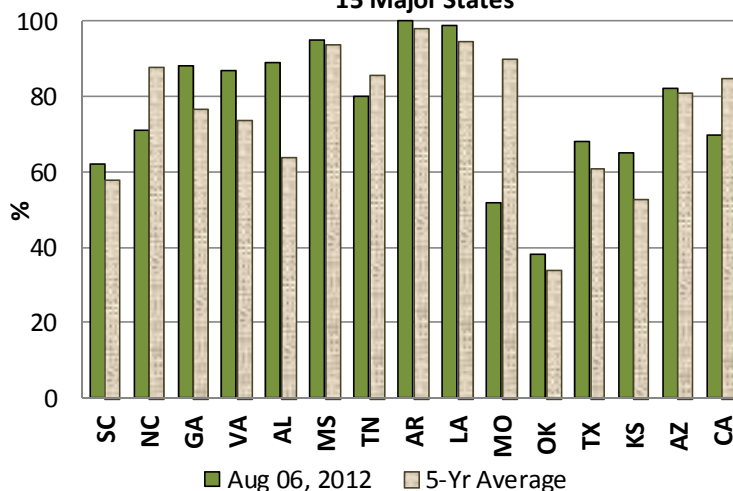


COTTON CROP: The WASDE report had US cotton production up 651,000 bales to 17.7 million, up 4% from last month, based on USDA's first crop survey. This year's early planting pace combined with this summer's heat has kept the development of the cotton crop ahead of the average in most states. In the graph only 4 states, of the 15 listed, are behind the 5-year average at setting bolls. This suggests that harvest and ginning could get underway a few days earlier than normal.

Cotton crop conditions continue to deteriorate. The total amount of the crop classified as good and excellent is 41%, compared to a couple weeks ago when there was 47%. Virginia and North Carolina had their good and excellent categories rise by 14 and 10 percentage points, respectively. The Southwest had the largest declines. Poor and very poor categories climbed 26 points for Oklahoma and Texas was raised by 16 points.

US Cotton, Percent Setting Bolls,
15 Major States



COTTONSEED MARKET: With futures trading back and forth at the middle of the month, end user buying interest kept to the sidelines. The result of this has been a softer tone in the market and offers in the Southeast and Far West drifted lower. Lack of confidence in the dairy sector is part of the reason that resellers are holding off on building their position. At current levels merchants are thinking there will be a better buying opportunities for building their new crop position once ginning gets underway. Oil mill buying has been light, but once they come to market, prices will likely firm several dollars. While dairy economics remain problematic, recovery of milk prices is expected in coming months. Dairy demand could improve before year's end.

Southeast nearby offers have climbed roughly \$15/ton since the July installment. Meanwhile, new crop offers have climbed roughly \$10/ton and appear to be a reasonable buy given the outlook for tight corn and soybean supply. However, new crop prices are not well defined due to the lack of end user demand. Dairy demand in the Southeast and Northeast remains light.

Mid-South nearby prices firmed \$10/ton and new crop offers have held firm. There has been steady new crop buying interest at \$300, but by the middle of the month demand has lightened up.

Every effort has been made to assure the accuracy of the information and market data which is provided in this publication as a compilation for the use of its readers. Information has been obtained by Informa Economics, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error, Informa does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Published by Informa Economics, Inc., 3464 Washington Drive, Suite 120, Eagan, MN 55122-1438.

For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

Most of the buying interest is for supply west of the Mississippi River.

West Texas nearby offers are holding firm on limited supply. New crop offers are not well defined because there hasn't been much trading going on. Much better cotton crop conditions compared to last year, has raised expectations for gins to start selling new crop, but that hasn't happened. If the crop continues to improve it is possible that new crop prices could go lower.

Far West prices have moved similarly with other markets. There are concerns regarding a slowdown in dairy buying. The focus on dairy financial woes has contributed to the bearish tone in the market. The California heat wave during the first half of August limited feed demand. The availability of supply is not an issue as a vessel of Australian cottonseed will land in California this month.

COTTONSEED BALANCE SHEET: The 11/12 USDA balance sheet had minor adjustments. Imports were lowered 25,000 tons and appear to exclude the last ship of Australian cottonseed that arrived in July. Lower supply resulted in a 10,000-ton reduction to exports and the 15,000-ton drop in the Feed, Seed and Other category.

The Cottonseed Digest 11/12 balance sheet had a few small adjustments on the demand side. The crush was lowered 3,000 tons. Exports were raised 18,000 tons as shipments for the second to the last month of the year were over 5,000 tons above the monthly average. If export buyers behave as they did last year, the final month of exports could be higher. The Feed, Seed and Other category was raised 28,000 tons. The ending stocks were lowered 43,000 tons. The stocks to use ratio edge higher to 10%, which was a half percent above the 5-year average.

The Cottonseed Digest 11/12 balance sheet had a few small adjustments on the demand side of the balance sheet. The crush was lowered 3,000 tons. Exports were raised 18,000 tons as shipments for the second to the last month of the year were over 5,000 tons above the monthly average. If export buyers behave as they did last year, the final month of exports could be higher. The Feed, Seed and Other category was raised 28,000 tons. The ending stocks were lowered 43,000 tons. The stocks to use ratio edge higher to 10%, which was a half percent above the 5-year average.

Imports for the 12/13 crop year were raised 20,000 tons as it looks like another vessel of Australian seed will ship. Production was raised 480,000 tons as conditions in the Southeast and recent rains in West Texas should provide a boost to yields. The Feed, Seed and Other category was raised 250,000 tons. This is based on expectations that dairy economics will improve in coming months. At the same time tight corn and soybean supply suggest that there is potential for dairy rations to increase cottonseed inclusion rates. Exports were raised 70,000 tons, but still remains below the 5-year average. The crush was raised 40,000 tons as vegetable oil prices will likely remain stout given tight soybean supply. These changes result in stocks up by 97,000 tons which makes the stocks to use ratio a percentage point above the 5-year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Aug. / USDA	Aug. / CSD	Aug. / USDA	Aug. / CSD
	2010/11	2011/12E	2011/12E	2012/13F	2012/13F
Beg. Stocks	342	618	618	430	551
Imports	0	75	93	100	105
Production	6098	5370	5370	6012	6080
Total Supply	6440	6063	6081	6542	6736
Crush	2563	2400	2372	2600	2540
Exports	275	125	130	300	270
Feed, Seed, & "Other"	2984	3108	3028	3142	3250
Total Disappearance	5822	5633	5530	6042	6060
End Stocks	618	430	551	500	676

COTTONSEED fob points				
<u>PRICES 08-17-12</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>Southeast</i>		<i>(\$/ton)</i>		
No. Carolina (as ginned)	Spot	265b / 270-273o / 265t		375o
	OND	260-265o		267t
	Ja-Ag	286-290o		295o
So. Carolina	OND	260b / 270o		274o
Georgia So. (as ginned)	Spot	275b / 279-280o		393o
	OND	260t		270o
	Ja-Ag	285o		n/a
<i>Mid-South</i>		<i>(\$/ton)</i>		
Memphis No. (as ginned)	Spot	290o		381t
	OND	300-306o / 300t		304t
	Ja-Ag	320-325o		325o
MO Bootheel (as ginned)	Spot	295b / 300o / 298t		385o
	OND	303b / 309o		305o
	Ja-Ag	325o		n/a
NE Arkansas	Spot	295b / 300o / 298t		n/a
	OND	306o		n/a
	Ja-Jly	320o		n/a
<i>Southwest</i>		<i>(\$/ton)</i>		
West Texas (as ginned)	Spot	375b / 385-388o / 387t		385o
	OND	340b / 355o		395o
	Ja-Sp	360b / 370-375o		n/a
<i>Far West</i>		<i>(\$/ton)</i>		
Arizona	Aug	360o		n/a
	OND	350o		360o
Cal. Corc. No. & Stockton	Spot	390b / 395o / 393t		472t
	OND	390o		395o
	Clock	400o		415o
<i>Specially Processed Products (\$/ton)</i>				
<i>Easi Flo™</i>	Courtland, AL	Spot	340o	n/a
		Nov.	345o	n/a
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points				
<u>PRICES 08-17-12</u>		<u>Dump/ Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
Northeast		(\$/ton)		
W. New York	Spot	328o		
	OND	330o		
SE Pennsylvania	Spot	311o		
	OND	313o		
NE Ohio	Spot	328o		
	OND	330o		
Midwest		(\$/ton)		
MI (Grand Rpd.)	Spot	340o		
	OND	342o		
MN (Rochester)	Spot		359-360o	
	OND		363-369o	
WI (Madison)	Spot		369-370o	
	OND		370-375o	
Southwest		(\$/ton)		
Texas / Dublin- Stephenville	Spot		365o	
	OND		345o	
Rail - fob track points		(\$/ton)		
Laredo TX	Spot			n/a
California	Spot			390o
Idaho (UP)	Spot			375-378o
	OND			372-375o
WA/OR (BN)	Ja-Ag			380t
	Spot			385-388o
	OND			382-385o
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.