alternatives throughout the remainder of the marketing year, the sizeable downside price risk may return.

Year begins Aug 1	Cottonseed Supply & Demand Estimates (1,000 tons)					
	USDA	USDA	Sept	Sept	Sept	Sept
	2014/15	2015/16	USDA	IEG	USDA	IEG
	2016/17F	2016/17F	2017/18F	2017/18F		
Beg. Stocks	425	437	391	391	399	399
Imports	59	16	51	51	0	0
Production	5,125	4,043	5,369	5,369	6,783	6,800
<b>Total Supply</b>	<b>5,609</b>	<b>4,496</b>	<b>5,811</b>	<b>5,811</b>	<b>7,182</b>	<b>7,199</b>
Crush	1,900	1,500	1,769	1,769	2,400	2,100
Exports	228	136	342	342	400	460
Feed, Seed, & Residual	3,044	2,469	3,301	3,301	3,950	4,050
<b>Total Disappearance</b>	<b>5,172</b>	<b>4,105</b>	<b>5,412</b>	<b>5,412</b>	<b>6,750</b>	<b>6,610</b>
End Stocks	437	391	399	399	432	589

<b>Cottonseed fob points</b>						
		<b>Bid</b>	<b>Offer</b>	<b>Trade</b>	<b>Change</b>	<b>Yr Ago</b>
<b>Southeast</b>		<b>(\$/ton)</b>				
North Carolina	Spot		120-130	125-130	2o	190t
	Jan			130	n/a	n/a
	JFM		140	135	n/a	200o
	Ja-Ag	145	150		n/a	190b
	Fb-Mr		135-140		n/a	n/a
South Carolina	Spot		120-130		2o	n/a
	JFM		140		n/a	n/a
	Ja-Ag		150		n/a	n/a
South Georgia	Spot		130-140	134	0o	185o
	JFM	140-142	143-148		n/a	195o
	Ja-Ag		150		n/a	198o
<b>Mid-South</b>		<b>(\$/ton)</b>				
Memphis North	Spot		150-155		5o	200o
	Ja-Sp		155-165		-2o	n/a
Missouri Bootheel	Spot			150-155	n/a	200o
	Jan	150			n/a	n/a
Northeast Arkansas	Spot			150-155	n/a	200o
	Jan		155-156		n/a	n/a
<b>Southwest</b>		<b>(\$/ton)</b>				
West Texas - Lubbock North	Spot	160	165-175	170	6t	200o
	Ja-Sp	165	180		-2o	215o
<b>Far West</b>		<b>(\$/ton)</b>				
Arizona	Spot	240	245-250		2o	275o
	Dc-Ja	235	245-255	250	unc	n/a
	JFM	240-245	250		n/a	n/a
	Ja-Sp	260	250		-8o	n/a
California Corc. No.	Spot	268-270	272		3o	295t
	JFM		272		n/a	n/a
	Ja-Sp	268	272		n/a	298o
	Ap-Sp		272		n/a	n/a
Pima California	Spot		240-250		unc	258t
	Dc-Ja			245	n/a	n/a
<b>Specially Processed Products</b>		<b>(\$/ton)</b>				
Easi Flo - Courtland, AL	Spot		200		5o	245o
	Jan		200		n/a	n/a
	Ja-Ag		205		unc	n/a

*b = bid o = offer t = trade n/a = not available*

<b>Cottonseed dlvd. points</b>					
		<b>Truck</b>	<b>Rail</b>	<b>Change</b>	<b>Yr Ago</b>
<b>Northeast</b>		<b>(\$/ton)</b>			
West New York	Spot	185t		5o	254o
	JFM	195t		n/a	267o
	Ja-Ag	210o		unc	273o
Southeast Pennsylvania	Spot	170t		5o	237o
	JFM	180t		n/a	250o
	Ja-Ag	195o		unc	256o
Northeast Ohio	Spot	185t		5o	254o
	JFM	195t		n/a	267o
	Ja-Ag	210o		unc	273o
<b>Midwest</b>		<b>(\$/ton)</b>			
Michigan (Grand Rapids)	Spot	195t		5o	264o
	JFM	205t		n/a	277o
	Ja-Ag	220o		unc	283o
Minnesota (Rochester)	Spot	225o		unc	261o
	JFM	225o		n/a	n/a
	Ja-Ag	230o		5o	269o
Wisconsin (Madison)	Spot	215o		unc	255o
	JFM	215o		n/a	n/a
	Ja-Ag	220o		-1o	264o
<b>Rail - fob track points</b>		<b>(\$/ton)</b>			
California - Rail	Spot		262o	2o	288o
	JFM		262t	-3o	n/a
	Ja-Sp		260-265o	unc	288t
Idaho - Rail UP	JFM		260t	n/a	290o
	Ja-Sp		260o	2o	285t
<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: 901-202-4443. E-mail: [grady.ferguson@informaecon.com](mailto:grady.ferguson@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. Information has been obtained by Informa Economics from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, 3464 Washington Drive, Suite 120, Eagan, MN 55122.

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