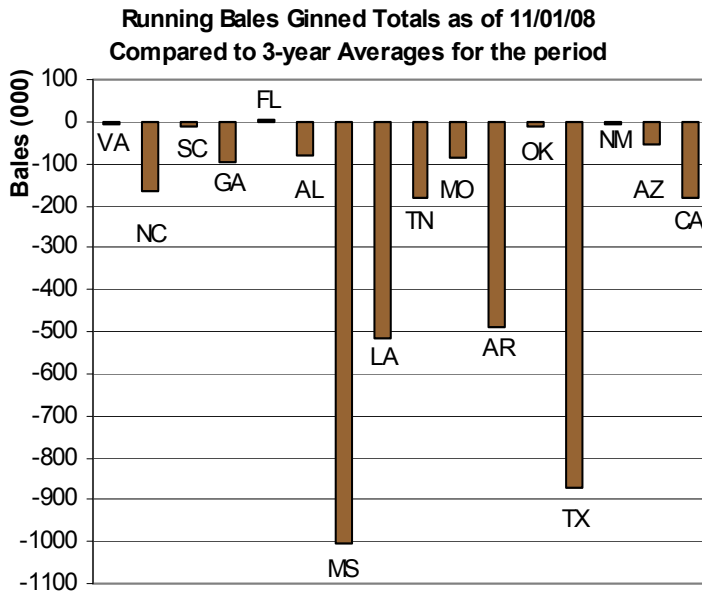


**GINNING REPORT:** The running bales ginned total as of November 1st was 4.365 million

bales. This was 3.756 million bales below the 3-year average for this time of year. Mid-South states as a whole are roughly 2.2 million bales below their averages.

Compared to the pace of ginning progress a year ago, the Southeast states are not as far behind as in other regions. Georgia is 114,000 bales ahead of the year ago, while South Carolina and Florida are up 11,000 and 5,000 bales respectively. Due to smaller cotton plantings, ginning progress will remain below the 3-year average for the balance of the ginning season. The amount that the Mid-South region is behind will continue to grow over the remaining reporting period. From last year's results, Texas was behind by over 770,000 bales, the most of any state and the possibility for significantly catching up appears to be limited.



**COTTONSEED MARKET:** Compared to last month, prices pulled back as sellers appeared to be more willing to keep supplies moving. Economic conditions of markets outside of agriculture are contributing to a bearish tone. Price support from demand has eroded over the past few months as crushing economics are not as robust and the net-value of cottonseed for crushers has dipped below the \$200/ton-mark.

In the Mid-South, some of the lower pricing has been associated with gins winding down while resellers are getting pushed into shipping supplies or losing ownership. The majority of ginning expected to be completed by Thanksgiving. As of the middle of the month, there is less than anticipated buying activity for a pre-holiday market which is typically dealing with more hustle and bustle with trading and shipping ahead of the holiday break. Over the past few weeks, the Mid-South market has swung back and forth from having either too few buyers or too few sellers.

Southeast markets have been thinly traded, meanwhile ginning progress has been reported being past the half-way point by mid-month. Buyers are optimistic there will still be downward price pressure spilling into December as some gins will continue running. Demand from dairies and the export market continue to be anemic for the region. It appears that dairy buyers in the Northeast are

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making good on their threat that they will be lowering cottonseed inclusion rates. Oil mills are not as aggressive as earlier anticipated, which lends a softer tone to the market. The next price move will likely be higher based on support from neighboring markets.

The mid-month price dip in West Texas is coming from resellers that are liquidating ownership ahead of the ginning season. These lower prices helped entice a few more dairies to buy. The sales are mostly for nearby supplies and it appears dairies will continue to buy on a monthly basis. It is difficult to imagine price will move low enough to sway dairies to take on forward ownership given the insecurity about the future. The January-August offer has a \$20/ton premium over the nearby quote. Given the 5-year average premium has been \$24/ton to the November average, there is a stronger likelihood of nearby prices moving lower rather than the forward offer firming, especially given the possibility of ginning pressure and lighter demand.

In the Far West markets, offers were drawn down, as demand has backed away from the market and prices in eastern markets have dipped lower as well. The rally that surfaced early in the month fizzled out by mid-month due to sufficient follow-through buying to provide support. Most of the activity is between resellers with paper trades. End users continue to only show interest in the nearby, which is making it difficult to evaluate the price of longer-termed contracts as offers are sketchy and end users are not willing to bid.

**COTTONSEED BALANCE SHEET:** The main change to USDA's balance sheet was a 67,000-ton drop in production. This decrease in production comes from the USDA Production report, which showed a 183,000-bale reduction compared to last month. As can be expected, the Feed, Seed and Other category was lowered by 67,000 tons. Ending stocks were unchanged and less than half the level a year ago.

Due to Informa's recent increase to cotton production compared to the month ago, the cottonseed crop was raised 56,000 tons, which is 118,000 tons higher than USDA's projection. With the late harvest and slower than anticipated ginning progress, it is difficult to gauge production. The Texas crop is still an unknown, and as more of the crop gets ginned the production picture will become clear. Export figures are unchanged for now, but the strength in the dollar is seen as the main reason exports will likely need to be lowered. Container logistics are the other factor that may limit exports, as the economy cools. Less demand for consumer goods will limit the amount of containers coming to this country making it difficult to compete without abundant and cheap container freight. The Feed, Seed and Other category was raised 16,000 tons. Dairy buyers are buying hand-to-mouth in hopes lower prices can be had the next time they go to market. Ending stocks were raised 40,000 tons, on subpar demand and stout prices.

<b>Cottonseed Supply/Demand Balance Sheet (000 tons)</b>					
Yrs beg Aug 1	USDA	Nov. / USDA	Nov. / Informa	Nov. / USDA	Nov. / Informa
	<u>2006/07</u>	<u>2007/08E</u>	<u>2007/08E</u>	<u>2008/09F</u>	<u>2008/09F</u>
	Beg. Stocks	602	489	489	643
Imports	0	3	3	50	25
Production	7348	6589	6588	4599	4717
<b>Total Supply</b>	<b>7950</b>	<b>7080</b>	<b>7080</b>	<b>5292</b>	<b>5385</b>
Crush	2680	2706	2703	2600	2475
Exports	616	599	599	350	320
Feed, Seed, & "Other"	4165	3132	3135	2042	2061
<b>Total Disappearance</b>	<b>7461</b>	<b>6437</b>	<b>6437</b>	<b>4992</b>	<b>4856</b>
End Stocks	489	643	643	300	529

<b>COTTONSEED fob points</b>				
<b><u>PRICES 11-14-08</u></b>		<b><u>Trade</u></b>	<b><u>Yr Ago</u></b>	
<b>SOUTHEAST</b>		<b>(\$/ton)</b>		
<b>No. Carolina</b>	Spot	190b / 195o		229o
	Ja-Ag	225b / 235o		260o
<b>So. Carolina</b>	Spot	195b / 200o		232o
	Ja-Ag	225b / 240o		257o
<b>Georgia So.</b>	Spot	200b / 210o		210o
	Ja-Ag	225b / 235o		245o
<b>No. Alabama</b>	Ja-Ag	255b / 260o		n/a
<b>MID-SOUTH</b>		<b>(\$/ton)</b>		
<b>Memphis No.</b>	Spot	240b / 245o		200-210t
	Dec.	265o		220t
	Ja-Ag	270b / 260o		223t
<b>MO Bootheel</b>	Spot	245o / 240t		213o
	Dec.	255o		n/a
<b>SOUTHWEST</b>		<b>(\$/ton)</b>		
<b>West Texas</b>	Nv-Dc	260o / 260t		175-185o
	Ja-Sp	278-280o		205t
<b>FAR WEST</b>		<b>(\$/ton)</b>		
<b>Arizona</b>	Nv-Dc	310o		236t
<b>Cal Corc. N &amp; Stockton</b>	Spot	330b / 333-335o		262-265t
	Nv-Dc	335o		n/a
	Ja-Sp	360o		277o
	Clock	350o		n/a
<b>SPECIALY PROCESSED PRODUCTS (\$/TON)</b>				
<b>Easi Flo<sup>tm</sup></b>	<b>Courtland, AL</b>	Spot	295o	265o
<b>FuzPellets<sup>tm</sup></b>	<b>Weldon, NC</b>	Spot	255o	255o
<b>Cotton Flo<sup>tm</sup></b>	<b>Weldon, NC</b>	Spot	255o	255o
b = bid   o = offer   t = trade   n/a = not available				

<b>COTTONSEED dlvd. points</b>					
<b><u>PRICES 11-14-08</u></b>		<b><u>Dump</u></b>	<b><u>Hopper</u></b>	<b><u>Live Floor</u></b>	<b><u>Rail</u></b>
<b>NORTHEAST</b>		<b>(\$/ton)</b>			
W. New York	Spot	265o			
	Ja-Ag	295			
SE Pennsylvania	Spot	247o			
	Ja-Ag	277o			
NE Ohio	Spot	262o			
	Ja-Ag	292o			
<b>MIDWEST</b>		<b>(\$/ton)</b>			
MI (Grand Rpd.s.)	Spot	270o			
	Ja-Ag	300o			
MN (Rochester)	Spot		299-306o	305-315o	
	Ja-Ag		305-315o	316-325	
WI (Madison)	Spot		294-300o	303-309o	
	Ja-Ag		304-313o	315-320o	
<b>SOUTHWEST</b>		<b>(\$/ton)</b>			
Texas / Dublin- Stephenville	Spot		285o		
	Ja-Ag		305o		
<b>RAIL - FOB TRACK POINTS</b>		<b>(\$/ton)</b>			
Laredo TX (Mid-Bridge)	Spot				300o
	JFM				310o
California	Spot				n/a
Idaho (UP)	Spot				330t
	Ja-Sp				345o
WA/OR (BN)	Spot				340o
	Ja-Sp				355o
<b>b = bid   o = offer   t = trade</b>					

**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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