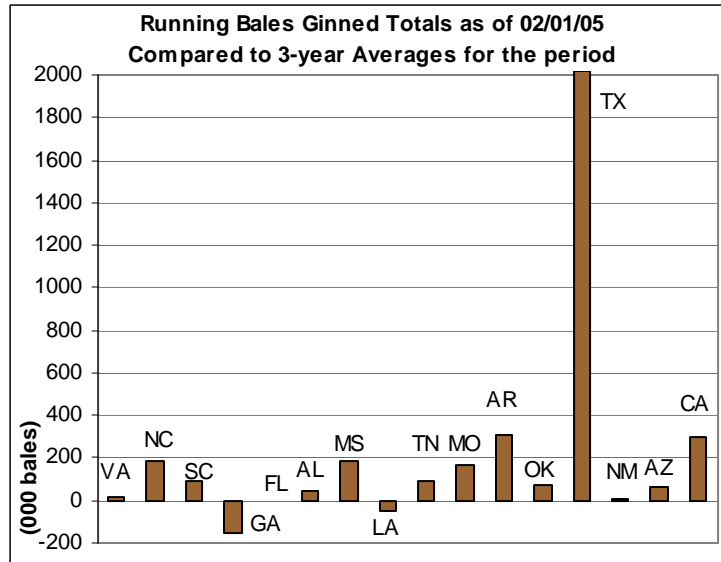


USDA REPORTS: The most recent Cotton Ginnings report, released February 9, 2005, shows a running bales ginned total for all cotton prior to February 1, of 21.212 million bales. Compared to the previous report two weeks ago, Texas's total shot up 717,500 bales and some suspect this same amount of cotton is yet to be ginned in West Texas. California had the second largest increase compared to two weeks ago with an increase of 102,500 bales. The reported total is 3.3 million bales over the three-year average. Of this increase, Texas contributes roughly two-third as its just over 2 million bales above its average.

The February WASDE report mentioned higher than anticipated cottonseed production in India. World cotton production was raised 1 percent. Production for Australia was upped from 2.5 million bales to 2.6. Due to the abundance of cottonseed in the US, contacts are doubtful Australian cottonseed will be in our market later this year.



COTTONSEED MARKET: As of the middle of February, a number of merchants are very concerned about the lack of sales on the books. Others are suggesting that considering the lack of end user buying so far, prices will be needed to be rolled back in order to get more trading done. The market is in a holding pattern and there is little news out there to change the market sentiment. Dairy users that have already booked a good portion of their needs at higher prices are not willing to rush in and take on any more ownership until they are getting what they perceive as a real bargain. Most other dairy end users with open interest will likely keep to a hand-to-mouth buying strategy.

Prices continue to move lower in the Southeast compared to a month ago, North Carolina spot prices took a nine-dollar drop. Summer quotes have plummeted \$13 from last month. As a result, price spreads to forward contracts have narrowed to only a couple dollars. South Carolina continues to be thinly offered at unchanged price levels, but bids dipped a few dollars lower. Georgia's nearby quotes are varied, but on average \$5 weaker, with summer quotes off a couple more dollars. Georgia appears to have more buying interest, yet the overall sluggish feel to the market will likely keep prices under pressure.

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Mid-South nearby prices have rolled back \$10, which is the most compared to the last installment. The greatest amount of trading activity is said to be done in Arkansas. Memphis North spreads between nearby and summer quotes are only \$2. There have been reports of barges sold in the \$109-110/ton price range. Price ranges in delivered markets have edged lower as well. Some resellers are focusing on trading new crop supplies. With current prices well below the five-year average for this time of year, some of the as-ginned sales are trading at levels that may be very attractive, given that there are crop problems to tighten supplies and bring prices higher.

West Texas nearby prices have firmed \$10 from last month. Gins are holding firm on price and some buyers are paying up, but a few merchants are of the opinion that the strong prices for now only mean prices will need to weaken that much more later. There is additional talk in the Mid-South that they are getting more competitive to supply western rail markets. West Texas feedlots have not been strong buyers as price competitive alternative grain byproducts are able to fulfill demand needs. More contacts are questioning whether feedlots will contribute much relief by providing greater disappearance for the mammoth crop other than salvage buying. Supplies are abundant in California and prices are steady to slightly weaker. Merchants in the Far West don't expect to trade much seed during the next several weeks. Rail markets have traded lower with reports of abundant supply.

Many in the market have talked about the prospective planting intentions for 2005 from the NCC (National Cotton Council). Total acreage is forecasted higher by 75,000 acres compared to last year with reductions of roughly 90,000 acres in the Southeast and Far West. Mid-South acreage is upped 234,000 acres and the Southwest has a modest 28,000-acre increase.

Based on average disappearance and production, a cottonseed crop of 6.5 million tons is expected next year. This is 100,000 tons below the 1999-2003 average and 1.9 million tons below this year's total. The expected drop off in production is reportedly the reason for traders getting started taking on ownership of new crop supplies at attractive pricing. The lack of demand to date and abundant supply situation suggests there may be more inventories carried over into next year. This fact will likely have a negative impact on as-ginned pricing, if an average crop is made next fall.

COTTONSEED BALANCE

SHEET: USDA's balance sheet had imports down 25,000 tons and 100,000 tons shifted from crush to the feed, seed and other category. This results in a bit more bullish market outlook with ending stocks lowered by 50,000 tons.

On the supply side, Informa's imports were lowered 15,000 tons, and production was upped 50,000 tons. The disappearance side of the balance sheet looks weaker with the 100,000-ton reduction to the feed, seed and other category, due to the lack of robust buying. This leaves what could be a record large ending stocks total. The lack feedlot bookings are the reason for larger ending stocks. Concerns over next year's supply may also keep stocks higher.

Cottonseed Supply/Demand Balance Sheet (000 tons)

Yrs beg Aug 1	USDA		Feb. /	Feb. /	Feb. /
	USDA	USDA	USDA	USDA	Informa
	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04E</u>	<u>2004/05F</u>	<u>2004/05F</u>
Beg. Stocks	427	400	347	421	421
Imports	327	104	2	25	35
Production	7452	6184	6665	8411	8390
Total Supply	8206	6688	7013	8857	8846
Crush	2791	2495	2639	2900	2750
Exports	274	371	355	410	415
Feed, Seed, & "Other"	4742	3475	3598	5050	4875
Total Disappearance	7807	6341	6592	8360	8040
End Stocks	400	347	421	497	806

COTTONSEED fob points					
PRICES 2-11-05		Bid	Offer	Trade	Yr Ago
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	88-90b / 94o		n/a	
	Mar.	90b / 95o		143o	
	Mr-Ag	92b / 96o		149o	
So. Carolina	Spot	95-100b / 105o		147o	
Georgia So.	Spot	95-98b / 102-106o		145o	
	Mr-Ag	100b / 103o / 103t		155o	
(as ginned)	OND	90b / 95o		n/a	
Alabama No.	Feb.	100-102b / 104-105o		146o	
	Mr-Ag	100b / 107o		157o	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	93-95b / 98o / 96-97t		151o	
	Mr-Ag	95b / 99-100o / 97t		157o	
(as ginned)	SON	95b		126o	
MO Bootheel	Spot	100o		151o	
	Ap-Ag	98b / 102o		n/a	
Louisiana	Mr-Jly	103o		148o	
SOUTHWEST		(\$/ton)			
Texas	Fb-Mr	103-105b / 107-110o / 110t		165-168o	
	Fb-Sp	110-113b / 117-120o		180o	
FAR WEST		(\$/ton)			
Arizona	Spot	140b / 145o		195o	
Cal Corc. N & Stockton	Spot	155b / 160o / 158t		208-212t	
	Fb-Mr	160o		215o	
	Ap-Sp	163o		220o	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo[™]	Courtland, AL	Fb-Ag	135o	182o	
Easi Flo[™]	Windsor, VA	Fb-Ag	145o	177o	
fuzZpellets[™]	Weldon, NC	Spot	131o	186o	
CottonFlo[™]	Weldon, NC	Spot	133o	186o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 2-11-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Fb-Mr	140o			
	Mr-Ag	143o			
SE Pennsylvania	Fb-Mr	130o			
	Mr-Ag	133o			
NE Ohio	Fb-Mr	140o			
	Mr-Ag	143o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Fb-Mr	148o			
	Mr-Ag	151o			
MN (Rochester)	Fb-Ag			153-158o	
WI (Madison)	Fb-Ag			143-148o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		125o		
	Fb-Jly		135o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Mr-Ag				152t
Idaho (UP)	Spot				158b 160o
	Ap-Ag				160b 162o
WA/OR (BN)	Spot				160-164o
	Ap-Ag				158b 163o
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.