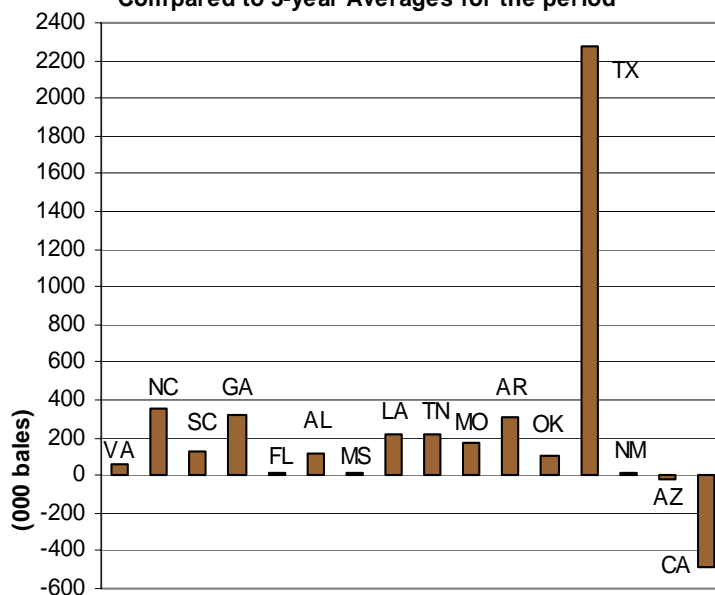


GINNING REPORT: The running bales ginned total as of February 1st is 22.321 million bales. Compared to the last report of two weeks earlier, there is an increase of 920,950 bales. The strongest ginning activity is still coming from the Southwest and Far West. As expected, West Texas contributed the most with more than 700,000 bales. Other significant states adding to the total in descending order include: California - 70,000 bales, Arizona - 35,000 bales, Georgia - 26,000 bales, Oklahoma - 25,000 bales, and North Carolina - 23,000 bales. Provided USDA's production estimate of 23.7 million bales is reached, then roughly 1.4 million bales have yet to be ginned. This relates to an estimated 500,000 tons of cottonseed that is still expected to come to market before this ginning season comes to a close.

Running Bales Ginned Totals as of 02/01/06
Compared to 3-year Averages for the period



The next and final ginning report is scheduled for release at the end of March, which typically has the bale total for the season. However, with the large crop this year, ginning in West Texas will likely continue at several points south of Lubbock well after the reporting deadline, so the final production total will likely be larger than the final ginning report.

COTTONSEED MARKET: For the better part of February markets have been quiet with few buyers and even fewer sellers. Towards the end of the month, more buying interest has shown up giving the market a slightly firmer feel. The market is still thought to be in a typical situation for this time of year with gins long and dairies with some ownership on the books, but still needing to buy eventually. The buying activity is primarily focused on the nearby from end users. For the time being, it appears that gins have held their ground on price and are able to get buyers to pay up. This situation will likely continue as long as feed demand is upped by lingering dry condition in the Southwest and wintry weather in the Upper Midwest and Northeast.

Compared to the last installment, Southeast nearby offers are off a couple dollars. Forward quotes have moved down even more. The nearby to forward deferred spread has narrowed to \$5-8/ton, rather than as much as \$10-16/ton last month. Looking forward at price direction, it would appear

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For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-635-9157, Fax 651-635-0857 e-mail: james.bueltel@informaecon.com

there is still the possibility for a price downturn in March as supplies in the region are abundant.

Mid-South prices are mostly unchanged to last month. Only bids in the Missouri Bootheel have backed off a dollar. Merchants in the region are optimistic that demand strength will carry on into next month. They anticipate a steady stream of buyers staying in the nearby market and paying the asking price. Some of the price strength may be in part due to slightly lower freight rates, which are helping facilitate trading at higher levels.

In the Southwest, nearby trading has come to a stand still. There are only a handful of gins still running, and this seed supply is not enough to drag nearby prices lower. Most dairies in the region have bought a majority of their requirements, which is making the nearby market quiet. The forward price range shifted back and forth by \$5/ton. The top offer is still \$17/ton below the 5-year average for the timeframe. This may still be a good price, if drought conditions continue in the Southwest.

Rail shipments continue to move to the Far West, and steady nearby buying continues to support nearby truck prices in California, offers are up \$4/ton. Rail offers to Idaho and PNW are thinner, and buyers are now aggressive bidders and are able to cover their needs. There is little interest in forward quotes, and spreads are not attractive enough to grab buyers' attention.

COTTONSEED BALANCE SHEET: USDA's balance sheet has a slight increase to the demand side. The crush was increased 25,000 tons, which brings the crush 177,000 tons above last year's level. If attained, this would be the closest to the industry's maximum crush capacity seen in recent years. The Feed, Seed and Other Category was scaled back 15,000 tons resulting in ending stocks shifting 10,000 tons lower.

Likewise, the demand side of Informa's balance sheet had minor changes. There was a 6,000-ton increase to exports. Exports from August through December have averaged 33,000 ton each month, which is 5,000 tons more than the average for that time period a year earlier. Both the crush and Feed, Seed and Other category is ratcheted lower, 10,000 tons. The bearish tone in the soybean complex with abundant oil supplies and larger palm oil imports may chip away at cottonseed oil demand and thus limit the amount crushed in the later months of the season. Feed demand has been as robust as some expected for the last few months.

Concerns about dry weather in the Southwest may result in oil mills holding on to their seed inventories for crushing next year, or for sale to the feed industry at higher prices at a later time. Contacts are mentioning there is more stored cottonseed this year compared to last year though out the Cotton Belt. Due to dry conditions seed holders are slow to sell all of their holdings, as now they perceive more upside price potential in the spring and summer. If the weather pattern turns wet in the next 30 - 60 days, then these large inventories will be bearish and will likely lead to cheaper prices later in the summer. Provided the dry weather pattern persists, strong prices from other feed ingredients will help raise prices. Ending stocks may move higher if prices continue to strengthen.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Feb. /	Feb. /	Feb. /
	<u>2002/03</u>	<u>2003/04</u>	<u>USDA</u>	<u>USDA</u>	<u>Informa</u>
			<u>2004/05E</u>	<u>2005/06F</u>	<u>2005/06F</u>
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	2990
Exports	370	355	379	425	396
Feed, Seed, & "Other"	3477	3598	4770	4978	4910
Total Disappearance	6341	6592	8072	8473	8296
End Stocks	347	421	592	640	803

COTTONSEED fob points					
<u>PRICES 2-17-06</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Feb.	80b / 85o / 84t		90o	
	Mar.	80b / 85o		n/a	
	Fb-Ag	80-84b / 89o		n/a	
So. Carolina	Spot	80b / 87o		103o	
	Fb-Ag	90b / 95o		n/a	
Georgia So.	Spot	80b / 85o / 85t		100o	
	Mar.	87o		n/a	
	Fb-Ag	80-83b / 90o		n/a	
Alabama No.	Spot	98b / 102o / 100t		95o	
	Mar.	99b / 100t		n/a	
	Fb-Ag	98b / 105o		n/a	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	100b / 103o / 101-102t		93-95t	
	Fb-Ag	101b / 104o		n/a	
MO Bootheel	Spot	101b / 104o		97o	
	Mr-Ag	100-102b		n/a	
(as ginned)	OND	98t		n/a	
SOUTHWEST		(\$/ton)			
West Texas	Spot	112-116b / 117-120o		105-108o	
	Ap-Sp	125-130o / 125t		117-120o	
FAR WEST		(\$/ton)			
Arizona	Spot	165b / 168o / 167t		146o	
Cal Corc. N	Fb-Mr	171b / 174o		160-162o	
& Stockton	Fb-Sp	172b / 178o		n/a	
SPECIALY PROCESSED PRODUCTS (\$/ton)					
Easi Flo[™]	Courtland, AL	Spot.	142o	n/a	
FuzZpellets[™]	Weldon, NC	Spot	109o	127o	
Cotton Flo[™]	Weldon, NC	Spot	121o	129o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 2-17-06</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	138o			
	Fb-Ag	143o			
SE Pennsylvania	Spot	119o			
	Fb-Ag	124o			
NE Ohio	Spot	134o			
	Fb-Ag	139o			
MIDWEST		(\$/ton)			
MI (Grand Rps.)	Spot	147o			
	Fb-Ag	153o			
MN (Rochester)	Spot		145o	156-159o	
	Fb-Ag		150o	158-159o	
WI (Madison)	Spot		140o	148-154o	
	Fb-Ag		142o	152o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		145-150o		
	Fb-Sp		155o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Spot				173-175o
Idaho (UP)	Spot				172t 174o
	Ap-Ag				179o
WA/OR (BN)	Spot				176-182o
	Ap-Ag				186o
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.