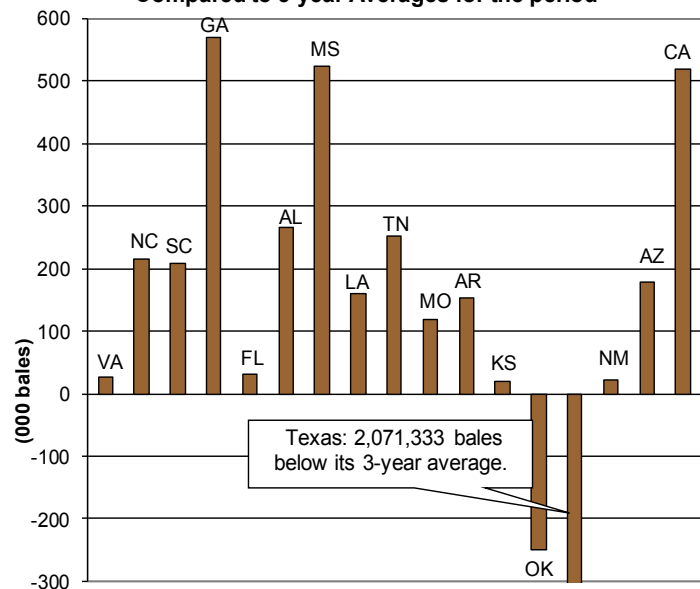


USDA REPORTS: USDA's All Cotton running bales ginned total as of the beginning of February was 14.8 million bales. Given that this running bales ginned total is 76,000 bales above USDA's All Cotton forecasted total, the ginning season is nearly complete. It is normal for the running bales ginned total to be above the final production total.

Compared to the 3-year average, this year's total is 944,000 bales higher and is 6.8% ahead of the 3-year average for this time of year. Larger than average cotton acreage and output in the Southeast and California, are the main factors for the increase in production. Expectations for less cotton acres next year in the Southeast and Mid-South suggest that production could be several percentage points lower. If Texas and the rest of the Cotton Belt have an average production year, then the total production could exceed this year's output.

**Running Bales Ginned Totals as of 02/01/12
Compared to 3-year Averages for the period**



COTTONSEED MARKET: Prices edged higher by the middle of the month. Buyers aggressively bid higher for the nearby and through the summer. Sellers have withdrawn from the market giving it a firm tone. The recent buying behavior would suggest that there could be some short positions attempting to cover their requirements.

After prices traded lower at the beginning of the month, it is questionable if enough new end user demand was gained. Dairy demand in the Northeast and Upper Midwest hasn't had a significant rebound from levels earlier in the month. For this reason, it is questionable if the recent price gains will be sustained. If dairy economics continue to be weak and crops develop favorably, prices will likely drift lower.

Southeast markets saw prices climb thanks to active trading. Now that ginning is done gins have raised their offers. There are fewer sellers which should lend support to prices. However, dairy demand remains soft, and interest is not expected to improve anytime soon. Considering cotton acreage is projected to be smaller, gins are inclined to hold back supply as they see the potential for prices to remain strong if supply concerns develop. New crop prices have climbed higher as well. Volumes of recent trading remain small.

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Mid-South prices have climbed higher as there has been an increase in reseller buying interest. As of Mid-February, both gins and resellers were making sales. Recently gins have become content with the amount they had sold. This lack of selling interest may provide some support to the market for the next few weeks. However, at current price levels demand will likely be lost. What may undermine continued price strength is how much more seed in the region still needs to trade. The drop in prices in early February may not have lasted long enough for dairies to get on board with buying. If dairies switch to using a different ingredient, sellers will need to be even more price competitive in order to win back the end user demand.

Nearby West Texas traded higher as of the middle of the month. Purchases were done mostly by resellers as dairy demand remains weak. Forward offers have edged higher. The staying power of the rally has been questioned due to abundant unsold supply.

Far West rail prices have climbed higher following the strength in the Southeast. California nearby trades have had the most action with resellers the prominent buyer. Trading through the summer has been done even to the nearby. Buyers are concerned that recent floods in Australia will limit imports and tighten supply later this summer.

COTTONSEED BALANCE SHEET: USDA’s balance sheet had an 65,000-ton offsetting change. Exports were lowered because shipments have lagged well behind the 5-year average. It appears there will continue to be sufficient supply in Australia to satisfy demand from most Asian buyers. The Feed, Seed and Other category picked up the amount that was taken out of exports. For the time being, interest from the feed sector is uninspiring.

The Cottonseed Digest balance sheet had a variety of downward adjustments. On the supply side, production was lowered 36,000 tons due to lower than expected production. Nonetheless, the supply situation appears abundant due to weaker than anticipated end user demand. Imports were lowered 30,000 tons. If a steady pace of shipments is not realized in coming months, then the total will need to be adjusted even lower in coming months. The recent flooding in Australia could limit production and exports. Australia will be exporting cottonseed; it is just a matter of how much will be available.

The Feed, Seed and Other category was raised 9,000 tons. Dairy economics have room for improvement before they consider an increase in usage. In the West where cottonseed usage is typically strong, more end users are in group 2 of the buyer profile, while they normally would have been in group 1. Dwindling net values for crushers suggest that they will not be aggressively running absent a rebound in demand for cottonseed oil or meal. These changes result in ending stocks lowered 55,000 tons. The stocks-to-use ratio at 10.2% are above the 5-year average of 9.3%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	Feb. /	Feb. /	Feb. /
	2008/09	2009/10	USDA	USDA	CSD
			2010/11E	2011/12F	2011/12F
Beg. Stocks	643	514	342	618	618
Imports	0	24	0	100	120
Production	4300	4149	6098	5267	5242
Total Supply	4943	4687	6440	5985	5980
Crush	2240	1900	2563	2400	2375
Exports	190	291	275	160	160
Feed, Seed, & "Other"	1999	2154	3984	2995	2890
Total Disappearance	4429	4305	5822	5555	5425
End Stocks	514	342	618	430	555

COTTONSEED fob points				
<u>PRICES 02-17-12</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		(\$/ton)		
No. Carolina	Fb-Mr	215-220o / 215-220t		208t
	Ap-Ag	220-225o		218o
So. Carolina	Spot	218-220o / 215t		209o
Georgia So.	Spot	215-220o / 215-220t		200t
	Ap-Ag	230o		n/a
No. Alabama	Spot	235t		n/a
<i>Mid-South</i>		(\$/ton)		
Memphis No.	Fb-Mr	245-250o / 245t		230t
	Ap-Ag	250o / 248t		n/a
(as ginned)	OND	205b / 210o / 200t		200t
MO Bootheel	Spot	245b / 250o		235o
	Ap-Ag	252-255o		n/a
<i>Southwest</i>		(\$/ton)		
West Texas	Spot	310-315o / 310t		252-255t
	Ap-Sp	320o / 310t		262o
(as ginned)	OND	243-250b / 255o /		213t
<i>Far West</i>		(\$/ton)		
Arizona	Spot	315t		290t
Cal. Corc. N	Spot	335-340o / 340t		315-319t
& Stockton	Mr-Sp	340t		n/a
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo</i> [™]	Courtland, AL	Spot	285o	268o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points				
<u>PRICES 02-17-12</u>		<u>Dump/ Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
Northeast		(\$/ton)		
W. New York	Spot	280o		
	Fb-Ag	290o		
SE Pennsylvania	Spot	258o		
	Fb-Ag	268o		
NE Ohio	Spot	280o		
	Fb-Ag	290o		
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	290o		
	Fb-Ag	300o		
MN (Rochester)	Spot	295-297o	305-307o	
	Fb-Ag	305o	315o	
WI (Madison)	Spot	285o	305-307o	
	Fb-Ag	305o	315o	
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot		345o	
	Fb-Ag		345o	
Rail - fob track points		(\$/ton)		
Laredo TX	Fb-Mr			325o
	AMJ			330o
California	Spot			340o
Idaho (UP)	Spot			320b 330o
	Mr-Ag			335o
WA/OR (BN)	OND			295b 310o
	Spot			340o
	Ap-Sp			345o
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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