

USDA PRODUCTION REPORT: September's report had all cotton production at 13.438 million bales, which is an increase of 2% from last month's forecast and a 5% increase from last year. Regionally, the Southwest has the greatest year-over year increase thanks to the nearly million-bale increase for Texas. Compared to last month, total production for Georgia shot 150,000 bales higher followed by a 45,000-bale increase for Florida, and Oklahoma with 44,000 more bales. Regarding reductions from last month, Tennessee's estimate was down the most, off 70,000 bales and South Carolina lost 36,000 bales. USDA's cottonseed forecast was raised 72,000 tons to 4.535 million tons.

USDA U.S. SEPTEMBER COTTON CROP ESTIMATE (000 Bales)

REGION	PLANTED	HARVESTED	YIELD/ACRE	2008/09 PRODUCTION	USDA 09/10 PRODUCTION	Y-O-Y CHANGE
Southeast	1,892	1,865	857	3,308	3,330	+22
Mid-South	1,620	1,553	1006	3,488	3,255	-233
Southwest	5,266	3,955	709	4,817	5,848	+1,031
West	211	209	1,465	772	638	-134
Upland	8,989	7,582	827	12,384	13,071	+687
Pima	149.7	146.2	1,205	431	367	-64
TOTAL	9,138.7	7,728.2	835	12,815	13,438	+623

COTTONSEED MARKET: The tight supply situation continues to be the main feature for the California market. Prices have edged higher as rail car movement has been slower than anticipated. Supply in the West is apt to stay tight, because over the past few weeks Western buyers have slowed down their buying activity in markets they source from and new crop supplies will come to market later than normal. California traders have offered October by itself with a several-dollar premium compared to November-December. Due to lingering poor economics for dairies, end users are not willing to book forward supplies keeping a bearish tone longer term.

Nearby offers in West Texas held steady, yet are likely to drift lower. There was greater interest on the part of gins to start selling new crop. The convergence of nearby and new crop will need to happen in coming weeks. Dairies are not aggressive buyers and are expected to remain hand-to-mouth buyers for the next few months, which could mean these users will use less cottonseed.

There are concerns about the crop in the Mid-South due to persistent rains. For this reason, gins have put off marketing new crop. With all the moisture and cool weather, concerns are that yields and production will be smaller than earlier anticipated. Even without much gin selling interest, offers are apt to drift lower through the month. With the outlook for a smaller crop, one would have thought that oil mills would become more aggressive buyers, but they have kept to the sidelines.

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In the Southeast, offers rallied a few weeks ago, but are now roughly even to price levels in last month's installment. Gins have shown more willingness to start trading, as the crop in the region could exceed expectations. Demand is anemic from domestic and export buyers. This situation is aided by the softening of other feed ingredient prices. More downside price moves are expected.

COTTONSEED BALANCE SHEET: USDA's old crop balance sheet had changes on the demand side, as data from the crushing industry is now available. The crush was lowered 25,000 tons, as US Census data for the final month of the crop year came in below expectations. Exports were adjusted 16,000 tons higher. The Feed, Seed and Other category was lowered 48,000 tons. These changes resulted in the 58,000-ton increase of ending stocks. The stocks to use ratio moved above 10%, which hadn't been the case in earlier projections.

USDA's new crop balance sheet had a total supply increase of 130,000 tons, which was helped by a 72,000-ton increase to the production forecast. The only change to the demand side of the balance sheet was with the Feed, Seed and Other category which was raised 85,000 tons. The result was ending stocks reached 400,000 tons and the stocks to use ratio rose nearly a percentage point to 8.7%.

Informa's old crop balance sheet had the crush and Feed, Seed and Other category down, 25,000 and 58,000 tons, respectively. Like USDA's balance sheet, exports were raised 16,000 tons in agreement with the latest export report. Ending stocks were raised 62,000 tons as crushing and feed demand finished the year weaker than anticipated. This resulted in an increase in the stocks to use ration, which climbed above 12%.

Informa's new crop production estimate was raised 75,000 tons bringing total supplies 70,000-tons above USDA's level. The outlook for stronger yields from Georgia and dry-land fields in West Texas is behind this increase. Warm and storm-free weather will be needed for the crop to reach its full potential. The crush was unchanged, but considering there is not much buying interest from oil mills, usage may need to be pared back. Exports were raised, as the weak US dollar has the potential to attract more foreign buyers than last year. Also helpful is the larger crop in the Southeast that will provide supply for shipments through Eastern ports. At this point, there is optimism that late next year feed demand might improve, yet ending stocks rose 79,000 tons.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Sept. / USDA	Sept. / Informa	Sept. / USDA	Sept. / Informa
	2007/08	2008/09E	2008/09E	2009/10F	2009/10F
	Beg. Stocks	489	643	643	488
Imports	3	0	0	0	24
Production	6589	4300	4300	4535	4559
Total Supply	7080	4943	4943	5023	5093
Crush	2706	2250	2250	2388	2325
Exports	599	191	191	350	198
Feed, Seed, & "Other"	3132	2015	1992	1885	2015
Total Disappearance	6437	4455	4433	4323	4538
End Stocks	643	488	510	400	555

COTTONSEED fob points				
<u>PRICES 09-18-09</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>SOUTHEAST</i>		<i>(\$/ton)</i>		
No. Carolina	Spot	180b / 184o		328t
(as-ginned)	OND	136b / 140o		280o
So. Carolina	Spot	175b / 182o		320o
(as-ginned)	OND	136b / 140o		n/a
Georgia So.	Spot	175b / 179-180o		310t
(as-ginned)	OND	125-130b / 134o		270o
<i>MID-SOUTH</i>		<i>(\$/ton)</i>		
Memphis No.	Spot	192-194o		315o/t
(as ginned)	OND	160b / 165-168o		295o
	Ja-Ap	172t		310o
MO Bootheel	Spot	195o		315o/t
(as ginned)	OND	165b / 170o		n/a
<i>SOUTHWEST</i>		<i>(\$/ton)</i>		
West Texas	Spot	223-225o		335t
(as-ginned)	OND	162-165o / 160-165t		305-310o
	Ja-Ag	175b / 180o		330t
<i>FAR WEST</i>		<i>(\$/ton)</i>		
Arizona	Spot	255o / 255t		380o
	OND	215o		380o
Cal Corc. N	Spot	285b / 300o		415-420t
& Stockton	Oct.	285o		n/a
	Nv-Dc	245o		n/a
	OND	258.50o		420o
	Clock	255o		n/a
<i>SPECIALY PROCESSED PRODUCTS (\$/TON)</i>				
<i>Easi Flotm</i>	Courtland, AL	Spot	220o	399o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	250o	n/a
<i>Cotton Flotm</i>	Weldon, NC	Spot	250o	n/a
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 09-18-09</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	234o			
	OND	193o			
SE Pennsylvania	Spot	218o			
	OND	176o			
NE Ohio	Spot	235o			
	OND	193o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	245o			
	OND	203o			
MN (Rochester)	Spot		242-243o	250-255o	
	OND		215-220o	225-230o	
WI (Madison)	Spot		234-235o	240-243o	
	OND		205-210o	214-220o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		255o		
	OND		200o		
	Ja-Sp		215o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				246o
	OND				230o
California Idaho (UP)	Spot				n/a
	OND				260o
WA/OR (BN)	Spot				240b 247o
	OND				260o
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@2009 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
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