

Dear Cottonseed Market Participant:

We invite you to maximize your company's profitability on new crop cottonseed sales by having a good source of cottonseed market information with a subscription to the ***Cottonseed Digest***. Now, you may be asking yourself, "Why should I subscribe?" Because this weekly **can make you a more successful decision maker and more valuable to your firm!**

At ***Cottonseed Digest***, we've got seasoned analysts focused on gathering hard-to-find data that's extremely important to you, but not important enough for the "general" market media to even cover. And among the resources available to us is a real "ace in the hole": **We have exclusive, daily access to the elite team of PhD economists, researchers and statisticians at Informa Economics, Inc., one of the most respected food & agriculture research firms in the world.** Drawing from those vast resources, plus our own work, here are just a few of the critical areas we focus on each week:

- **Weekly price quotes from major FOB and delivered markets for cottonseed**
- **Charts of critical "spreads" for cottonseed among major FOB points**
- **Analysis of current trends in cottonseed crushing activity**
- **Analysis of current trends in feed demand for whole seeds and products**
- **Exclusive forecasts of cotton acreage and cottonseed yields ahead of USDA**
- **Exclusive supply/demand balance sheet forecasts just for cottonseed**
- **Weekly comments and analysis for whole cottonseed, cottonseed meal and hulls**

As you well know, cottonseed markets follow their own supply and demand fundamentals, and there are no futures markets at all for cottonseed meal or hulls. Government reports rarely cover these products. Reliable cash price data has to be gathered privately.

So ask yourself these questions before you let this opportunity to subscribe pass:

- 1) Can you really gather this information yourself for so little time and money?
- 2) Do you have specialists focused exclusively on cottonseed outlook?
- 3) Do you have total access to the resources of Informa Economics, Inc.?

We didn't think so. So why not subscribe today before you miss out on the next market move? An annual subscription of 48 issues is only \$315 via e-mail, \$335 via fax or \$345 via regular mail. (Beginning Jan. 1, 2009 rates will be \$315 via e-mail, \$335 via fax or \$345 via regular mail.)

Sincerely,



James Bueltel
Editor
Cottonseed Digest

Serving the Cottonseed Industry since 1988

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Volume 21, No. 01

Market News & Comments

January 4, 2008

CROP PRODUCTION: Informa Economics estimates U.S. all cotton production at 19.1 million bales, 105,000 above last month but 2.5 million less than last year. The average upland yield is forecasted at 853 pounds per acre, up 3 pounds from last month and 47 pounds above last year. Compared with last month, upland cotton production forecasts were increased in 5 states. The largest increases ranged between 20,000 and 30,000 bales and were for Missouri, North Carolina and Oklahoma. American Pima production was increased in California by 40,000 bales. This resulted in a 26,000-ton increase to the cottonseed production estimate, which totals 6.614 million tons.

COTTONSEED MARKET: Following the last couple of holiday-shortened weeks, markets have been quiet and thinly traded. It appears that those with seed to sell have the advantage in the market as there are more interested buyers than sellers. Those with seed to sell are waiting to see if the market will again reward them for being patient and not selling early. Gins are keeping clear of the market, and resellers appear to be on both sides of the trade. Most of the focus is on nearby markets as there have been some sellers looking to move a "December" load, but even in such a case, sellers have the upper hand in the trade.

The price spread between nearby and a forward offer has narrowed. Merchants are anticipating that forward prices will need to edge higher following the strength seen this week in corn and soybean complex futures. Class III milk prices have shot higher as well, which should support dairy demand for the coming months. Some merchants have been mentioning that higher prices will be required for the next few months to slow the movement of supply and put a damper on demand. Cooler than average temperatures across much of the middle of the country should increase the rate of feed disappear-

U.S. Cottonseed Spread Chart - Nearby Price

	<u>AZ -</u>	<u>CA -</u>	<u>S. GA -</u>	<u>W. TN -</u>	<u>W. TX -</u>	<u>NC -</u>
AZ	***	68	-2	6	-24	16
CA	-68	***	-70	-62	-92	-52
S. GA	2	70	***	8	-22	18
W. TN	-6	62	-8	***	-30	10
W. TX	24	92	22	30	***	40
NC	-16	52	-18	-10	-40	***

Weekly Net Value of Cottonseed in the Mid-South

Values shown from the CBOT are for the respective option month on Wednesday.

January CBOT soybean meal \$338.00. Mid-South Cottonseed Meal basis - \$90.50 under the CBOT soybean meal value. January-March CBOT soybean oil - 50.38.11¢/lb. Mid-South PPSY spot last traded at 67¢/lb.

Products derived from 2000 lb. of cottonseed have the following product values*

Cottonseed Meal	\$113.75	(30.6%)	Total Product Value	\$371.36
Cottonseed Oil (PPSY)	\$204.35	(55.0%)	Average Milling Costs	-(60.00)
Linters 1st & 2nd cuts	\$ 29.25	(7.9%)	Freight from Gin	-(11.00)
Cottonseed Hulls	<u>\$ 24.01</u>	(6.5%)	WCS Net Product Value	\$ 300.36
Total Product Value	\$371.36		Previous Issue's Value	\$ 288.99

*The Net Product Value for Cottonseed is only an indication of the value of Cottonseed FOB the gin when compared to cottonseed product values for 30 day shipment. Basis grade is assumed to be 100. Basis levels for Cottonseed meal and oil are for the Mid-South and may be different in other regions of the U.S.

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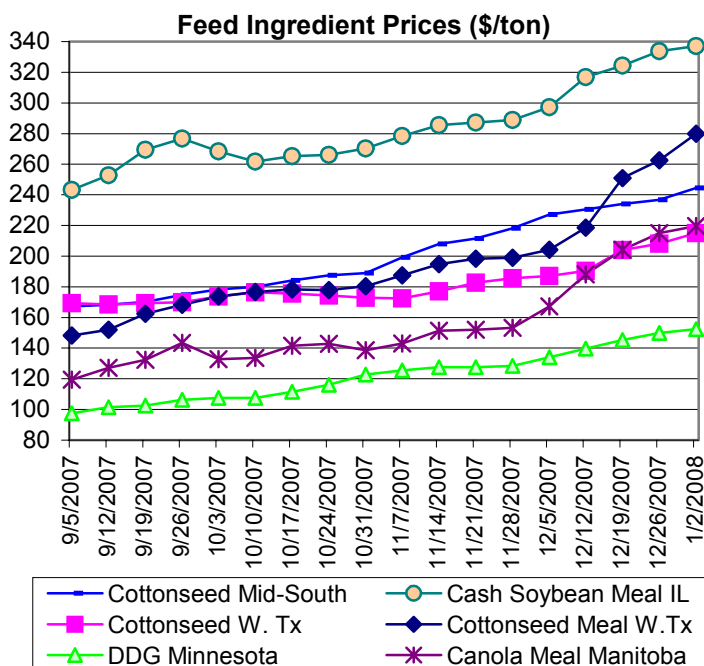
Editor, James Bueltel

ance and keep dairy usage strong, which is estimated to continue supporting prices.

The rally in the soybean complex is part of the reason for the net-value of cottonseed for crushers to soar above the \$300-mark. It was only in September the net-value broke a historical record moving above the \$200-mark. These much improved crushing economics have the potential for the amount of cottonseed crushed to be higher than current estimates. End user demand for oil remains the wild card, as the industry anticipates another round of buying. This could result in a larger crush provided end users become more aggressive buyers. Oil mills in the Southwest should have access to enough seed, for an above average crush.

West Texas prices keep on climbing while there are limited open offers in the market. Merchants however, are mentioning that there should not be a scarcity of seed given the large number of modules yet to be ginned and the amount of ginning that has taken place. Price strength from competing feed ingredients is seen as reason for strong prices. Cold weather in the Southwest prevented some truckers from making shipments, and at the same time it gave a boost to demand. Merchants anticipate abundant supply will cause prices to soften, but this does not seem likely with so many bullish factors. The price graph below shows that feed ingredient prices have trended higher and end users are lacking a cost effective alternative to cottonseed.

Far West contacts are reporting prices moving higher on steady end user demand. The supply



COTTONSEED fob points

		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Jan	255	260		127t
	JFM	260	265		n/a
So. Carolina	Jan	240	245		125o
	Georgia So.	Spot	235-240	245	
JFM		240	250		n/a
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	245	250		128o
	JFM	250	253-255	251	135o
MO Bootheel	Spot		247	244-246	127-128t
	JFM			251	135o
(as ginned)	2008		200		n/a
SOUTHWEST		(\$/ton)			
West Texas	Spot		220		156o
	JFM		225		n/a
	Ja-Sp	225	230		180o
FAR WEST		(\$/ton)			
Arizona	Spot			261	210o
Cal Corc. N & Stockton	Spot	305	310		215o
	JFM	305	310		n/a
	Ja-Sp		315	310	230o
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo™	Centre, AL	Spot	290o		172o
FuzZpellets™	Weldon, NC	Spot	288o		175o
Cotton Flo™	Weldon, NC	Spot	288o		175o
b = bid o = offer t = trade n/a = not available					

side of the market is adequate, and there was some rail purchases made ahead of freight rate increases. The California market does not have enough open rail offers to call a price. Pima traded at \$290 through the summer, as some dairies were looking to make payments before year end and secure inventories before prices moved too high. Prices are expected to continue trending higher, because dairy buying has not backed off as some had anticipated.

Mid-South and Southeast markets were adjusted higher, even though trading was limited. The stand off between buyers and sellers will likely continue for the next several weeks. The lack of gins selling has kept a tight under tone. Sellers are skittish about offering much forward and forward offers are likely to edge higher. If more participants on both sides of the market are active, there should be more clarity to price discovery. Most merchants in these markets are anticipating more price strength, but at the same time they are concerned that the lack of trading at higher prices may lead to a drastic drop in prices. Exports interest was not as active between the holidays, but has the potential to provide price support in these thinly traded markets.

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A brochure with registration form is
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COTTONSEED dlvd. points

		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	314o			
	Ja-Ag	319o			
SE Pennsylvania	Spot	297o			
	Ja-Ag	302o			
NE Ohio	Spot	308o			
	Ja-Ag	313o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Spot	310o			
	Ja-Ag	315o			
MN (Rochester)	Spot		300o	307o	
	JFM		300o	307o	
WI (Madison)	Spot		292o	299o	
	JFM		292o	299o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		225o		
Stephenville	Ja-Sp		250o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				275b 285o
California	Spot				No quote
Idaho (UP)	Spot				304t
	JFM				315b 320o
WA/OR (BN)	Spot				320o
	Ja-Ag				335o
b = bid o = offer t = trade					

COTTONSEED DAIRY BUYER PROFILES

GROUP 1: This is the base demand group that will formulate cottonseed in at a 4-6 lb. inclusion rate regardless of price.

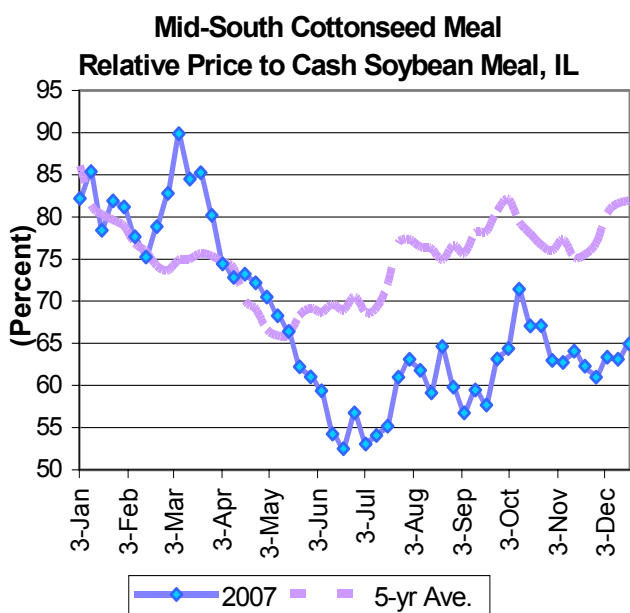
GROUP 2: This group will formulate at a 2-3 lb. inclusion rate regardless of price, and would like to feed at the 4-6 lb. level. However, the last 2-4 lb. is price sensitive.

GROUP 3: This group 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 without access to, or the ability to incorporate whole cottonseed into rations. However over time, dairymen in this group will migrate up into Groups 1, 2 or 3.

**Cottonseed Meal, Hulls & Products
MARKET COMMENTS**

COTTONSEED MEAL: Prices have shot higher thanks to robust end user buying demand. Following the upward moves of soybean meal prices, cottonseed meal remains an affordable protein source for most end users. The logistical short comings of other mid-proteins are cited as reason for prices to climb. The relative price to soybean meal has been below the 5-year average for the last half of 2007. The outlook for the relative prices will continue to lag below the average. If prices were to be at the average level in the Mid-South, cottonseed prices would have to be over \$20/ton stronger than today's prices provided soybean meal prices hold steady. Merchants in West Texas are anticipating there is more upside potential for prices, on strong demand.



COTTONSEED HULLS: Prices are stagnant as merchants are more focused on dealing with cottonseed meal than hulls. There has been an increase in cattle placements over the past couple weeks, as ranchers are pulling cattle off of wheat pastures as strong wheat prices should result in a better return than heavier cattle at the feedlot. This influx of lighter cattle at feedlots should result in an increase in hull demand and a rebound for prices nearby. The heavy supply situation noted for the past couple months is a factor that has prevented upward price moves. Stronger crude oil

PROCESSED COTTONSEED PRODUCTS

		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>	
SOUTHEAST		MEAL (\$/ton)				HULLS
Georgia	Spot		225		130-135o	No quote
S Carolina	Spot		220		130o	No quote
MID-SOUTH		MEAL (\$/ton)				HULLS
Memphis	Spot			245	163.50o	104o pellets
Pine Bluff	Spot		259	250	165o	85t
	JFM		231		160o	85o
Mississippi	Ap-Sp		185	180	157.50o	87.50o
	Spot			238-240	160o	80t
SOUTHWEST		MEAL (\$/ton)				HULLS
West Texas	Spot.		290	290	165o	122.50o
	JFM		275	271	165o	125o
	Ap-Sp	195	200	200	150o	125o
Ok. City	Spot		295	292	175o	No quote
FAR WEST		MEAL (\$/ton)				HULLS
California	Spot		No quote		No quote	120o
EXTRUDED/EXPELLED COTTONSEED PRODUCTS						
Lake Providence, LA	Ja-Sp		210		n/a	
Cubes	Ja-Sp		225		n/a	
W. Texas	Spot		189		155o	
	Pellets	Spot	234		199o	
COTTONSEED MEAL BASIS VS. WEDNESDAY'S JANUARY CBOT SOYMEAL						
		SBM	CSM	BASIS	Yr Ago	
Southeast		338.00	222.50	-115.50	-57.80	
Mid-South		338.00	247.50	-90.50	-24.80	
West Texas		338.00	290.00	-48.00	-22.80	
b = bid o = offer t = trade n/a = not available						

futures may bring about more drilling activity for the next couple quarter, which has the potential to push prices higher as well.