

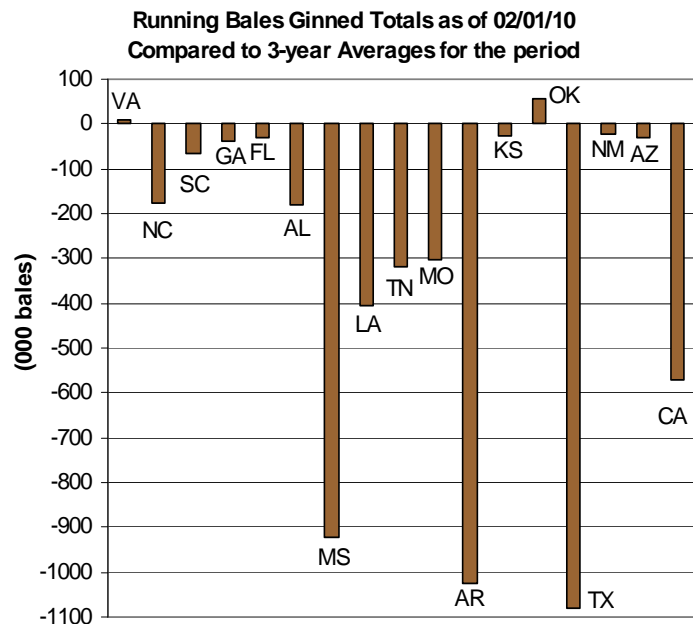
**GINNING REPORT:** The running bales ginned total at the beginning of February was 11.7 million bales, which is an increase of 324,800 bales since the last report that was released in mid-January. Texas is below the 3-year average by over a million bales. Compared to last year, it is an improvement considering it was 2.3 million bales behind the average. Using USDA's production of 12.4 million bales, it would suggest that 685,400 bales are yet to be ginned, which is over 5% of the crop. The next ginning report will be released during the last half of March and should reflect such an increase.

**COTTONSEED MARKET:** Prices have been mixed as there is a standoff between buyers and sellers. The general bearish tone is related to more sellers and fewer buyers. Anemic consumptive demand is the rationale for the attitude and if prices hold steady that will likely be the best to be expected. Forward offers are shown with only a modest carry, end users are not willing to book forward. Part of the problem is that the fundamentals of dairy economics are not conducive to strong buying action. As of the middle of February, Class III Milk futures have fallen below \$14/cwt through June.

Southeast markets remain quiet. In Georgia there are still a few gins running, but the lack of end user buying is keeping a bearish tone in the region. Dairy demand from the Northeast hasn't followed through after the snow storms as some merchants had anticipated. Forward offers are spotty, but are called even with last week. These forward offers haven't been bid as end users are uncertain about their profitability and supplies of other grains look to be abundant, which should be a drag on all ingredient prices.

In the Mid-South offers firmed up from the lows established early in the month. The volume of trading activity has been light. This lack of buying has been put on the typical February slump in feed demand. Forward offers were raised a couple dollars, but nothing traded. Tight supplies in the region should keep prices range bound and limit the downward price pressure coming from other ingredients.

West Texas Prices are holding mostly steady. Merchants are concerned that dairy demand is being lost as long as prices remain above the \$200-level. Gins are not eager to sell at any lower



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prices. It appears that dairies will continue to enter the market on a monthly basis. This means the next few months of trading will be tedious work to win the business each time. Summer offers went higher with supply in strong hands.

The California market remains quiet and prices have held steady. Cottonseed appears to have a lot more competition from other feed ingredients. Sellers don't appear too concerned about supplies backing up and are apt to stay firm on price. However, if too much demand is lost and supplies become burdensome, prices could edge lower in coming weeks.

**COTTONSEED BALANCE SHEET:** The USDA's balance sheet for the 2009/10 crop year had only a 100,000-ton offsetting change. Exports were reduced while the Feed, Seed and other category was increased. Ending stocks remain unchanged from last month, which remains 116,000 tons below the 5-year average.

Informa Economics' 2009/10 balance sheet had a 180,000-ton reduction to the crush, which was the largest reduction. This change was hinted at last month. The move is based on poor runtimes to date. From August through December, the cottonseed crush has been below the 5-year average each month any where between 30% and 47%. With 5 months worth of data, it looks as if a rebound is not likely. In addition, some oil mills have slowed their crush to at 4 x 10 run schedule. Other plants are switching to crush other products as well.

The Feed, Seed and Other category was raised 148,000 tons. The feed industry appears poised to provide disappearance for the seed that won't be crushed. Another reason for the increase is that the quality of seed might become an issue. The wet weather that held up harvest and ginning has the potential to lower the quality of the seed. Once temperatures rise, it is possible that there will be more than normal amounts being sold to feed lots.

Exports were raised 32,000 tons as the movement of supplies in recent months has exceeded earlier expectations. Many market participants have mentioned that buying interest has been way down from the average. Exports though December were nearly 70,000 tons below the 5-year average, but they managed to climb nearly 30,000 tons above last year's level at this time. If the pace of exports holds to its average pace for the balance of the crop year, then exports will need to be adjusted significantly higher. Because of tight container supplies, a stronger dollar and reports of fewer export buyers in the market, the pace of export is expected to trail off. The favorable outlook for the Australian crop suggests Asian buyers will have abundant supplies to buy from that market.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Feb. /	Feb. /	Feb. /
	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
<b>Total Supply</b>	<b>7950</b>	<b>7080</b>	<b>4943</b>	<b>4692</b>	<b>4712</b>
Crush	2680	2706	2250	1850	1900
Exports	616	599	191	250	217
Feed, Seed, & "Other"	4165	3132	1988	2167	2115
<b>Total Disappearance</b>	<b>7461</b>	<b>6437</b>	<b>4429</b>	<b>4267</b>	<b>4232</b>
End Stocks	489	643	514	425	480

<b>COTTONSEED fob points</b>					
<b><u>PRICES 2-19-10</u></b>		<b><u>Bid</u></b>	<b><u>Offer</u></b>	<b><u>Trade</u></b>	<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
<b>No. Carolina</b>	Spot	185b / 190o			170o
	Ap-Ag	196o			177o
<b>So. Carolina</b>	Spot	195b / 200o			178o
<b>Georgia So.</b>	Spot	192b / 195o			175t
	Fb-Ag	205o			176o
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
<b>Memphis No.</b>	Spot	210-212o / 209-210t			190t
	March	210t			n/a
	Ap-Ag	220o / 217t			191-195o
<b>MO Bootheel</b>	Spot	210o			190o
	Ap-Ag	215o			n/a
<b>No. Alabama</b>		206t			n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>West Texas</b>	Spot	210-215o			227-230o
	March	215o			n/a
	Ap-Sp	215b / 220o			240o
<b>FAR WEST</b>		<b>(\$/ton)</b>			
<b>Arizona</b>	Spot	250o / 245t			225o
<b>Cal. Corc. N &amp; Stockton</b>	Spot	283-285o			265t
	Ap-Sp	290o			275o
	OND	260o			n/a
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>					
<b>Easi Flo<sup>™</sup></b>	<b>Courtland, AL</b>	Spot	240o		220o
<b>FuzZpellets<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	250o		230o
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	250o		230o
<b>b = bid   o = offer   t = trade   n/a = not available</b>					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 2-19-10</u></b>		<b><u>Dump</u></b>	<b><u>Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
<b>W. New York</b>	Spot	242o			
	Ap-Ag	248o			
<b>SE Pennsylvania</b>	Spot	225o			
	Ap-Ag	231o			
<b>NE Ohio</b>	Spot	242o			
	Ap-Ag	248o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rps.)</b>	Spot	255o			
	Ap-Ag	261o			
<b>MN (Rochester)</b>	Spot		253-258o	265-269o	
	Ap-Ag		268-272o	276-279o	
<b>WI (Madison)</b>	Spot		248-250o	258-260o	
	Ap-Ag		260o	270o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin-</b>	Feb.		245o		
<b>Stephenville</b>	Fb-Sp		250o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Fb-Mr				265o
	Ap-Ag				275o
<b>California</b>	Spot				284o
<b>Idaho (UP)</b>	Fb-Mr				270b 275o
	Ap-Sp				280o
<b>WA/OR (BN)</b>	Fb-Mr				285o
	Ap-Sp				290o
<b>b = bid   o = offer   t = trade</b>					

**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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