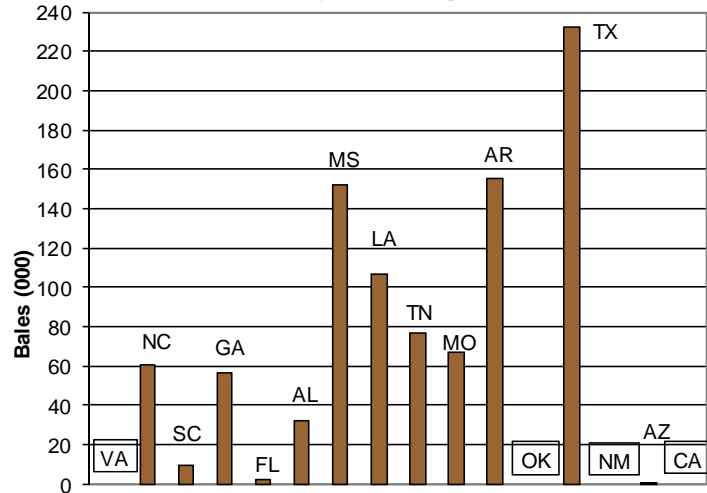


USDA REPORTS: The recent *Ginnings Report* showed a running bales ginned total of 1.764 million as of October 1st. While this was over a half million bales behind last year's pace it is 658,483 bales ahead of the 3-year average for the week. Hot temperatures this year are the reason for the crop's early maturity and harvest activity. The ginning season is not expected to run as long as normal due to abandonment and lower yields. Later in the ginning season, the pace of ginning for Texas is apt to fall below the 3-year average. For Virginia, Oklahoma, New Mexico and California there were not enough gins running for results to be reported.

USDA's *Crop Production* report had All Cotton pegged at 16.608 million bales, up 52,000 bales. Upland cotton output is projected to be 10% below last year's level. There was a 200,000-bale offsetting shift of production from Texas to Georgia. North Carolina's total was off 30,000 bales, while Missouri and Mississippi were up 30,000 bales. Compared to last month, cottonseed production was raised 10,000 tons.

**Running Bales Ginned Totals as of 10/01/11
Compared to 3-year Averages for the period**



COTTONSEED MARKET: As of the middle of October markets appear they are close to a bottom, now that new crop supplies are available to the market. Resellers continue to be the main buyers and their ownership position isn't as large as has been the case in past years. Dairy demand hasn't been slow to cover forward requirements compared to their buying behavior in recent years. It looks like dairy demand will likely stay in the nearby market.

Southeast and Mid-South nearby offers are slightly firmer than earlier in the month, but buying interest has become lighter at these higher price levels. Forward buying interest after December remains limited. These markets are expected to have enough cottonseed to have their supply move west. There has been some Mid-South cottonseed that has been railed to Texas which has established a price floor for the market.

West Texas offers held firm as gins are focusing on ginning and are not aggressive sellers. They are looking to load up their storage and fulfill their as-ginned sales first before going back to market again. It appears that the next few weeks nearby markets will remain quiet due to the lack of

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For weekly cottonseed pricing and commentary contact:

James Bueltel - Phone 651-925-1052, Fax 651-925-1061 e-mail: james.bueltel@informaecon.com

sellers. A shorter ginning season in West Texas could result in a quicker than normal rebound for prices before year's end. Additional feed demand from local end users would help develop a price rally. However, dairies are staying clear of the market and are not interested in booking forward requirements.

Far West rail markets had been quiet for the past several weeks, but there is bit more activity recently as some end users were looking to cover some of their needs into next year. The California market is holding steady. A second vessel of Australian cottonseed is expected to land in the last half of October with the possibility of even more before year's end. This additional inventory could apply downward pressure on cottonseed prices due to the abundance of supply. For the balance of the month prices are expected to stay stable.

COTTONSEED BALANCE SHEET: USDA's old crop balance sheet is unchanged from last month. The only change to new crop was a 10,000-ton increase to production. Ending stocks were raised 10,000 tons.

The Cottonseed Digest's new crop balance sheet had production up 14,000 tons due to a stronger supply outlook in the Mid-South and Georgia. Imports were raised 50,000 tons, on expectations that US prices will hold strong and exchange rates will continue to offer the opportunity for additional trading in coming months. On the demand side of the balance sheet, the crush is unchanged as oil mills will be able to procure enough cottonseed to meet their needs and demand for vegetable oils are expected to hold steady and be supportive for prices. Exports are unchanged, yet down from last year as prices are apt to stay at higher levels which will limit demand. At the same time, expectations for another large crop out of Australia will displace the Asian demand that typically shows up in our market. The Feed, Seed and Other category was raised 68,000 tons as dairies are expected to continue using cottonseed even if inclusion rates will be lower than in past years. Ending stocks were nudged 4,000 tons lower.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Oct. / USDA	Oct. / CSD	Oct. / USDA	Oct. / CSD
	2009/10	2010/11E	2010/11E	2011/12F	2011/12F
	Beg. Stocks	514	342	342	618
Imports	24	0	0	100	150
Production	4149	6098	6098	5572	5582
Total Supply	4687	6440	6440	6290	6350
Crush	1900	2563	2563	2400	2450
Exports	291	275	275	225	200
Feed, Seed, & "Other"	2154	2984	3984	3235	3111
Total Disappearance	4305	5822	5822	5860	5761
End Stocks	342	618	618	430	589

COTTONSEED fob points					
<u>PRICES 10-14-11</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	OND	240b / 245-250o / 245t			n/a
	Ja-Ag	260b / 270o			n/a
So. Carolina	OND	240b / 245-250o			n/a
	Ja-Ag	260b / 270o			195o
Georgia So.	OND	245-250o			175o
MID-SOUTH		(\$/ton)			
Memphis No. (as ginned)	Spot	275t			190-195t
	OND	260b / 265-270o / 270t			200o
	Ja-Ag	300b / 305o / 303t			215o
MO Bootheel	OND	280o / 273t			193o
	Ja-Ag	308o			n/a
SOUTHWEST		(\$/ton)			
West Texas (as ginned)	Spot	365-370b / 375o / 370-375t			190-195t
	Oc-Nv	365o			200o
FAR WEST		(\$/ton)			
Arizona	OND	355o			280o
	Fb-Sp	375o			n/a
Cal. Corc. N & Stockton	Spot	390b / 395o / 390t			325-330o
	Nv-Dc	380o			290-295o
	Clock	390-395o			n/a
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo™	Courtland, AL	Spot	315o	218o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 10-14-11</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	OND	302o			
SE Pennsylvania	OND	285o			
NE Ohio	OND	302			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	OND	312o			
MN (Rochester)	OND		330o	335-340o	
	Ja-Ag		350o	360o	
WI (Madison)	OND		320o	325-330o	
	Ja-Ag		340o	350o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		385o		
RAIL - FOB TRACK		(\$/ton)			
Laredo TX	OND				n/a
California	Oct.				380o
Idaho (UP)	Spot				400t
	OND				375t
WA/OR (BN)	Spot				420o
	OND				395-400o
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.

Cottonseed Intelligence Monthly@2011 is published monthly Phone: 651-925-1052/Fax 651-925-1061 e-mail: james.bueltel@informaecon.com
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