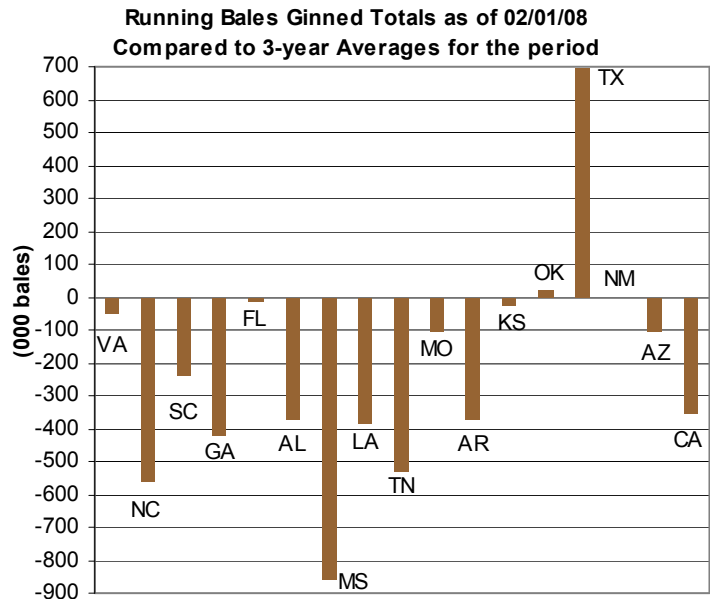


**USDA'S GINNING REPORT:** The running bales ginned total as of February 1st was 17.654 million bales. This represents an increase of 929,000 bales compared to the previous report, which is 6 times larger than the 3-year average for this time of year. Of this increase, Texas contributed 775,100 bales since the last report. Based on USDA's latest cotton production estimate of 19 million bales and this ginning report, more than 1.3 million bales, or 7% of the crop has yet to be ginned. The majority of the cotton needing to be ginned is in West Texas. This remaining amount to be ginned is well above the amounts seen over the past few years at this time. The 3-year average amount to be ginned at this time of the year is just under a percentage point.



**COTTONSEED MARKET:** Slowing nearby end user demand is the main feature of the market and keeping trading subdued. This lack of activity is related to the time of year which can be anticipated with a typical slowdown after January. Cold weather conditions in the Upper Midwest would suggest feed demand should remain strong. However, merchants there have mentioned fewer inquiries and dairies are lowering cottonseed inclusion rates. The lack of demand has some merchants suggesting price momentum will need to edge lower. However, given the tight supply situation, any price set back would appear to be short-lived, as long as pricing of other ingredients do not drastically drop lower.

New crop trade has seen the most interest in recent weeks. Competition from oil mill buying interest and resellers has helped raise offered levels. The weak pricing of cotton fiber and higher input costs for growers are not providing supportive for planting cotton. Some gins are already looking to partner with another local gin in order to pool processing resources for next year to limit costs. One gin between the two will run in anticipation of less acreage. Because of this outlook for less acreage, gins are not as interested in selling new crop, due to uncertainty surrounding availability and new crop supplies. Feed merchants are just as aggressive as oil mills attempting to build a position for new crop. Given robust crush economics, it appears that oil mills can now be leaders in the market, which hasn't been the case in recent years.

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Southeast traders have mentioned demand as being lackluster and the hand-to-mouth trading that was in the market is beginning to dry up. Delivered quotes to the Northeast markets are holding mostly steady, but lack buyers' interest. New crop in the region doesn't appear to have had the amount of buying interest as noted in other markets.

Mid-South prices continue to inch higher as light buying interest continues to show up. Premiums of a couple dollars for Northeast Arkansas supplies continue to be paid for the nearby. Oil mill buying of new crop supplies in the region helped boost price ideas. Crushers have the ability to pay more for seed than feed merchants at this point. Milk prices will have to strengthen for dairies to enable them pay the higher prices, and the likelihood of this remains sketchy.

Slow local demand is the common theme among feed merchants in Texas. Gins continue to run and a popular topic of conversation is the amount of cottonseed in storage. Ginning at some points is likely to continue through late March. Prices continue to hold steady as there is enough rail demand in the market to support prices.

Far West rail markets appear to have ample supplies. Quotes for the summer months are not winning much attention. The California market traded Pima at \$325 for the February-June time frame. Nearby offers have a firmer tone in part to the strength in corn and soybean meal pricing. By next month there should be more information about dairy demand.

**COTTONSEED BALANCE SHEET:** The USDA balance sheet is unchanged from last month. Informa's balance sheet has production at the same level as last month and only shows changes to the demand side. Crush was increased 70,000 tons, as the economics for crushing continue to be profitable and should lead oil mills to crush as much as they can. The crushing data through December shows the accumulative crush is only 3,000 tons below last year's level. Crush in November and December exceeded year ago levels by 17 and 15 thousand tons, respectively. As long as vegetable oils remain strong and end users are willing to pay a premium for cottonseed oil, it appears that oil mills will continue to keep runtimes strong.

Exports have been adjusted 40,000 tons higher. Export data for the crop year through December shows 235,428 tons shipped, which is behind last year's pace by 9%. Considering the 5-year average rate of total exports is 41%, this increase appears conservative.

The impact of high prices and issues with getting enough containers for shipment are likely to result in total exports to continue falling behind last year's pace in coming months.

The Feed, Seed and Other category was lowered by 110,000 tons, due to the outlook of weaker milk prices and thin margins for dairies due to higher feed costs. Dairy feed rations are likely to limit the amount of cottonseed used. The competition for dwindling cottonseed supply to oil mills is seen as the reason for less availability for dairies and results in stronger prices. Ending stocks are unchanged, with a stocks to use ratio at 6.1% below the 5-year average of 6.4%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Feb /	Feb /	Feb /
	2004/05	2005/06	USDA	USDA	Informa
			2006/07E	2007/08F	2007/08F
Beg. Stocks	421	592	602	489	489
Imports	1	0	0	0	0
Production	8242	8172	7348	6596	6614
<b>Total Supply</b>	<b>8664</b>	<b>8764</b>	<b>7950</b>	<b>7085</b>	<b>7103</b>
Crush	2923	3011	2680	2650	2595
Exports	379	523	616	300	390
Feed, Seed, & "Other"	4770	4629	4165	3735	3710
<b>Total Disappearance</b>	<b>8072</b>	<b>8163</b>	<b>7461</b>	<b>6685</b>	<b>6695</b>
End Stocks	592	602	489	400	408

<b>COTTONSEED fob points</b>				
<b><u>PRICES 2-15-08</u></b>		<b><u>Trade</u></b>		<b><u>Yr Ago</u></b>
<b>SOUTHEAST</b>		<b>(\$/ton)</b>		
<b>No. Carolina</b>	Spot	270b / 278t		136o
	Fb-Ag	280t		138-140o
<b>So. Carolina</b>	Spot	268b / 275t		132o
	Fb-Ag	280t		138-140o
<b>Georgia So.</b>	Spot	265b / 270t		125-128t
	Fb-Ag	280t		142o
<b>MID-SOUTH</b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	278o		145t
	Fb-Ag	280t		150o
<b>(as ginned)</b>	2008	250o		130b
	Ja-Ag	275o		n/a
<b>MO Bootheel</b>	Mr-Ag	281t / 281o		149-151t
	<b>(as ginned)</b>	2008	250t	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>		
<b>West Texas</b>	Spot	265t		163-165t
	Ap-Sp	280t		175-176t
<b>(as ginned)</b>	OND	255-265o		155t
<b>FAR WEST</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Spot	275o		210o
<b>Cal Corc. N &amp; Stockton</b>	Spot	335b / 345t / 335o		225t
	Fb-Mr	245t		n/a
	Fb-Sp	355t		240t
	OND	338t		n/a
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>				
<b>Easi Flo<sup>™</sup></b>	<b>Courtland, AL</b>	Spot	328o	181o
<b>FuzZpellets<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	305o	178o
<b>Cotton Flo<sup>™</sup></b>	<b>Weldon, NC</b>	Spot	305o	178o
b = bid    o = offer    t = trade    n/a = not available				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 2-15-08</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	330o			
	Fb-Ag	340o			
<b>SE Pennsylvania</b>	Spot	310o			
	Fb-Ag	328o			
<b>NE Ohio</b>	Spot	318o			
	Fb-Ag	330o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
<b>MI (Grand Rpds.)</b>	Spot	343o			
	Fb-Ag	353o			
<b>MN (Rochester)</b>	Spot		322-326o	334-339o	
	Fb-Mr		329o	336-342o	
<b>WI (Madison)</b>	Spot		322o	328-332o	
	Fb-Mr		329o	332-334o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
<b>Texas / Dublin-</b>	Spot		280o		
<b>Stephenville</b>	Ap-Sp		295		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
<b>Laredo TX (Mid-Bridge)</b>	Fb-Mr				328o
	Ap-Sp				325b 335o
<b>California</b>	Spot				No quote
	Fb-Mr				345b 350o
<b>Idaho (UP)</b>	Ap-Sp				345b 353o
	OND				335o
<b>(new crop)</b>					
<b>WA/OR (BN)</b>	Fb-Mr				355o
<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.