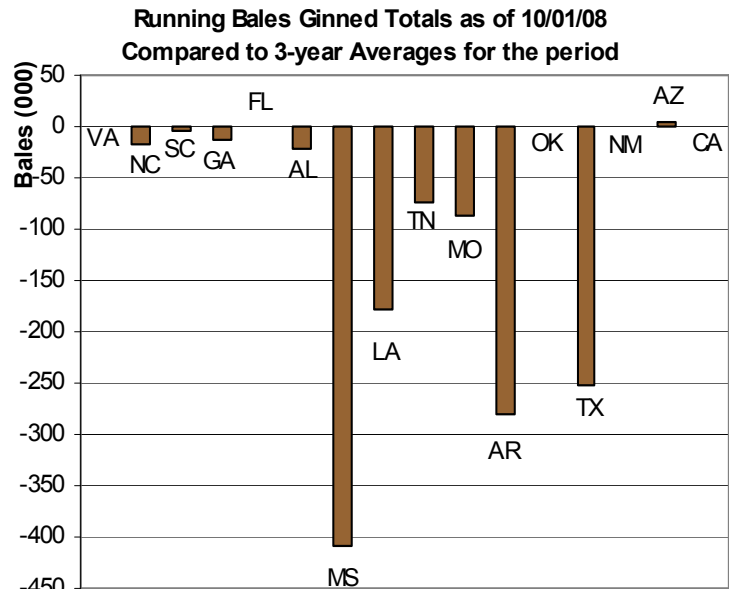


USDA REPORTS: The running bales ginned total as of October 1st was 817,200 bales. Compared with the last report from mid-September, the total increased a mere 341,650 bales. This total is down by roughly 750,000 bales, versus year-ago results. The current progress to the 3-year average is behind by 1.3 million bales. The Mid-South region is over a million bales behind the normal pace of ginning. By next report at the end of the month, the amount may be reduced slightly. Nonetheless, the slower harvest and ginning progress combined with the smaller crop, running bales ginned totals will remain in negative territory compared to the 3-year average.

From the October USDA Production report, all cotton production totaled 13.711 million bales. This is a 135,000-bale reduction compared to last month based in part on hurricane damage. The largest regional change was a 260,000-bale reduction to the Mid-South compared to September's report. Total cottonseed production was 4.666 million tons, off 47,000 tons compared to last month.



COTTONSEED MARKET: The weakness in CBOT futures has been the overwhelming factor in keeping a bearish attitude in the market. The flux in financial markets has added more unknowns to the market and is keeping buyers from participating. Due to the progress of harvest albeit slow, availability of new crop supply has improved. Gins are not actively selling as prices have slumped. It appears the market is set up for a continued stand off between sellers and buyers. Buyers are now expecting lower prices while sellers are looking for higher prices. At this point in the marketing year with the majority of ginning yet to be done, it appears there is a bias for prices to slip lower following grain futures.

Dairy demand has been lackluster and one would think that with lower feed ingredient prices profitability will be improved. As a result, the likelihood of dairies willing to buy a little more cottonseed looks to be brighter. While the outlook on the input side may have improved slightly, the forecasted milk prices and dairy products values are lower in looking at future markets. The net value of cottonseed for Mid-South oil mills dropped and more downward moves are anticipated. These factors point

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to the necessity of cottonseed prices to move lower in order to attract demand.

Far West markets are quiet and the lack of trading activity and improved supply situation has been cited as reason for prices dropping lower. Dairies look to be waiting for a bottom to be established before buying. Due to the many unknowns in the market, choppy trading is apt to be the norm for the next couple months.

West Texas has been hampered by wet weather, which is expected to cause a later start to harvest and ginning. End users are disinterested and merchants are reporting they have never seen the market so quiet this time of year. The momentum in the market is swinging toward lower prices. It will likely take a few months before the market sees offered levels that were in the market only a month ago. The upper hand in the market appears to have shifted to the side of buyers.

In the Mid-South market, there appeared to be more buyers early in week, but with gins reluctant to sell, trading remained limited. Merchants would like to see more end user inquiries come their way. The lack of buying interest from oil mills suggests there will be additional downward price pressure. End users are benefiting from the bearish tone in the market and will likely continue to stay on the sidelines to exacerbate the situation.

Wet weather in the Southeast has held up harvest progress as of Mid-October and has been mentioned as a reason for the lack of trading. At the same time prices have fallen to levels that are below where gins would be comfortable selling. Once more new crop supplies comes to market there will likely be additional downward price pressure. Expectations are for trading below the \$200-level.

COTTONSEED BALANCE SHEET: Old crop balance sheets were unchanged, and at this point won't have significant changes. Regarding the 2008/09 crop year, USDA lowered production by 47,000 tons. This change resulted in offsetting changes to the Feed, Seed and Other category, which leaves the ending stocks at the same level as a month ago. Fundamentally, USDA's outlook of ending stocks projected at levels not seen since the 1999/00 crop year suggest cottonseed's price relationship to other feed ingredients might be near historical highs.

Informa's balance sheet for old and new crop is unchanged this month. For new crop, crush economics have softened as oil and protein values continue to weaken. At this time, seed prices are moving lower, so it would appear that oil mills still have the ability to buy seed at levels low enough to keep them profitable. Oil mill buying will be watched, because if they back way from the market the crush might need to be adjusted lower. Given the recent softening of cottonseed prices, it raises the potential for more feeding, but until end users become more aggressive buyers the Feed, Seed and Other category will remain unchanged. New crop ending stocks are projected to be below last year's level by 154,000 tons, a reduction of more than 20%. However, the stocks to use ratio is inline with last year's level.

Yrs beg Aug 1	Cottonseed Supply/Demand Balance Sheet (000 tons)				
	USDA	Oct. / USDA	Oct. / Informa	Oct. / USDA	Oct. / Informa
	<u>2006/07</u>	<u>2007/08E</u>	<u>2007/08E</u>	<u>2008/09F</u>	<u>2008/09F</u>
Beg. Stocks	602	489	489	643	643
Imports	0	3	3	50	25
Production	7348	6589	6588	4666	4661
Total Supply	7950	7080	7080	5359	5329
Crush	2680	2706	2703	2600	2475
Exports	616	599	599	350	320
Feed, Seed, & "Other"	4165	3132	3135	2109	2045
Total Disappearance	7461	6437	6437	5059	4840
End Stocks	489	643	643	300	489

COTTONSEED fob points				
<u>PRICES 10-17-08</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Oc-Nv	220b / 225o		190-191t
So. Carolina	Oc-Nv	200b / 210o		185o
Georgia So.	Oc-Nv	205o / 200t		180o
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	250b / 260t		188-190t
(as ginned)	Oc-Nv	267o		200t
	Ja-Ag	275o		208t
MO Bootheel	Spot	255o		190t
SOUTHWEST		(\$/ton)		
West Texas	Spot	305-308o		177.50o
(as ginned)	OND	260o		170-172o
	Ja-Sp	280-285o		187o
FAR WEST		(\$/ton)		
Arizona	OND	350t		235o
Cal Corc. N	Spot	350o		280o
& Stockton	OND	332-340o		255o
	Clock	342o		265o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flotm</i>	Courtland, AL	Spot	300o	245o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	No quote	220o
<i>Cotton Flotm</i>	Weldon, NC	Spot	No quote	220o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 10-17-08</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
<i>NORTHEAST</i>		(\$/ton)			
W. New York	OND	283o			
SE Pennsylvania	OND	264o			
NE Ohio	OND	285o			
<i>MIDWEST</i>		(\$/ton)			
MI (Grand Rpds.)	OND	290o			
MN (Rochester)	OND		310-318o	325-330o	
WI (Madison)	OND		305-315o	320-325o	
<i>SOUTHWEST</i>		(\$/ton)			
Texas / Dublin-	Spot		305o		
Stephenville	OND		300o		
<i>RAIL - FOB TRACK POINTS</i>		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				320o
	JFM				330o
California	Spot				n/a
Idaho (UP)	OND				340b 345o
	Ja-Sp				355b 360o
WA/OR (BN)	OND				360o
	Ja-Sp				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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