

**COTTONSEED MARKET:** Cottonseed price movements were fairly subdued again for February and fluctuated little from prices reported the month prior. Spot offers were met with more bids as the month progressed but continue to be minimal, as the spread between offers and bids remains wide. Prices in the deferreds are not showing as much pressure or discount compared with the nearby as traders begin to focus on new-crop contracts. Prices in the South and Mid-South were mostly quiet as ginning wrapped up in the Southeast. Cottonseed prices in Texas held steady while harvest was being completed. Price movements were similar in the West as traders were forced to deal with wet seed. USDA resumed issuing weekly and monthly data following the partial government shutdown and the US continues to work with China to reach a trade agreement regarding ongoing tariffs.

Spot cottonseed prices across the Southeast US fluctuated from \$165 to \$170 per ton for the Northern region and \$145 to \$150 farther south. Deferred prices extended as far out as August and were reported at about a \$5-per-ton-premium, on average. As is the case for most of the US, the spread between offers and bids remains wide with those in the market welcoming a change but not wanting to be the first to move. The change should come sooner rather than later and likely will favor buyers as it has been reported that storehouses in the region are nearing capacity and sellers will start looking to liquidate seed to make room. Price changes in the Mid-South in February were reported at about \$165 to \$175 per ton for spot markets. Prices reported for the deferreds go as far out as August and hold about a \$5 premium compared with the spot (similar to the Southeast). As of recently, barge loading has been a cause for concern as water levels for the Mississippi River have been steadily rising due to heavy rains in the area. Those levels are only expected to increase later on as record levels of snow along the northern parts of the river begin to melt once warmer weather comes. Spot prices in Texas held at \$225 per ton in February with premiums marginally increasing by about \$5 per ton further into the deferreds. Sellers in the regions gladly would welcome a run-up in Dried Distillers Grain (DDG) prices in hopes to see an increase in seed demand. Cotton harvest in Texas wrapped up around the third week in February. Alfatoxin has been a focal point in Arizona as traders scramble to fill contracts with seed under 20 parts per billion. The rail industry, specific to cottonseed, has been booming as traders scramble to get seeds out of the rain in California; however, with dairy margins continuing to run thin, destinations have been limited.

On February 21, USDA issued its weekly *Export Sales* report, which included sales data for the period from January 4 through February 14, which previously was held up due to the partial government shutdown. Net sales for US cotton were reported at 1.02 million bales (977,100 Upland and 43,200 Pima). Vietnam was the largest buyer. Most notably was the reported net cancellation of 132,000 bales by Bangladesh.

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Trade continued to be at the forefront of the agricultural industry during February as representatives from the US and China met several times during the month to continue to work on ongoing negotiations regarding trade between the two countries. President Trump has announced that he thinks the US is very close with striking an agreement with China but does not plan to finalize a deal before meeting with Chinese President Xi Jinping.

**COTTONSEED BALANCE SHEET:** USDA issued its *Crop Production 2018 Annual Summary* on February 8 after being delayed for a month due to the partial government shutdown. In the report, USDA forecast cottonseed production for 2018/19 at 5.79 million tons, which, if realized, would be down about 64,000 tons from its December forecast and 628,000 tons from 2017/18. However, its production forecast is subject to change when USDA issues its final estimate in its May *Crop Production* report. IEG Vantage adopted USDA's production forecast into its own 2018/19 balance sheet. USDA also issued its *Cotton Ginnings* report, which showed all running bales for 2018 at 15.922 million bales.

A report detailing the impact of crop damages from devastating floods in the Northeast regions of Queensland, Australia, forecast the production of cottonseed to be down about 44 percent from last year. Typically, Eastern Asian countries (like Japan and South Korea) are the largest importers of Australian cottonseed; however, if the decline in production is realized, those countries could look to the US to fill future demand. At this time, IEG Vantage has made no changes to its cottonseed export forecast, which continues to be forecast at 370,000 tons.

**COTTONSEED MEAL AND HULLS:** Similar to cottonseed, meal and hull markets have been relatively quiet over the past month. Spot meal markets in the Mid-South averaged about \$225 to \$230 per ton in February while spot markets in Texas were about \$255 per ton. California meal prices averaged about \$265 per ton. Meal markets could undergo some weakness in the near term as the demand of canola meal continues to increase among dairies.

Cottonseed Supply & Demand Estimates (1,000 tons)						
Year begins Aug 1	USDA 2015	USDA 2016	USDA 2017	IEG 2017	USDA 2018	IEG 2018
Beg. Stocks	437	391	400	400	450	450
Imports	16	51	0	0	0	0
Production	4,043	5,369	6,422	6,422	5,858	5,805
<b>Total Supply</b>	<b>4,496</b>	<b>5,811</b>	<b>6,822</b>	<b>6,822</b>	<b>6,308</b>	<b>6,255</b>
Crush	1,500	1,769	1,854	1,854	1,800	1,875
Exports	136	342	478	478	425	370
Feed, Seed, & Residual	2,469	3,300	4,040	4,040	3,683	3,600
<b>Total Disappearance</b>	<b>4,105</b>	<b>5,411</b>	<b>6,372</b>	<b>6,372</b>	<b>5,908</b>	<b>5,845</b>
End. Stocks	391	400	450	450	400	410

<u>Cottonseed fob points</u>						
		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Change</u>	<u>Yr Ago</u>
<b><i>Southeast</i></b>		<b><i>(\$/ton)</i></b>				
North Carolina	Spot		165		unc	135t
South Carolina	Spot		165		unc	140t
South Georgia	Spot		160		unc	159o
<b><i>Mid-South</i></b>		<b><i>(\$/ton)</i></b>				
Memphis North	Spot		170	165-170	-10o	155o
<b><i>Southwest</i></b>		<b><i>(\$/ton)</i></b>				
West Texas - Lubbock North	Spot		225-230	220-225	1o	177o
	Fb-Sp		230-238		-1o	188o
	JFM		235		7o	n/a
<b><i>Far West</i></b>		<b><i>(\$/ton)</i></b>				
Arizona	Spot	280	285		-10o	260o
California Corc. No.	Fb-Mr		305		n/a	n/a
Pima California	Fb-Mr		265		n/a	n/a
<b><i>Specially Processed Products</i></b>		<b><i>(\$/ton)</i></b>				
Easi Flo - Courtland, AL	Spot		225		n/a	195o
	Fb-Sp		235		n/a	200o
<b><i>b = bid o = offer t = trade n/a = not available</i></b>						

<u>Processed Cottonseed Products</u>						
	<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Change</u>	<u>Yr Ago</u>	
<b>Mid-South</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
Pine Bluff	Spot	240		n/a	295t	n/a
<b>Southwest</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
West Texas	Spot	260-265		-15o	312o	210o
	Fb-Mr	265		-12o	n/a	215o
	Ap-Sp	252-254		-2o	249o	175o
<b>Far West</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
California	Mr-Jn	272		-8o	n/a	232o
<b>Extruded/Expelled Meal</b>						
West Texas	Spot	315		n/a	n/a	n/a
Cubes	Spot	345		n/a	300o	n/a
<b>Cottonseed Meal Basis vs. Wednesday's CBOT SoyMeal</b>						
		<u>SBM</u>	<u>CSM</u>	<u>BASIS</u>	<u>Change</u>	<u>Yr Ago</u>
<b>Mid-South</b>		311.1	240	-71.1	0	-55
<b>Southwest</b>		311.1	262.5	-48.6	-15	-50
<b><i>b = bid o = offer t = trade n/a = not available</i></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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