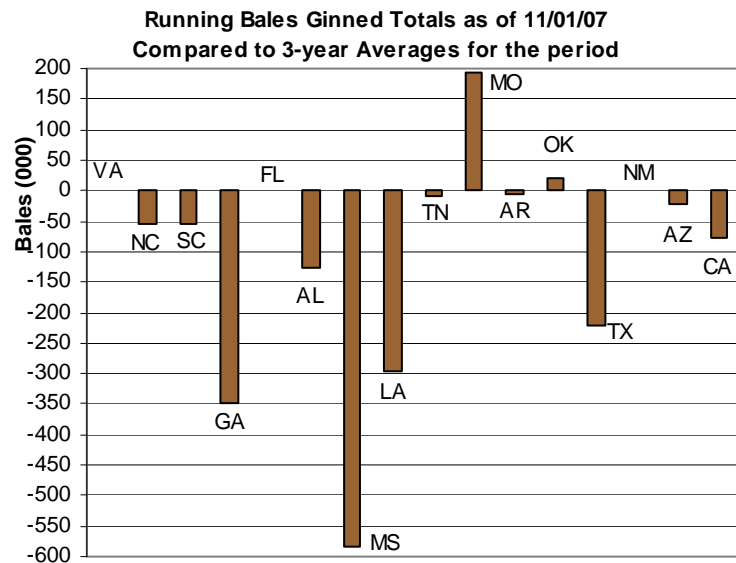


USDA'S PRODUCTION REPORT: The Cotton Ginning report released November 9, 2007 showed a running bales ginned total of all cotton at 7.099 million bales. This was below the year ago level and the 3-year average by over 1.5 million bales. Compared to the last report of 2 weeks earlier, results for Texas surged more than 780,000 bales. If this pace picks up by the next reporting period, Texas will be back on par with its average. Mid-South and Southeast results are expected to stay under the 3-year average. While Missouri's results are ahead of the average now, it is apt to dip below by month's end.

All cotton production was raised by 708,000 bales or 4% to 18.861 million bales. The largest increase came from Texas up over 600,000 bales with total production pegged at 8.145 million bales. Upland yields were raised to 827 pounds/acre, up 61 pounds from last month and above the 5-year average by 205 pounds. The largest reduction was 160,000 bales removed from Tennessee's total. Cottonseed production was raised 252,000 tons to 6.539 million tons. This increase is twice that of last month and while fundamentally bearish, it will likely have little downward impact on price.



COTTONSEED MARKET: Offers still are climbing and buying continues, albeit small, at higher levels. Merchants are voicing concern about demand lost due to high prices. At the same time CBOT futures press higher, and have been viewed as supportive to current price levels and are allowing for even more upside. The timing of a price correction remains a mystery, yet most traders anticipate more price strength is likely before a downturn will take place. The typical scenario of prices remaining high for the winter months resulting in less disappearance and the need for price discounts after March is most often mentioned. Then again, cotton acre estimates for next year are estimated even lower, thus the downside price risk may be minimal.

The upcoming Thanksgiving holiday is apt to result in less activity next week. In the Eastern half of the Cotton Belt, the majority of gins are expected to complete ginning and shut down for a week. The most common complaint on the part of merchants is the lack of open offers in the market. This continues to be a sellers' market. Southeast markets were difficult to call due to the lack of offers

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and willing buyers. Export interest continues to be the focus of the market and is seen as bullish. The tight supply situation will continue to keep price spreads wider than normal between these markets and the rest of the country.

The Mid-South market has been quiet with most ginning done for the season. The nearby market has more willing buyers than sellers and the lack of offers is helping keep pricing stout. Those needing to buy appear patient to wait for the possibility of lower prices. Forward offers jumped roughly \$20/ton compared to a month ago. The price spread between spot to deferred prices is still \$10 below the five-year average for this time of year.

West Texas offers have a \$10 range with the highs north of Lubbock, and southern locations on the low side. The movement of supply continues and gins have yet to experience problems with seed backing up. The expected downturn in prices has yet to happen and it may take place next month. Until storage gets filled and supply pipelines become burdened by large supplies sellers are expected to keep prices stout. The forward positions traded higher with only light offerings.

California offerings are anticipated to follow price movement seen in Texas. Buying appears unabated by price strength. Traders in the region, however, are concerned that demand is being lost due to high prices. A reduction in inclusion rates have been expected given the smaller crop, but how much less and whether it will negatively impact is unknown. Buyers will likely stay in the spot market to cover requirements, which may lend support to prices.

COTTONSEED BALANCE SHEET: The most significant change to USDA's November balance sheet was the 252,000-ton increase to production noted last week. The crush was reduced 100,000 tons, after it was increased by the same amount only a month earlier. The net effect of these two changes resulted in the feed, seed and other category being enlarged 352,000 tons.

Informa's November balance sheet adopted USDA's beginning stocks number, which is 44,000 tons lower than last month's level. In light of record large yields being reported in West Texas, production was raised 220,000 tons. The upside on production was tempered by reduced output expectations in the Mid-South. Given the variability in the growing conditions between regions this year, historical production averages are not a very good measure and there will likely be additional shifts in production estimates.

On the demand side of the balance sheet, the only change is a 200,000 ton increase in the feed, seed and other category. Even with the counter-seasonal move in

prices over the past month, dairy end users have continued to buy and support price strength. The ability of buyers to keep paying higher prices has taken market participants by surprise. The net value of cottonseed for crushers is another factor supportive to strong prices. The crush remains unchanged, as economics remain favorable for crushers and demand for oil has been steady and co-products appear to have some upside potential in coming months. Ending stocks were lowered 24,000 tons, which brings the stocks-to-use ratio down to 6%, a half point below the five year average.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Nov /	Nov /	Nov /
	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07E</u>	<u>2007/08F</u>	<u>2007/08F</u>
Beg. Stocks	421	592	602	489	489
Imports	1	0	0	0	0
Production	8242	8172	7348	6287	6470
Total Supply	8664	8764	7950	6776	6959
Crush	2923	3011	2680	2500	2475
Exports	379	523	616	300	350
Feed, Seed, & "Other"	4770	4629	4165	3576	3740
Total Disappearance	8072	8163	7461	6376	6565
End Stocks	592	602	489	400	394

COTTONSEED fob points				
<u>PRICES 11-16-07</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	217b / 229o		112o
	Ja-Ag	255b / 260o		138o
So. Carolina	Spot	217b / 232o		114o
	Ja-Ag	249b / 257o		139o
Georgia So.	Spot	205b / 210o		115t
	Ja-Ag	235b / 245o		135o
Alabama No.	Spot	208b / 214o		115t
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	212o / 200-210t		111o
	Dec.	220t		115b
	Ja-Ag	223t		140-142o
MO Bootheel	Spot	213o		113o
	Ja-Ag	225t		145o
(as ginned)	2008	180t		n/a
SOUTHWEST		(\$/ton)		
West Texas	Spot	170b / 175-185o		153-156t
	Dc-Mr	190o		n/a
	Ja-Sp	205t		180-185o
FAR WEST		(\$/ton)		
Arizona	Nv-Dc	232b / 240o / 236t		195-198o
	Dc-Mr	240t		n/a
Cal Corc. N & Stockton	Spot	265-267o / 262-265t		212-216t
	JFM	273o		n/a
	Ja-Sp	277o		230o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
<i>Easi Flo[™]</i>	Centre, AL	Spot	265o	152o
<i>FuzZpellets[™]</i>	Weldon, NC	Spot	255o	152o
<i>Cotton Flo[™]</i>	Weldon, NC	Spot	255o	152o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 11-16-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	274o			
	Ja-Ag	289o			
SE Pennsylvania	Spot	257o			
	Ja-Ag	272o			
NE Ohio	Spot	270o			
	Ja-Ag	295o			
MIDWEST		(\$/ton)			
MI (Grand Rps.)	Spot	276o			
	Ja-Ag	300o			
MN (Rochester)	Spot		260o	277-279o	
	Ja-Ag		270o	292o	
WI (Madison)	Spot		255o	269-273o	
	Ja-Ag		268o	285o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		195o		
	Ja-Sp		220o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				240-245o
	Ja-Ag				
California	Spot				No quote
Idaho (UP)	Dec.				275o/t
	Ja-Ag				290o
WA/OR (BN)	Spot				272b 281o
	Ja-Sp				296o
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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