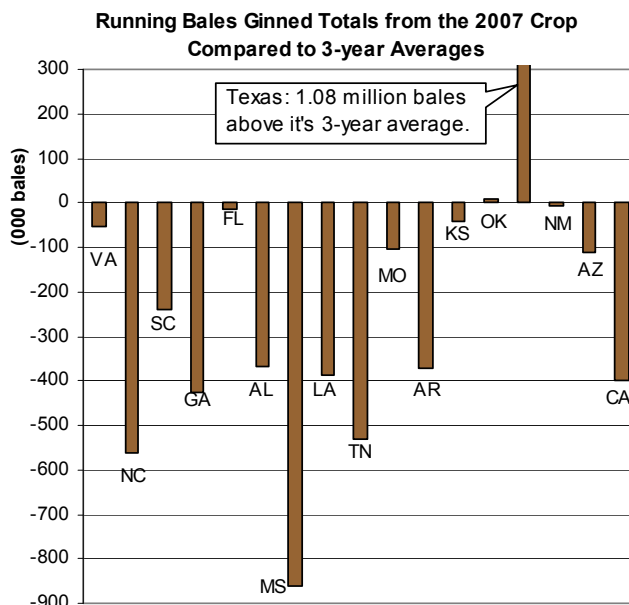


USDA'S GINNING REPORT: The latest ginning report released March 24, 2008 had a running bales ginned total of 18.9 million bales. Compared to last month's report, there was an increase of 1.2 million bales. This amount is much larger than last year's 68,000 bales. The total running bales ginned is below the 3-year average by 3.5 million bales or -15%. In the report there was 499,353 bales included that ginners estimated was yet to be ginned after the survey. The majority of the cotton yet to be ginned is in West Texas. As can be expected, the ginning total for West Texas is off the chart. Compared to the 3-year average, southeast and mid-south states had the largest reductions. California lost the most production from Upland cotton, but gained a portion in Pima. Expectations for less cotton acres will likely foreshadow continued below average ginning results next year as well.



COTTONSEED MARKET: The absence of oil mill buying interest by the middle of the month combined with the price gyrations on the CBOT has given the market a softer tone. Due to the uncertainty surrounding the market environment, resellers have taken a breather from buying as well. The net-value of cottonseed dropped roughly \$30/ton compared to the beginning of the month. This drop in value is linked to softer soybean oil and cottonseed meal pricing. Crushers now appear to be taking a more conservative wait and see approach, to get more primary product booked, before buying cottonseed.

Bids have disappeared from the Southeast market, as buyers are keeping to the sidelines in hopes of lower prices. A price correction has been anticipated, but how much downside is difficult to gauge given the tight supply situation. Price in the region are up roughly \$20/ton compared to last month's installment. Feed mills in the region continue buying, but volumes have diminished. Gins are expected to hold off on selling new crop until they see higher prices. Northeastern delivered markets report lack luster demand from dairies

The lack of buying interest in the Mid-South has caused prices to slightly edge lower. Over the past couple weeks, merchants are hesitant to show bids as they appear to be lacking confidence in feed demand at such high price levels. The majority of the cottonseed being fed at this point is on

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contracts at substantially lower prices. End user demand to delivered markets has been reported as lackluster and this week's correction hasn't resulted in any new transactions. At this point in the year, gins are not willing to chase prices lower because they are not certain about their new crop seed supply. Reduced cotton acreage this spring and potentially less cottonseed production is still seen as a fundamentally bullish factor for new crop prices.

West Texas markets shot \$30-ton higher compared to a month ago. Quotes for the summer months are difficult to find openly offered, as buying interest for the timeframe has been missing from the market. There are a couple gins still running in West Texas and some of the operations that recently shut down were still reported selling. Meanwhile, dairies are not buying at these price levels and are more interested in finding alternatives for cottonseed in their ration. Some merchants are concerned the rationing of demand may have been over done for dairies. While crushers in the region have backed away from new crop cottonseed, they are expected to return which will likely lead prices back up.

California offers were lowered as end users appear to be content with the amount already booked and not interested in buying any more given the softer tone in the market. Pima offers are limited and quoted at \$342/ton for the summer months. Arizona prices are holding steady, but movement of supply is hamstrung by the lack of available trucks moving west. Flat forward pricing and concerns about rationing of supply by end users may limit upward price movement. Supply for now doesn't appear to be a problem.

2008 PROSPECTIVE PLANTINGS: Informa Economics, all cotton acreage intentions are estimated at 9.16 million acres, which is down 1.7 million from last year and 57,000 lower than the level implied by Informa's January survey. If realized, this would be the lowest quantity of land planted to cotton since the PIK program of 1983 when cotton acreage totaled 7.9 million acres. Upland acreage is estimated at 8.9 million acres, down 1.6 million from last year. American-Pima acreage is estimated at 228 thousand acres, down 64,000 from last season.

Compared to a year ago, the largest percentage swing comes with Pima acres, as last year there was a 10% increase and the survey shows this year's down 22%. For the Southwest and Mid-South over the past two years, cotton acres losses look to be similar using current estimates which show 2.128 and 2.175 million acres lost, respectively. The amount of all cotton planting reductions over the past two years totals 6.1 million acres.

US 2008 Regional Cotton Plantings Forecast (000 acres)

Region	2007 Acreage	2008 Acreage	% Change from 2007	Change in acreage	5-year Averages
Southeast	2,255	1,895	-16.0%	-360	2,926
Mid-South	2,750	2,060	-25.1%	-690	3,588
Southwest	5,168	4,757	-8.0%	-411	6,107
Far West	365	225	-38.4%	-140	613
Total	10,583	8,937	-15.2%	-1,601	13,234
Pima	293	228	-22.0%	-64	263
US Total	10,830	9,165	-15.4%	-1,665	13,498

COTTONSEED fob points				
<u>PRICES 3-14-08</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	290-295t		138o
	OND	275o		129o
So. Carolina	Spot	295o		139o
	OND	275o		n/a
Georgia So.	Spot	301t		135o
	OND	270-275o		n/a
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	302o / 300-303t		150t
	Mr-Ap	301t		n/a
	My-Ag	308o		n/a
(as ginned)	OND	285t		132t
(2009)	Ja-Jly	301t		n/a
MO Bootheel	Spot	303t		151t
SOUTHWEST		(\$/ton)		
West Texas	Spot	300-305o		172t
	Ap-Sp	295b / 305-310o		185o
(as ginned)	OND	300o		160-170o
FAR WEST		(\$/ton)		
Arizona	Spot	320o / 320t		220o
	MAM	310b / 320o		n/a
Cal Corc. N & Stockton	Spot	355-360o		233-235t
	Mr-Ap	358t		n/a
	Mr-Sp	365b / 370o		242t
	OND	365-368o		n/a
SPECIALY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flotm</i>	Courtland, AL	Spot	340o	183o
<i>FuzPelletstm</i>	Weldon, NC	Spot	330o	182o
<i>Cotton Flotm</i>	Weldon, NC	Spot	330o	182o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 3-14-08</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	347o			
	OND	342o			
SE Pennsylvania	Spot	330o			
	OND	325o			
NE Ohio	Spot	343o			
	OND	338o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.s.)	Spot	355o			
	OND	350o			
MN (Rochester)	Spot		358-360o	368-372o	
	Ap-Sp		358-360o	368-372o	
WI (Madison)	Spot		360o	370o	
	Ap-Sp		360o	370o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	March		315o		
	Ap-Sp		330		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				335b 348o
	Ap-Jn				335o
California Idaho (UP)	Spot				360o
	Ap-Sp				367b 373o
(new crop)	OND				365b 375o
	WA/OR (BN)	Spot			375o
	Ap-Sp				383o
	OND				385o

b = bid o = offer t = trade

COTTONSEED DAIRY

- 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.

BUYER PROFILES

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