

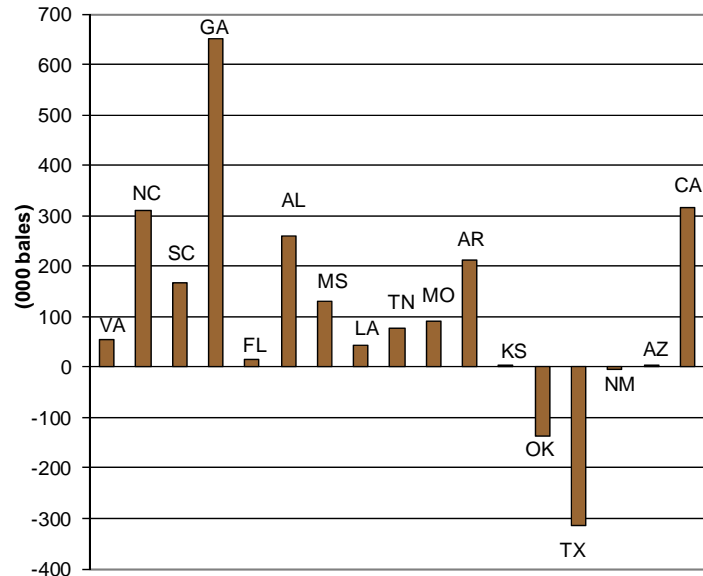
**GINNING REPORT:** As of February 1st, the running bales ginned total was 16.557 million bales. From the previous report, the total increased over a half million bales. The 3-year average increase between reports is 350,000 bales. Georgia once again had the largest increase, up over 188,000 bales. California and South Carolina followed with 86,000 and 58,000 bales, respectively. The next ginning report will be released March 25th, 2013.

**COTTONSEED MARKET:** Since the last installment, prices have edged higher. The main reason for the increase was the completion of the ginning season in the Southeast. As of the middle of February there are only a couple gins still running in Georgia. Because the ginning season in the Southeast lasted longer than normal most gins are staying clear of the market as it hasn't been that long since they made sales. Due to the lack of sellers this has boosted offers. Dairy buying interest has been limited as most Northeastern users have immediate requirements covered. There is still the possibility to make some small volume trades for those needing additional supply.

The Mid-South market has moved higher in sympathy with the Southeast. Lower acreage in the Mid-South is a possibility, meanwhile end users have yet to consider the possibility of tighter supply this fall. Forward offers through the summer have only a couple-dollar premium. The April-August average price for the past 5 years had a \$50/ton premium to the February average price. The combination of ample supply and weak dairy demand has kept forward offers from having a larger carry. Even with weaker corn and distiller dried grains, whole cottonseed is reasonably priced as the relative prices to those products held basically steady for the month.

The West Texas market remains quiet as buyers are willing to wait following the recent weakness in grain futures prices. Given weak dairy demand in the state, there should be sufficient supply of cottonseed. Slightly weaker prices for West Texas in February should not be a surprise as prices have fallen during February in 3 of the past 5-years. With an average drop of \$16/ton there is potential for a drop of more than \$10/ton. Even if prices would drift that much lower, it is doubtful that significant additional end user demand would be gained.

Running Bales Ginned Totals as of 02/01/13  
Compared to 3-year Averages for the period



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Since Far West quotes were raised over the past few weeks, markets have turned quiet. The farm show going on in California at the middle of the month has limited trading activity. Prices are expected to remain range-bound for the near term on sufficient supply in the region.

**COTTONSEED BALANCE SHEET:** USDA's balance sheet for February was unchanged from last month. Compared to last year's balance sheet, the category with the largest increase was production up roughly 390,000 tons. From last year, exports were raised 167,000 tons, which is the largest increase for the demand side of the balance sheet. The Feed, Seed and Other category had the only decrease from last year, down 100,000 tons.

The Cottonseed Digest balance sheet had only minor changes. The crush was lowered 20,000 tons. Early on in the season runtimes were below expectations and at this point in time it doesn't look like crushers are able to keep pace with our previous expectations. Crushing economics have been hurt by recent weakness in protein values and cottonseed meal prices will have difficulty rebounding as long as supply remains abundant.

Exports are unchanged from last month. Based on results through December and assuming the current pace of exports continues for the balance of the crop year, the category will need to be reduced more than 35,000 tons. On a supportive note, demand from the Middle East has been strong thus far making up roughly a third of all exports, whereas a year ago it made up roughly 10%. Asian buyers have been less of a factor, as they have satisfied their needs with Australian supply.

The Feed, Seed, and Other category was raised 10,000 tons. Whole cottonseed remains price competitive compared to cash corn or distiller dried grains in the Midwest and Northeast. Many dairies in these regions are weathering current milk prices better than in other parts of the country. They are expected to keep whole cottonseed in their ration and in some cases increase usage. Ending stocks rose 10,000 tons, raising it 57,000 tons above the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	USDA	Feb. / USDA	Feb. / USDA	Feb. / CSD
	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12E</u>	<u>2012/13F</u>	<u>2012/13F</u>
Beg. Stocks	514	342	618	430	430
Imports	24	0	72	100	115
Production	4149	6098	5370	5759	5856
<b>Total Supply</b>	<b>4687</b>	<b>6440</b>	<b>6059</b>	<b>6289</b>	<b>6401</b>
Crush	1900	2563	2400	2500	2525
Exports	291	275	133	300	250
Feed, Seed, & "Other"	2154	2984	3097	2997	3060
<b>Total Disappearance</b>	<b>4305</b>	<b>5822</b>	<b>5629</b>	<b>5797</b>	<b>5835</b>
End Stocks	342	618	430	492	566

<b>COTTONSEED fob points</b>				
<b><u>PRICES 02-15-13</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b><i>Southeast</i></b>		<b>(\$/ton)</b>		
<b>North Carolina</b>	Spot	240b / 245-250o / 245-248t		n/a
	Ap-Ag	250b / 256o		222o
	OND	230t		n/a
<b>South Carolina</b>	Spot	240b / 242-247o / 247t		215t
<b>Georgia So.</b>	Spot	240b / 244-245o		217t
	Mr-Ag	245b / 247o		n/a
<b>No. Alabama</b>	Spot	272o		235t
<b><i>Mid-South</i></b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	285-290o		245t
	Ap-Ag	285-290o		248t
	OND	270o		200t
<b>MO Bootheel</b>	Spot	285-290o / 290t		250o
	Fb-Ag	285-290o		n/a
<b>NE Arkansas</b>	Spot	285-290o / 283t		n/a
	OND	265-268t		n/a
<b><i>Southwest</i></b>		<b>(\$/ton)</b>		
<b>West Texas: LN</b>	Spot	335b / 340-345o		310t
	Ap-Sp	348-350o		310t
<b><i>Far West</i></b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	360b / 365o / 365		315t
	Fb-Sp	370b / 375o		n/a
<b>Cal. Corc. No. &amp; Stockton</b>	Spot	385-390o		340t
<b>Pima California</b>	Spot	355b / 360o		n/a
<b><i>Specially Processed Products (\$/ton)</i></b>				
<b><i>Easi Flo™</i></b>	<b>Courtland, AL</b>	Spot	320o	285o
		Ap-Ag	325o	n/a
<b>b = bid   o = offer   t = trade   n/a = not available</b> <b>West Texas: LN=Lubbock North, PN= Plainview North, SN= Seminole North</b>				

<b>COTTONSEED dlvd. points</b>				
<u>PRICES 02-15-13</u>		<u>Truck</u>	<u>Rail</u>	<u>Yr</u>
<b>Northeast</b>		<b>(\$/ton)</b>		
<b>W. New York</b>	Spot	305o		280o
	Mr-Ag	313o		n/a
<b>SE Pennsylvania</b>	Spot	288o		258o
	Mr-Ag	296o		n/a
<b>NE Ohio</b>	Spot	305o		280o
	Mr-Ag	313o		n/a
<b>Midwest</b>		<b>(\$/ton)</b>		
<b>MI (Grand Rpds.)</b>	Spot	315o		290o
	Mr-Ag	323o		n/a
<b>MN (Rochester)</b>	Spot	349o		306o
	Ap-Ag	354o		n/a
<b>WI (Madison)</b>	Spot	344o		306o
	Ap-Ag	349o		n/a
<b>Southwest</b>		<b>(\$/ton)</b>		
<b>Texas / Dublin- Stephenville</b>	Spot	350t		345o
	Fb-Sp	355o		n/a
<b>Rail - fob track points</b>		<b>(\$/ton)</b>		
<b>Laredo TX</b>	Spot		355o	n/a
<b>California</b>	Spot		375-377o	340o
<b>Idaho (UP)</b>	Spot		360o	320t
	Fb-Sp		360o	n/a
<b>WA/OR (BN)</b>	Spot		375-380o	340o
	Fb-Sp		380o	n/a
<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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