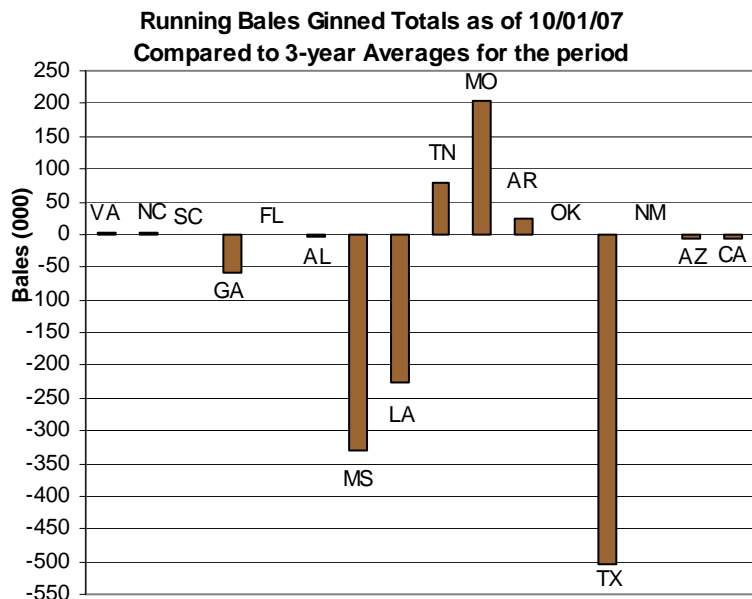


USDA'S PRODUCTION REPORT: The running bales ginned total as of October 1st was 1.56 million bales, which is behind the 3-year average by 822,950 bales, or down 34%. Eastern states are mostly on par with the average, while Mid-South states are mixed and expected to end the season below the average based on less cotton acreage and production. Texas ginning progress has been hampered by wet conditions. Compared to a year ago, Texas progress is behind by over a million bales.

USDA's October crop report showed all cotton production at 18.153 million bales, which was raised 341,500 bales from a month ago. USDA exceeded Informa's most recent estimate by over 260,000 bales. National average yields were raised 15 pounds per acre, which would make it the third largest yield on record. The largest reductions were 70,000-bales taken away from Alabama and Georgia's output. The largest increase in production was a half-million bale increase for Texas raising production to 7.5 million bales. Boll counts for the state were 14 bolls above the 4-year average. The cottonseed forecast was raised 124,000 tons to 6.287 million tons, which is potentially bearish news.



COTTONSEED MARKET: Price continues to climb in the Southeast and Mid-South. Gins are staying focused on their bookings and not interested in trading more for the time being. Ginners are not expected to be back in the market anytime soon, as they are delighted to see the strong carry in forward offers. Meanwhile, resellers are occupied lining up logistics to insure they get the seed they have on contract. The extra spot loads that do come to market are quickly snatched up. This is not the typical gin pressure situation, as transactions take place closer to the offer than the bid.

In the Southeast, markets have been quiet. There are mounting concerns that the price strength is getting close to where it is outpacing demand. Local end users are hinting that they are going to have to reformulate away from cottonseed. Those buyers without coverage are expected to continue buying hand-to mouth for the balance of the year and try to pick up a bargain load if possible. A reduction in demand is expected to cause a softening of prices.

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The Mid-South market had more aggressive buyers early in the month. Some of the trading accomplished was at lower prices compared to forward offers. Expectations are for opportunities to buy quick-ship supplies below the \$200-mark. As more gins wind down, the availability of spot supplies will diminish and prices will edge higher. The net-value of cottonseed for crushers continues to climb on strong soybean oil prices and this is seen as a factor driving prices higher. Oil mills however appear to be comfortable with their level of ownership and are not aggressive buyers.

The West Texas market is holding steady, as cottonseed yields should be larger than average. Ginning progress is slow, but most gins are expected to crank up by the end of October. End users are not eager to buy additional supplies at this point. Deliveries will be made on contracted supplies most likely before dairies come back and add to their position. Oil mills are expected to be steady buyers and West Texas seed is expected to move to Southeastern Texas for crushing, as local supplies have high free fatty acid levels. Forward quotes are thought to be too high and resellers and dairy buyers are willing to wait for prices to edge lower.

Far West markets are quiet this week as strong prices have limited demand. Rail markets are firmer, but without buying interest the price strength is questionable. End users appear to be content and the supply situation does not appear to be a problem at the middle of the month. Once the flow of rail supplies from West Texas picks up, downward price pressure is expected. The recent price rally has limited trading and end users may formulate cottonseed out of rations.

COTTONSEED BALANCE SHEET: The USDA old crop balance sheet raised the crush by 10,000 tons, while the Feed, Seed and Other category was lowered by 16,000 tons, which boosted ending stocks. For new crop, the major change was the 124,000-ton increase to production, in agreement with October's Crop Production report. On the disappearance side of the balance sheet, the crush was upped 100,000 tons. The Feed, Seed and Other category was raised 26,000 tons. These changes result in a 5,000-ton increase to ending stocks.

Informa's old crop had crush raised 10,000 tons, while ending stocks were lowered the same amount. For new crop, the crush was raised 50,000 tons, as strong vegetable oil demand and prices have raised the net value for crushers. Improved crush economics are keeping pace with the strength in cottonseed prices and will likely result in the crush exceeding earlier expectations. The Feed, Seed and Other category is left unchanged, as sales continue at these historically high price levels during ginning season. Opinions are mixed as to when dairy demand will stop buying cottonseed because of high prices. For the time being, it appears dairies will continue buying in the nearby market in hopes of lower prices. Total disappearance climbed 50,000 tons. Ending stocks fell 60,000 tons given the 10,000-ton reduction to old crop's ending stocks. These changes show bullish fundamentals, favorable for strong prices.

Yrs beg Aug 1	Cottonseed Supply/Demand Balance Sheet (000 tons)				
	USDA	Oct / USDA	Oct / Informa	Oct / USDA	Oct / Informa
	<u>2005/06</u>	<u>2006/07E</u>	<u>2006/07E</u>	<u>2007/08F</u>	<u>2007/08F</u>
Beg. Stocks	592	602	602	489	533
Imports	0	0	0	0	0
Production	8172	7348	7348	6287	6250
Total Supply	8764	7950	7950	6776	6783
Crush	3011	2680	2680	2500	2475
Exports	523	616	616	300	350
Feed, Seed, & "Other"	4629	4165	4121	3576	3540
Total Disappearance	8163	7461	7407	6376	6365
End Stocks	602	489	533	400	418

COTTONSEED fob points					
<u>PRICES 10-19-07</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina	Oc-Nv	180b / 191o / 190-191		97-98o	
	Dc-Ag	208b / 215o		118o	
So. Carolina	Oc-Nv	182b / 185o		98o	
	Dc-Ag	202b / 210o		118o	
Georgia So.	Oc-Nv	175b / 180o		104-105o	
	Dc-Ag	190b / 210o		118o	
Alabama No.	Oc-Nv	186b / 192o		119o	
	Dc-Ag	210b		132b	
MID-SOUTH		(\$/ton)			
Memphis No.	Spot	185b / 190o / 188-190t		108-109t	
	Oc-Nv	202o / 200t		n/a	
	Ja-Ag	204b / 208-215o / 208t		130-131o	
MO Bootheel	Spot	190t		112o	
SOUTHWEST		(\$/ton)			
West Texas (as-ginned)	Spot	172b / 177.50o		166-167t	
	OND	170-172o		143-145o	
	Ja-Sp	180b / 187o		165-170o	
FAR WEST		(\$/ton)			
Arizona	Spot	225b / 235o		205t	
	OND	230t		190o	
Cal Corc. N & Stockton	Spot	270b / 280o		205-210o	
	OND	255o		206o	
	Clock	260b / 265o		218o	
SPECIALLY PROCESSED PRODUCTS (\$/TON)					
Easi Flo™	Centre, AL	Spot	245o	150o	
FuzZpellets™	Weldon, NC	Spot	220o	140o	
Cotton Flo™	Weldon, NC	Spot	220o	140o	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 10-19-07</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Oc-Nv	241o			
	Dc-Ag	266o			
SE Pennsylvania	Oc-Nv	225o			
	Dc-Ag	253o			
NE Ohio	Oc-Nv	240o			
	Dc-Ag	266o			
MIDWEST		(\$/ton)			
MI (Grand Rpd.)	Oc-Nv	248o			
	Dc-Ag	268o			
MN (Rochester)	OND		255o	259-262o	
	Ja-Ag		270	275-280	
WI (Madison)	OND		247o	249-257o	
	Ja-Ag		262	265-270o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	OND		205o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				235o
California	Nv-Dc				250-255o
Idaho (UP)	OND				262b 264o
	Ja-Ag				275b 285o
WA/OR (BN)	OND				271b 275o
	Ja-Sp				290o
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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