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USDA REPORTS: USDA's November Crop Production Report shows all cotton production forecasted at 23.161 million bales, which is an increase of 444,000 bales or 2% from October's estimate. This year's production is up 20% relative to the 5-year average. Compared to Informa Economics' cotton forecast released a week earlier, USDA's forecast is 201,000 bales smaller. The states with the greatest amount of difference between reports include Texas with 400,000 fewer bales; also California and Arkansas are lower by 110,000 and 100,000 bales, respectively. USDA anticipates 150,000 more bales in Arkansas and 120,000 in Mississippi. The cottonseed production forecast from USDA is 8.302 million tons, which is 73,000 tons below Informa's estimate. With reports of strong yields and good seed turnouts, there is still the possibility for USDA to raise cottonseed production next month.

COTTONSEED MARKET: Trading activity has settled down a week or so ahead of the Thanksgiving Holiday week. There has been much less buying interest in the market, as many resellers were busy making logistical arrangements before the holiday-shortened workweek. Nearby supplies are abundant and continue to weigh on the market. Price spreads between Eastern and Far Western markets are as much as \$20 wider than a year ago. The lack of truck availability in all markets is a problem and is keeping some resellers from staying current on contracts. This factor may lead to some washouts and the potential for additional downward price movement at the end of the month.

In the Southeast, the only nearby offer that firmed by mid-month was North Carolina, up a dollar. Still all of the price quotes are lower than a month ago. The lack of end user demand is the main reason for the lethargic feel in the market. The large cotton crop in Georgia continues to keep prices in check and is limiting buying interest on forward quotes with a \$20 premium. Delivered truck prices to the Northeast have dropped nearly \$10/ton compared to last month, but it is doubtful that will be enough to generate more buying interest. The onslaught of cooler temperatures may help increase feed intake and provide support.

The Mid-South market is quiet, yet gin pressure is slowly becoming less of an issue in the market. Seed to be picked up in December is now quoted with a couple-dollar premium, because more gins appear they will be shutting down before Thanksgiving, or the week following. Once these gins shut down, the market is expected to turn into more of a sellers' market. The caveat that must be added is that, if too many resellers are behind on contracts then washouts may pressure prices lower. The abundance of other feed ingredients in the market may keep any up moves much more subdued.

The West Texas market is down the most, off \$20 since last month's installment. A gin's location to oil mills or main dairy markets has a great influence on price, and is the main reason for a wide variance in pricing. Some gins are only interested in selling above the \$100-mark, while most of the trade reported is several dollars below that level. Oil mill buying interest has backed off but the open

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bid is holding steady at \$100/ton for cooperative members. Expectations are for more downside movement when gins start back up running after the Thanksgiving break.

At the middle of the month, the California spot market moved \$5 higher than the level quoted a year ago and is higher than most expected as some gins are expected to be putting more supplies in to storage. While this appears bullish for the nearby it is potentially bearish later this season. Eventually the seed will need to come to market and may pressure prices lower later in the year. Overall, end user demand is on track with last year's pace, and is expected to remain steady.

COTTONSEED BALANCE SHEET: This month's USDA cottonseed balance sheet shows a 155,000-ton increase in production, which makes the total supply up nearly 3% from last year. On the demand side of the balance sheet, crush jumped 50,000 tons, the feed, seed and other category increased 30,000 tons, and exports were raised 25,000 tons. The net effect of the changes raised total disappearance by 105,000 tons and ending stocks by 50,000 tons, close to the level reached last year.

The largest change to Informa's balance sheet was the 295,000-ton increase in production. Reports of better than expected gin turnout in Georgia and Texas are behind this jump in production. The other change on the supply side was an 18,000-ton reduction in imports. Given this year's record large production, imports are not anticipated to be a factor with freight costs up and competitive domestic prices.

Thanks to strong cottonseed oil prices and demand for byproducts; the crush was raised 50,000 tons, which is above last year's crush by 27,000 tons. Exports are left unchanged, as accumulated sales thus far are 31,000 tons below last year's pace. Mexico is the main export market, and their buying is behind last year's level. The feed, seed and other category has been raised 110,000 tons, as price levels are anticipated to reach levels to spur on maximum usage. In addition, the abundant supply in West Texas will likely be fed in feedlots once more ginning pressure develops.

Abundant supplies should continue to keep prices at below average levels. Last year's stocks to use ratio at 7% was the highest since 1997/98 season. For this year, Informa's stocks to use ratio at 9%, is 3 percentage points above the 5-year average. The crush to supply ratio is only 3 percentage points below the 5-year average. Ending stocks are expected to be record high following two consecutive years of record production.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	USDA	Nov / USDA	Nov / USDA	Nov / Informa
	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05E</u>	<u>2005/06F</u>	<u>2005/06F</u>
Beg. Stocks	400	347	421	592	592
Imports	104	2	1	25	2
Production	6184	6665	8242	8302	8375
Total Supply	6687	7013	8664	8919	8969
Crush	2495	2639	2923	3000	2950
Exports	370	355	379	400	390
Feed, Seed, & "Other"	3477	3598	4770	4929	4890
Total Disap- pearance	6341	6592	8072	8329	8230
End Stocks	347	421	592	590	739

COTTONSEED fob points				
<u>PRICES 11-18-05</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	68b / 72o		88o
	Ja-Ag	88b / 92o		107o
So. Carolina	Nv-Dc	78b / 82o		91o
	Ja-Ag	95b / 102o		107o
Georgia So.	Nv-Dc	78b / 80-82o		93t
	Ja-Ag	96b / 102o / 96t		110o
Alabama No.	Nv-Dc	80o / 77t		95-96o
	Ja-Ag	95-98b / 103o		109o
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	80o		n/a
	Nv-Dc	80b / 95o		97t
	Ja-Ag	97-98b / 100		111o
MO Bootheel	Spot	80b / 84-85o		100t
	Dec.	86t		n/a
	Ja-Jn	98b / 101o		n/a
SOUTHWEST		(\$/ton)		
West Texas	Spot	90b / 98-100o / 95t		104-107t
	Fb-Sp	105-110b / 112-114o		n/a
FAR WEST		(\$/ton)		
Arizona	Nv-Dc	140o		153o
	Clock	150b / 155o		n/a
Cal Corc. N & Stockton	Spot	165b / 170o / 170t		165o
	Clock	170b / 173o / 172t		n/a
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	Spot	127o	133o
FuzZpellets™	Weldon, NC	Spot	109o	126o
Cotton Flo™	Weldon, NC	Spot	110o	126o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 11-18-05</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Nv-Dc	129o			
	Ja-Ag	149o			
SE Pennsylvania	Nv-Dc	110o			
	Ja-Ag	130o			
NE Ohio	Nv-Dc	124o			
	Ja-Ag	144o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Nv-Dc	137o			
	Ja-Ag	157o			
MN (Rochester)	Nv-Dc		137o	150-155o	
	Ja-Ag		152-155o	162-164o	
WI (Madison)	Nv-Dc		138-139o	142-148o	
	Ja-Ag		150o	160o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Spot		125o		
	Ja-Jly		138-140o		
RAIL - FOB TRACK POINTS		(\$/ton)			
California	Nv-Dc				158t 160o
Idaho (UP)	Nv-Dc				157b 160o
	Ja-Sp				167b 172o
WA/OR (BN)	Nv-Dc				161o
	Ja-Sp				174t 176o
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.