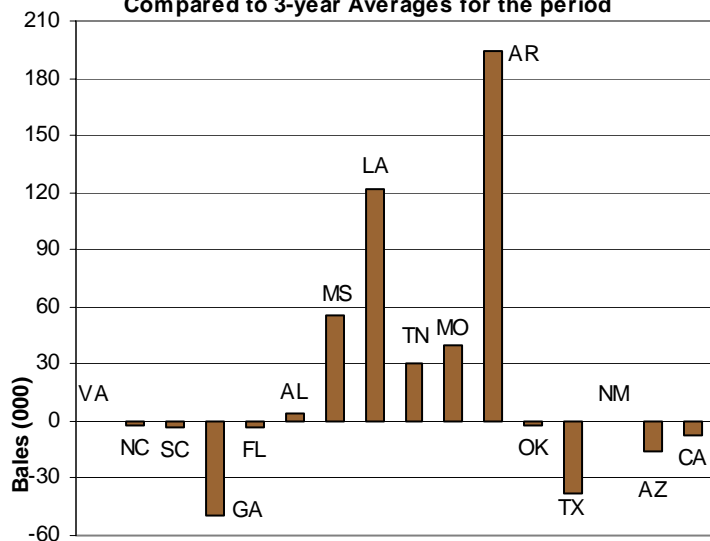


USDA REPORTS: The running bales ginned total as of October 1st, was 2.285 million bales. This is above the three-year average by 340,000 bales. Compared to the three-year average, the Mid-South region has the strongest progress, as drought conditions have propelled crop development

ahead of the typical pace. Progress in the Southeast has been held up by soggy weather, after being dry. The Southwest and Far West is not that far behind the average, and is expected to catch up by the time the next ginning report is released on October 25th.

The October Production report raised cotton production to 22.7 million bales. This 435,000-bale increase is based on a 15-pound per acre increase compared to a month ago. The lion's share of this increase comes from Texas, which shows production raised 400,000 bales. The state with the largest decrease was Louisiana, down 50,000 bales. However, with Arkansas up 70,000 bales, the region as a whole nets an increase of 40,000 bales. Cottonseed production was raised to 8.147 million tons, or 2%. This is an increase of 163,000 tons compared to the previous month's forecast.

Running Bales Ginned Totals as of 10/01/05
Compared to 3-year Averages for the period



COTTONSEED MARKET: There is less price movement at the middle of the month, but the bias towards softer nearby prices continues. Most markets have harvest and ginning progress continuing to expand. The pace of the harvest has been a couple percentage points behind the five-year average. Louisiana has been the only state showing harvest progress ahead of the average by a margin of seven percentage points. By the end of the month, most states should be closer to their average pace.

The stormy weather from tropical depression Tammy during the first week of the month likely held up harvesting activity in the Southeast. Compared to last month, Georgia's nearby prices has dropped the most in the region, off nearly \$30/ton, but the as-ginned price is left roughly unchanged. Likewise, the South Carolina nearby lost the most of any timeframe down about \$15/ton. There is still little trading in the region as not much has been ginned, and ginners are not pressured to accept bids in order to keep supplies moving. Merchants do not anticipate much upside price potential for the

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next few months.

Since the last installment, the Memphis North nearby is down \$23. The abundant supply of seed and lack of trucks is making this a sellers' market. The typical price premium for the Missouri Bootheel supplies is not as prominent this year, which is related to the tighter supply of trucks this year. The lack of available trucks in the region is cited by some contacts as the linchpin issue, which may even make matters worse for gins. Merchants are mentioning that increases in trucking fuel surcharges are in the neighborhood of 20-30%. These higher freight rates will likely result in higher prices for end users and lower prices from gins. Most of the trading activity is still between resellers, but a number of merchants have mentioned good steady dairy demand from the Mid-West and Far West.

The ever-increasing West Texas cotton crop seems to surprise production estimators each month this year. Nearby prices have dipped lower now that more ginning is taking place, although one last couple-dollar rally was mustered during the second week of the month. From here on out, prices are expected to move lower to eventually settle below the \$100-mark, by month's end. Dairy buyers in the region have been patient waiting for prices to move lower still.

Prices in California have been stagnant, as new crop supplies are expected to make their debut during the last half of the month. Seed inventories are sufficient all the way through the supply pipeline, from rail yards to dairymen's storage sheds. Merchants in the region are open about their outlook of abundant supplies, provided rail cars keep moving. There still appears to be more downside price risk; but, if dairies turn real aggressive on forward quotes, then prices have the opportunity to rally on deferreds during the next couple months.

COTTONSEED BALANCE SHEET: USDA's old crop cottonseed balance sheet had only minor changes between categories, but ending stocks were left unchanged. New crop production was raised 163,000 tons. The majority of the this increase in production is offset by the 110,000-ton rise in the feed, seed and other category and the 50,000-ton increase to crush. Ending stocks are up a meager 3,000 tons.

Informa's old crop balance sheet is unchanged. Production for new crop had the largest change, which was raised 90,000 tons compared to the previous production forecast. This increase is coming exclusively from the phenomenal crop in West Texas. With the crush off to a strong start in August and an outlook for strong oil demand, the crush was raised 60,000 tons. The feed, seed and other category grew 30,000 tons, thanks to reports of steady dairy buying.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Oct / USDA	Oct / Informa	Oct/ USDA	Oct / Informa
	<u>2003/04</u>	<u>2004/05E</u>	<u>2004/05E</u>	<u>2005/06F</u>	<u>2005/06F</u>
Beg. Stocks	347	421	421	592	592
Imports	2	1	4	25	20
Production	6665	8242	8242	8147	8080
Total Supply	7013	8664	8667	8764	8692
Crush	2639	2923	2933	2950	2900
Exports	355	379	380	375	365
Feed, Seed, & "Other"	3598	4770	4762	4899	4780
Total Disappearance	6592	8072	8075	8224	7045
End Stocks	421	592	592	540	647

COTTONSEED fob points				
<u>PRICES 10-14-05</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina (as ginned)	Spot	77b / 82o		n/a
	OND	80b / 85o		90t
	Ja-Ag	93b / 99o		111o
So. Carolina	OND	84b / 90o		90t
	Ja-Ag	96b / 104o		112o
Georgia So.	OND	80b / 85o		92o
	Ja-Ag	105b / 108o		116o
Alabama No. (as ginned)	Spot	92-93o		103t
	OND	85b / 94o		103o
	Ja-Ag	102b / 108o / 107t		116o
MID-SOUTH		(\$/ton)		
Memphis No.	OND	93b / 95o / 95t		100o
	Ja-Ag	106b / 108-110o / 107t		116-117o
MO Bootheel	OND	95o / 95t		n/a
	Ja-Ag	105b / 107-108o		n/a
SOUTHWEST		(\$/ton)		
West Texas (as ginned)	Spot	115-120o / 115-118t		165-167t
	OND	96-97b / 102-105o		107-110o
	Ja-Ag	115-116b / 120-123o		121o
FAR WEST		(\$/ton)		
Arizona	OND	143b / 150o		150o
	Clock	151b / 155o		n/a
Cal Corc. N & Stockton	Spot	165b / 170o		158-165o
	OND	165o		155o
	Clock	175o		165t
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flotm	Courtland, AL	OND	135o	n/a
FuzZpelletstm	Weldon, NC	Spot	117o	135o
Cotton Flotm	Weldon, NC	Spot	117o	135o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 10-14-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	OND	138o			
	Ja-Ag	155o			
SE Pennsylvania	OND	118o			
	Ja-Ag	134o			
NE Ohio	OND	133o			
	Ja-Ag	148o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	OND	145o			
	Ja-Ag	162o			
MN (Rochester)	OND		153o	159-165o	
	Ja-Ag		165o	170o	
WI (Madison)	OND		140-145o	149o	
	Ja-Ag		152o	161o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		138o		
Stephenville	OND		130o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	OND				167o
Idaho (UP)	OND				167b 169o
	Ja-Ag				179b 181o
WA/OR (BN)	OND				173o
	Ja-Ag				185o
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.