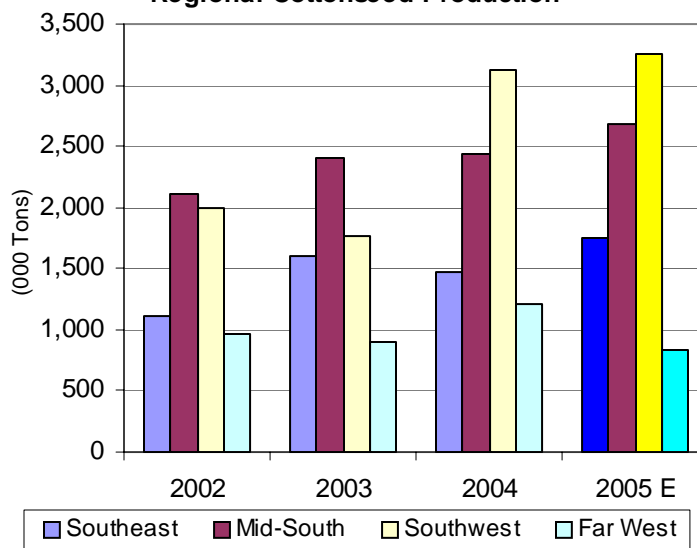


USDA REPORTS: In its *Annual Crop - 2005 Summary*, the USDA raised all cotton production to 23.719 million bales, which is record large. Production was raised 16,000 bales from December's estimate and is up 2% from a year ago. Total cottonseed production was raised 5,000 tons to 8.501 million tons, from last year an increase of 3% or 258,900 tons. Compared to a year ago on the state level, California's cottonseed production is down the most with 314,000 fewer tons. Arizona production is off 59,000 tons, while Mississippi's is 36,000 tons lighter.

More states are showing year-over-year production increases. The largest increase comes from Georgia that is shown rebounding by 158,000 tons, which is a larger than anticipated increase. Texas has a 101,000-ton increase, which is under our estimate by roughly 50,000 tons. Between now and March, the total production for Texas of 3.04 million tons will likely edge higher. Other significant increases are from Louisiana and Arkansas up 98,000 and 74,000 tons, respectively.

Based on this data, the region with the largest increase in production compared to last year was the Southeast up 271,000 tons or 18%. The Mid-South is next in line up 238,000 tons or 9%. The Southwest increased 122,000 tons, or a nearly 4% increase from last year's strong production. Before ginning is completed in the region, there is a strong likelihood that this total production number will inch higher while the estimates to the east might nudge lower. The Far West region had the largest change, in tonnage and percentage as production dropped 372,000 tons or down 31%. Compared to the 5-year average, US cottonseed production is up 21% or 1.5 million tons. To this total Texas contributes more than a million tons; while, on the contrary, the Far West region had less production.

Regional Cottonseed Production



COTTONSEED MARKET: Markets have turned quiet, as can be expected during January. Those gins that have just completed ginning and put seed in storage are not interested in selling this early without a larger financial incentive. This factor is limiting the number of interested sellers in the market. At the same time end users have filled their storage with gin-run seed and don't need to buy. Unseasonably warm weather since the end of December has lead many merchants to expect usage

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in northern dairy markets to taper off and keep buyers out of the market longer than originally expected. Downward trending CBOT futures are leading buyers to expect that cottonseed prices will need to move lower as well, which is not always the case. The lack of selling and buying interest will likely keep the market in gridlock with little change in prices for the next few weeks.

Nearby prices in the Southeast have moved several dollars higher since our last installment, as ginning activity has ended in most locations. Merchants are suggesting that the market is soft and will likely need to edge lower in order to keep seed moving. Georgia's price range have had only slight firmness and continues to be the best buy in the region, meanwhile forward offers have rolled back a couple dollars with limited buying interest. Alabama offers for nearby are up \$10/ton and may be over valued and sellers are thought to be missing trading opportunities because of stronger pricing.

Mid-South markets over the past month have weakened as some sellers are willing to trade at lower prices. February-March offers have moved lower as much as \$4/ton. The Memphis North market is quieter this year as most buying interest is focused on the Missouri Bootheel market. Spot offers in the Missouri Bootheel are holding steady. Traders are anticipating further price deterioration. Forward quotes for the summer are hard to find as there is a lack of interest on both the buying and selling side of the market.

West Texas prices have strengthened the most among all regions up \$15-18/ton. This up move is based on a variety of factors; gins taking downtime for the holidays, supplies moving to feedlots, dry weather and stronger feed demand and cottonseed hull prices over \$100. Now that hull prices are expected to slide below \$100 and ginning is expected to last into March, it will be interesting to see if prices down rollback some in the interim. The low end of the trading range reflects the Seminole North market, while the high side is in the Lubbock market. The tight availability of trucks is the main problem for the spot market and may be supporting prices. Forward quotes are up \$10/ton since the last installment and Texas continues to have the widest spread between nearby and forward quotes. If the drought conditions continue in the state, then prices likely have more upside potential.

California prices have had very minimal volatility as rail supplies are arriving without problems. Gins are reportedly sitting on supplies in expectation of higher prices. There are concerns that with all the rail supplies coming to the state, prices may not have much upside potential.

COTTONSEED BALANCE

SHEET: The only change to USDA's balance sheet was a 5,000-ton increase in production, which was offset by an increase to the feed, seed and other category. Informa's balance sheet has production up 30,000 tons, on cotton production increases. The demand side of the balance sheet is unchanged this month. The increase in production went directly to the ending stocks, which raises levels 177,000 tons above last year's, then record-high ending stocks level. The large amounts of cottonseed going into storage may remain there, if dry weather concerns continue into the growing season and impact new crop production.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Jan. /	Jan. /	Jan. /
	2002/03	2003/04	USDA	USDA	Informa
	2004/05E	2005/06F	2005/06F	2005/06F	
Beg. Stocks	400	347	421	592	592
Imports	104	2	1	25	2
Production	6184	6665	8242	8501	8505
Total Supply	6687	7013	8664	9113	9099
Crush	2495	2639	2923	3075	3000
Exports	370	355	379	425	390
Feed, Seed, & "Other"	3477	3598	4770	4978	4920
Total Disappearance	6341	6592	8072	8473	8310
End Stocks	347	421	592	640	789

COTTONSEED fob points					
PRICES 1-20-06		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Jan.	82b / 86o			103o
	JFM	82b / 92o			n/a
	Ja-Ag	90b / 94o			106o
So. Carolina	Spot	87b / 90o			107o
	JFM	90b / 95o			107o
	Ja-Ag	95b / 100o			110o
Georgia So.	Spot	83b / 85o			106t
	Ja-Ag	98b / 101o			118o
Alabama No.	Jan.	100b / 103o			108o
	JFM	101b / 106o			n/a
	Ja-Ag	100b / 107o			110o
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	100b / 103o			103o
	Fb-Mr	100b / 105o / 102t			102t
MO Bootheel	Spot	102b / 104o			n/a
	JFM	104o			103o
SOUTHWEST		(\$/ton)			
West Texas	Jan.	112-115b / 15-120o / 115-118t			101-105o
	Fb-Sp	120-125b / 130o			118o
FAR WEST		(\$/ton)			
Arizona	Jan.	150b / 160o			138o
Cal Corc. N & Stockton	Spot	167b / 170o			158-160o
	Ja-Sp	170b / 176o			162t
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flotm	Courtland, AL	JFM	144o		140o
FuzZpelletstm	Weldon, NC	Spot	110o		136o
Cotton Flotm	Weldon, NC	Spot	123o		138o
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 1-20-06</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	143o			
	Ja-Ag	148o			
SE Pennsylvania	Spot	121o			
	Ja-Ag	129o			
NE Ohio	Spot	136o			
	Ja-Ag	144o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	147o			
	Ja-Ag	156o			
MN (Rochester)	Spot		152o	159o	
	Ja-Ag		162o	165-168o	
WI (Madison)	Spot		142o	148-152o	
	Ja-Ag		152o	156o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		137o		
	Fb-Sp		150o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Jan.				170o
	Ja-Ag				175o
Idaho (UP)	Spot				170b 172o
	Fb-Ag				175o
WA/OR (BN)	Spot				176-178o
	Ja-Sp				183o
b = bid o = offer t = trade					

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.