

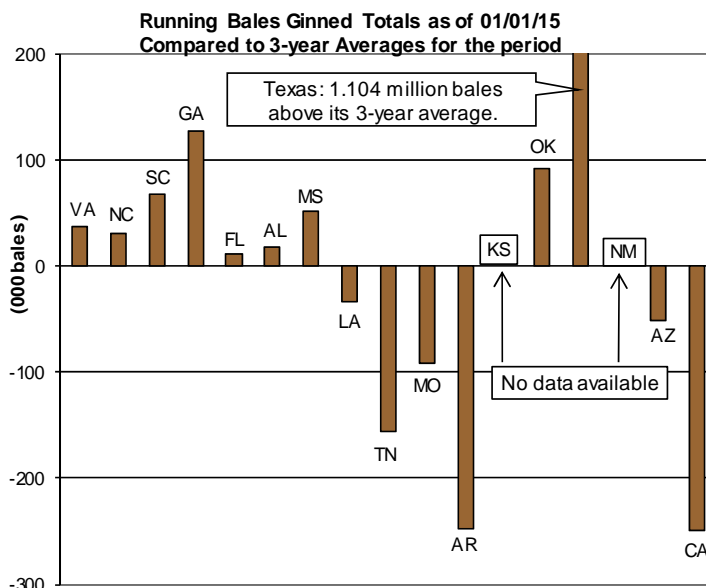
COTTONSEED MARKET: USDA's

January Production report raised 2014/15 cottonseed production 56,000 tons. Compared to the previous year, cottonseed production is up 1.11 million tons. Cottonseed production growth from last year was the largest for Texas up 641,000 tons followed by Mississippi with an increase of 129,000 tons. California was the only state with cottonseed output below last year, down 63,000 tons. Running bales ginned shot up 1.6 million bales since the previous report at mid-December. This high result late in the ginning season is because of delays in harvest and ginning. Ginning in Texas advanced over 800,000 bales since the last report.

Trading was light this week in all markets. Most locations traded at last week's level early in the week and then gradually slid to the low side of the trading range by the end of the week. Weakness in the soybean complex was the reason for softer cottonseed prices. Most of the selling was done by resellers with some length. It is common for cottonseed markets to have a slowdown in trading activity during January once ginning has been completed.

Gins have not been active as they recently finished ginning and are content holding onto supply and are less concerned about selling this early in the season. Gins are anticipating that they will be able to get a higher price on the supplies that they have put in storage. Some 1st quarter downward price movement is common and gins are willing to ride it out. This year however, the upside for prices later in the year may not be realized due to abundant grains supplies and price competition from other feed ingredients. But, the outlook for less cotton acres and any development issues for the new crop has the potential to lend support for higher prices this summer.

Dairies have been less active buyers following the holidays. Many have their onsite storage full with gin-run supplies. Meanwhile, milk futures continue to stay soft and are below the 5-year average levels suggesting they will have lower margins in coming months. Dairy buyers are expected to eventually come back to market and will likely buy month-to-month in covering the remainder of their needs as they anticipate feed prices will be lower in coming months.



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For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

COTTONSEED BALANCE SHEET: The USDA raised 2014/15 cottonseed production by 56,000 tons, based on increased cotton production. Exports were lowered 15,000 tons but remain 56,000 tons above the previous year's total. The Feed, Seed and Other category was raised 50,000 tons. Total usage was increased 35,000 tons. Ending stocks were raised 21,000 tons bringing the stocks to use ratio to 9.1% which is 0.3% above the 5-year average.

The Cottonseed Digest's balance sheet for 2014/15 adopted USDA's beginning stocks, raising it 136,000 tons. This is the largest single category increase for the month. Cottonseed production was raised 36,000 tons on the increase to the cotton forecast. Compared to the previous year, cottonseed production was up more than a million tons. Total supply was raised 174,000 tons from last month and is more than 18% larger than a year ago.

The crush was lowered 15,000 tons based on subpar runtimes so far this season. Less cottonseed oil buying interest and narrow margins have limited the prospects for an increase in the crush. Unless there is an improvement in runtimes in coming months, the crush will be below its 5-year average. Exports were lowered 10,000 tons. While export interest has improved since the holidays, trading activity remains limited and results this season have lagged the past few months. The Feed, Seed, and Other category was raised 95,000 tons, which makes the total 22% larger than last year. Ending stocks were raised 104,000 tons bringing the stocks to use ratio up to 9.6%, a half a percent higher than USDA's balance sheet and similar to last year's ratio.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	January / USDA	January / USDA	January / CSD
	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14E</u>	<u>2014/15F</u>	<u>2014/15F</u>
Beg. Stocks	618	430	492	425	425
Imports	72	182	198	100	61
Production	5370	5666	4203	5314	5324
Total Supply	6059	6278	4893	5839	5810
Crush	2400	2500	2000	2425	2265
Exports	133	191	219	275	270
Feed, Seed, & "Other"	3096	3094	2250	2650	2765
Total Disappearance	5629	5786	4468	5350	5300
End Stocks	430	492	425	489	510

COTTONSEED fob points				
<u>PRICES 01-16-15</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	Spot	235-240o / 231-236t		294o
	JFM	235t		n/a
	Fb-Ag	245t		305b
South Carolina	Spot	230b / 240-243o		n/a
Georgia So.	Spot	230t		287t
	Ja-Ag	230b / 235-240o		n/a
	Feb	235t		n/a
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Spot	265o / 260-264t		316t
	JFM	270o		n/a
	Fb-Ag	282o		335o
MO Bootheel	Spot	265o		320b
NE Arkansas	Spot	265o / 260-264t		320b
	JFM	260-270t		n/a
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	275o / 275t		335t
	Fb-Mr	280b / 295o		343o
	Fb-Sp	290b / 300o		n/a
West Texas: PN	Spot	280o		340o
West Texas: SN	Spot	270o		n/a
<i>Far West</i>		(\$/ton)		
Arizona	Spot	350t		370o
Cal. Corc. No.	Spot	375t		425t
	JFM	375o		n/a
Pima California	Spot	345o		390t
	JFM	345o		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flotm</i>	Courtland, AL	Spot	315	365o
		Ja-Ag	323	n/a
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North				

COTTONSEED dlvd. points				
PRICES 01-16-15		Truck	Rail	Yr Ago
Northeast		(\$/ton)		
W. New York	Spot	300-307o		356o
	Fb-Ag	315-319o		366o
SE Pennsylvania	Spot	283-288o		337o
	Fb-Ag	298-300o		347o
NE Ohio	Spot	307o		356o
	Fb-Ag	319o		366o
Midwest		(\$/ton)		
MI (Grand Rpd.s.)	Spot	317-320o		366o
	Fb-Ag	330-335o		376o
MN (Rochester)	Spot	340o		387o
	Fb-Ag	345-350o		n/a
WI (Madison)	Spot	335o		379o
	Fb-Ag	340o		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	290o		350o
	Fb-Sp	320o		n/a
Rail - job track points		(\$/ton)		
California	JFM		365o	n/a
	Ap-My		367o	n/a
Idaho (UP)	FMA		362o	n/a
PNW	Spot		360o	420o
b = bid o = offer t = trade				

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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