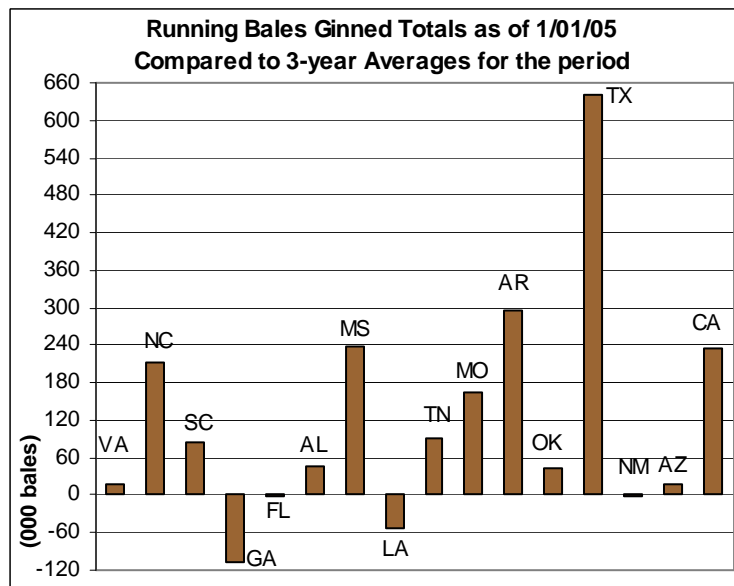


USDA REPORTS: In its *Annual Crop - 2004 Summary*, issued Wednesday, USDA forecast cotton production at 23.0 million bales; up 121,000 from its December forecast, which is 5.8 million larger than last year. A 100,000-bale drop in Texas upland cotton production was offset by increases in the Carolinas and the Mid-South. USDA also raised California and Arizona upland cotton production, each by 20,000 bales. American-Pima cotton production was increased 16,000 bales over the previous forecast. USDA's total cottonseed production forecast is at a record large 8.411 million tons, which is a 67,000-ton increase from last month. This is a 26% increase compared to last year's production and the ten-year average.

The Cotton Ginnings report has an all cotton running bales ginned total of 18.99 million bales as of January 1, 2005. This is the first report since the end of October where the rate of ginning exceeds the pace set in 2001, the most recent record-breaking year. Nationwide, ginning is 11% above the three-year average, and before the season ends this figure will likely be in the 20's. With the exception of Louisiana, on a percentage basis all Mid-South states are showing double digit increases above their three-year average bales ginned total.

COTTONSEED MARKET: Markets are slowly getting back into the swing of things after the holiday break. At the mid-month point, some nearby quotes shifted a couple dollars higher. Merchants are mentioning that gins are not willing to sell and this is keeping the market a little tighter. At the same time, end users are not willing to buy as they have sufficient ownership for the time being. Forward quotes for the January-August timeframe appear attractive compared to averages in previous years, yet market expectations are for prices to continue edging lower in coming months.

In the Southeast, South Carolina is said to be very illiquid, as there are few open offers, meanwhile bids are staying a couple dollars above levels shown in North Carolina. Prices in Georgia and North Alabama appear to be overvalued, yet some buying interest is reportedly coming in from dairies in Florida. A few merchants are expecting that forward prices will eventually need to move lower to capture more demand and make trading happen. Offers on forward quotes are higher widening the



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spread between nearby and forward quotes. Resellers are thought to be short in the region, which is likely the reason for firmness on forward quotes. Forward quotes in Georgia are thought to be overvalued, but apparently gins are willing to wait things out.

Brokers in the Mid-South are beside themselves because few trades have been made as of the halfway mark of the month, and these trades have been done on small quantities. There were some deferred sales reported flat with nearby trade levels. Merchants are more vocal about their doubts whether sales later in the marketing year will be done at much of a premium. Buyers expectations are leaning toward flatter pricing.

The Texas market has settled down as there is a standoff between buyers and sellers. Gins want to have the seed sold on contract to ship, and resellers are still reporting difficulties to find sufficient trucks to move the booked seed. Rather than selling more to resellers, gins are reportedly more interested in putting seed into storage in hopes of firmer prices later in the year. Merchants are mentioning fewer inquires have come. The market lacks fresh trading at higher prices to move forward quotes higher. Local dairy demand is reportedly well satisfied, and feedlots should be the next buyer to help move the market. Another price dip may be needed to help bring on more buying.

Price quotes in California have edged higher since the beginning of the month. The rains early in the year were cited as the reason for the price dip during the first week of the new year. Resellers were more interested in selling at a discount rather than dealing with wet-seed quality issues later on. Prices have firmed a couple dollars recently, but the demand side of the market does not appear willing to support these higher prices. Pricing may be a little choppy for the nearby, but large swings are not expected to happen for the next few weeks.

COTTONSEED BALANCE SHEET: USDA's increased production by 67,000 tons based on higher than expected yields. The disappearance side of the balance sheet increased 80,000 tons thanks to higher exports, plus the feed, seed and other category was upped 49,000 tons. The net effect is lowered ending stocks by 13,000 tons.

Informa's production was raised 140,000 tons as concerns regarding weather-related production losses appear they will not materialize. Imports were scaled back 10,000 tons, and with ample supplies and a weak dollar, this number may trend lower. Exports were upped 40,000 tons thanks to sales pace well ahead of last year. The feed, seed and other category was raised 100,000 tons considering more demand is expected to come to market. Feedlots are not reportedly strong users yet, but there is the potential for much more demand from this sector of the feed industry. If, or when this happens, burdensome supplies in the market could quickly disappear.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Jan. /	Jan. /	Jan. /
	<u>2001/02</u>	<u>2002/03</u>	<u>USDA</u>	<u>USDA</u>	<u>Informa</u>
			<u>2003/04E</u>	<u>2004/05F</u>	<u>2004/05F</u>
Beg. Stocks	427	400	347	421	421
Imports	327	104	2	75	50
Production	7452	6184	6665	8411	8340
Total Supply	8206	6688	7013	8907	8811
Crush	2791	2495	2639	3000	2750
Exports	274	371	355	410	415
Feed, Seed, & "Other"	4742	3475	3598	4950	4975
Total Disappearance	7807	6341	6592	8360	8140
End Stocks	400	347	421	547	671

COTTONSEED fob points					
PRICES 1-14-05		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	102b / 103o		130t	
	Ja-Ag	105b / 109o		141o	
So. Carolina	Spot	100b / 105o		133t	
	JFM	100b / 106o		139o	
	Ja-Ag	106b / 111o		142o	
Georgia So.	Spot	102-104b / 108-110o		135t	
	JFM	103b / 110-112o		140o	
	Ja-Ag	105b / 118o		143o	
Alabama No.	Spot	108b / 110o		138t	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	105b / 108o / 107t		141t	
	Fb-Mr	100b / 108o / 105t		n/a	
	Ja-Ag	108o / 107t		148o	
(as ginned)	OND	100b / 102o / 102t		n/a	
MO Bootheel	Spot	102b / 108o		n/a	
Louisiana	Spot	95-100b / 105o		n/a	
SOUTHWEST		(\$/ton)			
Texas	Spot	95b / 98-100o		155o	
	Fb-Sp	112-113b		n/a	
	Ap-Sp	120o		n/a	
FAR WEST		(\$/ton)			
Arizona	Spot	135b / 140o		186o	
Cal Corc. N & Stockton	Spot	155b / 160o / 156t		192t	
	JFM	160o		200o	
	Ja-Sp	155b / 160o		203o	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flotm	Courtland, AL	Ja-Ag	140o	170o	
Easi Flotm	Windsor, VA	Jan.	149o	175o	
fuzZpelletstm	Weldon, NC	Spot	137o	175o	
CottonFlotm	Weldon, NC	Spot	139o	172o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 1-14-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Jan	154o			
	Ja-Ag	160o			
SE Pennsylvania	Jan	140o			
	Ja-Ag	154o			
NE Ohio	Jan	152o			
	Ja-Ag	157o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Jan	156o			
	Ja-Ag	160o			
MN (Rochester)	Ja-Ag		146-153o	156-165o	
WI (Madison)	Ja-Ag		144-150o	150-157o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		115o		
Stephenville	Fb-Jly		135o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	JFM				152t 154o
	Ja-Sp				157o
Idaho (UP)	Spot				162-163o
	Ja-Ag				166-168o
WA/OR (BN)	Spot				163-167o
	Ja-Ag				167-170o
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.