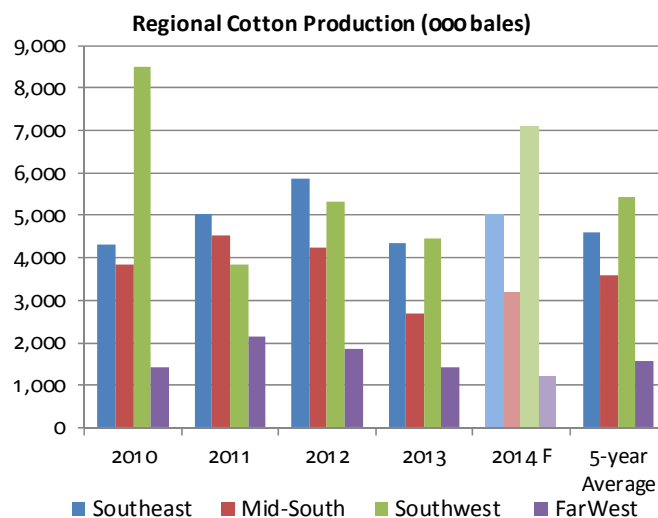


COTTONSEED MARKET: Remnants of tropical storms have brought rain to the Southwest and through the Cotton Belt during the first half of September which will slow harvest progress. This caused a modest increase in new crop offered prices late in the month. The net result of the rain is mixed. There are some growers in West Texas that the rains have hurt due to flooding, meanwhile others are grateful to get the moisture as it should limit the amount of bolls being dropped late in the season and should be positive development for their overall yields.

The later than expected start to harvest should lend support to spot prices in Southern Texas and Coastal Bend regions longer than previously expected, as this will be the main source of new crop cottonseed supply for the balance of September. Logistics remain an issue as it is difficult to find transportation from these points. As harvest of other grains advance north it will be even more difficult to arrange transport. This concern is another reason for the uptick in prices. Dairy buying interest remains lackluster as large corn and soybean crops are about to be harvested and this should apply downward price pressure on competing feed ingredients which will pressure cottonseed prices lower as well. Milk prices remain favorable and with lower feed prices, dairies should enjoy a few more months of positive margins. Because of these favorable margins dairies are less likely to change feed rations unless there is an exceptionally strong financial incentive for them to make a change. That being said, dairies are expected to continue to keep cottonseed in rations at higher inclusion rates than a year ago.

Nearby trading in the Southeast and Mid-South has been sporadic and so thinly traded that there hasn't been enough trading accomplished to report prices. The focus of traders has been on new crop, yet for this time of the year less than normal has traded. This is because end users are mostly staying clear of the market in anticipation of lower prices. Those that are buying are only covering a fraction of their needs. Dairies are not willing to buy at current prices as they are looking for other feed ingredients like distiller dried grains to be priced lower. Gins are not willing to trade at prices \$100/ton below year ago levels, yet. It looks like they are willing to wait for higher prices, which will not likely reach near year ago levels.



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. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 3464 Washington Drive, Suite 120, Eagan, MN 55122-1438.

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's 2013/14 balance sheet had imports raised 60,000 tons, meanwhile exports were lowered 11,000 tons. The remaining categories for the old crop were unchanged. This resulted in a 72,000 ton increase in ending stocks. This made the stocks to use ratio 9.5% which is a fraction of a percent above the 5-year average.

For the 2014/15 crop year production was lowered 313,000 tons and after the increase in beginning stocks the total supply was lowered 241,000 tons. Both the crush and Feed, Seed and Other categories were lowered 100,000 tons bringing down total disappearance 200,000 tons. Ending stocks were lowered 41,000 tons. This brought the stocks to use ratio down to 8.3% which would be the lowest level since the 2011/12 crop year.

The Cottonseed Digest's old crop balance sheet had imports raised 24,000 tons. The crush was upped 2,000 tons. Exports were lowered 4,000 tons. The Feed, Seed and Other category was raised 50,000 tons. Ending stocks were lowered 24,000 tons based on lower than expected holdings at crushers. This would represent the lowest ending stocks since the 1999/00 crop year. The stocks to use ratio was lowered to 6.3% which would be the lowest level in the past 10 years.

For the 2014/15 crop year total supply was lowered by 322,000 tons. Beginning stocks were lowered 24,000 tons on less than anticipated crusher holdings. Imports were larger in July than expected shifting some supply to the old crop balance sheet resulting in a 28,000-ton decline. Production was lowered 270,000 tons based on less acreage and crop conditions edging slightly lower. The crush remains unchanged as economics should be favorable for crushers based on mostly stable soybean oil prices as soybean oil has price support coming from crude oil prices. This should limit the downside risk for cottonseed oil prices. Demand from oil buyers remains light which is similar to the situation a year ago. The Feed, Seed and Other category was lowered 330,000 tons similar to the amount that total supply was reduced. The movement of cottonseed by rail to western markets is an ongoing concern that could limit usage in this category.

Cottonseed Supply/Demand Balance Sheet (000 tons)						
Year begins Aug 1	USDA	USDA	September / USDA	September / CSD	September / USDA	September / CSD
	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14E</u>	<u>2013/14E</u>	<u>2014/15E</u>	<u>2014/15E</u>
Beg. Stocks	618	430	492	507	425	289
Imports	72	182	198	200	0	20
Production	5370	5666	4203	4203	5464	5507
Total Supply	6059	6278	4893	4910	5889	6816
Crush	2400	2500	2000	2052	2400	2400
Exports	133	191	219	219	290	300
Feed, Seed, & "Other"	3096	3094	2250	2350	2750	2670
Total Disappearance	5629	5786	4468	4621	5440	5370
End Stocks	430	492	425	289	449	446

COTTONSEED fob points				
<u>PRICES 09-19-14</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
North Carolina	OND	192-195t		240t
South Carolina	OND	192-195t		n/a
Georgia So.	OND	192-195t		234t
<i>Mid-South</i>		(\$/ton)		
Memphis No.	OND	2300 / 225t		268t
MO Bootheel	OND	2330 / 228t		2750
NE Arkansas	OND	228t		2700
<i>Southwest</i>		(\$/ton)		
West Texas: LN	Spot	260-270t		305t
	OND	225b / 2300		293t
	Ja-Ag	245b / 2500		n/a
<i>Far West</i>		(\$/ton)		
Arizona	Spot	3600 / 360t		3750
	OND	310b / 3250		3270
Cal. Corc. No.	Spot	4300		420t
	Clock	350-3600		3850
Pima California	Spot	3850		400t
	Nv-Mr	3300		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flotm</i>	Courtland, AL	Spot	4430	3700
		Oc-Nv	2650	n/a
		Dec	2720	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 09-19-14		Truck	Rail	Yr Ago
Northeast		(\$/ton)		
W. New York	Spot	4270		3520
	OND	2560		2970
	Ja-Ag	2760		n/a
SE Pennsylvania	Spot	4150		3350
	OND	2450		2800
	Ja-Ag	2650		n/a
NE Ohio	Spot	4270		3520
	OND	2560		2970
	Ja-Ag	2760		n/a
Midwest		(\$/ton)		
MI (Grand Rpsds.)	Spot	4390		3620
	OND	2660		3070
	Ja-Ag	2860		n/a
MN (Rochester)	Spot	445-4540		3850
	OND	2900		3500
	Ja-Ag	3100		n/a
WI (Madison)	Spot	4490		3800
	OND	2850		3420
	Ja-Ag	3050		n/a
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	2650		3000
Rail - fob track points		(\$/ton)		
California	OND		3400	368b
	Clock		3450	n/a
Idaho (UP)	OND		320-3230	3560
	Clock		330-3350	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.