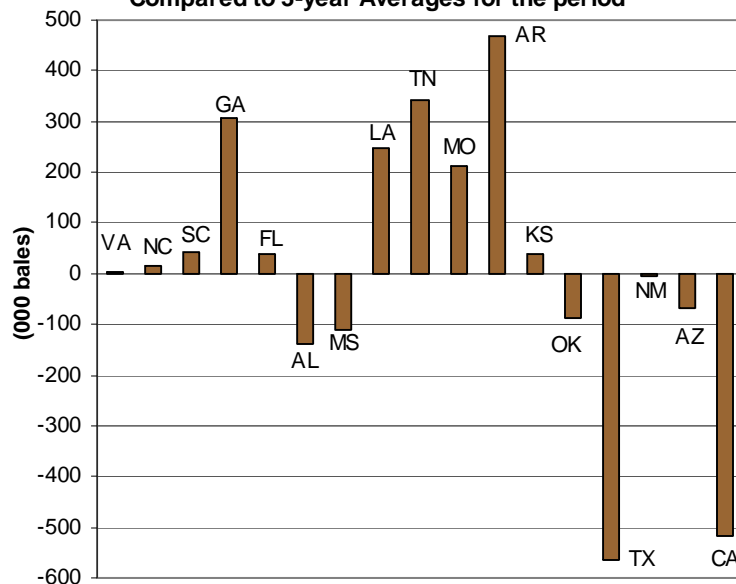


GINNING REPORTS: The report released at the middle of the month shows a running bales ginned total as of February 1st at 20.589 million bales. This figure suggests that approximately a million more bales are yet to be ginned. Compared to the previous report for mid-January, this is an increase of 457,653 bales. The majority of this increase came from Texas, as its total grew 223,500 bales. Ginning is winding down quicker this year versus a year ago. The total bale increase is less than half, while the increase for Texas was a third of last year's growth. Last year more than a 1.5 million bales were yet to be ginned. This points to a quicker completion to the ginning season compared to a year ago, thus prices will likely remain firm without lingering ginning pressure.

Running Bales Ginned Totals as of 02/01/07
Compared to 3-year Averages for the period



COTTONSEED MARKET: Prices continue to climb higher as offerings are limited, which has created a sellers' market. Sellers that have been patient have been rewarded by higher prices. General market expectations are for this scenario to continue at least until other feed ingredient prices move significantly lower or there is a substantial change to the supply picture for new crop. As a result, traders are having difficulties taking on much forward ownership as those holding seed are not willing to offer, anticipating that there is even more upside potential for prices. The new crop trading accomplished is still only on small volumes at this point, because it is a challenge to find enough willing sellers this early in the game. Merchants are pessimistic new crop price levels will hold, with cotton acreage is still up in the air. However, price levels for cottonseed appear they will be able to hold strong thanks to tightening supply, steady buying interest and price strength from other feed ingredients.

Southeast nearby and forward quotes have inched higher since last month. New crop buying interest is not as robust as noted in other markets, although there are a few resellers looking to take on some new crop ownership. Export demand continues to be the most significant factor in the market and supporting price levels. Export buying is also reported through the summer months, which

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suggests that prices have little downside risk. Delivered markets in the Northeast have moved higher, yet demand has been lackluster.

Mid-South nearby prices are over \$15/ton higher compared to the last installment. End user demand in the Upper Midwest has been lackluster, so the buying appears to be coming from rail markets. New crop buying interest has backed off since the beginning of the month. More interest has shifted to the summer months, and these prices haven't moved up as much as the nearby.

Out west, the West Texas market climbed several dollars higher on nearby hand-to-mouth buying. With gins still running, upward price movement is not as rapid. Once ginning is completed, there will likely be more upward price pressure. New crop offers were raised to stem the tide of buying interest. California prices are higher across the board. Dairies appear to have worked through some of the stockpiles they built, and are now more aggressive buyers. Merchants are able to sell at offered levels and there are more inquires for next year. New crop as-ginned offered range is \$225-\$235/tons. Clock offers for newcrop were between \$235 and \$245/ton. There hasn't been any trading on new crop reported. It doesn't look like prices will find their way below the \$200-level anytime soon.

COTTONSEED BALANCE SHEET: USDA this month had only increases to the disappearance side of their balance sheet. Exports were raised 25,000 tons, which elevated USDA exports by 52,000 tons above last year's level. During the first 5 months of the 2006/07-crop year, the Foreign Agricultural Service shows exports already running 68,851 tons above last year's pace. This suggests USDA anticipates that stronger prices later in the year will limit the amount of exports. The Feed, Seed and Other category was raised 75,000 tons. The net effect of these changes is a 100,000-ton reduction of ending stocks. This brings the ending stocks to use levels to 5.8%, just under the 5-year average of 6%.

The one change to Informa's balance sheet is a 20,000-ton increase to exports. Given the phenomenal pace of exports thus far this season, and the fact that buying continues to take place suggests that shipments will continue even as prices climb. If this year's export shipping activity mirrors the year ago, there will be an increase in shipments during the last half of the marketing year. To put this into perspective, Informa's export forecast exceeds the 5-year average by over 126,000 tons. The crush and feed categories are unchanged as the economics conditions of these sectors remain unchanged. Buying from dairies remains limited and it appears that their demand has dropped significantly compared to a year ago, because of much higher pricing. Ending stocks are below a year ago, but compared to the use ratio it is a percentage point above the 5-year average. Gins are expected to hold on to inventories and limit usage as they will continue to demand higher prices.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Feb. / USDA	Feb. / USDA	Feb. / Informa
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06E</u>	<u>2006/07F</u>	<u>2006/07F</u>
Beg. Stocks	347	421	592	602	602
Imports	2	1	0	0	
Production	6665	8242	8172	7632	7642
Total Supply	7013	8664	8764	8234	8244
Crush	2639	2923	3011	2850	2750
Exports	355	379	523	575	590
Feed, Seed, & "Other"	4598	4770	4629	4405	4350
Total Disappearance	6592	8072	8163	7780	7690
End Stocks	421	592	602	454	554

COTTONSEED fob points					
<u>PRICES 02-16-07</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Spot	132b / 136o		85o 84t	
	Fb-Ag	132-135b / 138-140o		89o	
So. Carolina	Spot	128b / 132o		87o	
	Fb-Ag	135-137b / 138-140o		95o	
(New Crop)	OND	120b / 125o		n/a	
Georgia So.	Spot	129o		85t	
	Fb-Ag	128-135b / 142o / 135t		90o	
Alabama No.	Spot	138b / 140-144o / 140-141t		100t	
	Fb-Ag	140b / 148o		105o	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	145-146o / 145t		101-102t	
	Fb-Mr	143b / 146o		n/a	
	Mr-Ag	150o / 150t		104o	
	OND	130b		n/a	
MO Bootheel	March	145b / 150o / 150t		104o	
	Mr-Ag	149-151t		100-102b	
(New Crop)	OND	133o / 130t		98t	
SOUTHWEST		(\$/ton)			
West Texas	Spot	158b / 163-165o / 163-165t		117-120o	
	Mr-Sp	175b / 180o / 175-176t		n/a	
(New Crop)	OND	160o / 155t		n/a	
FAR WEST		(\$/ton)			
Arizona	Spot	205b / 210o / 208t		167t	
Cal Corc. N	Spot	225o / 225t		n/a	
& Stockton	Mr-Ap	230o / 230t		174o	
	Ap-Sp	240o / 240t		n/a	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
<i>Easi Flo[™]</i>	Centre, AL	Spot	181o	142o	
<i>FuzZpellets[™]</i>	Weldon, NC	Spot	178o	109o	
<i>Cotton Flo[™]</i>	Weldon, NC	Spot	178o	121o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 02-16-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	185o			
	Fb-Ag	192o			
SE Pennsylvania	Spot	171o			
	Fb-Ag	177o			
NE Ohio	Spot	184o			
	Fb-Ag	191o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	197o			
	Fb-Ag	204o			
MN (Rochester)	Feb.		190-192o	190-193o	
	Fb-Ag		196o	196o	
WI (Madison)	Feb.		184-187o	186-187o	
	Fb-Ag		182-184o	190o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		198o		
Stephenville	Mr-Sp		205o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				186b 192o
California	Spot				218o
Idaho (UP)	Spot				215b 218o
	Mr-Ag				218b 227o
WA/OR (BN)	OND				208t 210o
	Spot				218b 220o
	Mr-Sp				228-229o
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.