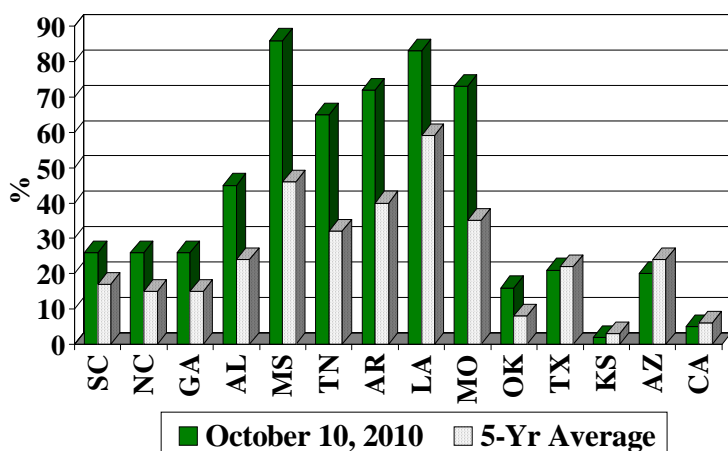


COTTONSEED MARKET: The graph below shows how much more harvest and ginning advanced thus far in the Southeast and Mid-South compared to western states. The below-average harvest progress in Texas has been mentioned as part of the reason for prices rebounding slightly after the dramatic drop at the beginning of the month. Certainly rallying grain futures have also played a role in expectations for price strength. In addition, there were a number of oil mills that raised their bid, which is the main driving force for higher prices. The net-value of cottonseed for crushers managed to climb above the \$220/ton level thanks to stronger oil and meal prices. At such a strong net value, it appears that for the balance of the ginning season oil mills will be able to get as much cottonseed as they want without much competition from dairy feeders. The lackluster profitability outlook for dairies in the coming months suggests that without milk prices rebounding demand for cottonseed will be lower than expected. However, due to the stout price of corn, there is still the possibility that some feedlots will consider adding cottonseed to their rations.

U.S. Cotton, Percent Harvested
14 Major States



Southeast and Mid-South prices rebounded following the strength with grain futures. Recently there was an increase in buying activity done by resellers who were likely covering short positions. End user dairy demand from the Northeast remains weak. From the Midwest, there has been an increase in inquiries, but merchants are not impressed with the amount traded as they anticipated there should still be more buying. Ginning activity in these regions have likely peaked, but with oil mills being strong buyers and contract commitments being fulfilled there hasn't been much ginning pressure. Feed buyers are hopeful that crushers will exit the market allowing for the possibility for some ginning pressure to develop, which

opens the opportunity for prices to drift lower.

The West Texas nearby market managed to rebound, but trading at the higher prices was light. Dairy buyers are still willing to wait on covering cottonseed needs at lower prices or switch to using a different feed ingredient. Inquires on forward quotes are light, but offers have edged higher. Likewise the California market has higher forward quotes, yet no significant volumes have traded. California nearby prices are holding above the \$320-level. The supply situation is not as tight as it

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was several weeks ago, yet sellers are firm on offers. By next month, prices are apt to drop due to the improved availability of local cottonseed supply.

COTTONSEED BALANCE SHEET: The old crop balance sheet for USDA was left unchanged. There was a 19,000-ton increase in production for the new crop balance sheet. This increase coincides with the increase mentioned in last week's Crop Production report.

The old crop Cottonseed Digest balance sheet is unchanged from last month. Production for the new crop balance sheet remains unchanged as well and is based on a larger cotton crop projection than what USDA anticipates. The areas expected to have larger supply include the Mid-South and West Texas. The graph mentioned above shows that harvest progress in Texas is behind the average level. Once harvest in the state progresses it is possible that the production estimate will need to be raised. For the time being, there is not enough information for additional increases to be made to our production estimate.

Exports were adjusted 40,000 tons lower, as exports for the first month of the new crop were only 19,795 tons. This was 12,412 tons below the 5-year average for the month and 9,567 tons below last year's level. The presence of export buyers in the market remains light compared to last year. The weak dollar would suggest that exports will be stronger, but it appears that Asian buyers are willing to see how the Australian crop develops and it looks like they will source more supply from that market. Due to the anticipated loss of exports, the Feed, Seed and Other category was raised 10,000 tons and ending stocks were raised 30,000 tons. The projected slim margins for dairies through early 2011 due to strong feed ingredient prices are a factor that could limit demand. If dairy demand is weaker, it could limit upside price potential later in 2011.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Oct. / USDA	Oct. / CSD	Oct. / USDA	Oct. / CSD
	<u>2008/09</u>	<u>2009/10E</u>	<u>2009/10E</u>	<u>2010/11F</u>	<u>2010/11F</u>
	Beg. Stocks	643	514	514	342
Imports	0	24	24	0	0
Production	4300	4149	4149	6391	6472
Total Supply	4943	4687	4687	6733	6814
Crush	2240	1900	1900	2600	2550
Exports	191	291	291	450	400
Feed, Seed, & "Other"	1999	2154	2154	3164	3235
Total Disappearance	4429	4345	4345	6214	6185
End Stocks	514	342	342	519	629

COTTONSEED fob points				
<u>PRICES 10-15-10</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	170b / 175o		150o
	JFM	182b / 187o		n/a
So. Carolina	Spot	170b / 175o		150o
	Ja-Ag	195o		n/a
Georgia So.	Spot	170b / 175o		155t
	JFM	182b / 187o		n/a
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	Spot	200o / 190-195t		191-194t
	Nv-Dc	200o		174o
	Ja-Jly	215o		n/a
MO Bootheel (as ginned)	Spot	193t		195o
	Oc-Nv	205o		175o
SOUTHWEST		(\$/ton)		
West Texas (as ginned)	Spot	190b / 200o / 190-195t		180t
	OND	200o		170t
	Ja-Sp	220b / 225o		188o
FAR WEST		(\$/ton)		
Arizona (as ginned)	Spot	280o		n/a
	OND	250b / 260o / 250t		200t
Cal. Corc. N & Stockton	Spot	325-330o		303-308t
	Nv-Dc	290-295o		255t
	Ja-Sp	300-310o		286t
SPECIALY PROCESSED PRODUCTS (\$/TON)				
Easi Flo[™]	Courtland, AL	Spot	218o	235o
FuzZpellets[™]	Weldon, NC	Spot	n/a	195o
Cotton Flo[™]	Weldon, NC	Spot	n/a	195o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 10-15-10</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	227o			
	JFM	239o			
SE Pennsylvania	Spot	210o			
	JFM	222o			
NE Ohio	Spot	227o			
	JFM	239o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	237o			
	JFM	249o			
MN (Rochester)	Spot		240o	250o	
	JFM		250o	260o	
WI (Madison)	Spot		230o	240o	
	JFM		240o	250o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot.		215o		
	OND		200o		
	Ja-Sp		215o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				265o
	JFM				275o
California Idaho (UP)	Oct.				289o
	OND				280-285o
WA/OR (BN)	JFM				297o
	Spot				295o
	Ja-Ag				310o
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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