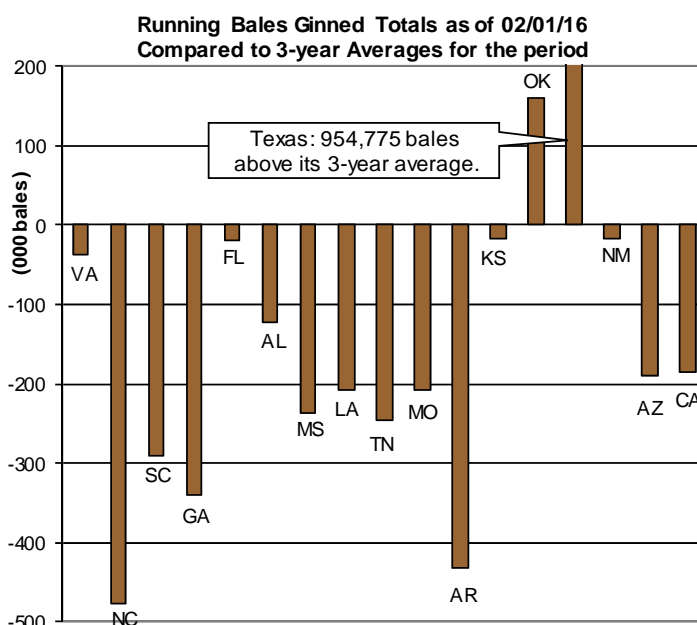


**COTTON GINNING REPORT:** The running bales ginned total was 12.257 million bales as of February 1st. Since the last report from Mid-January, 518,650 bales were ginned while the 3-year average progress at this time of year is 454,983 bales. The pace of ginning was hampered by the slow start to harvest related to wet weather. Total ginning progress is more than 3 million bales behind the 3-year average. Because of the smaller cotton crop in all states, except Texas and Oklahoma, progress will remain below the average level.

**COTTONSEED MARKET:** Many dairy end users are limiting cottonseed usage because their margins are marginal to negative and are using price competitive alternatives. As of mid-February there has been mostly small volume trading done with some resellers covering requirements or changing positions between the Southeast and Southwest that may have better profits due to price spreads and logistics.

Trading during February has been slow. Gins are waiting to put on new sales and are reluctant to sell at lower price levels than during the ginning season. Time is still on the side of the gins as they are not pressed to sell, but the supply will need to find its way to market and the concerns about quality in the Southeast may cause some gins to move material before it could become reason for a quality claim. Some gins will have to put on sales in coming weeks as they need the cash flow. Currently the lack of dairy demand suggests there is greater risk for prices to continue drifting lower for the next several weeks until cottonseed reaches a competitively priced level.

The lack of end user buying interest and abundant competing feed ingredients continues to be the main focus of the market. Since dairy buyers appear to have moved on to other ingredients the next level of potential price support would be the crushing industry. Given the shaky crushing economics for crushers, there is the possibility that prices will continue to drift lower before dairy buying interest is revived provided milk prices improve by the middle of this year. The relative price of cotton-



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seed to cash corn and distillers dried grains remains above the 5-year average level. Therefore, cottonseed is not competitive in dairy rations and there will be more downward price risk.

**COTTONSEED BALANCES SHEET:** The USDA balance sheet was unchanged from last month. The Cottonseed Digest balance sheet increased imports 5,000 tons. During the first 5 months of the crop year, imports are already above 18,000 tons. There is modest risk for a slowdown to the current pace of imports given the recent decline in cottonseed price. Production was left unchanged with last month. Supplies appear to be ample given mediocre demand.

The cottonseed crush was raised 100,000 tons, but it still remains below year ago levels. The softening of cottonseed prices raises the possibility of oil mills increasing their crush thanks to the lower input cost of cottonseed. However, the net product value for Mid-South crushers has been held up by stronger than normal cottonseed oil, meal, and hull prices. These stout prices hold the possibility that crushing economics have downside risk in coming months which could result in cottonseed prices drifting lower absent the return of dairy buyers.

The Feed, Seed and Other category was lowered 100,000 tons. Poor dairy producer economics have resulted in a slowdown in buying as cottonseed has been removed in dairy rations or inclusion rates were significantly lowered. This has taken the bulk of nearby buying interest out of the market causing cottonseed prices to drop in order to attract new demand. It may take a couple months of weak prices before Class III milk prices return to levels that should provide producers the economic incentive to include or increase cottonseed usage in rations. Ending stocks are unchanged, but if end user demand does not improve in coming months, the ending stocks will need to be adjusted higher.

Cottonseed Supply/Demand Balance Sheet (ooo tons)					
Year begins Aug 1	USDA	USDA	Feb. / USDA	Feb. / USDA	Feb. / CSD
	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15E</u>	<u>2015/16F</u>	<u>2015/16F</u>
Beg. Stocks	430	492	425	437	437
Imports	182	198	59	0	30
Production	5666	4203	5125	4153	4145
<b>Total Supply</b>	<b>6278</b>	<b>4893</b>	<b>5609</b>	<b>4590</b>	<b>4612</b>
Crush	2500	2000	1900	1650	1600
Exports	191	219	228	100	85
Feed, Seed, & "Other"	3094	2250	3044	2448	2515
<b>Total Disappearance</b>	<b>5786</b>	<b>4468</b>	<b>5172</b>	<b>4198</b>	<b>4200</b>
End Stocks	492	425	437	392	412

<b>COTTONSEED fob points</b>				
<u>PRICES 02-12-16</u>		<u>Trade</u>		<u>Yr Ago</u>
<b>Southeast</b>		<b>(\$/ton)</b>		
North Carolina	Spot	225b / 230-233		230t
	Mr-Ag	235		n/a
	OND	200b / 210		n/a
Georgia So.	Spot	220b / 225t		230o
	Mr-Ag	227-230		232b
	OND	200b / 210		n/a
<b>Mid-South</b>		<b>(\$/ton)</b>		
Memphis No.	Spot	252t		260o
	Mr-Ag	2600		n/a
	OND	2350		n/a
MO Bootheel	Spot	2550		262t
	Mr-Ag	2600		n/a
NE Arkansas	Spot	2550		260t
	Mr-Ag	2600		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
West Texas: LN	Spot	247-248o / 245t		275o
	Mr-Sp	2500		n/a
	OND	230b / 238o		n/a
West Texas: PN	Spot	245b / 248o		n/a
West Texas: SN	Spot	247-248o		270o
Oklahoma	Spot	2550		n/a
<b>Far West</b>		<b>(\$/ton)</b>		
Arizona	Spot	320t		340o
Cal. Corc. No.	Spot	340-345o / 340t		373o
	Mr-Ag	340-345o		n/a
Pima California	Spot	3000		340o
<b>Specially Processed Products (\$/ton)</b>				
<i>Easi Flo</i> <sup>™</sup>	Courtland, AL	Spot	3000	3050
		Mr-Ag	3000	3150
<b>b = bid o = offer t = trade n/a = not available</b> <b>West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North</b>				

<b>COTTONSEED dlvd. points</b>				
<b><u>PRICES 02-12-16</u></b>		<b><u>Truck</u></b>	<b><u>Rail</u></b>	<b><u>Yr Ago</u></b>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	2890		3010
	Mr-Ag	2910		3110
<b>SE Pennsylvania</b>	Spot	2750		2840
	Mr-Ag	2790		2940
<b>NE Ohio</b>	Spot	2890		3040
	Mr-Ag	2910		3140
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rps.)</b>	Spot	2990		3140
	Mr-Ag	3010		3240
<b>MN (Rochester)</b>	Spot	323-3270		3270
	Mr-Ag	323-3270		3380
<b>WI (Madison)</b>	Spot	315-3200		3220
	Mr-Ag	315-3200		3320
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	2850		2900
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>California</b>	Spot		3350	3630
	Mr-Sp		3350	n/a
<b>Idaho (UP)</b>	Spot		325-3300	3500
	Mr-Sp		327t	n/a
<b>WA/OR (BN)</b>	Spot		3400	n/a
	Mr-Sp		3400	n/a
<b>b = bid o = offer t = trade n/a = not available</b>				

#### **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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