

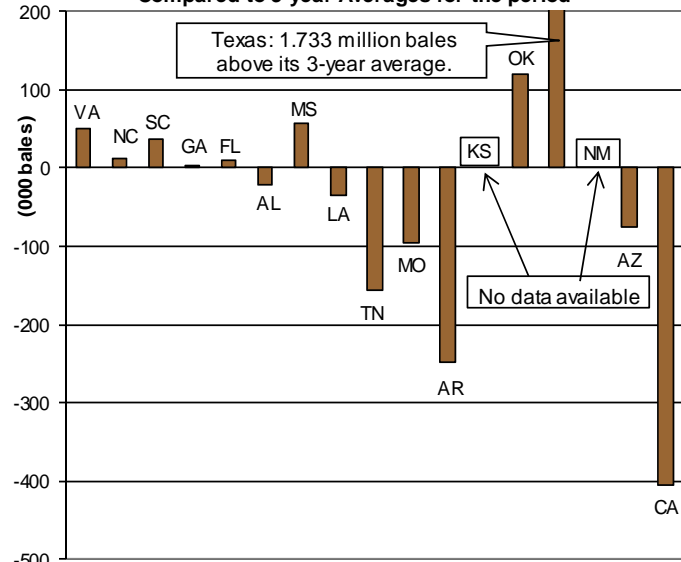
COTTON GINNING REPORT: The running bales ginned total was 15.548 million bales as of February 1st. Since the last report from mid-January, 490,950 bales were ginned while the 3-year average for this time frame is 401,300 bales. During the final 2 weeks of January roughly 52,000 tons of cottonseed was produced. The running bales ginned total is up more than 3 million bales from last year at this time and 967,400 bales compared to the 3-year average. More than 1.1 million additional tons of cottonseed are available to the market compared to a year ago. From this point forward only modest increases in cottonseed totals are expected. The final Cotton Ginnings report will be released at the end of March.

COTTONSEED MARKET: During February there has been the seasonal slowdown in trading. The end of January was slow and carried over into the first couple weeks of February. There are only a few open offers from resellers in most markets and they have raised their offers in an attempt to test and see if they can scare up some buying interest. Trading remains light and buying interest remains focused on spot supplies. There are still a number of bearish factors including lackluster dairy economics, large looming South American crops and heavier supply of cottonseed than a year ago.

Many dairies are still working through cottonseed inventories they put into storage during the ginning season, when prices were lower. The later than normal start to ginning and later run has extended the time that dairies are able to build inventories and will extend the time before they come back to the market. The mostly mild weather over the past couple months for a large part of the country should mean the stockpiles of seed are not being used up as quickly. Moving forward, the weaker than year ago milk price suggests that dairies will be looking for ways to limit feed costs, so cottonseed prices will need to remain competitive to defend its place in feed rations.

Abundant feed supplies are expected to be a negative factor on prices as US ending stocks of corn and soybeans will be larger than a year ago. Likewise, South American production of corn and soybeans will be larger than a year ago which will likely weigh on feed prices. The fundamental impact of this supply becoming available to the world market, is apt to pressure corn and soybean prices lower and be a bearish factor for other competing feed ingredients. Cottonseed sellers that are expecting cottonseed prices to have a similar price increase as last year will likely be disappointed, because there will not be the same price support from soybean meal or milk prices.

Running Bales Ginned Totals as of 02/01/15
Compared to 3-year Averages for the period



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COTTONSEED BALANCE SHEET: USDA's 2014/15 crush was lowered 425,000 tons to match their year ago level. This change was offset by an increase to their Feed, Seed and Other category. Ending stocks are unchanged and are fractionally higher than the 5-year average.

The Cottonseed Digest's balance sheet for 2014/15 has production unchanged from last month. The crush was lowered 270,000 tons. The crush hasn't been this low since the 2009/10 crop year. During the first 5 months of the crop year the accumulative crush is 234,000 tons behind last year's pace and 242,000 tons behind the 5-year average. This suggests that runtimes will need to improve during the last half of the crop year. Crushers have been plagued with lackluster demand for cottonseed oil as vegetable oil prices have been weaker than the previous year's price for the past several months. As a result, crushers were slow in building seed inventories because crushing economics have not been favorable given stout cottonseed prices which were driven up by strong dairy buying during 2014.

Exports were lowered 20,000 tons as the season started slower than normal. Total exports through December for this crop year are only 1,500 tons above last year's pace. The strength in the US dollar will likely limit additional buying interest. The Feed Seed and Other category was raised 250,000 tons. Ending stocks were raised 40,000 tons to the highest level since the 2009/10 crop year.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	February / USDA	February / USDA	February / 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	2000	1995
Exports	133	191	219	275	250
Feed, Seed, & "Other"	3096	3094	2250	3075	3015
Total Disappearance	5629	5786	4468	5350	5260
End Stocks	430	492	425	489	550

COTTONSEED fob points					
<u>PRICES 02-13-15</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
Southeast		(\$/ton)			
North Carolina	Spot	225b / 230-235o / 230t		3400	
	Mr-My	230b / 240o		n/a	
	Ap-Ag	245t		n/a	
Georgia So.	Spot	230o		326t	
	Mr-Ag	232b		350o	
Mid-South		(\$/ton)			
Memphis No.	Spot	260o		377o	
	Mar	265o		n/a	
MO Bootheel	Spot	265o / 260-265t		375t	
	Ap-Ag	270t		n/a	
NE Arkansas	Spot	265o / 260t		375o	
	Mar	263b / 265o		n/a	
Southwest		(\$/ton)			
West Texas: LN	Spot	275o		365o	
	Ap-Sp	285o		n/a	
West Texas: SN	Spot	265b / 270o		n/a	
Far West		(\$/ton)			
Arizona	Spot	340o		390b	
Cal. Corc. No.	Spot	373o		465o	
	Mar	375o		n/a	
Pima California	Spot	340o		440o	
Specially Processed Products (\$/ton)					
<i>Easi Flo</i> tm	Courtland, AL	Spot	305o	420o	
		Nr-Ag	315o	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				
<u>PRICES 02-13-15</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<i>Northeast</i>		(\$/ton)		
W. New York	Spot	300-3030		3960
	Mr-Ag	310-3130		4160
SE Pennsylvania	Spot	283-2850		3770
	Mr-Ag	293-2950		3970
NE Ohio	Spot	303-3050		3960
	Mr-Ag	313-3150		4160
<i>Midwest</i>		(\$/ton)		
MI (Grand Rpds.)	Spot	313-3150		4100
	Mr-Ag	323-3250		4300
MN (Rochester)	Spot	3270		4410
	Mr-Ag	337-3400		4540
WI (Madison)	Spot	3220		4340
	Mr-Ag	3320		4460
<i>Southwest</i>		(\$/ton)		
Texas / Dublin- Stephenville	Spot	2900		3800
	Mr-Sp	3150		n/a
<i>Rail - fob track points</i>		(\$/ton)		
California	Spot		3630	4650
Idaho (UP)	Spot		3500	4460
	Mar		3510	n/a
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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