

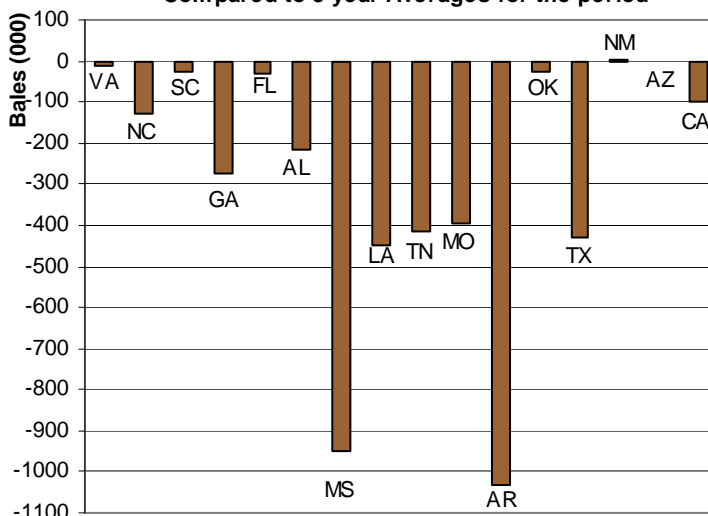
GINNING REPORT: The running bales ginned total as of November 1st was 2.192 million bales. This was 4.48 million bales below the 3-year average for this time of year. As has been the case this thus far this crop year, the Mid-South region lags the furthest behind the average on a percentage basis at -86%.

COTTONSEED MARKET: Prices have managed to inch higher as ginning pressure hasn't been able to develop. There appears to be greater demand from resellers showing up in the market. Some resellers in Western markets are attempting to take on more ownership to pad their position for the potential of additional demand coming to market. The news from USDA projecting a smaller cottonseed crop also provided a bullish tone for cottonseed prices. The unknown is whether ginning pressure might still develop after the Thanksgiving holiday, which could result in a rollback of prices.

Southeast markets moved higher with buying interest focused on the nearby. Compared to the last installment a month ago, North Carolina shot \$20/ton higher, South Carolina strengthened \$15/ton and Georgia is up \$10/ton and remains the lowest priced market in the region. Recently there has been an increase in export interest as come into the market from export buyers and they are now booking supplies. Availability of containers has tightened up and for this reason there was a flurry of buying to insure supplies were shipped in time. Rains from the tropical storm held up harvest and ginning progress which also supported higher prices. Oil mills in the region have been able to procure as much cottonseed as they need, but seed quality is a concern.

Mid-South Markets are firmer as well, with nearby supply remaining snug. Due to the onslaught of wet weather over the past couple months, there isn't much ginning pressure to speak of in the region. For this reason, nearby prices have not moved downward to the degree that most market participants had anticipated. Due to the slow harvesting progress of other grains, merchants are having to deal with tighter than normal availability of trucks to move cottonseed. This factor also provides the possibility for prices to remain firm. Meanwhile, forward offers were raised, suggesting that there is interest on the part of resellers to build their position. However, end users are still staying clear of

Running Bales Ginned Totals as of 11/01/09
Compared to 3-year Averages for the period



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buying any more than what is necessary for the next couple weeks.

The West Texas market has seen rail buying intensify over the past week, as those with equipment or commitments to ship to the Far West looking in West Texas to fill their rail cars. Lack of supply in eastern markets has lead them to West Texas. Since last month, nearby offers climbed \$10/ton. Because of this price strength, local demand has backed away from the market and it appears that dairies will be content using other grain byproducts like DDGS, corn gluten feed or wheat midds. Unless cottonseed prices retreat, dairies will include only minimal amounts in their rations.

Far West markets have drifted lower compared to a month ago, which was lowered due to the progress of ginning in California. Also, prices of hay and other feed ingredients are priced competitively compared to cottonseed. Prices remain stout as some merchants are having difficulty shipping what is under contract. The rail shippers continue to play catch up and it appears that this situation will potentially linger through the Thanksgiving holiday and provide upward price potential in coming weeks. Forward offers are a non-issue as dairies are reluctant to chase prices higher.

COTTONSEED BALANCE SHEET: USDA's balance sheet had a 173,000-ton reduction to production. Wet and cool weather late in the crop year has caused a reduction to expected output. The crush category had the largest change as it dropped 200,000 tons. The feed, seed and other category was increased 27,000 tons. The ending stocks level remains unchanged, however the stocks-to-use ratio shifted higher to 10%, which remains above the 5-year average of 8.5%.

Informa's balance sheet, had production lowered 127,000 tons. The quality of cottonseed will likely be lowered due to persistent rains. Cottonseed output will be hampered by cool temperatures and abundant rain late in the season. Exports were raised 22,000 tons. Meanwhile, the feed seed and other category was lowered 52,000 tons as dairy users have been dragging their feet with making purchases. Dairies are behaving as if they will be content with inclusion rates at or below year ago levels. The crush was lowered 97,000 tons, as runtimes for some processors continue to lag below expectations as cottonseed oil demand continues to be subpar. Ending stocks are unchanged with a stocks-to-use ratio of 9.7%.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Nov. / USDA	Nov. / Informa	Nov. / USDA	Nov. / Informa
	<u>2007/08</u>	<u>2008/09E</u>	<u>2008/09E</u>	<u>2009/10F</u>	<u>2009/10F</u>
	Beg. Stocks	489	643	643	514
Imports	3	0	0	0	24
Production	6589	4300	4300	4209	4283
Total Supply	7080	4943	4943	4723	4821
Crush	2706	2250	2250	2188	2228
Exports	599	191	191	350	220
Feed, Seed, & "Other"	3132	1989	1988	1756	1948
Total Disappearance	6437	4429	4429	4294	4396
End Stocks	643	514	514	429	425

COTTONSEED fob points				
<u>PRICES 11-13-09</u>		<u>Trade</u>		<u>Yr Ago</u>
<i>SOUTHEAST</i>		(\$/ton)		
No. Carolina	Spot	165b / 170o		195o
So. Carolina	Spot	160b / 165o		200o
Georgia So.	Spot	145-150b / 165o		210o
	JFM	175o		n/a
<i>MID-SOUTH</i>		(\$/ton)		
Memphis No.	Nv-Dc	183b / 185-190o		245o
	Ja-Ag	215o / 200t		260o
MO Bootheel	Spot	185o		240t
	JFM	200t		n/a
<i>SOUTHWEST</i>		(\$/ton)		
West Texas	Nv-Dc	185b / 190o / 188t		260o
	Ja-Ag	195b / 205o		278-280o
<i>FAR WEST</i>		(\$/ton)		
Arizona	Nv-Dc	205o		310o
Cal Corc. N	Spot	280o		333-345o
& Stockton	Dec.	275o		335o
	Ja-Sp	277b / 285o		360o
<i>SPECIALLY PROCESSED PRODUCTS (\$/TON)</i>				
<i>Easi Flotm</i>	Courtland, AL	Spot	220o	295o
<i>FuzZpelletstm</i>	Weldon, NC	Spot	205o	255o
<i>Cotton Flotm</i>	Weldon, NC	Spot	205o	255o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 11-13-09</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Nv-Dc	222o			
	Ja-Ag	242o			
SE Pennsylvania	Nv-Dc	205o			
	Ja-Ag	225o			
NE Ohio	Nv-Dc	222o			
	Ja-Ag	242o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Nv-Dc	231o			
	Ja-Ag	251o			
MN (Rochester)	Nv-Dc		233-235o	243-245o	
	Ja-Ag		240o	250o	
WI (Madison)	Nv-Dc		223-225o	233-235o	
	Ja-Ag		233o	243o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Nv-Dc		215t		
	Ja-Sp		230o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Nv-Dc				240-245o
	Spot				265o
Idaho (UP)	Nv-Dc				260b 265o
	Ja-Ag				280o
WA/OR (BN)	Nv-Dc				275o
	Ja-Ag				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.

Cottonseed Intelligence Monthly@2009 is published monthly Phone: **651-925-1052/Fax 651-925-1061** e-mail: james.bueltel@informaecon.com
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