

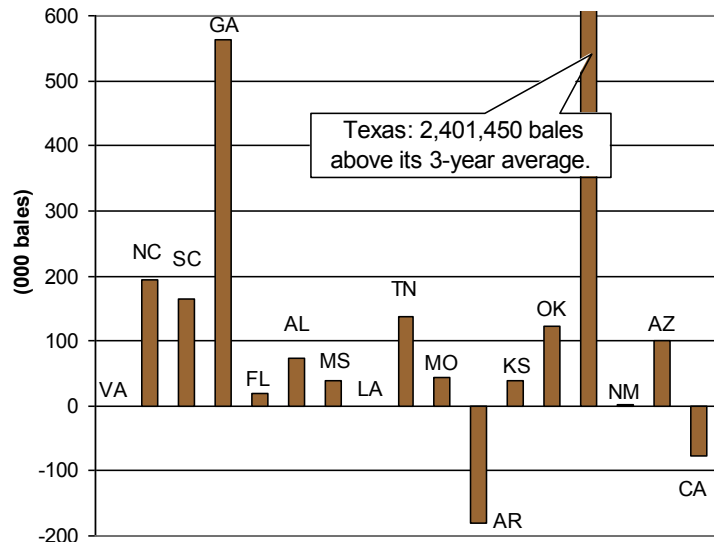
GINNING REPORT: The running bales ginned total as of the beginning of February was 17.528 million bales. From year ago results, this is an increase of 5.8 million bales. Compared to the last report, this is an increase of 385,900 bales. Over the past couple reports this one had the largest increase compared to previous results as gins in some states have hurried to complete their run. The output from Texas was larger than in the previous report. The next update will be released during the last half of March and at that time only a single digit increase is anticipated, which will come mostly from western states.

COTTONSEED MARKET: In the California market, nearby prices are several dollars stronger compared to our last installment. Nonetheless, end user demand hasn't vastly improved even while milk futures have improved and rallying corn prices would suggest cottonseed is reasonably priced. The price increases are being associated with the pace of price increases in West Texas. The supply side of the market has not been an issue, but participants are concerned about winter weather related slowdowns in rail deliveries, but that doesn't appear it will be a problem. Elsewhere in the Far West, offers were raised. The Arizona market hasn't traded as those with supply are not willing to offer. Nearby rail offers have edged higher in recent weeks as end users have become a bit more aggressive buyers.

Merchants in West Texas had more inquiries recently based on the harsh winter weather and the upward price movement of CBOT futures following USDA's report with a tighter corn balance sheet. Not all the inquiries resulted in sales, but certainly gins are keen on insuring that seed prices keep pace with corn and other feed ingredients. Cottonseed should be a reasonable value in rations, but buyers are not ready to book forward supplies. If an inverse to forward prices develops this spring, then end users will likely cover their requirements. There hasn't been as much new crop trading this week as gins are willing to wait on committing to sales until they are more confident that they will have supply to sell.

New crop buying from resellers in the Mid-South continues to be the main feature of this region. Gins have become more eager to put sales on as early expectations are for a significant in-

Running Bales Ginned Totals as of 02/01/11
Compared to 3-year Averages for the period



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crease in cotton acreage in the region. Nearby trading remained light with only small quantities being sold. Winter weather related trucking issues the past few weeks have limited the amount of trading as well. For the time being, nearby supply should not be a problem.

In the Southeast, recently there were larger volume trades that have taken place in Georgia for delivery during the next couple months. This should help eliminate some of the heavy feel to this market, which was its main feature over the past few months. Georgia is still expected to have an active nearby market as there are still inventories that need to be sold. The North Carolina market has a tighter feel. The onslaught of winter weather seems to have raised buying interest from dairies in the Northeast. However, demand is not as strong as merchants had anticipated. New crop trading has taken place on a small scale between resellers and gins. Meanwhile, end users are willing to wait on the sidelines.

COTTONSEED BALANCE SHEET: USDA's balance sheet is unchanged from last month. Their production outlook is unchanged and the demand side of the market appears to be steady. Much focus in the market is on expectations for increased cotton plantings this spring, but USDA releases their balance sheet for next year's crop in May.

The Cottonseed Digest's balance sheet had a minor shift of 20,000 tons from the crush to the Feed, Seed and Other category. The rate of the crush has not been as robust as anticipated. Only the last two months of the 2010 crush exceeded the 5-year average. The crushers certainly possess enough cottonseed. Once January crush data is released at the end of this month, the first half of the crush will be in the books and there will be more confidence in the final outcome. Exports were lowered 30,000 tons, meanwhile the carry out was raised this amount. Accumulative exports are below the 5-year average by over 50,000 tons. The recent rally in milk prices are raising hopes for better dairy margins and the likelihood that cottonseed inclusion rates will be raised in rations. From our Cottonseed Dairy Buyer Profile listed above on this web page, there will likely be some movement of dairies shifting from Group 3 to Group 2. This situation, combined with strong corn prices, sets the stage for stout cottonseed.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Feb. / USDA	Feb. / USDA	Feb. / CSD
	2007/08	2008/09	2009/10E	2010/11F	2010/11F
Beg. Stocks	489	643	514	342	342
Imports	3	0	24	0	0
Production	6589	4300	4149	6191	6210
Total Supply	7080	4943	4687	6533	6552
Crush	2706	2240	1900	2500	2500
Exports	599	191	291	350	340
Feed, Seed, & "Other"	3132	1999	2154	3240	3245
Total Disappearance	6437	4429	4305	6090	6085
End Stocks	643	514	342	443	467

COTTONSEED fob points					
<u>PRICES 2-11-11</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	206b / 208-210o / 208t			185o
	Ap-Ag	215b / 218o			196o
(as ginned)	OND	155b / 165-168o / 166t			n/a
So. Carolina	Spot	202b / 208o / 208t			203o
	(as ginned)	OND	155b / 165o		
Georgia So.	Spot	200-202b / 205o / 200t			200o
	Ap-Ag	210o			205o
(as ginned)	OND	155b / 165o			n/a
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	225b / 230o / 230t			208-210t
	Fb-Ag	232b / 236o			n/a
(as ginned)	OND	188b / 192-200o / 192-200t			n/a
MO Bootheel	Spot	230o			210o
	Fb-Mr	233o			n/a
(as ginned)	OND	200o / 195-200t			n/a
SOUTHWEST		(\$/ton)			
West Texas	Fb-Mr	245b / 250o / 245t			210-215o
	Ap-Sp	247b / 258o			220o
(as ginned)	OND	205b / 210-220o			170o
FAR WEST		(\$/ton)			
Arizona	Spot.	288b			250o
Cal. Corc. N & Stockton	Spot	310-312b / 315-318o / 315-			285o
	Fb-Sp	325o			n/a
(as ginned)	OND	275o			n/a
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo[™]	Courtland, AL	Spot	265o	240o	
FuzZpellets[™]	Weldon, NC	Spot	n/a	250o	
Cotton Flo[™]	Weldon, NC	Spot	n/a	250o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 2-11-11</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	265o			
	Ap-Ag	277o			
SE Pennsylvania	Spot	246o			
	Ap-Ag	255o			
NE Ohio	Spot	265o			
	Ap-Ag	277o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	274o			
	Ap-Ag	287o			
MN (Rochester)	Spot		281-285o	285-290o	
	Fb-Ag		288-295o	294-299o	
WI (Madison)	Spot		275-279o	279-284o	
	Fb-Ag		278-283o	286-289o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		270o		
	Fb-Sp		278o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Fb-Mr				290o
	AMJ				295o
California Idaho (UP)	Spot				n/a
	Spot				310b 315o
WA/OR (BN)	AMJ				318o
	Spot				322t
	AMJ				338o
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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