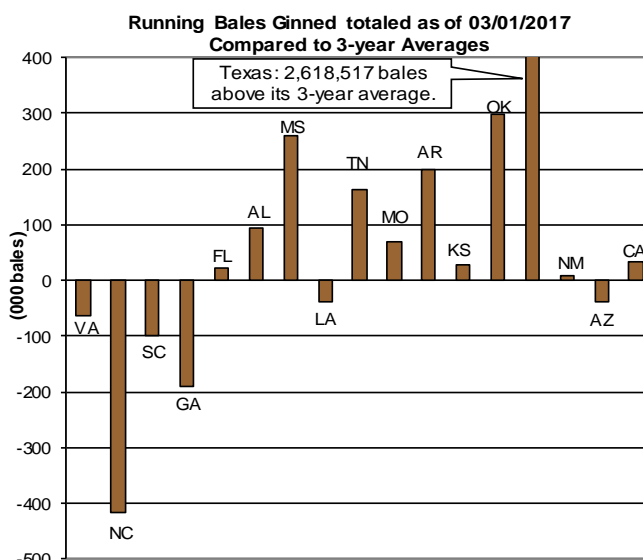


**GINNING REPORT:** The running bales ginned total was 16.59 million bales as of March 1st. Since the February report 675,600 bales were ginned. Texas contributed over 500,000 bales to the strong late season increase. Given the large crop and delayed start to ginning there are a handful of gins still running which will keep a trickle of seed coming to market.

The running bales total is above the 3-year average by 1.5 million bales or 10%. Increased acreage, timely rains and mostly favorable weather for most of the Cotton Belt lead to above average yields and production. Texas had a running bales gin total over 40% larger than its 3-year average. The Hurricane impacted Southeast like North Carolina was 50% below its 3-year average. USDA's Annual Ginning report will be released on May 10th, 2017. This will have the final ginning total for the 2016/17 crop.



**COTTONSEED MARKET:** Trading continues to be light as of mid-March on less end user demand. Dairy buying interest remains slow while Class III milk futures have lost more than a \$1/cwt since the beginning of the month. The decline in milk futures would imply that dairy margins would not be a positive as suggested earlier in the month. The profitability outlook creates a bearish scenario for cottonseed given ample reasonably priced feed ingredients.

Southeast markets have drifted lower, while slowly following the price direction of other cottonseed markets. Gins in the region are holding off on making sales in anticipation that prices will seasonally appreciate as has been the case most years. Cash flow requirements are expected to eventually bring more gins to market by April, which could result in prices slipping further. Dairy demand in the Northeast remains quiet as expected. Inclusion rates there have been below average and are not likely to improve given ample supply of other competing feed ingredients.

Mid-South prices edged lower as a few more gins have come to market. The price decline has helped widen the price spread to West Texas. The widening of the price spread should improve the competitiveness of Mid-South supplies in delivered markets. Upper Midwestern prices have been shifting lower then higher

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with modest nearby demand. There have been small forward trades done, which resulted in offers being raised a couple dollars. There continues to be a bias for more downward price moves based on ample supply and lackluster end user demand.

West Texas prices continue to hold firm, as gins are reluctant sellers and have kept their offer firm. Forward offers continue to hold a couple dollar premium, but buyers are not eager to take on much ownership thinking there will be more downward price pressure given heavy supply of cottonseed and other feed ingredients.

In the Far West, Arizona prices have edged lower as sellers are more eager to put on sales. Forward offers are limited and local dairy buyers seem content buying hand to mouth. California prices have modestly declined at mid-month since supply pipelines have loosened on improved rail movement. There continues to be steady light nearby buying interest. New crop clock trades have been made at competitive prices. The forward price inverse suggests that there will continue to be ample cottonseed supplies.

**COTTONSEED BALANCE SHEET:** USDA's March balance sheet is unchanged from last month. The USDA March WASDE report shows a 270,000 bale increase to US cotton production. This suggests that next month's USDA cottonseed balance sheet could have an increase to production. Currently USDA's stocks to use ratio matches the 10-year average.

The Cottonseed Digest's cottonseed balance sheet raised production to 5.45 million tons, a 57,000-ton increase based on higher projected cotton output. This raises the total roughly to 550,000 tons above the 5-year average. These ample supplies along with larger supplies of other feed ingredients are burdensome on price. Imports are unchanged for now. The ample supply situation suggests that the US market doesn't need additional supply. But, if there are lower priced alternatives elsewhere they could find their way into our market later this summer.

The crush and exports categories are unchanged. Export buying interest has modestly tapered in recent weeks. Export buyers are switching interest to supply in the southern hemisphere. This competition suggests that prices will need to soften if sellers want to keep supply moving to export markets.

The feed, seed and other category was raised 17,000 tons. Some softening of prices improves the possibility of cottonseed inclusion rates climbing. There is still abundant supplies of other competing feed ingredients, which are apt to keep downward pressure on price. The marketing window for this crop year is nearly two-thirds closed and there is a large amount of supply that needs to be absorbed by the market. If prices continue to hold at current levels the carryover will need to be raised. The stocks to use ratio at 12.9% is roughly 4 percentage points above the 10-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	USDA	Mar / USDA	Mar / CSD
	2013/14	2014/15	2015/16	2016/17F	2016/17F
Beg. Stocks	492	425	437	391	391
Imports	198	59	16	50	50
Production	4203	5125	4043	5418	5450
<b>Total Supply</b>	<b>4893</b>	<b>5609</b>	<b>4496</b>	<b>5859</b>	<b>5891</b>
Crush	2000	1900	1500	1800	1700
Exports	219	228	136	250	255
Feed, Seed, & "Other"	2250	3044	2469	3325	3262
<b>Total Disappearance</b>	<b>4468</b>	<b>5172</b>	<b>4105</b>	<b>5375</b>	<b>5217</b>
End Stocks	425	437	391	484	674

<b>COTTONSEED fob points</b>				
<i>PRICES 03-17-17</i>		<i>Trade</i>		<i>Yr Ago</i>
<b>Southeast</b>		<b>(\$/ton)</b>		
<b>North Carolina</b>	Spot	185b / 190o / 185t		215o
	Ap-Ag	190o		210b
	OND	165b / 170o		200o
<b>South Carolina</b>	Spot	190o		n/a
<b>Georgia So.</b>	Spot	185b / 190o / 185-188t		215o
	Ap-Ag	190o		n/a
	OND	170o / 165t		200o
<b>Mid-South</b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	170-175b / 180o		250o
	JJA	175o		n/a
	OND	160-165b / 170o		217o
<b>MO Bootheel</b>	Spot	180o		250o
	Ap-Ag	180t		n/a
	OND	165b / 165t		215b
<b>NE Arkansas</b>	Spot	180o		250o
	Ap-Jly	180t		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>West Texas: LN</b>	Spot	195b / 200o		230t
	Ap-Sp	200-202o		235o
	OND	190-193o		225o
<b>West Texas: SN</b>	Spot	195o		230o
<b>Oklahoma</b>	Spot	200b / 210o / 205t		250o
	Clock	195b		n/a
<b>Far West</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	265b / 275o		300o
<b>Cal. Corc. No.</b>	Spot	290-295o		297o
	Ap-Sp	280o		300o
	Clock	280o		n/a
<b>Pima California</b>	Spot	270o		270t
<b>Specially Processed Products (\$/ton)</b>				
<b>Easi Flo™</b>	<b>Courtland, AL</b>	Spot	230o	295o
		Oc-Nv	220o	n/a
<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>				
<u>PRICES 03-17-17</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	253o		277o
	Ap-Ag	258o		277o
	OND	237o		262o
<b>SE Pennsylvania</b>	Spot	235o		262o
	Ap-Ag	240o		262o
	OND	219o		245o
<b>NE Ohio</b>	Spot	253o		277o
	Ap-Ag	258o		277o
	OND	237o		262o
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpds.)</b>	Spot	263o		287o
	Ap-Ag	268o		287o
	OND	247o		272o
<b>MN (Rochester)</b>	Spot	240o		307o
	Ap-Ag	250o		307o
	OND	235-240o		275o
<b>WI (Madison)</b>	Spot	235o		302o
	OND	225o		270o
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	230o		275o
<b>Rail - job track points</b>		<b>(\$/ton)</b>		
<b>California</b>	Spot		265o	292o
	Clock		268o	305o
<b>Idaho (UP)</b>	Ap-Sp		270o	295o
	Clock		265o	n/a
<b>WA/OR (BN)</b>	Ap-Sp		280o	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.

*Cottonseed Intelligence Monthly* is published monthly Phone: 651-925-1052/Fax 651-925-1061 e-mail: james.bueltel@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.

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