

**2006 PROSPECTIVE PLANTINGS:** USDA's report released March 31st shows all cotton plantings are forecast at 14.6 million acres, up 3% from last year. This total is only 43,000 acres lower than Informa's estimate. Other early trade estimates were as much as 194,000 acres lower. Most of the acreage difference comes from upland cotton which was lower by 36,000 acres while Pima is off only 7,000 acres. Compared to Informa's upland plantings estimates shown in last month's installment, USDA has the East up 24,000 acres, and the Southwest is higher by 105,000 acres. Meanwhile the Mid-South is down 45,000 acres, and the Far West is off 120,000 acres.

USDA's implied cotton production is 23.7 million bales, which is 4% above Informa's pre-report estimate of 22.8 million bales. The implied harvested area is 13.7 million acres, with 6.8% abandonment. Based on Informa's smaller cotton estimate, cottonseed production should still be adequate and could potentially be above the 5-year average of 7.4 million tons.

**USDA's 2006 Regional Cotton Plantings Forecast (000 acres)**

Region	2005 Acreage	2006 Acreage <i>USDA Forecast</i>	% Change from 2005	Change in acreage	5-year Averages
East	3,030	3,180	5.0%	150	3,223
Mid-South	3,950	4,135	4.7%	185	3,829
Southwest	6,155	6,400	4.0%	245	6,015
Far West	790	585	-25.9%	-205	903
Total	13,925	14,300	2.7%	375	13,970
Pima	270	334	23.7%	64	243
US Total	14,195	14,634	3.1%	439	14,212

**COTTONSEED MARKET:** At mid-month , markets have been mostly quiet with less buying interest which gives them a softer tone, but sellers appear steadfast in holding offer levels. The exception is the West Texas markets where nearby buying has helped raise prices a couple dollars. The standoff between buyers and sellers is expected to continue for the next several weeks as buyers appear comfortable with their ownership position and dairies are concerned with how low milk prices will erode their ability to pay for cottonseed at current price levels. Meanwhile, seed holders with uncommitted supplies still expect a bullish scenario to develop based on unfavorable growing conditions across the country with wetness in California while West Texas and parts of the Southeast are becoming too hot and dry. Some merchants are concerned that selling opportunities will be lost to competing feed ingredients, but with tight roughage supplies in the Southwest and grain byproduct prices holding steady, there are not many viable alternatives for dairies.

In the Southeast, nearby offers and bids in the Carolinas are a couple dollars lower compared

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to last month's report. The lack of trading activity is giving the market a softer tone. Georgia and Alabama North nearby prices have nudged higher with fewer offers and steady buying. Summer quotes in all markets, but North Carolina, moved lower. Buyers are under the impression there is still a lot of seed to be sold in the Southeast and anticipate prices will eventually move lower.

In the Mid-South, spot prices are a couple dollars firmer with steady small volume buying. Meanwhile, summer offers backed down a dollar and are flat with the nearby. With little demand on forward supplies, price levels may not stay this low once buyers return to market.

West Texas nearby trading levels are up nearly \$10/ton compared to last month. With fewer offerings, prices are apt to move higher. The nearby is selling roughly \$20/ton over levels traded a year ago, which is helped by the tight forage supplies in the region. End users have few options to substitute for cottonseed in rations. If large sellers stay clear of the market, prices will remain steady to stronger. The trades reported for the summer are still \$10/ton below the 5-year average.

Far West rail supply pipelines were low early April and drove prices up, but as rail supplies have arrived prices backed down a couple dollars. California dairies are beginning to feel the impact of lower milk prices. Bids for the summer months are \$5 below the nearby, and sellers are not yet willing to accept lower prices unless they notice that demand begins to erode.

**COTTONSEED BALANCE SHEET:** USDA's only revision for April is an offsetting change on the demand side of the balance sheet. The crush was decreased 75,000 tons while the feed, seed and other category was increased the same amount. This is a 50,000-ton reversal of the changes made last month. Ending stocks have remained unchanged for the past few months at 630,000 tons, and is the highest ending stocks total since the 1990/91-season. USDA's ending stocks to usage ratio is 7.4%, a tenth of a percent above a year ago, and is the highest since the 1997/98-season.

Informa's balance sheet has a 10,000-ton offsetting change with exports upped and the feed, seed and other category lowered. Mexican buying interest continues strong and looks to continue for the balance of the summer. Weaker milk prices appear to becoming a bigger factor limiting earlier estimated demand. Ending stocks are unchanged, and 220,000 tons higher than USDA's, as more supplies will likely be carried over into new crop by oil mills, end users and resellers. Informa's ending stocks to usage ratio is 10.2% the highest since the 11% of 1990/91.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Apr. /	Apr. /	Apr. /
	2002/03	2003/04	USDA	USDA	Informa
			2004/05E	2005/06F	2005/06F
Beg. Stocks	400	347	421	592	592
Imports	104	2	1	25	2
Production	6184	6665	8242	8501	8560
<b>Total Supply</b>	<b>6687</b>	<b>7013</b>	<b>8664</b>	<b>9118</b>	<b>9154</b>
Crush	2495	2639	2923	3075	2980
Exports	370	355	379	425	424
Feed, Seed, & "Other"	3477	3598	4770	4988	4900
<b>Total Disappearance</b>	<b>6341</b>	<b>6592</b>	<b>8072</b>	<b>8488</b>	<b>8304</b>
End Stocks	347	421	592	630	850

The balance sheet is still at risk of changing drastically if there is an improvement in feed demand or cottonseed oil demand improves significantly over the next four months. The Mid-South cottonseed net value for crushers has slid roughly \$40/ton since the beginning of the year as cottonseed oil and co-product prices have eroded. An improvement in net values for crushers is not expected for the balance of the crop year, or until there is a shift in cottonseed oil or co-product fundamentals.

<b>COTTONSEED fob points</b>					
<b><u>PRICES 4-14-06</u></b>		<b><u>Bid</u></b>	<b><u>Offer</u></b>	<b><u>Trade</u></b>	<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>			
<b>No. Carolina</b>	Spot	88b / 92o		94o	
	Ap-Ag	88b / 98o		95o	
	(as ginned) OND	85b / 91o		95o	
<b>So. Carolina</b>	Spot	88b / 92o		105o	
	Ap-Ag	88b / 95o		105o	
	(as ginned) OND	88b / 92o		99o	
<b>Georgia So.</b>	Spot	95b / 98o		105o	
	Ap-Ag	95b / 100o		109-111o	
	(as ginned) OND	84b / 96o		103o	
<b>Alabama No.</b>	Spot	106b / 111o / 110t		100t	
	Ap-Ag	106b / 112o		105o	
	OND	95b / 105o		105o	
<b>MID-SOUTH</b>		<b>(\$/ton)</b>			
<b>Memphis No.</b>	Spot	110b / 114o		99t	
	My-Ag	114o		100-102o	
	(as ginned) OND	105o		105o	
<b>MO Bootheel</b>	Spot	115t		100o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>West Texas</b>	Spot	132-136o / 132-134t		113-115t	
	My-Sp	140o / 139t		120o	
	(as ginned) OND	120-122o		120o	
<b>FAR WEST</b>		<b>(\$/ton)</b>			
<b>Arizona</b>	Spot	180o / 180t		145o	
	My-Ag	185o		n/a	
<b>Cal Corc. N &amp; Stockton</b>	Spot	187b / 190-192o		162t	
	Ap-Sp	182b / 190o		163-164t	
	Clock	188b / 193o		185t	
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>					
<b>Easi Flo<sup>™</sup></b>	<b>Centre, AL</b>	Spot	149o	136o	
<b>FuzZpellets<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	115o	123o	
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	125o	127o	
<b>b = bid   o = offer   t = trade   n/a = not available</b>					

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 4-14-06</u></b>		<b><u>Dump</u></b>	<b><u>Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
<b>W. New York</b>	Spot	146o			
	Ap-Ag	148o			
<b>SE Pennsylvania</b>	Spot	127o			
	Ap-Ag	129o			
<b>NE Ohio</b>	Spot	141o			
	Ap-Ag	143o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpds.)</b>	Spot	154o			
	Ap-Ag	156o			
<b>MN (Rochester)</b>	Spot		155-158o	165o	
	Ap-Ag		160o	166-167o	
<b>WI (Madison)</b>	Spot		145-149o	158o	
	Ap-Ag		150-151o	160-162o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin- Stephenville</b>	Spot		160o		
	Ap-Ag		165o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>California</b>	April				184-186o
<b>Idaho (UP)</b>	Spot				184-186o
	Ap-Ag				187o
<b>WA/OR (BN)</b>	OND				177o
	Ap-My				187t
	Ap-Ag				190-193o
<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.