



**COTTONSEED MARKET:**

The year 2020 began with more of a “thud” than a “bang” as December cottonseed trading was quiet. A late-in-the-month Thanksgiving lulled the market into a Christmas and New Year’s doldrums. Once again the primary market driver was West Texas, where seed strengthened a few bucks over the month in the face of weak supply. There as well, however, the story remained light trading with wide bid/ask spreads. It has been rumored that a sizable number of Arizona dairymen may not yet have covered their seed requirements, but West Texas seed that earlier in the season was trucked west now commands a premium. Arizona local prices have reacted accordingly. California has felt those reaching effects, with stable to marginally higher prices over the month. Rail markets in California were sparsely traded, with offers hard to find, while Idaho rail remained stable but quiet. In the Mid South the market remains hard to call as the bid/ask spread has been consistently as wide as \$30 over the month, thin volume remains there as well. North Carolina and South Georgia markets both strengthened, more as a reaction to firming across the country than export demand (which has been unimpressive). What were near-record spreads between the East Coast and Lubbock North (as well as Mid South to Lubbock North), have narrowed noticeably.

Seed prices rose in December for South Georgia from lows of \$135/ton early in the month to \$165 (nearby), with North Carolina sliding up from the low \$140’s to \$170/ton. West Texas spot seed opened the month in the \$260’s before trading into the \$290’s. Corc North spot fuzzy remained virtually unchanged hovering around \$315-325. Arizona strengthened from \$290-\$300 up to \$310 (and maybe traded at \$315 if rumors are true). Mid South trading experienced wide spreads but seemed to strengthen around \$10 or so. Offers currently sit around \$200/ton. Increased volume in January as traders return from the holidays should lend more clarity as to where the market actually should be.

**COTTON FUTURES:** Cotton prices continue to find support from both fundamental factors and an improved technical outlook. The nearby contract, March, remains well supported and will likely get a minor boost from index rebalancing in January. However, that will be insignificant, if recognized at all, and the market should continue to find support from the upcoming Phase One trade agreement that should result in additional cotton being sold to China. Smaller certificated stocks are also fostering a bit of a bullish sentiment for some traders. However, with potential China sales on the horizon, it might be a false economy to spend the cost of certifica-

Products Derived from 2000 lbs. of cottonseed have the following product values\*

Cottonseed Meal	\$ 112.09	36.1%	Total Product Value	\$ 310.12
Cottonseed Oil (PBSY)	\$ 106.75	34.4%	Average Milling Costs	\$ (62.00)
Linters 1st & 2nd cuts	\$ 21.28	6.9%	Freight from Gin	\$ (14.00)
Cottonseed Hulls	\$ 70.00	22.6%	<b>WCS Net Product Value</b>	<b>\$ 234.12</b>
Total Product Value	\$ 310.12		Previous Issue’s Value	\$ 191.88

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tion at this time. If the trade deal does not work, then we would expect certificated stocks to increase rather quickly before March delivery.

**COTTON HARVEST:** USDA's final *Crop Progress* report of 2019 on December 9 had cotton harvest nationally at 89 percent completed, without comparison to the five-year average. Arkansas and Louisiana were reported 100 percent complete, with Kansas and Texas the furthest behind at 82 percent each. Ginnings, however, are substantially ahead of the last few years. Bales ginned this crop year are over 15.6 million, 22 percent ahead of the three-year average of 12.8 million bales ginned. Texas leads the way at 5.4 million bales, with Georgia a distant second at 2.2 million bales ginned. The next *Cotton Ginnings* report is to be released January 10.

**COTTONSEED BALANCE SHEET:** IEG Vantage adopted USDA's 2019/20 forecast for cottonseed supply and demand released November 13. Beginning stocks forecast was unchanged for the crop year beginning August 1 at 477 thousand tons. USDA forecasts production down to 6.5 million tons, a decrease of four percent from 6.8 million tons last month, but still 15 percent higher than 2018/19 production and marginally above 2017/18.

IEG Vantage is forecasting US all cotton production at 20.1 million bales in the January report, 60,000 bales below last month but, if realized, would be 1.8 million bales above last year. Increases in Virginia and Alabama tempered reductions in Missouri, Tennessee, Arkansas and Louisiana. The all-cotton yield is forecast to average 773 pounds per acre, which is down two pounds from last month and, if realized, would be 91 pounds below last year. Upland production is forecast at 19.4 million bales, which was down 60,000 from last month and American-Pima production is forecast at 726,000 bales, which was unchanged from last month.

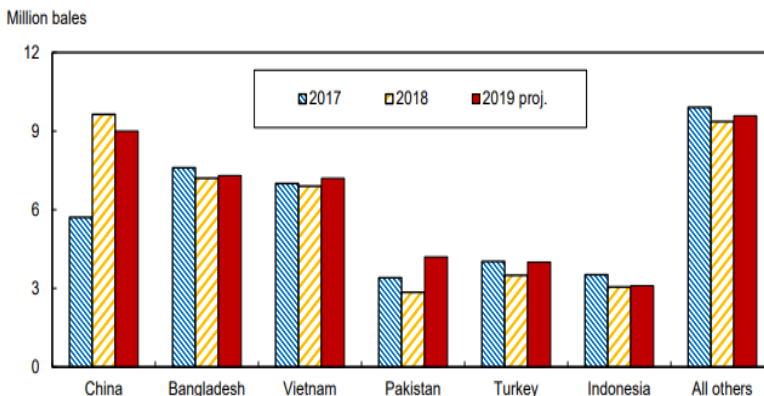
US export sales for the week ending December 26 netted 261,500 (246,200 Upland, 15,300 Pima) bales, a 69 percent increase from the previous week and 20 percent increase from the four-week average. There were 20,300 (19,400 Upland, 900 Pima) bales sold for new crop position. For current crop, there were 293,600 (227,900 Upland, 15,700 Pima) bales in new sales and 32,300 (31,800 Upland, 500 Pima) bales cancelled. China made up 22,000 of the upland cancellations. For current crop, the most active buyers were Vietnam 105,200 (101,300 Upland, 900 Pima), Turkey 38,300 (36,100 Upland, 2,200 Pima), Pakistan 34,100 (32,800 Upland, 1,300 Pima), and Malaysia 16,200 (16,200 Upland, 0 Pima) bales. There were 230,800 (224,500 Upland, 6,300 Pima) bales shipped. Shipments remain about 15 percent ahead of last year and 28 percent ahead of the five-year average. Commitments remain seven percent ahead of last year.

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	<b>477</b>
Imports	51	0	1	<b>1</b>	2	<b>2</b>
Production	5,369	6,422	5,631	5,631	6,453	<b>6,453</b>
Total Supply	5,811	6,822	6,083	<b>6,083</b>	6,932	<b>6,932</b>
Crush	1,769	1,854	1,760	<b>1,760</b>	1,850	<b>1,850</b>
Exports	342	478	387	<b>387</b>	450	<b>450</b>
Feed, Seed, & Residual	3,300	4,039	3,458	<b>3,458</b>	4,200	<b>4,200</b>
Total Disappearance	5,411	6,371	5,605	<b>5,605</b>	6,500	<b>6,500</b>
Ending Stocks	400	451	477	<b>477</b>	432	<b>432</b>

<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			170	15o	152o
	JFM	175	190		n/a	n/a
	Ja-Ag	190			2b	162o
South Georgia	Spot			165	-2t	150o
	Jan	170	175		n/a	n/a
	Ja-Ag				n/a	n/a
	Fb-Mr				n/a	n/a
<b>Mid-South</b>		<b>(\$/ton)</b>				
Memphis North	JFM	190	225		unc	n/a
	Ja-Ag		240		n/a	n/a
Missouri Bootheel	Spot	193	201		6o	182o
	Ja-Ag	215	245		5o	200o
<b>Southwest</b>		<b>(\$/ton)</b>				
West Texas - Lubbock North	Spot			290	3t	230o
<b>Far West</b>		<b>(\$/ton)</b>				
Arizona	Spot		315	310	2o	287o
	Dc-Ja		315		n/a	287o
Pima California	Ja-Fb		305		n/a	n/a

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

Figure 1  
Leading cotton importers



Note: 1 bale = 480 pounds.  
Source: USDA, World Agricultural Supply and Demand Estimates reports.

Cottonseed dlvd. points					
		Truck	Rail	Change	Yr Ago
Oil - fob track point		(\$/ton)			
Idaho - Rail UP	Spot		325t	n/a	n/a
<b>b = bid o = offer t = trade n/a = not available</b>					

Processed Cottonseed Products							
		Bid	Offer	Trade	Change	Yr Ago	
Far West		Meal (\$/ton)				Hulls	
California	Spot		270		3o	n/a	n/a
Texas	Spot		290		2o	n/a	n/a
<b>b = bid o = offer t = trade n/a = not available</b>							

U.S. Cottonseed Spread Chart - Nearby Price						
	AZ	CA	So. GA	W. TN	W. TX	NC
AZ	***	10	-150	-90	-25	-145
CA	-10	***	-160	-100	-35	-155
So. GA	150	160	***	60	125	5
W. TN	90	100	-60	***	65	-55
W. TX	25	35	-125	-65	***	-120
NC	145	155	-5	55	120	***

**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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