

USDA PROSPECTIVE PLANTINGS: While cotton acres are projected to grow, results were lower than what many analysts anticipated. USDA's forecast was 634,000 acres below expectations, as the average trade estimate was 13.2 million acres. The strong price reaction to the report from lint markets opens the possibility of there being more cotton acres planted than what the report suggests.

Similar to last year, Texas is projected to have the largest increase in cotton acres, up 550,000. The runner up is North Carolina with an expected increase of 200,000 acres compared to last season. The third largest state increase came from Georgia up 120,000 acres, which bested Mississippi's increase by 10,000 acres. The total year over year growth of 1.5 million acres suggests that on average every state managed to increase plantings by 90,000 acres.

Regionally, the Southeast managed to have the largest increase on a percentage basis, but the Southwest still has the largest contribution in total acres. Due to depleted soil moisture conditions in the Southwest, the Southeast might contribute more cottonseed than the Southwest. With an average level of abandonment in Texas and average yields, cottonseed production should be over 6.4 million tons. However, if the drought conditions in West Texas persist and intensify, it is possible that production will end up being below this level.

COTTONSEED MARKET: Over the past month there has been dramatic price strength fueled by

| USDA - US 2011 Regional Cotton Plantings Forecast (000 acres) | | | | | |
|---|--------------|--------------|--------------------|-------------------|-----------------|
| Region | 2010 Acreage | 2011 Acreage | % Change from 2010 | Change in acreage | 5-year Averages |
| Southeast | 2,597 | 3,095 | 19.2% | 498 | 2,404 |
| Mid-South | 1,920 | 2,280 | 18.8% | 360 | 2,482 |
| Southwest | 5,933 | 6,553 | 10.5% | 620 | 5,700 |
| Far West | 319 | 385 | 20.7% | 66 | 326 |
| Total | 10,769 | 12,313 | 14.3% | 1,544 | 10,911 |
| Pima | 204 | 258 | 23.7% | 48 | 228 |
| US Total | 10,973 | 12,566 | 14.5% | 1,592 | 11,139 |

new crop supply concerns. Without any improvement to the drought situation in Texas, the mindset of market participants has been unchanged and offers continue to edge higher. Even at these higher prices there have been a few end users coming to market to cover their immediate needs. However, prices appear to be reaching a level where end users are beginning to resist buying. Dairy profitability is being squeezed by lower milk prices and higher feed costs. It is possible that if other feed ingredients soften, then whole cottonseed prices will need to rollback. But, as long as oil mills continue to hold the majority of available supply, price will stay stout.

In the Southeast, there have been a few export inquiries that have shown up in the market as

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well, but nothing major has traded. Conditions in the region are considered ideal for planting to kick off next week, thanks to frequent rains over the past several weeks and warm temperatures. Mid-South offerings have lagged its neighbors, but lacks active buyers. Prices in West Texas continue to climb on concerns about dry conditions. Local dairy demand has softened. New crop offers have climbed on drought concerns. California prices continue to move higher to keep pace with eastern markets in order to cover replacement costs. Given the strong prices, demand has been limited. In general forward offers are sketchy, due to limited offerings and the lack of trading. End users are expected to use less cottonseed at these price levels.

COTTONSEED BALANCE SHEET: USDA left their balance sheet unchanged with levels shown last month. USDA's 2010/11 average price of soybean oil had the low side of its range increase by two cents. This is based on projected improvements to demand for vegetable oils and expectations for tighter supply which should be supportive for cottonseed oil prices and whole cottonseed markets also.

The Cottonseed Digest's balance sheet had a few changes. Exports were raised a modest 10,000 tons. Strong buying of Australian seed from China suggests that remaining markets will need to buy from the US. Recently there has been renewed export buying interest in the market. In 3 of the past 5 years, exports have been greater in the last half of the year. For the balance of the season, total exports will need to be larger than last year for the remaining months by a couple hundred tons, to reach the projected level.

Crushing was lowered 50,000 tons as runtimes this year have not been as strong as anticipated even though economics have been favorable. During the last half of the season, crushing activity will need to improve to meet demand. For the next couple months, the crush will need to exceed last year's pace by roughly 37,000 tons per month on average. The bulk of the increase will need to be seen in March and April data, or the crush will need to be adjusted lower.

The Feed, Seed and Other category was lowered 58,000 tons, as stout prices and an outlook of narrow margins for dairy producers is apt to limit end user feed demand. In addition, the dry conditions in the Southwest suggest that the oil mills will sell less of their seed in storage than earlier projected. The lack of confidence in availability of new crop will result in oil mills carrying over inventories into next year for crushing.

Ending stocks were raised 98,000 tons. The stocks-to-use ratio was increased to 10%, which is similar to the levels from the 07/08 and 08/09 crop years.

| Cottonseed Supply/Demand Balance Sheet (000 tons) | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Yrs beg Aug 1 | USDA | USDA | April / | April / | April / |
| | 2007/08 | 2008/09 | USDA | USDA | CSD |
| | 2009/10E | 2010/11E | 2010/11E | 2010/11E | 2010/11E |
| 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 | 2450 |
| Exports | 599 | 191 | 291 | 300 | 310 |
| Feed, Seed, & "Other" | 3132 | 1999 | 2154 | 3290 | 3187 |
| Total Disappearance | 6437 | 4429 | 4305 | 6090 | 5974 |
| End Stocks | 643 | 514 | 342 | 443 | 605 |

| COTTONSEED fob points | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|
| <u>PRICES 4-15-11</u> | | <u>Bid</u> | <u>Offer</u> | <u>Trade</u> | <u>Yr Ago</u> |
| SOUTHEAST | | (\$/ton) | | | |
| No. Carolina | Spot | 265b / 270-275o | | 188o | |
| (as ginned) | OND | 185-188o / 185t | | 130t | |
| So. Carolina | Spot | 265b / 270o | | 188o | |
| (as ginned) | OND | 175b / 185o | | 136o | |
| Georgia So. | Spot | 268-270b / 272-275o | | 185-187o | |
| (as ginned) | OND | 175b / 185o | | 135o | |
| MID-SOUTH | | (\$/ton) | | | |
| Memphis No. | Spot | 288-290o | | 203-205t | |
| | My-Ag | 293-295o | | 210o | |
| (as ginned) | OND | 215b / 220o | | 160t | |
| MO Bootheel | Spot | 290o | | 205o | |
| (as ginned) | OND | 220o | | 155-157o | |
| SOUTHWEST | | (\$/ton) | | | |
| West Texas | Spot | 305-308o | | 205o/t | |
| | My-Sp | 315o | | 210o | |
| (as ginned) | OND | 250o | | 158t | |
| FAR WEST | | (\$/ton) | | | |
| Arizona | Spot. | 340b / 340t | | 255o | |
| Cal. Corc. N | Spot | 380o | | 285-290o | |
| & Stockton | My-Sp | 385-390o | | 285o | |
| | OND | 325o | | 245o | |
| SPECIALLY PROCESSED PRODUCTS (\$/TON) | | | | | |
| Easi Flo[™] | Courtland, AL | Spot | 330o | 225o | |
| b = bid o = offer t = trade n/a = not available | | | | | |

| COTTONSEED dlvd. points | | | | | |
|--|-------|-----------------|---------------|-------------------|-------------|
| <u>PRICES 4-15-11</u> | | <u>Dump</u> | <u>Hopper</u> | <u>Live Floor</u> | <u>Rail</u> |
| NORTHEAST | | (\$/ton) | | | |
| W. New York | Spot | 337o | | | |
| | OND | 227o | | | |
| SE Pennsylvania | Spot | 310o | | | |
| | OND | 220o | | | |
| NE Ohio | Spot | 337o | | | |
| | OND | 237o | | | |
| MIDWEST | | (\$/ton) | | | |
| MI (Grand Rpds.) | Spot | 340o | | | |
| | OND | 247o | | | |
| MN (Rochester) | Spot | | 340o | 349-350o | |
| | Ap-Ag | | 345o | 353-355o | |
| WI (Madison) | Spot | | 337-340o | 349-350o | |
| | Ap-Ag | | 335-345o | 350-355o | |
| SOUTHWEST | | (\$/ton) | | | |
| Texas / Dublin- | Spot | | 335o | | |
| Stephenville | Ap-Sp | | 342o | | |
| RAIL - FOB TRACK POINTS | | (\$/ton) | | | |
| Laredo TX (Mid-Bridge) | Spot | | | | 360o |
| California | Spot | | | | 368o |
| Idaho (UP) | Spot | | | | 370t |
| | AMJ | | | | 375o |
| WA/OR (BN) | Spot | | | | 385o |
| | AMJ | | | | 390o |
| 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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