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COTTONSEED MARKET: Cottonseed prices underwent little fluctuation during the month of January as higher offers seemed to stymie demand across the US, specifically from the dairy industry. Based off of reports out of regional areas, ginning has mostly wrapped up with some areas in the Southeast expected to finish in the next few weeks. Unfortunately, no official data has been released on ginnings due the partial government shut-down throughout the majority of the month of January. Ethanol margins continue to be down resulting in tight supplies of DDG's; however, forecasts for DDG's are expected to remain mostly stable into the first half of 2019. The feeding of seed in West Texas has been stable to somewhat lower as demand has tapered off due to higher prices. As mentioned above, demand from the dairy industry has taken a large hit as margins continue to grow thin. Similar stories are noted for the Southeast as warehouses begin to fill up and supplies are plentiful. Reports from the area suggest that bidders could take as much as they won't if they could just meet the asking price. Prices in the Midsouth have remained supported; however, per other regions, the demand is also down. Further to the West, prices in Arizona have come off as traders concerns of aflatoxin as cause of wet seed have increased. Those concerns tapered off more towards the end of the month but are still grounds for caution. California prices were mostly unchanged. Transportation prices underwent little change as well for truck and rail movement. All in all, the seed market is mostly in a jam. Sellers are holding out for higher prices and bidders are holding out for lower. Unfortunately for buyers, seed prices are forecast to increase in 2019 for most of the regions across the US.

Official data from USDA was postponed for the majority of the month due to the partial government shutdown. USDA did issue its Weekly Export Sales report for the week ending December 20, on January 31. Net sales for US cotton were reported at a marketing-year high of about 380,900 bales with Vietnam reported as the largest buyer, taking about 49,750 bales. It is important to note that futures are currently trading at about a four to six cent discount compared with where futures prices were out at the scheduled release of the report. Knowing this, it would not be unsurprising to see this marketing-year higher topped in the coming weeks as USDA begins to catch up with delayed reports.

On January 30, US trade officials met with Chinese Vice Premier Liu He in Washington D.C. to discuss ongoing trade disputes between the US and China. As of February 1, no significant developments had been reported. On January 31, President Trump announced that he would either "strike a very big deal" or would "postpone" talks for a little while longer. Trump also stated that he did not plan to make an agreement before meeting with Chinese President Xi. The two are scheduled to meet sometime in February. Although the current tariffs mostly apply to US soybeans in the terms of "agricultural goods", the US cotton industry has also felt some affect as commitments to China have undergone a decline. The wake of these tariffs could only increase if a deal is not struck before March 1 when China plans to implement tariffs on US apparel and textiles. By some

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speculation, if a long term deal is not struck, cotton acres across the US could see a decline as futures likely would turn south from current prices. In turn, this could result in higher prices for seed and other products as cotton production would be down. However, given the cost of inputs, producers across the US likely won't be as quick to change to another crop.

COTTONSEED BALANCE SHEET: USDA postponed a significant amount of official reports during the month of January due the partial government shutdown. As a result, no changes have been made to the cottonseed balance sheet for 2018/19. USDA is scheduled to resume issuing reports on February 8.

Cottonseed Supply & Demand Estimates (1,000 tons)						
<i>Year begins Aug 1</i>	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
Total Supply	4,496	5,811	6,822	6,822	6,308	6,255
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
Total Disappearance	4,105	5,411	6,372	6,372	5,908	5,845
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>
<i>Southeast</i>		<i>(\$/ton)</i>				
North Carolina	Spot		165		unc	135t
South Carolina	Spot		165		unc	140t
South Georgia	Spot		160		unc	159o
<i>Mid-South</i>		<i>(\$/ton)</i>				
Memphis North	Spot		170	165-170	-10o	155o
<i>Southwest</i>		<i>(\$/ton)</i>				
West Texas - Lubbock North	Spot		225-230	220-225	1o	177o
	Fb-Sp		230-238		-1o	188o
	JFM		235		7o	n/a
<i>Far West</i>		<i>(\$/ton)</i>				
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
<i>Specially Processed Products</i>		<i>(\$/ton)</i>				
Easi Flo - Courtland, AL	Spot		225		n/a	195o
	Fb-Sp		235		n/a	200o
<i>b = bid o = offer t = trade n/a = not available</i>						

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

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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