



**COTTONSEED MARKET:** It might be difficult at this point to remember the last time the cottonseed trading market felt active. What were the “holiday doldrums” have morphed into a winter hibernation. Trading remained slow for the month of February, with no major changes across the complex price-wise. The largest shift was the jump in cottonseed meal throughout the South as the plant in Valdosta closed temporarily. As it is now up and running again that artificial spread can be expected to narrow once again. Across the country in the seed markets, though traded thinly, the ranges seem to have narrowed slightly. Instead of trading \$30-\$40 ranges between bid/ask (or even traded values) most regions seem to have returned to a more manageable \$10-\$15 per ton range (even if no trading occurred). Dairy interest has remained weak over the past few months, without noticeable interest nearby, for April – Sep, for Oct – Mar, or for clock. One question to consider is how long dairies delay coming into the market. Are they delaying because of high prices or have rations just lasted longer than expected? The National Cotton Council’s annual meeting was held in New Orleans the second weekend of February, giving market participants a bit of a distraction during the month’s quiet.

Spreads were mentioned in last month’s update as of interest to follow nearby as a result of anomalous values: many freight spreads which did not trade. Since then, most quoted freight spreads have come back into more appropriate territory. What was a \$25 per ton spread between Lubbock North and Arizona has now widened to a \$45 per ton spread. The premium for Corc North fuzzy truck sits at about \$25 over California pima. The spread between the Mid-South and the Southeast sits at about \$25-\$30 per ton, and then another \$75-80 out to West Texas.

On the seed prices side, South Georgia and North Carolina experienced little change, with bids mostly around \$170 and offers around \$180 per ton nearby. Spot prices for Memphis North are slightly lower, with trades occurring the last week of February at \$200, down \$10 per ton. The Boot Heel is slightly higher with offers at \$215. West Texas has retraced slightly, with trades nearby occurring at under \$280 per ton. Arizona is offered at \$325 nearby, and \$330 for March for no major change. California also hovers around \$325 per ton. While West Texas meal has been inflated for nearby, the spread between spot loads and April/Sep was around \$35 inversion (the premium to the nearby contract). This would infer that while supplies have been tight over the last two months, the market does not perceive this to be the case in the near future.

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

Cottonseed Meal	\$ 121.24	40.3%	Total Product Value	\$ 300.99
Cottonseed Oil (PBSY)	\$ 106.75	35.5%	Average Milling Costs	\$ (62.00)
Linters 1st & 2nd cuts	\$ 24.00	8.0%	Freight from Gin	\$ (14.00)
Cottonseed Hulls	\$ 49.00	16.3%	<b>WCS Net Product Value</b>	<b>\$ 224.99</b>
Total Product Value	\$ 300.99		Previous Issue’s Value	\$ 224.99

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**COTTONSEED BALANCE SHEET:** USDA updated the U.S. cottonseed balance sheet for 2019/20, including no changes in production from the 11 percent rise from 2018/19 that was previously forecasted. Most of this season's cottonseed production gains stem from improved yields in Georgia and other Southeastern states but held back by poorer results in West Texas. Estimated harvested acreage and production for US cotton was unchanged in the February WASDE. USDA had domestic cottonseed crush at 1.8 million short tons and feed use at 4.2 million tons, unchanged from last month. IEG Vantage adopted USDA's 2019/20 forecast for cottonseed supply and demand released March 2. Beginning stocks forecast was unchanged for the crop year beginning August 1 at 477 thousand tons. USDA forecasts production at 6.2 million tons, unchanged from last month, but still 11 percent higher than 2018/19 production and marginally below 2017/18. Forecast ending stocks are down up to 446,000 tons, the lowest of the past three years but up from last month.

**COTTON MARKET COMMENTARY:** Cotton prices have fallen sharply over the past week as traders institute a risk off policy. The CFTC COT report, for data through Tuesday, showed a smaller reduction in the net-long position than we expected, suggesting more position movement should be expected in the coming week. Though prices have moved farther than we thought they might, the downside may not yet be over. The demand for cotton products will be negatively impacted in the near term and potentially medium term as consumers remain at home in either self-imposed or government-imposed quarantines. The reductions in international and even domestic travel amid fears of virus transmission increase will slow global economic activity and reduce consumer demand. Because there is little that the medical industry can offer, with certainty, regarding the containment and treatment for the virus, the negative hyperbole can increase essentially unchallenged. We cannot forecast with any level of certainty or credibility the time length that the virus will be impactful to the global economy. However, while it is in its panic phase, demand for cotton products will be lessened. Pent up demand will intensify the longer the virus is active; but when the demand will hit the market is tied to the uncertainty regarding the timeframe for the virus. The bottom line is that the longer-term demand for cotton in the global market was on the upturn before the virus was discovered. The current event we view as a sharp bump in the road for cotton demand that will be rectified when the virus impact on the markets is modified.

The export sales report for February 20 showed net sales of 242,700 (214,600 Upland, 28,100 Pima) bales in current crop position and 198,900 bales of upland for new crop. Vietnam was the major buyer of new crop at purchasing 88.5 percent of the total. Current crop realized 285,200 (257,100 Upland, 28,100 Pima) bales in new sales and 42,400 bales of upland canceled. China has 33,000 of the cancellations. Despite the lion's share of cancellations China still managed to net 51,700 (39,600 Upland, 12,100 Pima) bales, being the second largest purchaser in the report. The most active participants for US cotton in current crop, outside of China, were Vietnam 70,500 (70,300 Upland, 200 Pima), Pakistan 37,800 (35,800 Upland, 2,000 Pima), Turkey 26,900 (26,900 Upland, 0 Pima), and Indonesia 19,500 (19,200 Upland, 300 Pima). Shipments were 342,300 (324,100 Upland, 18,200 Pima). The sharp decline in weekly shipments was expected with the Presidents' Day holiday on February 17. Though the total shipments were lower for the week, on a daily basis, shipments were three percent improved. Shipments are now 21 percent ahead of last year. Commitments are 13 percent ahead of last year.

Cottonseed fob points						
		Bid	Offer	Trade	Change	Yr Ago
<b>Southeast</b>		<b>(\$/ton)</b>				
North Carolina	Spot	170	180	170	-5t	171o
	Fb-Mr	175	180	175	n/a	n/a
	Fb-Sp	180	200		n/a	n/a
South Georgia	Spot	175	180		2o	140o
	Fb-Mr	175	180		n/a	n/a
<b>Mid-South</b>		<b>(\$/ton)</b>				
Memphis North	Spot	200	205	200	n/a	168t
	Fb-Mr	200	206		-9o	n/a
	Fb-Sp	205	220		n/a	n/a
Missouri Bootheel	Spot	205	215		n/a	180o
	Fb-Mr	205	215		n/a	n/a
	Fb-Sp	205	225		n/a	n/a
Northeast Arkansas	Spot	200	209		n/a	n/a
	Fb-Mr	200	215		n/a	n/a
	Fb-Sp	205	221		n/a	n/a
<b>Southwest</b>		<b>(\$/ton)</b>				
West Texas - Lubbock North	Spot	273	280		-5o	225t
	Fb-Mr	273	280		n/a	n/a
	Fb-Sp	275	285		n/a	n/a
	Mar		275		n/a	n/a
<b>Far West</b>		<b>(\$/ton)</b>				
Arizona	Spot			325	n/a	290b
	Fb-Mr	315-320	330		n/a	n/a
California Corc. No.	FMA	318	320		n/a	n/a
	Ap-Sp		325		unc	n/a
Pima California	Mar	288		300	n/a	n/a
	Mr-Sp		310		unc	265o
	Ap-Sp			305	n/a	n/a

**b = bid o = offer t = trade n/a = not available**

Processed Cottonseed Products						
		Bid	Offer	Trade	Change	Yr Ago
<b>Mid-South</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
Memphis	Spot		250		n/a	n/a
Pine Bluff	Mar		250-260		n/a	n/a
	Ap-Sp		225		n/a	225o
<b>Southwest</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
West Texas	Spot		280-288		9o	243o
	Ap-Sp		253		unc	245o
<b>Far West</b>		<b>Meal (\$/ton)</b>				<b>Hulls</b>
California	Mr-Jn		255		unc	n/a
<b>Cottonseed Meal Basis vs. Wednesday's CBOT SoyMeal</b>						
		<b>SBM</b>	<b>CSM</b>	<b>BASIS</b>	<b>Change</b>	<b>Yr Ago</b>
<b>Mid-South</b>		291.3	255	-36.3	0	35
<b>Southwest</b>		291.3	284	-7.3	9	40.5

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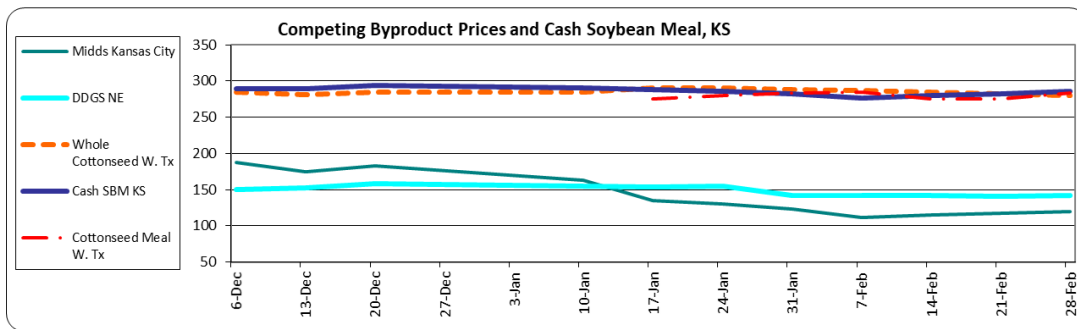
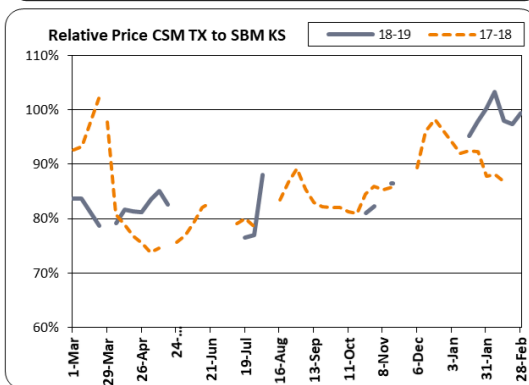
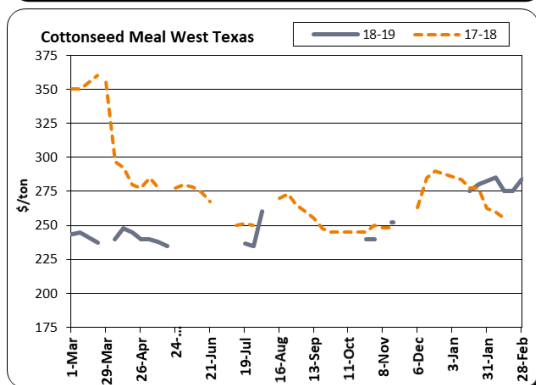
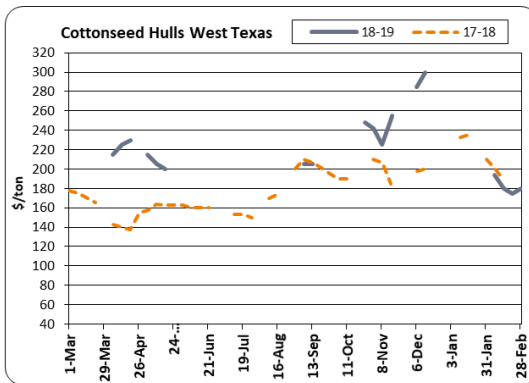
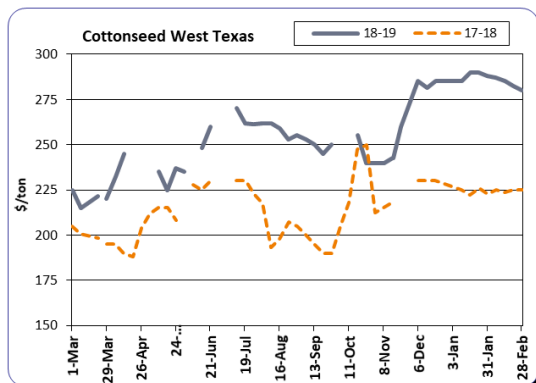
COTTON BALANCE SHEET (000 480-lb Bales)

	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	4,650
Production	18,367	20,102	20,102	20,665
Imports	5	0	0	0
<b>Total Supply</b>	<b>22,572</b>	<b>24,952</b>	<b>24,952</b>	<b>25,315</b>
Mill Use	3,000	3,000	3,000	3,050
Exports	14,763	17,125	16,500	16,950
<b>Total Use</b>	<b>17,763</b>	<b>20,125</b>	<b>19,500</b>	<b>20,000</b>
Unaccounted	-41	177	52	183
Ending Stocks (7/31)	4,850	4,650	5,400	5,132
Ratio Stocks/Total Use	27%	23%	28%	26%
Avg Price	0.70	0.61	0.63	0.50

Cottonseed dlvd. points						
		Truck	Rail	Change	Yr Ago	
<b>Oil - fob track point</b>		<b>(\$/ton)</b>				
California - Rail	Ap-Sp		310b	unc	n/a	
Idaho - Rail UP	Mar		305o	n/a	n/a	

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U.S. Cottonseed Spread Chart - Nearby Price						
	AZ	CA	So. GA	W. TN	W. TX	NC
AZ	***	-10	-150	-125	-50	-150
CA	10	***	-140	-115	-40	-140
So. GA	150	140	***	25	100	0
W. TN	125	115	-25	***	75	-25
W. TX	50	40	-100	-75	***	-100
NC	150	140	0	25	100	***



**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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