

COTTONSEED MARKET: There has been a slowdown in trading action as of the middle of February. There are a few more gins showing interest in putting on sales. The end user side of the market interest remains light and most buyers appear willing to wait for lower prices before coming back to the market. Soybean meal and corn futures prices have firmed since the beginning of the year suggesting that other feed ingredient prices should find price support. The ongoing problem preventing price strength and a bullish attitude is ample supply of most other feed ingredients. Any modest upswing in futures price in coming months will likely be met with the seasonal decline in feed demand as temperatures warm and pastures green up. This year's warmer than average temperatures during February suggest that feed demand will likely start to soften earlier than normal.

The California market has edged lower mid-February with mediocre nearby buying interest. Most of the dairy buying interest comes to buy in the spot market. Comparatively flat prices going forward do not provide end users motivation to take on the risk of forward ownership. Recently, there was an open offer for clock (October-September) for the 2017/18 crop year at \$302/ton delivered dairy. While this looks to be attractive compared to the 5-year average of \$397/ton, there still are many variables which suggest prices will be hard pressed to reach its average level. The outlook for an increase in cotton acres and the likelihood of continued ample feed ingredient supply in the market suggest that prices will remain well below average levels. Dairy economics are always subject to change and potentially for the worse given the current positive profit margin situation.

Trading in West Texas continues to be light. Offers drifted slightly lower as some gins have become willing to accept bids to insure they are able to move more supply. End users haven't stepped up their buying and they are only interested in buying small volume one or two truck trades. The higher than normal percentage of unsold supplies in storage are reason for their willingness to wait for lower prices. Even if there are fewer gins running in Texas, buyers are betting that the amount of unsold seed needing to trade will prevent prices from appreciating as much as is the seasonal norm. The standoff between buyers and sellers is expected to continue for several weeks unless prices drop enough to attract additional buying. If the drop in price doesn't happen during the first quarter and the planting campaign and crop development goes without issue, then the weight of supply will likely keep steady downward pressure on prices.

Southeast markets have turned quiet with an imbalance of more sellers than buyers. End users interest is only on small volume and they are only focused on the nearby and appear that they will keep on only covering their nearby needs. Resellers either satisfied their new crop needs last week or lost interest since no new trades were made this week.

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COTTONSEED BALANCE SHEET: The USDA 2016/17 supply side of the balance sheet was unchanged. The main change from last month was a 150,000-ton decrease to the crush. The feed, seed and other category was raised 100,000 tons. The remaining 50,000 tons taken from the crush was added to ending stocks. The net result was the stocks to use ratio being raised a percentage point from last month to 9%, which is in line with the 10-year average.

The Cottonseed Digest balance sheet has supplies unchanged from last month. With ginning still going on in West Texas it is possible that production may need to be raised next month. The crush was raised 50,000 tons following strong runtimes and the likelihood that the crush will be higher than earlier projected given the abundance of cottonseed. Meanwhile crushing economics appear to be better than a year ago. Domestic demand for cottonseed oil continues to experience headwinds, but lower cottonseed prices opens the possibility for cottonseed oil to be more price competitive compared to previous years.

Exports were raised 15,000 tons as demand from Asia should be stronger this year given the price strength in the Australian market. China was an early buyer in Australia and provided support to prices, and if Aussie prices remain supported supply from the Southeast may be competitive enough to keep supply being exported through container yards. Buying interest from the Middle East is expected to become a stronger buyer during the last half of the crop year. Projected exports are 74,000 tons larger than the 5-year average.

Ending stocks were lowered by 65,000 tons, still 199,000 tons larger than the 5-year average. The stocks to use ratio at 12.2% was over a percentage point lower than last month's level, but still higher than the 5-year average of 8.7%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	USDA	Feb / USDA	Feb / CSD
	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17E</u>	<u>2016/17E</u>
Beg. Stocks	492	425	437	391	391
Imports	198	59	16	50	50
Production	4203	5125	4043	5418	5393
Total Supply	4893	5609	4496	5859	5834
Crush	2000	1900	1500	1800	1700
Exports	219	228	136	250	255
Feed, Seed, & "Other"	2250	3044	2469	3325	3245
Total Disappearance	4468	5172	4105	5375	5200
End Stocks	425	437	391	484	634

COTTONSEED fob points				
<i>PRICES 02-17-17</i>		<i>Trade</i>		<i>Yr Ago</i>
Southeast		(\$/ton)		
North Carolina	Spot	200o		225t
	Ap-Ag	200o		225o
South Carolina	Spot	200o		n/a
Georgia So.	Spot	190-200o		220o
	Ap-Ag	200-205o		220t
Mid-South		(\$/ton)		
Memphis No.	Spot	190-195o		255t
	Ap-Ag	190-195o		n/a
	OND	185o / 183t		230t
MO Bootheel	Spot	195o		260o
	Ap-Ag	195o		n/a
NE Arkansas	Spot	195o		260o
Southwest		(\$/ton)		
West Texas: LN	Spot	205o		237t
	Fb-Sp	215o		n/a
	Clock	205o / 205t		n/a
West Texas: SN	Spot	205o		240o
Oklahoma	Spot	210b / 215o		240t
	Fb-Sp	215o		n/a
Far West		(\$/ton)		
Arizona	Spot	280b / 285o / 283t		315o
	Mr-Sp	295o		n/a
Cal. Corc. No.	Spot	295-300o		337o
	Mr-Sp	295o		n/a
	Clock	295o		340o
Pima California	Spot	272o		300o
	Mr-Jn	273o		n/a
Specially Processed Products (\$/ton)				
<i>Easi Flo™</i>	Courtland, AL	Spot	243o	300o
		Nov	225o	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 02-17-17</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Fb-Mr	264o		n/a
	Fb-Ag	270o		n/a
SE Pennsylvania	Fb-Mr	249o		n/a
	Fb-Ag	255o		n/a
NE Ohio	Fb-Mr	264o		n/a
	Fb-Ag	270o		n/a
Midwest		(\$/ton)		
MI (Grand Rpds.)	Fb-Mr	274o		n/a
	Fb-Ag	280o		n/a
MN (Rochester)	Spot	253-262o		324o
	OND	248o		305o
WI (Madison)	Spot	253o		315o
	OND	240o		295o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	240o		285o
Rail - fob track points		(\$/ton)		
California	Spot		285o	330o
	Fb-Sp		285o	n/a
	Clock		285o	n/a
Idaho (UP)	Spot		285o	320o
	Ap-Sp		283o	n/a
	OND		280o	320o
WA/OR (BN)	Clock		285o	330o
	Spot		300o	330o
b = bid o = offer t = trade n/a = not available				

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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