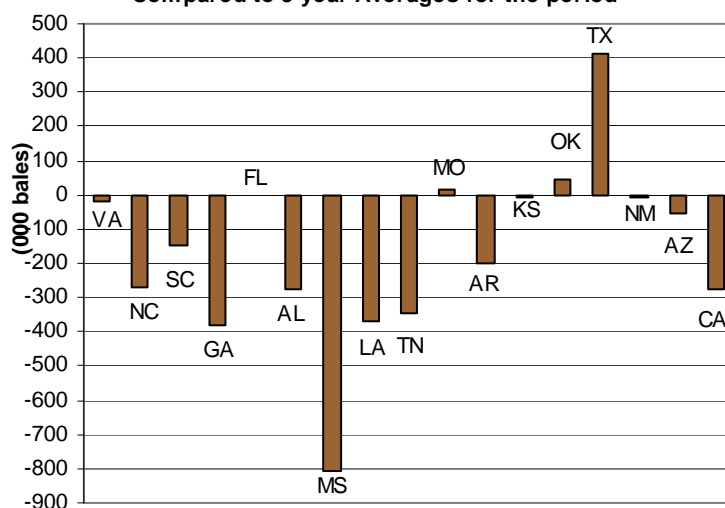


USDA'S PRODUCTION REPORT: The running bales ginned total as of December 1st was 12.606 million bales. This is an increase of 2.484 million bales since the last report showing results from November 15th. The changes from the previous report are now beginning to slowly edge lower as there is less ginning across the Cotton Belt. In the next few reports the results for Texas will continue to climb above the 3-year average and the figures for states in other regions will lag further behind the average. Based on USDA's production estimates, roughly a third of the crop is yet to be ginned, and of that over 4 million more bales are to be ginned in Texas.

USDA's all cotton production forecast was 18.986 million bales in its December Production report released on Tuesday. This total is 36,000 bales below Informa's most recent estimate. These reports show bales per acre yields at record highs. Nonetheless, due to less acreage, total production is expected down by 12% compared to last year. USDA's cottonseed production estimate was 6.581 million tons, while Informa's is slightly higher at 6.588 million tons. The increase is based on higher yield expectations in West Texas and the eastern half of the Cotton Belt.

Running Bales Ginned Totals as of 12/01/07
Compared to 3-year Averages for the period



COTTONSEED MARKET: Seasonal price strength continues to be the main feature of the market as sellers test buyers' willingness to pay higher prices. The demand side of the market has yet to pull away from the market, so offers have been ratcheted higher. Fewer gins are expected to be available during the final couple weeks of December. Gins are patient sellers and are willing to wait for the market to reward them with higher prices for holding on to remaining unsold inventory. This fact should help pressure prices even higher. In most markets the main participants, are resellers.

Nearby prices in the Carolinas have shot up over \$30/ton since the last installment. Exporters are mentioned as the most active buyers and the reason behind prices moving higher. Some of the buying made has been through March. Scarcity of sellers is still an issue in the market. Demand

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from Northeast dairies has become softer this month as prices climbed. Traders anticipate dairies won't be back in the market until after the holidays and the degree of their presence will be dependent upon price levels. If price continue to rise, demand will be lost.

The Mid-South and West Texas prices are moving higher. There has been repositioning between these two markets. Profits are taken in the Mid-South and supply is replaced in West Texas. The movement of seed in West Texas is meeting expectations, but there are mounting concerns that ginning pressure may lower prices early next year. Many market participants in West Texas anticipated a down turn around the Thanksgiving holiday, but that didn't materialize. Now expectations have been shifted for a price break in January. Thus far gins have been resolute in their price ideas and this has helped keep the market firm.

California nearby offers are higher and trading thanks to end user hand-to-mouth buying tactics. Rail offers are limited, but availability of truck supplies is not a concern. Some dairies are loading up on supplies before the end of the year and paying up slightly to take ownership of the seed before year's end. There hasn't been much trading activity on forward positions as resellers don't want to add to their position at such high price levels.

COTTONSEED BALANCE SHEET: The only change to USDA's balance sheet was 42,000 tons added to production. The same amount was added to the Feed, Seed and Other category, therefore the ending stocks level remains unchanged. The stocks to use ratio at 6% is below the 5-year average by a half percentage point.

Informa's production was raised 118,000 tons, surpassing USDA's estimate. A successful harvest season and high boll counts are behind higher production ideas. Crush and exports are unchanged. Crush values are at record highs thanks to strength in oil markets and protein markets. Export data for the first two months of the year exceed last year's pace by nearly 17%. The Feed, Seed and Other category was raised 100,000 tons, as end user demand is steady. Ending stocks were upped 18,000 tons, which remains below the 5-year average by 69,000 tons. Until demand shows signs of backing off, the market is anticipated to remain stout and supply will continue to be supportive to higher prices.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Dec / USDA	Dec / USDA	Dec / Informa
	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07E</u>	<u>2007/08F</u>	<u>2007/08F</u>
Beg. Stocks	421	592	602	489	489
Imports	1	0	0	0	0
Production	8242	8172	7348	6581	6588
Total Supply	8664	8764	7950	7070	7077
Crush	2923	3011	2680	2400	2475
Exports	379	523	616	300	350
Feed, Seed, & "Other"	4770	4629	4165	3970	3840
Total Disappearance	8072	8163	7461	6670	6665
End Stocks	592	602	489	400	412

COTTONSEED fob points					
<u>PRICES 12-14-07</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	240b / 251o		118o	
	Ja-Ag	255b / 265o		140o	
So. Carolina	Spot	240b / 242o		114o	
	Ja-Ag	250b / 260o		139o	
Georgia So.	Spot	220b / 230o / 230t		112t	
	Ja-Ag	230b		144o	
Alabama No.	Spot	220b		115b	
	Ja-Sp	225b		140t	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	230o / 230t		120-124t	
	JFM	233t		n/a	
	Ja-Ag	235o / 235t		145o	
(as ginned)	2008	190t		n/a	
MO Bootheel	Spot	233t		125-126o	
	Ja-Ag	235o		145o	
SOUTHWEST		(\$/ton)			
West Texas	Spot	195-200o / 195t		160o	
	JFM	210o		168t	
	Ja-Sp	220o		185o	
FAR WEST		(\$/ton)			
Arizona	Dec.	241b / 245o / 241t		200t	
Cal Corc. N & Stockton	Spot	278-280o / 276-278t		210o	
	JFM	290o		225o	
	Ja-Sp	293o / 290t		230t	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
<i>Easi Flotm</i>	Centre, AL	Spot	275o	170o	
<i>FuzZpelletstm</i>	Weldon, NC	Spot	275o	158o	
<i>Cotton Flotm</i>	Weldon, NC	Spot	270o	158o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 12-14-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	306o			
	Ja-Ag	319o			
SE Pennsylvania	Spot	289o			
	Ja-Ag	302o			
NE Ohio	Spot	303o			
	Ja-Ag	315o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	300o			
	Ja-Ag	314o			
MN (Rochester)	Spot		275o	285-289o	
	JFM		285o	290o	
WI (Madison)	Spot		280o	284-290o	
	JFM		280o	295o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		210o		
	Ja-Sp		230o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				265o
California	Spot				No quote
Idaho (UP)	Spot				292b 300o
	JFM				310o
WA/OR (BN)	Spot				289t
	JFM				310o
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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