

USDA PROSPECTIVE PLANTINGS: The report showed cotton area at 9.389 million acres, which was above the average industry estimate of 9.2 million acres. USDA's forecasted plantings would be the smallest since 1983, yet is 225,000 tons above Informa Economics' all-cotton total and is seen as a bearish development among cottonseed traders as this suggests supplies will be larger than earlier anticipated.

Regionally, USDA showed the Southeast, Southwest and Far West above Informa's projections. Only Mid-South and Pima estimates were below Informa's figures. States with the largest differences were Texas and Georgia, with USDA showing 200,000 and 130,000 more acres for planting than Informa. At the same time, Informa pegged Missouri and Tennessee to have 50,000 more acres of cotton than what USDA reported. Weather conditions will still be a significant deciding factor on how much cotton actually gets planted this year. For the time being, the largest weather concern appears to be dry conditions in West Texas.

USDA 2008 Regional Cotton Plantings Forecast (000 acres)					
Region	2007 Acreage	2008 Acreage	% Change from 2007	Change in acreage	5-year Averages
Southeast	2,255	2,022	-10.3%	-233	2,926
Mid-South	2,750	1,960	-28.7%	-790	3,588
Southwest	5,168	4,964	-3.9%	-204	6,107
Far West	365	240	-34.2%	-125	613
Total	10,538	9,186	-12.8%	-1,352	13,234
Pima	293	204	-20.3%	-89	263
US Total	10,830	9,389	-13.3%	-1,441	13,498

COTTONSEED MARKET: As April progresses more nearby selling interest has shown up in the market. Some supplies have traded below the offered levels in order to keep supplies moving. As has been the case for the past several months, the amount of seed trading remains minimal. This is seen as the direct result of tight supply and historically high prices. There has been a negative impact on demand as merchants report old crop demand is lackluster.

End users have been showing more interest in new crop, thanks in part to expectations of less cotton acreage. Bids have even moved up, but as grain futures have rallies this week, seed holders are waiting for prices to move up to the \$300-level. Merchants are glad to be seeing the new crop interest, but by the end of the week markets have simmered down. The market is dealing with a deficit of willing sellers for new crop time periods. Potential buyers are bidding below what ginnerers are willing to sell. At this point in the year with only a fraction of the crop planted, sellers are going to re-

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main conservative, which is preventing trades from happening.

Southeast resellers are willing to take a breather from the market. It appears they have most of old crop sold. Recent inquiries have not resulted in sales. Quotes are in short supply. The anticipated increase in freight costs may remove export demand from the Southeast market. There are resellers interested in new crop, but no trading was reported.

The Mid-South had nearby supplies on the market, but demand from dairies has substantially softened. Merchants are mentioning that the supplies contracted are shipping as planned, yet end users are not interested in buying old crop at current price levels. Some dairies were inquiring about new crop prices, and even showed more aggressive bids compared to last week. However, sellers are not willing to trade at such levels, due to uncertainty surrounding the new crop supply situation. This gridlock situation is expected to continue for the next couple months.

West Texas prices edged higher as of Mid-April. This continues to be a sellers' market. There doesn't appear to be much reseller length to satisfy the limited amount of nearby buying in the market. With the price spread between nearby, summer supplies and new crop quotes all within a \$10/ton range, it appears there is a strong weather premium on new crop.

The California market edged slightly lower on lackluster demand. Pima supplies for the summer traded at \$321/ton. Based on the past several years, prices in California moved higher in April 70% of the time. The tone in the market this year however, with intensifying concerns about demand, suggests a bias toward prices edging lower. For the short-term, dairy profitability will need to improve before additional buying happens. Reseller replacement costs are a significant factor and continue to climb, which implies limited downside price risk.

COTTONSEED BALANCE SHEET: USDA's Oil Crops Outlook for April had the following changes compared to the last report. Regarding supply, imports were shown at 5,000 tons. On the demand side, the largest change was the 400,000 ton decrease to the feed, seed and other category. This was offset by the 300,000 ton added to exports and the crush increased by 100,000 tons. Ending stocks were increased by 5,000 tons.

Informa increased exports by 3,000 tons as over 2,000 tons were reported imported from Mexico during the September-December timeframe. The crush was increased by 105,000 tons, as oil mills have the seed holdings and stout vegetable oil prices provide favorable crushing economics. Exports were raised by 216,000 tons. Data through February shows that 374,000 tons of cottonseed was exported. The feed, seed and other category was lowered 321,000 tons. Stout cottonseed prices and lower than year ago milk prices has lead dairies to limit the amount used in rations. Continued rationing of supply in the feed sector is anticipated for the balance of the crop year.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	April /	April /	April /
	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07E</u>	<u>2007/08E</u>	<u>2007/08E</u>
Beg. Stocks	421	592	602	489	489
Imports	1	0	0	5	3
Production	8242	8172	7348	6596	6614
Total Supply	8664	8764	7950	7090	7106
Crush	2923	3011	2680	2750	2700
Exports	379	523	616	600	606
Feed, Seed, & "Other"	4770	4629	4165	3335	33389
Total Disappearance	8072	8163	7461	6685	6695
End Stocks	592	602	489	405	411

COTTONSEED fob points				
<u>PRICES 4-11-08</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	293b / 299o		143o
	OND	265o		132o
So. Carolina	Spot			144o
	OND	270b / 275o		n/a
Georgia So.	Spot	295-298b / 300-302o		135o
	OND	270b / 275o		n/a
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	285b / 290-295o / 288-290t		155o
	Ap-My	294t		n/a
	Ap-Sp	295o		160o
(as ginned)	OND	270b		140o
	MO Bootheel	Spot	295o	156t
	Ap-Ag	300o		155t
SOUTHWEST		(\$/ton)		
West Texas	Spot	290-295o		170t
	Ap-Sp	295-300o		175o
(as ginned)	OND	275b / 285-290o		155t
FAR WEST		(\$/ton)		
Arizona	Spot	320o		220o
	Ap-Ag	325b / 330o		n/a
Cal Corc. N & Stockton	Spot	350o / 348t		235t
	Ap-Sp	355o		237o
	OND	360o		n/a
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	Spot	340o	187o
FuzZpellets™	Weldon, NC	Spot	330o	189o
Cotton Flo™	Weldon, NC	Spot	330o	189o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 4-11-08</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	355o			
	OND	315o			
SE Pennsylvania	Spot	338o			
	OND	303o			
NE Ohio	Spot	352o			
	OND	312o			
MIDWEST		(\$/ton)			
MI (Grand Rps.)	Spot	362o			
	OND	332o			
MN (Rochester)	Spot		348-350o	352-356o	
	Ap-Sp		354-360o	362-364o	
WI (Madison)	Spot		345o	350-355o	
	Ap-Sp		352-354o	360-363o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	March		325o		
	Ap-Sp		330		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	AMJ				337o
California	Spot				N/A
Idaho (UP)	Spot				350b 360o
	Ap-Sp				355b 365o
(new crop)	OND				350b 355o
WA/OR (BN)	Spot				373b 375o
	Ap-Sp				378o
	OND				370-375o
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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