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COTTONSEED MARKET: IEG Vantage's price outlook is for weakening cottonseed prices nearby on sporadic spot trading with greater downside potential as new crop arrives. The near-term upside risk is concentrated in the second half of October after the Cotton Ginnings report is released. Annual total crush is forecast by USDA to be 14 percent larger in 2019/20 than last year, driven primarily by a larger crop and larger old crop carryout. While crush is expected to be greater than the last two years, it is unlikely to encompass much more of the industry demand than in past recent years. Despite increased crush, exports, and feed use forecasts, cottonseed and cottonseed meal prices are expected to decline slightly in new crop, driven lower by supply and low substitutable grain prices.

During September the cottonseed market has generally been quiet, with what were high prices for old crop softening on tepid trading, users continuing to buy only on a must-have basis. Cotton harvest is finally in full swing across the southern part of the country. Defoliation has been appearing on pima in the San Joaquin Valley with picking likely to begin the second week of October. In Georgia and the Carolinas thus far most of the crop coming out of the fields has had decent yield and looked to be in good condition. While officially there might be a few days left before October, overall the trade has been out of old crop 2018/19 seed for a few weeks now. The next Cotton Ginnings report is not scheduled to be released by the USDA until October 10. New crop OND containers in Georgia went for $150 fob. North Carolina traded $132 for OND. Memphis North traded a wide range spot, $220-250, as traders consolidate the last few days. Lubbock North went for $250 spot and offered $210 for OND. Out west Arizona OND sold for $285 and Corc North fuzzy traded at $29. Cali meal was offered at $264/ton for Oct/Mar, virtually unchanged over the last few weeks. West Texas meal traded at $225 spot and $245 Oct/Mar.

North Carolina spot trade was down over marginally from the August Forecaster, $225 per ton down to trading between $190-220 per ton, in-line with IEG Vantage's forecast. West Texas spot was offered at $250 per ton, with September ranges mostly between $245-255, also within IEG Vantage's forecasted trading range. Missouri Boot Heel OND trade ranged from bids around $160-165 to offers $170-175, with trades at $166, slightly lower than IEG Vantage expectations. California new crop Corc North traded OND at $295 per ton, a few dollar below forecast, but on very light trading volume. This month's Cotton Ginnings report from USDA's NASS had bales ginned thus far at 16.4 percent behind this point in the year in 2018, and 21.1 percent behind 2017's totals, catching up significantly from August.

Cotton condition declined due to lower ratings in eight states tempered by improvements in six others. Arizona reported the sharpest decline with notable reductions in Mississippi, Georgia and Virginia. Louisiana reported the sharpest improvements with better ratings in South Carolina, Missouri and California. Texas reported that hail damaged High Plains cotton. Only two states (Arkansas and Louisiana) have cotton that is rat-

For weekly cottonseed pricing and commentary contact
Grady Ferguson at grady.ferguson@informaecon.com or 901-202-4443

ed above average. Since September 1, ratings have improved in five states: California, Kansas, Missouri, South Carolina and Louisiana, with lower ratings in the remaining 10 states.

COTTONSEED BALANCE SHEET: IEG Vantage has for now adopted USDA's 2019/20 forecast for cottonseed supply and demand. Beginning stocks were forecast for the crop year beginning August 1 at 477 thousand tons. USDA forecasts production at 6.8 million tons, an increase of 17 percent from 2018/19 production and up five percent from 2017/18. Judging by the tightness in the spot market over the past few months IEG Vantage forecasts an increased probability of changes to beginning stocks for this year. September's WASDE report was neutral to bearish for cotton price direction, from a fundamental perspective. The US ending stocks were unchanged at 7.2 million bales with a smaller projection for US cotton production (660,000 bales) and lower exports (700,000 bales). Mill use also was lowered 100,000 bales to 3.0 million. On balance, the report was neutral because of the unchanged ending stocks but the reduction in usage, both domestically and foreign, is bearish. The foreign balance sheet also was bearish with a 1.3-million-bale increase in ending stocks. That occurred despite a 710,000-bale reduction in production, which was overwhelmed by a 1.23-million-bale reduction in mill use. We should point out that beginning stocks were bumped up 53,000 bales. Key production changes included a 500,000-bale reduction in Australia, which was offset by a 500,000-bale increase in India. India mill use was lowered 250,000 bales. China's production was left unchanged, but imports shrank 500,000 and mill use fell by the same amount. Mexico saw a reduction of 100,000 bales to their production forecast. The bottom line is that the foreign balance sheet was modestly bearish because of the increase in ending stocks and the reduction in mill use, which has become a recurring theme in the recent WASDE reports. However, the balance sheet changes were, for the most part, as expected. The recent tweets regarding new optimism for an interim trade deal between the US and China, already in the market before the report was released, trumped the expected bearish report. The impact on prices after the report was consequently minimal. The ebb and flow of trade news will remain a feature of the market. However, larger ending stocks and what appears to be moderating mill use will be a negative factor for prices if the recent tweet is not realized.US export sales for the week ending September 19 showed 165,500 (155,200 Upland, 10,300 Pima) bales. New-crop sales totaled 12,800 upland bales. Current crop showed 167,800 (157,000 Upland, 10,800 Pima) bales in new sales and 2,300 (1,800 Upland, 500 Pima) bales canceled. The best net buyers for current crop were Pakistan 36,300 (35,400 Upland, 900 Pima) bales, Guatemala 30,300 upland, 24,600 (19,800 Upland, 4,800 Pima), Colombia 16,200 upland and China 15,600 (14,300 Upland, 1,300 Pima) bales. Shipments were 179,000 (175,900 Upland, 3,100 Pima) bales.

Without a change in the fundamental situation, specifically the trade deal, or a significant reduction in expected supply coupled with a better demand outlook, prices are unlikely to rally sharply. Range trading from about 57.50 to 62.75 should continue to be the order of the day with a slight bias for a potential breakout to be out the bottom of the range.

Cottonseed Supply & Demand (1,000 tons)			USDA	IEG	USDA	IEG
Year begins August 1	2016/17	2017/18	2018/19	2018/19	2019/20	2019/20
Beginning Stocks	391	400	451	451	477	**477**
Imports	51	0	1	**1**	2	**2**
Production	5,369	6,422	5,631	5,631	6,770	**6,770**
Total Supply	5,811	6,822	6,083	**6,083**	7,249	**7,249**
Crush	1,769	1,854	1,760	**1,760**	2,000	**2,000**
Exports	342	478	387	**387**	450	**450**
Feed, Seed, & Residual	3,300	4,039	3,458	**3,458**	4,296	**4,296**
Total Disappearance	5,411	6,371	5,605	**5,605**	6,746	**6,746**
Ending Stocks	400	451	477	**477**	503	**503**

Cottonseed fob points		Bid	Offer	Trade	Change	Yr Ago
Southeast			***($/ton)***			
North Carolina	OND	130	136	132	-1t	120o
	Ja-Ag	150	156		-4o	140o
South Carolina	OND	130	136		n/a	120o
South Georgia	OND	140	145		10o	135o
Mid-South			***($/ton)***			
Memphis North	Spot			220-250	n/a	170o
	OND	160	165		unc	150o
Missouri Bootheel	OND	165	170		unc	150o
Northeast Arkansas	OND	160	165		n/a	150o
Southwest			***($/ton)***			
West Texas - Lubbock North	Spot			250	n/a	190o
	OND			210	5t	194o
	Ja-Sp			235	n/a	n/a
Far West			***($/ton)***			
Arizona	Spot		290		-10o	272o
	OND		285-290	285	-2o	260o
California Corc. No.	OND			295	n/a	n/a

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

Cottonseed dlvd. points		Truck	Rail	Change	Yr Ago
Rail - fob track points		($/ton)			
California - Rail	Spot		295t	n/a	n/a
Idaho - Rail UP	Spot		295-300t	n/a	n/a
	OND		271o	n/a	255o
b = bid o = offer t = trade n/a = not available					

		Bid	Offer	Trade	Change	Yr Ago	
Mid-South		Meal ($/ton)					Hulls
Memphis	OND	205	215		n/a	n/a	n/a
Southwest		Meal ($/ton)					Hulls
West Texas	Spot		225		n/a	245o	205t
	Oc-Mr		245		n/a	257o	n/a
Far West		Meal ($/ton)					Hulls
California	Spot		258		2o	n/a	n/a
	Oc-Mr		264		-1o	265o	n/a

Cottonseed Meal Basis vs. Wednesday's CBOT SoyMeal

		SBM	CSM	BASIS	Change	Yr Ago
Mid-South		n/a	n/a	n/a	n/a	n/a
Southwest		293.2	225	-68.2	0	-20

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. 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, 7900 International Drive, Ste 650, Minneapolis, MN 55425.