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COTTONSEED MARKET: Informa's price outlook is for near-term support for cottonseed with greater downside potential as new crop arrives. The near-term upside risk is concentrated in July and August, when the thinness of pre-ginning trades tends to cause increased price volatility and greater price risk. As ginning begins, there may be slightly more crushing capacity than there was at the immediate outset of last year's ginning due to greater operational foresight by processors. Annual crushing capacity is forecasted to be larger in 2019/20, driven primarily by acreage gains. With no plans to revive any abandoned crushing plants and no long-term financial reason to build additional plants, it is unlikely 2019/20 crush will contribute much more to cottonseed demand than it did during last year. Despite this constraint, cottonseed meal prices are expected to decline slightly in new crop, driven lower by its marginal substitutability with cottonseed.

Cottonseed prices in the benchmark Midsouth region hovered around \$270 in late July, with little trading as market players wait for new crop. The inverse between old crop and new crop in the Midsouth and Southeast markets remains between \$85-100. Midsouth new crop offers hovered between \$184-188. West Texas Oct/Nov/Dec traded at \$215, around a \$50 inverse to spot.

Corcoran North prices in California continue to hold strong for spot at over \$360, with new crop offers around \$280. At this point some dairies in need are buying a few spot trucks but most are going hand-to-mouth until new crop and doing their best to replace cottonseed and meal with other less expensive options.

Across the Midsouth markets meal remains scarce, with spot bid \$250 and offer \$255. October through March was offered at \$230. In West Texas markets spot meal was offered at \$235 compared to last year offered at \$250. Trade remains tepid and offers are hard to find. California spot meal was offered at \$270 Sep-Mar and traded at \$265.

Hulls remain tight across the board. Dec cotton futures were up a penny-and-a-half this week, with 64.68 being the height of a minor rally. Cotton condition improved for the fourth consecutive week and was the highest rating for this week since 2015. Improvements in six states were tempered by reductions in four other states with unchanged ratings in Missouri, Kansas, Arkansas, Oklahoma and California. The greatest improvements were reported in Tennessee, Texas and Virginia, while the sharpest reductions were reported in Arizona and North Carolina. Seventy-eight percent of the cotton crop was squaring, just behind the 80-percent average, while 33 percent was setting bolls, behind the

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37-percent average. Texas reported that five percent of its cotton had open bolls (versus the six-percent average) while Louisiana reported one percent with open bolls (versus the three-percent average).

COTTONSEED BALANCE SHEET: The July WASDE report that typically provides little of shock value to the market did not disappoint on Thursday. Expectations were for a decrease in global mill use, given the expectation for a slowing world economy, and a consequential increase in ending stocks. That is exactly what the report provided. USDA's supply and demand estimates of the year for 2019/20, reflected an expectation of a 6.93-million-ton cottonseed crop, 2.1-million-ton crush, and a 4.297-million-ton feed, seed, and residual usage. The USDA showed a decrease in US exports for 2018/19 of 250,000 bales to 14.5 million bales compared with IEG Vantage's 14.4 million. Ending stocks were put at 5.0 million compared with IEG Vantage forecast that is 25,000 bales higher. That change created a 300,000-bale increase to USDA's 2019/20 ending stocks. There were no other changes to the 2019/20 US balance sheet other than an adjustment to the unaccounted category. The market expected a neutral to modestly bearish report and it received just that. We are a bit biased that the reduction in mill use is a bit overdone currently, particularly in the new-crop position. With prices at or around 63.00 in December, mills should consider incremental coverage.

We should also note that we should see a large export rollover this year. We are now looking at about 2.175 million bales rolled into the new-crop year. That changes the outstanding sales total to about 6.3 million running bales for commitments. The largest rollovers are in India, Indonesia, Vietnam, Bangladesh and Mexico. Bangladesh is probably the most uncertain of the group, but the point is that the new-crop export sales with carryover included is not quite as bleak as one might think at first glance.

The US-China trade squabble continues to be a central factor for cotton prices. China may be in a position to have a good hand for negotiations if they play their hand properly. China needs cotton and the CCA has applied for a tariff exception for cotton as allowed by Chinese law. The body that decides that issue is the Ministry of Finance and they have not provided a ruling on whether cotton will be approved for exemption.

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	325	324
Imports	51	0	2	2	2	1
Production	5,369	6,422	5,631	5,631	6,930	6,575
Total Supply	5,811	6,822	6,084	6,084	7,258	6,899
Crush	1,769	1,854	1,875	1,825	2,100	2,200
Exports	342	478	425	435	450	500
Feed, Seed, & Residual	3,300	4,039	3,458	3,500	4,297	3,853
Total Disappearance	5,411	6,371	5,758	5,760	6,846	6,553
Ending Stocks	400	451	325	324	411	347

Cottonseed fob points						
		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Change</u>	<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>				
North Carolina	Spot	285-290	300	287-300	6t	135o
	OND	145-155	160-170	156-165	-4t	135o
	Ja-Ag		180		-5o	n/a
South Georgia	Spot	250	255-275	260	unc	160o
	OND	150	155-160		0o	140o
<i>Mid-South</i>		<i>(\$/ton)</i>				
Memphis North	Spot		270-280		-1o	170o
	OND			165	n/a	150o
Missouri Bootheel	Spot	280	280-285	282	2t	173o
	OND	175	184-188		6o	160o
Northeast Arkansas	Spot	265	270-275		unc	170o
	OND	170	180		unc	150o
	Ja-Ag		195		n/a	168o
<i>Southwest</i>		<i>(\$/ton)</i>				
West Texas - Lubbock North	Spot	260	260-265	260-263	0t	222o
	OND	210	215	215	-2t	200o
	Oc-Mr		260		n/a	n/a
	Ja-Sp		230		n/a	n/a
<i>Far West</i>		<i>(\$/ton)</i>				
Arizona	Spot	325-340			7b	277o
	OND	255	265		unc	260o
California Corc. No.	Spot			363	n/a	292o
	OND		305		n/a	295o
	Nv-Mr		285		n/a	n/a
Pima California	Spot		310		unc	n/a
	Aug	290	310		n/a	n/a
	Nv-Mr		280		n/a	n/a
<i>b = bid o = offer t = trade n/a = not available</i>						

<u>Cottonseed dlvd. points</u>					
		<u>Truck</u>	<u>Rail</u>	<u>Change</u>	<u>Yr Ago</u>
Rail - fob track points		(\$/ton)			
California - Rail	Spot		355-365o	-7o	280o
	OND		285-290o	-8o	277o
	Oc-Mr		290o	n/a	n/a
	Nv-Mr		290o	-3o	n/a
	Clock		300o	n/a	n/a
Idaho - Rail UP	Ag-Sp		365o	n/a	n/a
	OND		270o	unc	n/a
	Clock		285o	5o	n/a
b = bid o = offer t = trade n/a = not available					

<u>Processed Cottonseed Products</u>							
		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Change</u>	<u>Yr Ago</u>	
Mid-South		Meal (\$/ton)				Hulls	
Memphis	Spot	220	225		n/a	250o	n/a
	Sp-Mr		230		n/a	n/a	n/a
	Oc-Mr		230		n/a	250o	n/a
Southwest		Meal (\$/ton)				Hulls	
West Texas	Spot		235		n/a	250o	n/a
Far West		Meal (\$/ton)				Hulls	
California	Sp-Mr		270	265	5o	n/a	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		306.3	235	-71.3	-1.5	-15	
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: 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.