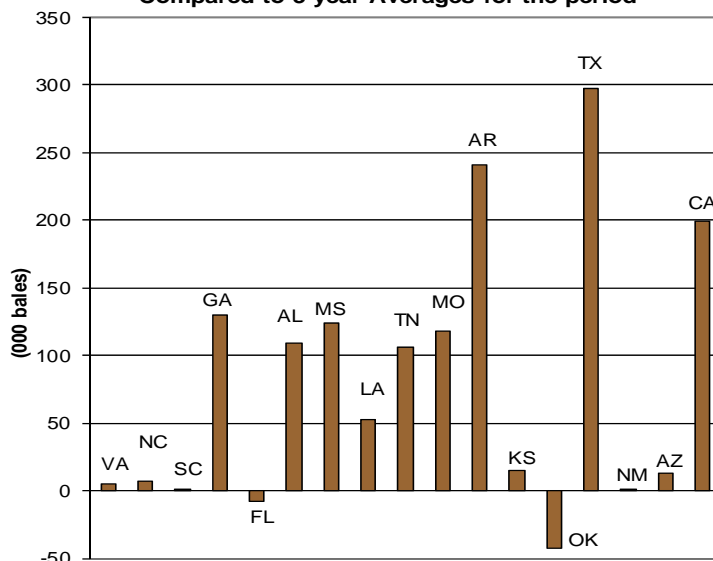


USDA REPORTS: Upland cotton production was lowered by 190,000 bales from a month ago to 17.3 million bales on lower yields primarily in the Southwest. The yield per acre for Texas was lowered 39 pounds compared to last month's report. Yields for North Carolina and Alabama were raised 67 and 51 pounds, respectively.

The running bales ginned total at the beginning of December totaled 12.271 million bales. This is an increase of 2.844 million bales from the last mid-November report. Texas had the largest increase with over a million bales ginned, followed by Georgia which ginned over 510,000 bales. Compared to the 3-year average for this time of year, this year's pace is more than 1.36 million running bales ahead. Based on USDA's forecast for total cotton production roughly 29% of the crop has yet to be ginned.

**Running Bales Ginned Totals as of 12/01/12
Compared to 3-year Averages for the period**



COTTONSEED MARKET: Trading activity has trended lower during the first couple weeks of December. The Mid-South and Southwest have the most gins done for the season, and remaining gins in the area are in the final push to finish up. The supply situation isn't overly burdensome and sellers are willing to hold firm on price. Price spreads to the Southeast remain wide. Demand in these regions could be lost to product coming out of the Southeast, but for the time being sellers don't seem to be concerned. Forward prices are flat in the Mid-South while Texas has a \$20/ton premium, and only limited forward trading has been done ahead of the holidays.

Southeast trading has been light on less end user demand. In the Southeast, ginning continues at a steady pace. Gins in Georgia will be running in January. As supply pipelines fill, sellers are willing to accept lower prices to keep cottonseed moving. Tight truck availability before the holidays is a problem that has limited trade and the movement of inventories. This situation is expected to continue for the next couple weeks. Eventually prices should rebound once the amount of new supply coming to market slows after the holidays.

In the Far West, rail offers drifted lower at the middle of the month. Going forward, replacement costs are expected to rise, so this could be a good buying opportunity especially if other feed

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For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

ingredients climb later this winter. California prices have drifted lower, but end user demand remains lackluster. Forward offers are flat with the nearby, yet dairies are not willing to take on ownership since their profitability outlook remains sketchy.

COTTONSEED BALANCE SHEET: The USDA lowered cottonseed production 71,000 tons based on their lower cotton production forecast. The only other change was the Feed, Seed and Other category lowered by 71,000 tons. These offsetting changes kept the ending stocks unchanged at the level they have been for the past couple months.

The Cottonseed Digest's balance sheet had only modest changes. Imports are left unchanged as another vessel is expected to arrive before the end of the crop year. Production was lowered only 15,000 tons, as cottonseed output in the Mid-South and Southeast could exceed USDA's estimate.

Exports were lowered 10,000 tons as results for the first quarter of the crop year lagged more than 11,000 tons behind the 5-year average. Although Southeast prices continue to be competitively priced, export buyers haven't been as active this year. It appears that Australian supplies are more price-competitive and it could be several more months before export buyers return to the US market. The Feed, Seed and Other category was left unchanged.

Midwest and Northeast dairy demand has become stronger than in recent years. There are more dairies returning to whole cottonseed either after not using it or only at minimal inclusion rates. These dairies increasing inclusion rates often have land to produce some of their own feedstuffs. Any sustained increase in milk prices suggest that more cottonseed could be fed provided cottonseed prices stay competitive.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Dec. / USDA	Dec. / CSD	Dec. / USDA	Dec. / CSD
	<u>2010/11</u>	<u>2011/12E</u>	<u>2011/12E</u>	<u>2012/13F</u>	<u>2012/13F</u>
Beg. Stocks	342	618	618	430	527
Imports	0	72	72	100	115
Production	6098	5370	5370	5842	5906
Total Supply	6440	6059	6060	6372	6548
Crush	2563	2400	2372	2600	2565
Exports	275	133	133	300	260
Feed, Seed, & "Other"	2984	3097	3028	2972	3100
Total Disappearance	5822	5629	5533	5872	5925
End Stocks	618	430	527	500	623

COTTONSEED fob points					
<u>PRICES 12-14-12</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)			
North Carolina	Spot	215b / 220-225o / 220t		287o	
	JFM	240-245o		257o	
	Ja-Ag	245b / 250-255o / 250-254t		260o	
South Carolina	Spot	220-225o / 218-220t		222o	
	Ja-Ag	250b / 255o		270o	
Georgia So.	Spot	215b / 220-223o / 217-220t		215t	
	JFM	235b / 240-245o		242o	
	Ja-Ag	250o		247o	
North Alabama	Spot	255t		255o	
<i>Mid-South</i>		(\$/ton)			
Memphis No.	Spot	285b / 290o		275o	
	Ja-Ag	290-295o		280o	
MO Bootheel	Spot	290t		275t	
	Ja-Ag	295o		285o	
NE Arkansas	Spot	288t		275o	
	Ja-Ag	295o		n/a	
<i>Southwest</i>		(\$/ton)			
West Texas: LN	Spot	335o		345t	
	Ja-Sp	345b / 355o / 355t		n/a	
West Texas: SN	Spot	330t		n/a	
<i>Far West</i>		(\$/ton)			
Arizona	Spot	330-335b / 340o		350o	
	Ja-Sp	355o		n/a	
Cal. Corc. No. & Stockton	Spot	383-385o / 380-385t		380t	
	JFM	385o		386o	
	Ja-Sp	385o		375t	
Pima California	Spot	350-355o		325t	
	Ja-Sp	365o		n/a	
<i>Specially Processed Products (\$/ton)</i>					
<i>Easi Flo™</i>	Courtland, AL	Spot	320	305o	
		Ja-Ag	330	n/a	
b = bid o = offer t = trade n/a = not available West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North					

COTTONSEED dlvd. points				
<u>PRICES 12-14-12</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr Ago</u>
Northeast		(\$/ton)		
W. New York	Spot	285o		265o
	Ja-Ag	315o		283o
SE Pennsylvania	Spot	270o		248o
	Ja-Ag	300o		266o
NE Ohio	Spot	285o		265o
	Ja-Ag	315o		283o
Midwest		(\$/ton)		
MI (Grand Rpbs.)	Spot	297o		275o
	Ja-Ag	327o		293o
MN (Rochester)	Spot	350-354o		345o
	Ja-Ag	354-360o		357o
WI (Madison)	Spot	340-349o		333o
	Ja-Ag	349-350o		347o
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot	340o		375o
	Ja-Sp	355o		n/a
Rail - fob track points		(\$/ton)		
Laredo TX	Spot		355o	n/a
California	Spot		378o	n/a
	Ja-Sp		378o	n/a
Idaho (UP)	Spot		368o	351t
	Ja-Sp		360o	n/a
WA/OR (BN)	Spot		375o	360o
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.

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