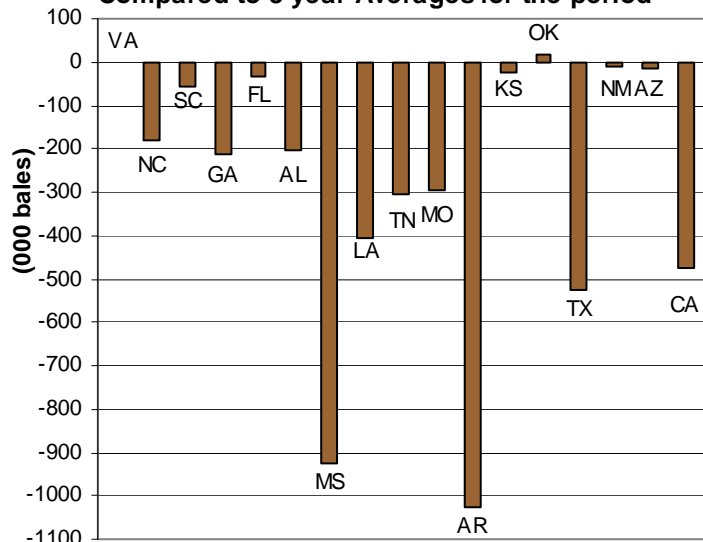


GINNING REPORT: Since the last report in mid-December, over a million bales of cotton were ginned. More than half a million of those bales came from the gins in West Texas. The running bales ginned total as of the beginning of the year was 11.17 million bales. Compared to the three-year average progress is behind by 30%, which represents the smaller cotton crop, later and slower than normal harvest progress and this also suggests that yields are lighter than anticipated. The running bales ginned total compared to last year is 785,200 bales behind last year's pace. The only state above the 3-year average is Oklahoma. From this date forward, ginning progress will drastically fall lower. This year the Southeast will show progress later than normal as gins have been slow getting modules delivered to them.

**Running Bales Ginned Totals as of 01/01/10
Compared to 3-year Averages for the period**



COTTONSEED MARKET: Markets have been quiet following the holidays. The recent drop in CBOT futures prices following USDA's crop production report at the middle of the month caused end users to take a wait-and-see approach to covering requirements. The lack of buying interest in the market has resulted in a bearish tone. It appears prices will need to make a downward correction before buyers will start buying again.

Offers in the Carolinas are only marginally softer, and gins have not been willing to budge on price. Georgia still reports harvest activity and it appears that ginning will continue running into the final days of the month at certain locations, before shutting down for the year. By the end of the month it is possible that prices could rebound due to fewer gins running and tighter supply. The demand side of the market appears to be content with the amount of supply under contract and not eager to add ownership following softer grain futures and weaker dairy prices as well.

The Mid-South market reported higher trades early in the month but values edged lower by mid-month with less end user demand. Resellers are the main participants with only small volumes being offered. The tight supply situation suggests that the downward price risk is limited and those holding supply are inclined to hold and wait for higher prices. The net value of cottonseed for crushers has drifted lower as well over the past couple weeks. This suggests any trading getting done at

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current levels will be used by dairies.

The West Texas market is thinly traded with only sporadic nearby end user dairy demand. Regarding forward sales, resellers are keeping to the sidelines as they are not getting dairies to make moves. Gins appear content to sit on supplies and store what they can. There has been some concerns voiced about the potential for prices to remain flat for the next several months, due to lower grain prices and lethargic end user demand.

Rail offers in Far West markets have dipped as supply appears to be adequate. Dairy demand is regarded as even, but nothing much to write home about. The Arizona market has been offered steady all month, but bids dropped to levels perceived as unreasonably low according to gins. It appears that there will be a stand off in the market for the next few months and sellers are not apt to concede to lower prices easily. The California nearby market has softened a couple dollars. Beyond nearby offers, the market lacks buying interest. Dairies are still stinging from poor economics last year and are unsupportive of cottonseed prices at current levels.

COTTONSEED BALANCE SHEET: USDA lowered their 2009/10 cottonseed output projection by 64,000 tons. This year's production forecasts has fallen over half a million tons since the high early in the summer months. On the demand side, the crush was lowered the most, down 200,000 tons, to a level not seen in recent history and nearly a million tons below the 5-year average. The Feed, Seed and Other category was raised 140,000 tons resulting in total disappearance lowered 60,000 tons. Ending stocks dropped only 4,000 tons.

Compared to last month, our production total was lowered 91,000 tons related to losses due to the slow harvest. The movement of cottonseed to crushers is much slower than normal. Based on the most recent data through November, total receipts at oil mills are off just over 30% compared to the 5-year average. At the end of November, crushers' stocks were off over 100,000 tons from last year and off 20% from the average. Therefore, the crush was lowered 73,000 tons. Exports were lowered 19,000 tons as shipments haven't been as robust as last year. The Feed, Seed and Other category was modestly raised 19,000 tons, as this will likely be the main destination of supplies. The outlook for dairy economics is a bit bearish as milk prices have moderated, and merchants are hard pressed to find reason for improved demand from this sector.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Jan. /	Jan. /	Jan. /
	2006/07	2007/08	USDA	USDA	Informa
			2008/09E	2009/10F	2009/10F
Beg. Stocks	602	489	643	514	514
Imports	0	3	0	0	24
Production	7348	6589	4300	4178	4174
Total Supply	7950	7080	4943	4692	4712
Crush	2680	2706	2250	1850	2080
Exports	616	599	191	350	185
Feed, Seed, & "Other"	4165	3132	1988	2067	1967
Total Disappearance	7461	6437	4429	4267	4232
End Stocks	489	643	514	425	480

COTTONSEED fob points					
<u>PRICES 1-15-10</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	202b / 207o		204o	
So. Carolina	Spot	204b / 211o		203o	
Georgia So.	Spot	202b / 207o		208o	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	220-225t		230-240o	
	Fb-Ag	215b / 235o		240o	
MO Bootheel	Spot	225o		230o	
	Fb-Mr	228o		232t	
SOUTHWEST		(\$/ton)			
West Texas	Spot	228-230o		250o	
	Fb-Mr	235o		253o	
	Ap-Sp	240-242o		265o	
(as ginned)	OND	185b / 190o		n/a	
FAR WEST		(\$/ton)			
Arizona	Spot	250b / 260o		250o	
Cal. Corc. N	Spot	295-300o		300-305t	
& Stockton	Fb-Mr	300-305o		305o	
SPECIALY PROCESSED PRODUCTS (\$/TON)					
<i>Easi Flotm</i>	Courtland, AL	Spot	263o	265o	
<i>FuzZpelletstm</i>	Weldon, NC	Spot	265o	255o	
<i>Cotton Flotm</i>	Weldon, NC	Spot	265o	255o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 1-15-10</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	258o			
SE Pennsylvania	Spot	241o			
NE Ohio	Spot	258o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	270o			
MN (Rochester)	Spot		273-275o	283-285o	
	Fb-Ag		278-280o	288-290o	
WI (Madison)	Spot		263-265o	273-278o	
	Fb-Ag		270o	283o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		250o		
Stephenville	Fb-Ag		255o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				276o
	Fb-Sp				281o
California	Spot				n/a
Idaho (UP)	Spot				292o
	Fb-Sp				295o
WA/OR (BN)	Spot				302o
	Fb-Sp				305o
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.

Cottonseed Intelligence Monthly@2010 is published monthly Phone: 651-925-1052/Fax 651-925-1061 e-mail: james.bueltel@informaecon.com
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