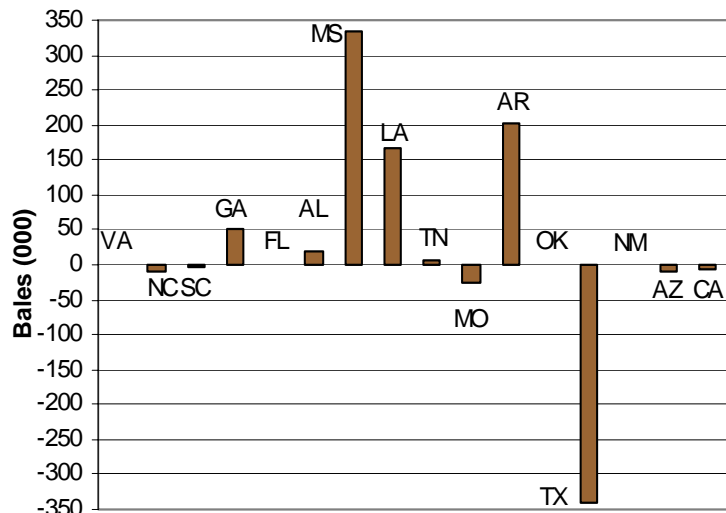


USDA REPORTS: The running bales ginned total as of October 1st, was 2.589 million bales, which is above the three-year average by 408,000 bales. The last time the total was higher was in 2000 with 3.285 mill. bales. The Mid-South is leading all other regions with running bales ginned totals ahead of the 3-year average in all but one state, Missouri. By the next installment, progress for Texas should improve, but production will likely be below the 3-year average.

USDA's October crop report showed the US crop at 20.659 million bales. This is an increase of 314,000 bales compared to last month. The national yield increased from 762 pounds per acre to 774 pounds per acre. The Mid-South increased 255,000 bales. Arkansas, Louisiana and Mississippi increased 100,000 bales each. Tennessee was unchanged and Missouri had the largest decline, down 45,000 bales. Texas was unchanged, while Oklahoma increased 20,000 bales. USDA's cottonseed production is pegged at 7.149 million tons, which is an increase of 107,000 tons from last month.

Running Bales Ginned Totals as of 10/01/06
Compared to 3-year Averages for the period



COTTONSEED MARKET: Rain related slowdowns to harvest and ginning progress continue to be the main feature for markets in the Southeast and Southwest. Expectations are for prices to move lower in these markets once more new crop supply become available. Due to the slow start, nearby price levels have been holding stable for the past several weeks. The lows for these markets may be seen in late November, as it will likely take that long for resellers and end users to take on enough ownership for the market to have a softer feel. However, the recent strength of other feed ingredients following in the wake of the strong corn rally should limit the downside price potential.

Southeast gin-run prices are steady to firmer. In South Carolina offers are unchanged from last month. North Carolina and Georgia offers are up \$3 and \$4/ton respectively. Prices in North Alabama have been difficult to pin down, as seed production is expected to be lower this year and most gins are storing seed as it is ginned. This tight feel to the market is keeping prices firm.

Mid-South price levels are holding steady to slightly firmer. New crop supplies are shipping off

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contracts and new trading is limited. In the Delta states, the demand to fill barges is robust and spot supplies are getting a dollar premium. What doesn't need to ship, gins are putting away in storage for sale a later day at a higher price. Resellers are more aggressive buyers, while oil mills are staying on the sidelines and don't appear to be buying for a large crush this year. Forward quotes inched a couple dollars higher, but only small volume trading was reported at the higher prices.

Nearby West Texas prices are up several dollars since the last installment. By the end of the month, more ginning activity is anticipated in West Texas and these additional supplies will take the nearby premium out of the market. The range on gin-run offers shifted \$3/ton lower. Limited trading activity is taking place. Expectations for lighter production this year is leaving most merchants a bias for prices to be even higher. Dairy buying has been taking place, but inclusion rates are expected to be lower or more hand-to-mouth buying will be done this year.

California markets have settled lower as rail supplies have improved by mid-month. However, with limited nearby availability there is still the possibility for prices to stage a short lived rally. More gins are likely to crank up before the end of the month and will help stabilize the supply situation and lead prices lower. Forward prices have edged a couple dollars lower, but still more than \$40/ton higher than a year ago. This increase is required to limit demand due to the smaller cottonseed crop. Also, the seed coming to the Far West will be originated out of the Mid-South rather than West Texas and this only adds to the logistical costs of getting seed to California. After January, prices likely have more upside risk.

COTTONSEED BALANCE SHEET: The USDA balance sheet for old crop had minor changes with crush and exports elevated 14,000 and 23,000 tons, respectively. The feed seed and other category was lowered 41,000 tons. For new crop, production was raised 107,000 tons, while imports dropped 75,000 tons. On the demand side, the feed seed and other category grew by 32,000 tons.

Informa's old crop balance sheet had a 23,000-ton offsetting change with exports up and the feed, seed and other category down. New crop production expectations were raised by 78,000 tons, as recent estimates are showing higher than earlier estimated yields. This production increase was added to the feed, seed and other category and keeping ending stocks at the same level.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Oct. / USDA	Oct. / Informa	Oct. / USDA	Oct. / Informa
	<u>2004/05</u>	<u>2005/06F</u>	<u>2005/06F</u>	<u>2006/07F</u>	<u>2006/07F</u>
	Beg. Stocks	421	592	592	602
Imports	1	0	0	25	2
Production	8242	8172	8170	7256	7130
Total Supply	8664	8764	8762	7883	7755
Crush	2923	3011	3014	2750	2725
Exports	379	523	523	405	420
Feed, Seed, & "Other"	4770	4629	4624	4227	4128
Total Disap- pearance	8072	8163	8161	7382	7273
End Stocks	592	602	601	501	460

COTTONSEED fob points				
<u>PRICES 10-13-06</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	OND	94b / 98o		80b 85o
	Ja-Ag	114b / 118o		93b 99o
So. Carolina	OND	93b / 98o		90o
	Ja-Ag	113b / 118o		104o
Georgia So.	OND	100b / 106o		80b 85o
	Ja-Ag	113b / 118o		108o
Alabama No.	Oc-Nv	112b / 119o		85b 94o
	Ja-Ag	132b		107t
MID-SOUTH		(\$/ton)		
Memphis No.	OND	110b / 112-113o / 110t		95o/t
	Ja-Ag	127b / 130-131o		107t
MO Bootheel	Oc-Nv	114o		95t
NE Louisiana	Oc-Nv	115b / 118o		n/a
SOUTHWEST		(\$/ton)		
West Texas (as ginned)	Spot	159-162b / 164-166o / 162-		115-118o
	OND	140b / 143-145o		102-105o
	Ja-Sp	160b / 165-170o		120-123o
FAR WEST		(\$/ton)		
Arizona	Spot	200b / 208o / 205t		150o
	OND	185b / 190o		155o
Cal Corc. N & Stockton	Spot	220-235t		170o
	OND	200-203b / 206o		165o
	Clock	210b / 216o		175o
SPECIALY PROCESSED PRODUCTS (\$/TON)				
Easi Flotm	Centre, AL	Spot	150o	n/a
FuzZpelletstm	Weldon, NC	OND	140o	n/a
Cotton Flotm	Weldon, NC	OND	140o	n/a
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 10-13-06</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	OND	152o			
	Ja-Ag	171o			
SE Pennsylvania	OND	136o			
	Ja-Ag	155o			
NE Ohio	OND	148o			
	Ja-Ag	167o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	OND	160o			
	Ja-Ag	180o			
MN (Rochester)	OND		163-165o	176-178o	
	Ja-Ag		183o	193o	
WI (Madison)	OND		158o	165-170o	
	Ja-Ag		178-180o	185-188o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		174o		
Stephenville	Ja-Ag		195o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Spot				195o
	OND				199o
Idaho (UP)	Spot				193t 196o
	OND				197o
WA/OR (BN)	Clock				204o
	Spot				202t
	OND				202o
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.