

**ACREAGE REPORT:** The USDA Acreage report showed 13.725 million acres sown to cotton this year. Compared to USDA's Prospective Plantings report in March, this is an increase over 1.1 million acres. The region with the largest increase was the Southwest with 975,000 more acres, followed by the Far West with an increase of 55,000 acres. In general the increase in acreage was quite evenly distributed across the Cotton Belt, thanks to the strength in cotton fiber prices at the end of last year and over the winter months. On a percentage basis, Pima plantings have increased the most up 41.5% with the majority of the increase in acres coming from California.

USDA - US 2011 Regional Cotton Plantings Forecast (000 acres)					
Region	2010 Acreage	2011 Acreage	% Change from 2010	Change in acreage	5-year Averages
Southeast	2,597	3,138	20.8%	541	2,404
Mid-South	1,920	2,330	21.4%	410	2,482
Southwest	5,933	7,528	26.9%	1,595	5,700
Far West	319	440	37.9%	121	326
Total	10,770	13,436	24.8%	2,667	10,911
Pima	204	289	41.5%	85	228
US Total	10,974	13,725	24.8%	2,751	11,139

**COTTONSEED MARKET:** The bullish news in the USDA WASDE report at mid-month and the subsequent strength in corn prices helped draw more buyers into the market. This sparked additional buying interest. Nearby markets continue to garner price support based on concerns related to new crop supply. Dairy margins have improved and this is keeping a steady flow of nearby buying. It appears that July will have the strongest Class III milk prices. There has been more inquiries and some trading for new crop supply as well.

Supply in the Southeast has tightened up and offers firmed. It looks like the remaining supply of seed is held in firm hands. The conditions of the crop in North Carolina are the best in the region with two-thirds in the Good or Excellent classification as of mid-July. The crop in Georgia has improved, but there are still spotty dry areas. Regardless of the improved crop outlook, new crop offers were raised several dollars. It appears that there has been enough new crop interest in the market for sellers to push prices higher. However, gins involvement in new crop trading is limited.

The Mid-South market was quiet after a flurry of trading in the first week of July. It appears that merchants have enough ownership that they are able to comfortably sell to the interested dairies that are coming to market. Oil mills haven't been active in the new crop, as prices are not well defined and not much has traded. Gins are not willing to show offers even if the crop looks the best in the country. They are still reluctant to sell. There is hope among gins that oil mills will be able to pay as

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strong of prices for their cottonseed as they did last year. At this time, it appears possible as long as vegetable oil prices remain strong. But, with a lighter crush expected, oil mills may not need to buy as much seed, which could potentially limit their support for prices. Nonetheless, current prices should be reasonable for crushers to turn a profit.

Nearby offers in West Texas vary with some trades reported at lower numbers. It appears that some merchants are willing to sell out of their supply at these levels, because ginning is getting underway in the Southern Valley and by the end of the month, several gins are expected to be up and running 24/7. Due to the less than ideal growing conditions, yields are projected to be light and runtimes will likely be shorter than normal.

California prices managed to rebound by mid-month, as stronger grain prices have motivated some dairies to start buying. There was more new crop buying being done as well. Nearby supply tightness is a concern and has the potential to drive spot prices higher before the end of the month.

**COTTONSEED BALANCE SHEET:** USDA's old crop balance sheet had a 10,000-ton reduction to exports, which offset an increase to the Feed, Seed and Other category. Old crop ending stocks remain unchanged. For new crop, production dropped 345,000 tons on crop losses expected from the drought conditions in West Texas. Imports appeared on the balance sheet this month at the 100,000-ton level. Exports were lowered 75,000 tons while the Feed, Seed and Other category fell 25,000 tons. The net effect of the changes was ending stocks being lowered by 45,000 tons.

The Cottonseed Digest's old crop balance sheet had exports lowered 5,000 tons, as stout prices and recent strength in the dollar are expected to prevent any new sales in the remaining weeks of the crop year. End users' demand has proven to be stronger than anticipated and for this reason the Feed, Seed and Other category was raised 68,000 tons. As a result of these changes ending stock were lowered 63,000 tons, which brings the stock-to-use ratio down to 9.2%.

The largest change for new crop was the 259,000-ton drop in production. This is based on over half of the Texas cotton crop being classified as being in Poor to Very poor condition. Easily a third of the crop in West Texas could be lost and the remaining acreage will have below average yields. Total supply was lowered 222,000 tons. On the demand side, the crush was lowered 100,000 tons, on tighter seed supply while the industry should have ample stocks of oil to start the new season. Exports were lowered 40,000 tons, as price levels are apt to limit demand and importing countries may satisfy their needs from purchases from Australia. Feed demand is unchanged which will be lower than last year due to tighter supply. Ending stocks dropped 82,000 tons, which suggests prices will remain stout.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	July / USDA	July / CSD	July / USDA	July / CSD
	<u>2009/10</u>	<u>2010/11E</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
Beg. Stocks	514	342	342	443	542
Imports	24	0	0	100	100
Production	4149	6098	6098	5530	5600
<b>Total Supply</b>	<b>4687</b>	<b>6440</b>	<b>6440</b>	<b>6073</b>	<b>6242</b>
Crush	1900	2500	2450	2400	2400
Exports	291	290	285	225	250
Feed, Seed, & "Other"	2154	3207	3163	3060	3073
<b>Total Disappearance</b>	<b>4305</b>	<b>5997</b>	<b>5898</b>	<b>5685</b>	<b>5723</b>
End Stocks	342	443	542	388	519

<b>COTTONSEED fob points</b>					
<b><u>PRICES 7-15-11</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>			
No. Carolina (as ginned)	Spot	330b / 335-340o / 332-335t			256t
	OND	230b / 235o			142-145o
So. Carolina (as ginned)	Spot	340b / 344o			140-145o
	OND	230b / 235o			n/a
Georgia So. (as ginned)	Spot	340b / 350o			252t
	OND	220-225b			139t
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
Memphis No. (as ginned)	Spot	340b / 360o / 353-355t			261t
	Aug	355b			165o
	OND	270b / 275o / 271t			n/a
MO Bootheel (as ginned)	Spot	364o			265o
	OND	271t			166o
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
West Texas (as ginned)	Spot	370b / 380-385o / 380t			265-268o
	Ag-Sp	385-390o			270o
	OND	350b / 357-360o / 350t			162-165o
<b>FAR WEST</b>		<b>(\$/ton)</b>			
Arizona (as ginned)	Spot.	405b / 415o / 415t			300t
	OND	320t			355-360o
Cal. Corc. N & Stockton	Spot	455b / 480o / 470-480t			260o
	Aug	445b / 450o			n/a
	OND	355b / 362t			n/a
	clock	370-372t			n/a
<b>SPECIALLY PROCESSED PRODUCTS (\$/TON)</b>					
Easi Flo™	Courtland, AL		Spot	410o	295o
			OND	305o	n/a
b = bid    o = offer    t = trade    n/a = not available					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 7-15-11</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	387o			
	OND	287o			
<b>SE Pennsylvania</b>	Spot	370o			
	OND	270o			
<b>NE Ohio</b>	Spot	387o			
	OND	287o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpd.s.)</b>	Spot	397o			
	OND	297o			
<b>MN (Rochester)</b>	Spot		417-420o	420-430o	
	OND		320o	325-330o	
<b>WI (Madison)</b>	Spot		410-412o	415-420o	
	OND		318o	320-328o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin-</b>	Spot		410o		
<b>Stephenville</b>	JAS		410o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Jly-Ag				440o
<b>California</b>	Spot				440b 450o
<b>Idaho (UP)</b>	Spot				433o
	Aug				430o
	OND				360o
<b>WA/OR (BN)</b>	Spot				455o
	OND				375o
<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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