



COTTONSEED MARKET: After a slow holiday season, January brought little change to the cottonseed industry complex. The month began with worries regarding the West Texas crop being foremost in traders’ minds and leading prices across markets. Trading was thin, with \$30 spreads between bid/ask being common. There were some concerns over how the relatively mild winter across much of the South had impacted feed demands. Dairies out West were mostly covered back in mid-December or had taken cottonseed out of their rations, stemming from high prices and a lack of supply. In mid-January the Southern Southeastern Cotton Conference was held in Savannah, allowing market participants a chance to network and fellowship, and also making for a slow trading week. Minor excitement came to Arizona when a gin in the central part of the state requested bids on 1,000 tons for Jan/Feb shipment, pushing the market there up to \$332 per ton. Yields in Arizona have been reported down, with ginning still under way in some regions. Little export demand has been felt across the Southeast, as has been the case all season.

Particularly important to continue watching going forward are the current spreads between regions. While West Texas has been understandably inflated, the rest of the country has not moved at an equal pace. West Texas is currently \$115 per ton over South Georgia and North Carolina. While this may not be shocking news, heading the other direction the spread between Lubbock North and Arizona is \$25 per ton (premium to Arizona), \$25 under rail cottonseed delivered California, and \$20 under rail seed delivered Idaho. While those spreads are there, they are not being traded. Thinness in the market, if anything, has allowed the opportunities for these eccentricities to develop.

On the seed prices side, South Georgia and North Carolina experienced little change, slightly higher from \$165-\$170 per ton up to trade at \$175 per ton. Spot prices for Memphis North are up about \$10 from the beginning of January, with offers at \$210. West Texas has remained virtually unchanged, opening the month trading \$285-\$290 and closing the month in the same region. Arizona opened the month trading at \$310 per ton, rising to \$332 per ton before falling back down to close at \$315 per ton. California started February at \$325 per ton, down \$5 from where it traded the first week of January. In the products side, West Texas meal was up \$8-\$10, with California virtually unchanged. The major issue in meal is the plant in Valdosta shutting down, meaning Memphis became the new source for meal. This pushed Memphis North and Pine Bluff meal prices up about \$25-\$30.

Products Derived from 2000 lbs. of cottonseed have the following product values*

Cottonseed Meal	\$ 121.24	38.3%	Total Product Value	\$ 316.39
Cottonseed Oil (PBSY)	\$ 106.75	33.7%	Average Milling Costs	\$ (62.00)
Linters 1st & 2nd cuts	\$ 24.00	7.6%	Freight from Gin	\$ (14.00)
Cottonseed Hulls	\$ 64.40	20.4%	WCS Net Product Value	\$ 240.39
Total Product Value	\$ 316.39		Previous Issue’s Value	\$ 215.46

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COTTONSEED BALANCE SHEET: U.S. cottonseed production for 2019/20 expanded 11 percent from 2018/19 to 6.2 million short tons. Most of this season's cottonseed production gains stem from improved yields in Georgia and other Southeastern States. The estimated harvested acreage for cotton rebounded to 11.8 million acres from 10.2 million in 2018/19 based on a lower rate of acreage abandonment in Texas. However, the Texas cottonseed crop slipped 5 percent in 2019/20 as its higher harvested acreage was more than offset by lower yields. A more plentiful U.S. cottonseed supply could boost the domestic crush to 1.8 million short tons and feed use to 4.2 million tons. IEG Vantage adopted USDA's 2019/20 forecast for cottonseed supply and demand released January 14. Beginning stocks forecast was unchanged for the crop year beginning August 1 at 477 thousand tons. USDA forecasts production down to 6.2 million tons, a decrease of five percent from 6.5 million tons last month, but still 11 percent higher than 2018/19 production and marginally below 2017/18. Forecast ending stocks are down to 421 thousand tons, the lowest of the past three years.

COTTON FUTURES: The bottom line is that prices should continue to be volatile with a short-term bias to lower levels. Speculative traders increased their short position through last Tuesday, but that position has sharply changed since then. The magnitude of the decline and the timing of the subsequent recovery will predicate the length and the severity of the crisis. A position to protect current long positions or benefit from lower prices is a prudent short-term strategy. The risk is certainly for lower prices in the near term. The longer-term outlook continues to be supportive for strong mill use and any short-term slowdown in mill use and/or consumer demand will be offset by pent up demand that is frequently seen several months after the crisis stage is over.

Export sales for the week ending January 23 netted 362,900 (347,100 Upland, 15,800 Pima) bales for current crop position. There were 397,400 (38,600 Upland, 15,800 Pima) bales in new sales and 34,500 bales of upland canceled. New crop realized 50,200 upland bales in net sales. The best net buyers for current crop (including destination changes and cancellations) were China 109,900 upland, Vietnam 87,100 (78,400 Upland, 8,700 Pima), Turkey 45,800 (45,600 Upland, 200 Pima), Pakistan 57,100 (56,800 Upland, 300 Pima) and Indonesia 34,600 (30,300 Upland, 4,300 Pima). Shipments were 340,000 (327,100 Upland, 12,900 Pima) bales.

COTTON PRODUCTION: IEG Vantage forecasts all cotton area to total 13 million acres, which is up 576,000 from the December projections due to better prices as well as an indication from this month's survey that plantings would be down less than previous projections. The 2020 cotton planting projection, if realized, would be down 728,000 from last season.

Cottonseed Supply & Demand (1,000 tons)			USDA	IEG	USDA	IEG
Year begins August 1	2016/17	2017/18	2018/19	2018/19	2019/20	2019/20
Beginning Stocks	391	400	451	451	477	477
Imports	51	0	1	1	2	2
Production	5,369	6,422	5,631	5,631	6,232	6,232
Total Supply	5,811	6,822	6,083	6,083	6,711	6,711
Crush	1,769	1,854	1,760	1,760	1,800	1,800
Exports	342	478	387	387	300	300
Feed, Seed, & Residual	3,300	4,039	3,458	3,458	4,190	4,190
Total Disappearance	5,411	6,371	5,605	5,605	6,290	6,290
Ending Stocks	400	451	477	477	421	421

Cottonseed fob points						
		Bid	Offer	Trade	Change	Yr Ago
Southeast		(\$/ton)				
North Carolina	Spot		175	175	-2t	165o
	Ap-Ag	175			n/a	n/a
South Georgia	Spot		175	175-178	n/a	160o
	Ap-Ag	180			n/a	n/a
Mid-South		(\$/ton)				
Memphis North	Spot		210		unc	167t
	Fb-Mr		210		n/a	n/a
	Fb-Ag		220		n/a	n/a
Missouri Bootheel	Spot	210	215		unc	n/a
Southwest		(\$/ton)				
West Texas - Lubbock North	Spot		290	288	unc	222t
	Fb-Mr		290		n/a	n/a
	Fb-Sp		295-300		n/a	234o
Far West		(\$/ton)				
Arizona	Spot		320-325	315	-2o	285o
California Corc. No.	Spot		325	325	n/a	n/a
Pima California	Spot	295	310		n/a	n/a
b = bid o = offer t = trade n/a = not available						

Processed Cottonseed Products						
		Bid	Offer	Trade	Change	Yr Ago
Mid-South		Meal (\$/ton)				Hulls
Memphis	Spot		255		n/a	n/a
Pine Bluff	Spot		265		20o	240o
Southwest		Meal (\$/ton)				Hulls
West Texas	Spot		283		n/a	262o
	Fb-Mr		280		n/a	265o
	Ap-Sp		250		n/a	253o
Far West		Meal (\$/ton)				Hulls
California	Fb-Jn	265	272		n/a	n/a
Cottonseed Meal Basis vs. Wednesday's CBOT SoyMeal						
		SBM	CSM	BASIS	Change	Yr Ago
Mid-South		296.1	265	-31.1	20	25
Southwest		296.1	283	-13.1	3	20.5
b = bid o = offer t = trade n/a = not available						

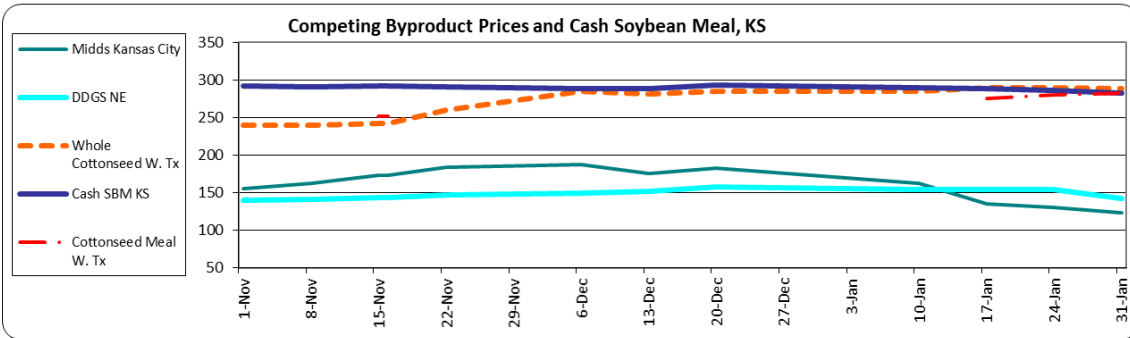
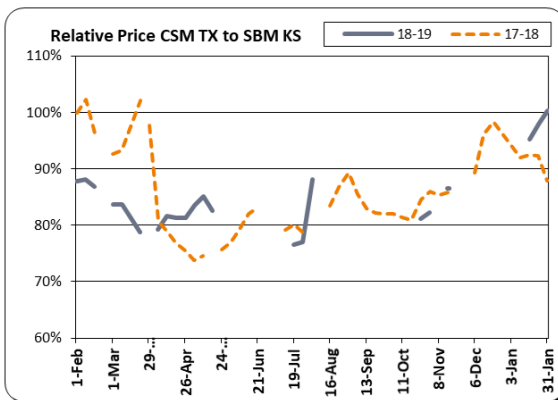
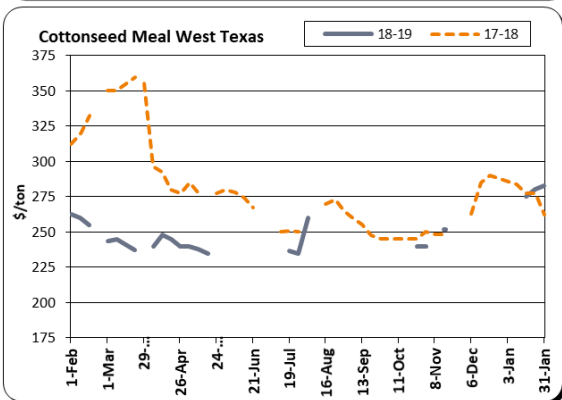
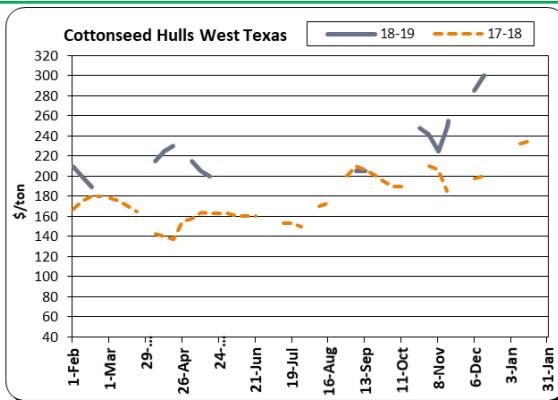
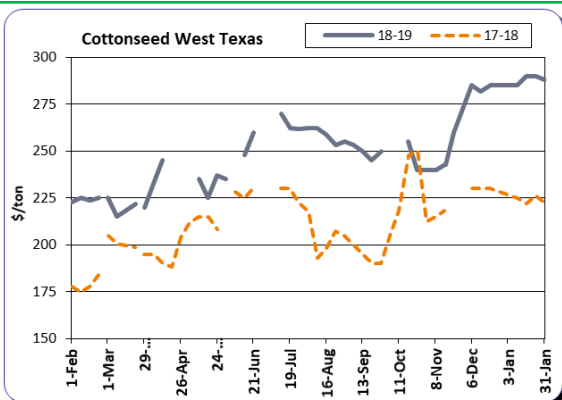
U.S. Cottonseed Spread Chart - Nearby Price						
	AZ	CA	So. GA	W. TN	W. TX	NC
AZ	***	0	-150	-115	-35	-150
CA	0	***	-150	-115	-35	-150
So. GA	150	150	***	35	115	0
W. TN	115	115	-35	***	80	-35
W. TX	35	35	-115	-80	***	-115
NC	150	150	0	35	115	***

COTTON BALANCE SHEET (000 480-lb Bales)

	USDA 2018/19	IEG Vantage 2019/20	USDA 2019/20	IEG Vantage 2020/21
Planted	14,100	13,738	13,762	13,011
Harvested	10,206	11,805	12,509	11,429
Yield	864	817	771	868
Beginning Stocks (8/1)	4,200	4,850	4,850	4,675
Production	18,367	20,102	20,102	20,665
Imports	5	0	0	0
Total Supply	22,572	24,952	24,952	25,340
Mill Use	3,000	3,000	3,000	3,050
Exports	14,763	17,100	16,500	16,950
Total Use	17,763	20,100	19,500	20,000
Unaccounted	-41	177	52	183
Ending Stocks (7/31)	4,850	4,675	5,400	5,157
Ratio Stocks/Total Use	27%	23%	28%	26%
Avg Price	0.70	0.61	0.63	0.50

WORLD COTTON BALANCE SHEET (000 480-lb bales)

	USDA 2018/19	IHS Markit 2019/20	USDA 2019/20	IHS Markit 2020/21
Area (1,000 hct)	33,539	34,517	34,498	33,925
Yield (kg/hct)	767	754	760	779
Beginning Stks	80,838	79,533	79,533	77,451
Production	118,141	119,607	120,479	121,318
Imports	42,203	45,436	43,832	45,154
Supply	198,979	199,140	200,012	198,769
Mill Use	120,189	121,512	120,217	122,325
Exports	41,343	45,436	43,848	45,154
Total Use	120,189	121,512	120,217	122,325
UnAcct	(743)	177	203	183
Ending Stks	79,533	77,451	79,592	76,261
Stocks/Mill Use	66.2%	63.7%	66.2%	62.3%



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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