

GINNING REPORT: The running bales ginned total as of November 1st was 7.97 million bales. This was 3.43 million bales above the 3-year average for this time of year. Since the previous report from the middle of October, Texas ginned over 1.1 million bales. Far West states are the only ones below the 3-year average.

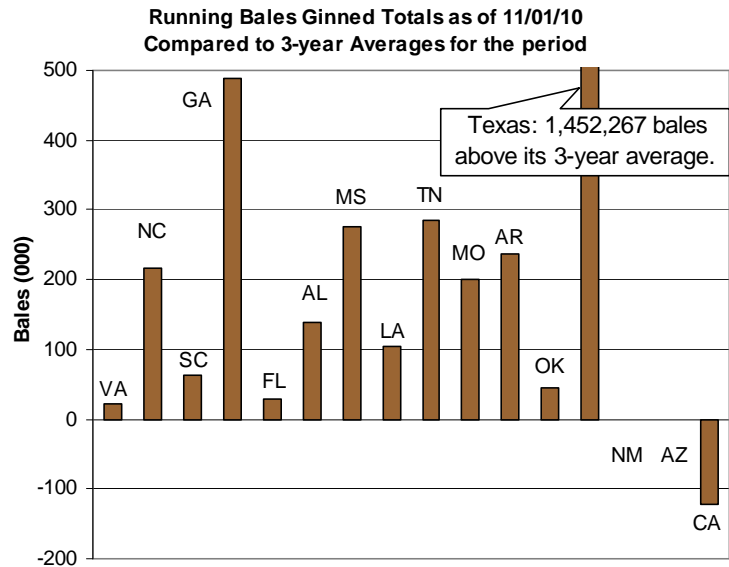
COTTONSEED MARKET: There are hints of a slightly softer tone in the market starting to develop. Offers were not shown lower, rather the buying side of the feed market was less enthusiastic about trading at such stout price levels. At the same time, milk futures have moved lower which suggests that demand from dairies will remain soft. However, oil

mills continue to be steady buyers of cottonseed and economics for them continue to be supportive of a strong crush. With PBSY cottonseed oil prices in the Mississippi River valley a couple cents on either side of 50 cents/pound and cottonseed meal prices hovering around \$230/ton, oil mills are anticipated to remain strong buyers for the balance of the ginning season.

Ginning activity in the Southeast is at its peak and will likely continue at this level for a couple more weeks. This will keep the availability of supply high and for the time being the lion's share of what is being ginned is either going to oil mills, or into storage. Gins are not aggressive sellers at this point, it appears that there is sufficient demand and sellers are not interested in accepting bids. They are delivering off of contract and not concerning themselves with showing forward offers.

In the Mid-South, the majority of ginning has been done and most gins in the region will be done by the Thanksgiving break. Gins are content to hold on their seed in anticipation for a continuation of offers edging higher. The problem is that as of late resellers are having difficulty moving the supply they have booked. This has the potential to be a drag on nearby prices if the middle market becomes pressured to move supplies. Since prices have climbed, it is safe to assume that sellers should be able to trade and still make a tidy profit. There are more forward quotes openly offered in the market, but due to lackluster end user demand, trading remains limited.

There has been a little bit of a rush to move supplies in West Texas before the rain that was expected to arrive early in the month. This situation helped create a slightly weaker tone in the mar-



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ket. Dairies are still keeping to the sidelines as they are concerned about their financial wellbeing during the next few months. Prices may need to rollback some before feed demand returns to the market.

Offers have drifted lower in California as supply pipelines return to a comfortable level. There are additional local new crop offers being shown directly from gins. Due to poor economics for milk producers, they are not very interested in making purchases or taking on forward ownership. Another factor limiting bookings has been the volatility in grain futures. Buyers have only limited forward ownership and are anticipated to only come to the market when they have an immediate need. By the middle of the month, forward offers slipped a couple dollars, but that hasn't resulted in trading.

COTTONSEED BALANCE SHEET: USDA's November crop report had cotton production down 455,000 bales, or 2% compared to last month. Yield expectations were lowered which accounts for the reduction. This relates to a 160,000-ton deduction in of cottonseed. On the demand side of the balance sheet, the crush was lowered 100,000 tons, which is closer to the 5-year average. The Feed, Seed and Other category was reduced 60,000 tons. Ending stocks were unchanged.

The Cottonseed Digest balance sheet had a modest 60,000-ton reduction to supply as yields in West Texas and the Carolinas have been reported lower than earlier expectations. Nonetheless, production is up and will be sufficient. The drop in production was split evenly between the crush and the Feed, Seed and Other category. There is a strong economic incentive for oil mills to produce as much as they can thanks to strong vegetable oil prices. Crush results for the first two months of the crop year exceed last year's level but fall short of the 5-year average. Dairy economics are weak and it appears this situation will continue to linger for the next few months, this will likely hamper feed demand for the next several months.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Yrs beg Aug 1	USDA	Nov. / USDA	Nov. / CSD	Nov. / USDA	Nov. / 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	6231	6412
Total Supply	4943	4687	4687	6573	6754
Crush	2240	1900	1900	2500	2520
Exports	191	291	291	450	400
Feed, Seed, & "Other"	1999	2154	2154	3104	3205
Total Disappearance	4429	4345	4305	6054	6125
End Stocks	514	342	342	519	629

COTTONSEED fob points				
<u>PRICES 11-12-10</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	188o / 187t		170o
	Ja-Ag	210o		n/a
So. Carolina	Spot	180b / 185o		165o
	Ja-Ag	210o		n/a
Georgia So.	Spot	178b / 180o / 180t		165o
	Ja-Ag	205o		n/a
MID-SOUTH		(\$/ton)		
Memphis No. (as ginned)	Spot	210o		n/a
	Nv-Dc	215o		185-190o
	JFM	230o		n/a
	Ja-Ag	225-230b / 235o		200t
MO Bootheel (as ginned)	Spot	213t		185o
	JFM	230o		200t
	Ja-Ag	235o		n/a
SOUTHWEST		(\$/ton)		
West Texas (as ginned)	Spot	200-205b / 208o		188t
	JFM	210b / 218o		n/a
	Ja-Sp	225b / 230-233o		205o
FAR WEST		(\$/ton)		
Arizona	Nv-Dc	265o / 265t		205o
	Ja-Sp	280o		n/a
Cal. Corc. N & Stockton	Spot	300-305o		280o
	Ja-Ag	310b / 315o		285o
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	Spot	250o	220o
FuzZpellets™	Weldon, NC	Spot	n/a	205o
Cotton Flo™	Weldon, NC	Spot	n/a	205o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 11-12-10</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Spot	239o			
	JFM	259o			
SE Pennsylvania	Spot	221o			
	JFM	242o			
NE Ohio	Spot	239o			
	JFM	259o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Spot	249o			
	JFM	269o			
MN (Rochester)	Spot		260-265o	265-275o	
	JFM		270-275o	280-285o	
WI (Madison)	Spot		257-260o	260-265o	
	JFM		265-268o	270-275o	
SOUTHWEST		(\$/ton)			
Texas / Dublin- Stephenville	Nv-Dc		220o		
	Ja-Sp		240o		
RAIL - FOB TRACK POINTS		(\$/ton)			
Laredo TX (Mid-Bridge)	Spot				270b 280o
	JFM				278b 288o
California	Spot				n/a
Idaho (UP)	Nv-Dc				300b 305o
	JFM				303b 310o
WA/OR (BN)	Spot				300b 305o
	JFM				312o
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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