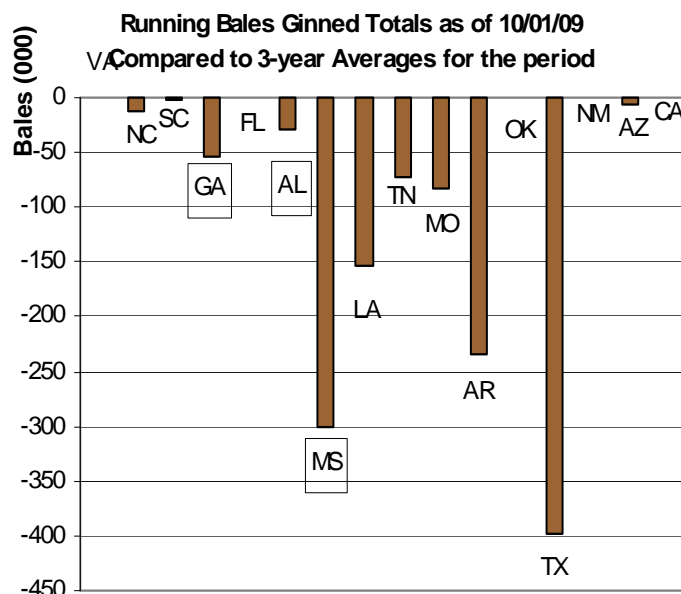


USDA REPORTS: The Cotton Ginning report at the beginning of October has a running bales ginned total of 293,050. The data from Alabama, Georgia and Mississippi were not shown on the report, so as not to disclose progress of individual gins. On the graph, these states have a box around their state label. This is a historically slow start to ginning and a half a million bales behind last year's rate. Compared to average progress as of October 1st since 2000, this year's pace was more than 1.7 million bales behind. Similar to last year, ginning progress will continue to lag average levels in most states. However, look for stronger results in the Southeast by mid-November.

Since last month's report, USDA's all cotton production was lowered 440,000 bales to 12.99 million bales in their October Crop Production report. Texas was lowered 400,000 bales, while the Carolina's were the only states with increases.



COTTONSEED MARKET: Wet weather in the Mid-South and Southeast continue to provide price strength along with the firmness noticed with other feed ingredient prices. Typically by this time of the year most markets would have gins running at full throttle. This year however, especially in Eastern regions, crop development, harvest and ginning are all a couple weeks behind schedule. If they manage to get some clear skies, then gins should be able to get cranked up by the final week of October. Looking ahead, estimates are for the ginning season to be completed at roughly the regular time. It could be slightly longer in the Southeast as they are expected to have a larger crop.

Southeast markets have been thinly traded for the nearby. As of mid-month, there was a marginal increase in interest from Northeastern dairy buyers, and merchants are not overly aggressive in perusing trades. It will likely take a few weeks of gins running full tilt, which could result in prices edging lower. Export demand for the time being has been quiet and it appears that this year there will not be the aggressive demand there was a year ago. Concerns surrounding gin run have provided support for prices resulting in offers being raised a couple dollars.

The Mid-South spot market is difficult to call as nearby supplies are nearly nonexistent. Most

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in the trade have sold out of old crop by this time, as they should because gins would usually be running. Some gins that cranked up had to shut down until more harvesting can get accomplished. This situation has had resellers scouring the market for any available load and has helped elevate new crop offers. There is the possibility that some gins might be interested in buying back and washing out their gin run contract. The reason for this is the uncertainty about their supply situation based on cool and wet conditions that have hampered the crop and harvesting.

The oil mill that has seed to sell in West Texas is holding firm on price and is continuing to find buying interest. The price was able to hold firm since there have been a limited number of sellers. In coming weeks, more gins will be up and running, therefore, the nearby price premium is apt to erode. New crop offers were raised slightly and the up tick didn't manage to get end users in the buying mood. It appears dairies will continue to hold off until there is ginning pressure, which should mean they will be able to buy at lower than today's price.

Prices are firmer in California as some resellers were willing to pay higher prices to cover nearby requirements. The price strength is a result of the weather related slowdowns in ginning and slow rail movement. In a couple more weeks, there could be a price dip once ginning begins in the East and rail supplies start making it to market.

COTTONSEED BALANCE SHEET: The old crop balance sheet from USDA had a 26,000-ton reduction to the Feed, Seed and Other category. This change increased the carryout to the level shown in the most recent US Census crush report for ending stocks at oil mills. USDA's new crop production was lowered 156,000 tons, which was down 3% from last month and inline with the reduction made to their cotton bales forecast from the October Crop Production report.

Informa's old crop balance sheet had a 4,000 ton reduction to the Feed, Seed and other category. This raised the ending stocks level by the same amount. This total does not account for supplies remaining in the hands of gins, which could represent roughly 30 to 50 thousand more tons.

New crop production for Informa was adjusted 149,000 tons lower. Cooler temperatures and rain as of late will likely hamper the development of the top of the plant. This is reason for production being adjusted lower in the Mid-South and Southeast. Output in the Southeast is pegged to be larger than the Mid-South. The Feed, Seed and Other category lost 15,000 tons, because dairy demand bookings continue to lag. Expectations are set for lighter usage, until milk prices show signs of holding at a level high enough for dairymen to have the financial incentive to formulate for larger production. Ending stocks dropped 130,000 tons due to lower production. The stocks-to-use ratio at 9.4% is a little more than a percentage point over the 5-year average, but below last year's high of 11.6%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Oct. / USDA	Oct. / Informa	Oct. / USDA	Oct. / Informa
	2007/08	2008/09E	2008/09E	2009/10F	2009/10F
	Beg. Stocks	489	643	643	514
Imports	3	0	0	0	24
Production	6589	4300	4300	4382	4410
Total Supply	7080	4943	4943	4896	4948
Crush	2706	2250	2250	2388	2325
Exports	599	191	191	350	198
Feed, Seed, & "Other"	3132	1989	1988	1729	2000
Total Disappearance	6437	4429	4429	4467	4523
End Stocks	643	514	514	429	425

COTTONSEED fob points					
<u>PRICES 10-16-09</u>		<u>Bid</u>	<u>Offer</u>	<u>Trade</u>	<u>Yr Ago</u>
SOUTHEAST		(\$/ton)			
No. Carolina (as-ginned)	Spot	145b / 150o			n/a
	OND	145b / 147o			n/a
So. Carolina (as-ginned)	Spot	145b / 150o			n/a
	OND	145b / 147o			n/a
Georgia So. (as-ginned)	Spot	152b / 158o / 155t			n/a
	OND	125-135o / 125-135t			n/a
MID-SOUTH		(\$/ton)			
Memphis No. (as ginned)	Spot	191-194t			260t
	Nv-Dc	170b / 174o			n/a
MO Bootheel (as ginned)	Spot	195o			255o
	Nv-Dc	175o			n/a
SOUTHWEST		(\$/ton)			
West Texas (as-ginned)	Spot	180o / 180t			305-308o
	Nv-Dc	170b / 174o / 170t			n/a
	Ja-Ag	183b / 188o			280-285o
FAR WEST		(\$/ton)			
Arizona	OND	195-197b / 215o / 200t			350o
	Clock	230-235o			n/a
Cal Corc. N & Stockton	Spot	305-310o / 303-308t			350o
	Nv-Dc	260o / 255t			n/a
	Ja-Sp	273o / 268t			n/a
	Clock	270o			342o
SPECIALY PROCESSED PRODUCTS (\$/TON)					
Easi Flo[™]	Courtland, AL	Spot	235	300o	
		OND	205o	n/a	
FuzZpellets[™]	Weldon, NC	Spot	195o	n/a	
Cotton Flo[™]	Weldon, NC	Spot	195o	n/a	
b = bid o = offer t = trade n/a = not available					

COTTONSEED dlvd. points					
<u>PRICES 10-16-09</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	199o			
	OND	194o			
SE Pennsylvania	Spot	182o			
	OND	177o			
NE Ohio	Spot	199o			
	OND	194o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	210o			
	OND	205o			
MN (Rochester)	Spot		242-243o	250-255o	
	Nv-Dc		225-230o	230-235o	
WI (Madison)	Spot		234-235o	240-245o	
	Nv-Dc		215-220o	222-229o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		215o		
	Nv-Dc		200o		
	Ja-Sp		215o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot.				No quote
	Nv-Dc				No quote
California Idaho (UP)	Spot				n/a
	Spot				265-270o
WA/OR (BN)	Nv-Dc				240b 250o
	Spot				280o
	Nv-Dc				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.

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