

# Seed Value Increases

## *Cottonseed Prices Add To Crop's Revenue Stream*

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In October of 2007, the average price for cottonseed in the United States was \$153 per ton. Today, the price ranges from \$250 to \$300 per ton in parts of the Mid-South and Southeast, according to Ben Morgan, executive vice president of the National Cottonseed Products Association.

“About a year ago when vegetable oil and protein meal prices started moving up, we saw the combined product prices for cottonseed move higher than they have been in past years,” he says.

As for the cottonseed supply and demand landscape, first consider that 2008 will produce a shorter crop because cotton acreage is down. The latest projection for cottonseed production for 2008-09 is about 4.7 million tons, down from 6.6 million last year. After adding in the carryover, there will be close to 1.5 million tons less seed than was available a year ago.

“Supply and demand is actually going to push cottonseed prices up,” Morgan notes. “As long as product prices remain strong, then there won't be much downside.”

### **A \$14 Million Bump?**

In considering all of the cottonseed byproducts, the most lucrative market today is cottonseed oil with prices up 60 to 70 cents per pound – well above the five-year average. From a total revenue standpoint, crushing seed makes the most sense because for the first time in over 10 years more seed will be crushed than will be fed to dairy cattle.

“The economics on the crushing side are certainly turning the demand around from more seed going to dairies to more seed

going to the crushing mills,” Morgan says. “Cottonseed oil has been a good substitute to go into formulas that allows products to be labeled trans-fat free. We will be taking advantage of the continuing trend of food manufacturers to produce trans-fat free foods.”

To put things in perspective moneywise, he points out that “a one-cent increase in the price of cottonseed oil can boost the value of a ton of seed by \$3.” Thus, if U.S. farmers produce 4.7 million tons of seed this year and realize just that one-cent increase, the added value to the cottonseed crop would be \$14 million.

### **Where Farmers Fit In**

Traditionally, when the price per ton was much lower, gins have sold cottonseed to cover ginning costs or disposed of it in some other way. Today’s higher prices are making a difference in how cottonseed is viewed.

“Gins everywhere, and particularly in the Mid-South, are having to re-think their marketing process in order to compete for cotton acreage,” says Tim Price, Southern Cotton Ginners Association executive vice president. “A number of them will be working with new or improved contracts that reflect the value of the cottonseed back to the farmer in terms of gin refunds.”

Morgan also points out that crushing mills have to compete with one another for the gin’s business, and product prices usually set the floor for seed prices. Of course, gins are going to try to maximize their revenues, which will determine how they are going to apply them to offset their ginning costs if that is the arrangement they have worked out or how much more they can return to their members via rebate checks if they are cooperatively owned.

Another consideration for farmers and ginners now that cottonseed has risen in value is producing, harvesting and storing a high quality marketable product.

“We clearly have to think about the production, marketing and storage streams for cottonseed, much as we would the production, marketing and storage of cotton lint,” Price says. “The total value

from an acre of cotton has to be thought of more than just the traditional comparison between the price of a pound of lint and the price of a bushel of another competing crop. We've had some amazing markets for cottonseed, which now has us thinking more about how to maximize the quality and volume of cottonseed as part of the revenue stream from cotton production.”

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