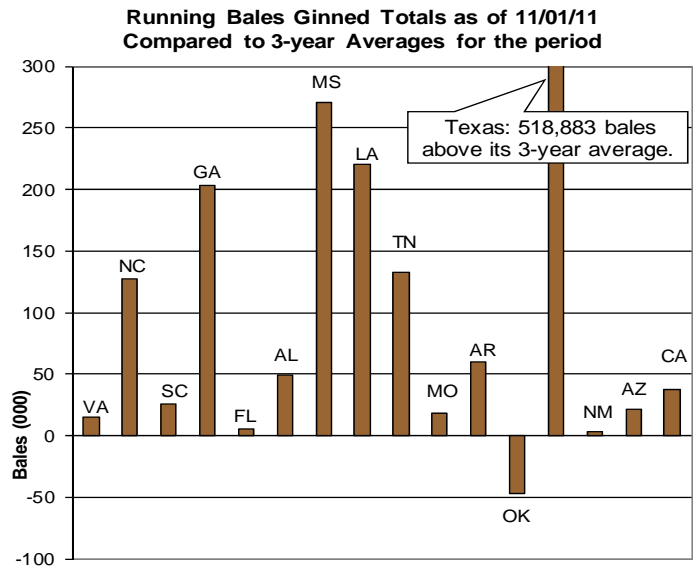


GINNING REPORT: The running bales ginned total as of November 1st was 6.492 million bales. This is 1.66 million bales above the 3-year average. Since the previous report two weeks ago, roughly 3 million bales were ginned. Compared to last year's pace, 3.2 million more bales were ginned. This ginning progress is stronger than anticipated and suggests there is ample supply of cottonseed. By next month, ginning progress for Texas compared to the 3-year average are apt to be at be sub-par like Oklahoma. This year's early start and shorter ginning season due to dry conditions in most states has helped to keep the totals above the 3-year average. For the rest of the ginning season, the remaining states should stay above the average level.



COTTONSEED MARKET: Prices direction is mixed as of the middle of November. The Mid-South and California markets have firmed, while the Southeast is choppy and West Texas edged lower. Buying activity in all markets is limited. Gins are running hard and supply is abundant which is weighing on the market.

In the Southeast, there has been a bit more buying interest to cover requirements before the Thanksgiving holiday. Spot interest is not as robust as anticipated, and the movement of supply is hampered by tight availability of trucks. There is a lot of cottonseed in the region that needs to find a home. Prices remain competitive compared to Western markets. This provides the opportunity to move seed out of the region which is expected to continue. Ginning in Georgia is expected to run the longest in the region. Recently there has been an increase in interest for offers beyond January, but not much has traded.

Mid-South nearby trading has had several-dollar price gyrations up and down for the past few weeks. Gins are running hard with over half of the crop ginned and still filling up storage. There has been an increase in buying interest for December, even as offers are at a several-dollar premium. For the time being, end users are willing to wait. Dairy buyers are still uncertain about profits and not confident enough to take on much more forward ownership. However, there have been recent increases to milk prices which should increase the bottom line for dairies through the end of the year.

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After holding within a several dollar range for the past several weeks, West Texas nearby offers have drifted a few dollars lower. The arrival of cottonseed from eastern markets via rail and trucks has helped apply downward price pressure. Additionally, ginning continues and the stout prices appear to have choked off local dairy demand. While the ginning season had an early and aggressive start, by the end of next month most gins are expected to finish their season before the holiday break.

In the Far West, the demand for Idaho rail cars has been steady. The PNW has been quiet and offers are keeping a stout premium as sellers are less interested in trading in this market due to slower equipment turnaround times. California prices moved higher thanks to steady buying interest for the nearby. Forward offers are at a discount, but the majority of dairies have yet to book at these price levels. Gins are storing their seed in hopes of higher prices in the future. The nearby market will likely remain active for the next few months unless end users become more aggressive in covering their needs in the future. At this point, downside price risk is limited absent additional imports from Australia.

COTTONSEED BALANCE SHEET: In their November Crop Production report, USDA lowered cotton production by 308,000 bales compared to last month. As a result, cottonseed production was lowered 102,000 tons. The USDA's seed per bale calculation would suggest that there will be lower cottonseed yields this year compared to the average the past several years. The Feed, Seed and Other category was lowered 102,000 tons. The ending stocks are unchanged from last month.

The Cottonseed Digest balance sheet lowered production a modest 38,000 tons. It is possible that the amount of seed per bale will not be as low as suggested by USDA. Compared to last month, the demand outlook remains unchanged. The calculated net crush value of cottonseed suggests that oil mills will continue to crush as much as possible even if they pay current prices for cottonseed. There are some concerns as the oil demand outlook is unclear. However, as long as cottonseed meal and hull prices stay stout there is an incentive for a strong crush. Thanks to improved milk futures, the outlook for dairies appears to be less bleak. Exports remain quiet and as long as the dollar remains strong, the status quo is expected to continue.

Cottonseed Supply/Demand Balance Sheet (000 tons)					
Year begins Aug 1	USDA	Nov. / USDA	Nov. / CSD	Nov. / USDA	Nov. / CSD
	<u>2009/10</u>	<u>2010/11E</u>	<u>2010/11E</u>	<u>2011/12F</u>	<u>2011/12F</u>
	Beg. Stocks	514	342	342	618
Imports	24	0	0	100	150
Production	4149	6098	6098	5470	5544
Total Supply	4687	6440	6440	6188	6312
Crush	1900	2563	2563	2400	2450
Exports	291	275	275	225	200
Feed, Seed, & "Other"	2154	2984	3984	3133	3111
Total Disappearance	4305	5822	5822	5758	5761
End Stocks	342	618	618	430	551

COTTONSEED fob points				
<u>PRICES 11-11-11</u>		<u>Trade</u>		<u>Yr Ago</u>
SOUTHEAST		(\$/ton)		
No. Carolina	Spot	250b / 257o		187t
	JFM	275o		n/a
	Ja-Ag	288b / 292o		210o
So. Carolina	Spot	240b / 245o		185o
	Ja-Ag	290o		210o
Georgia So.	Spot	230b / 240-245o		180o/t
	Ja-Ag	285b / 290o		205o
MID-SOUTH		(\$/ton)		
Memphis No.	Spot	280-285o / 283		210o
	Dec.	288-290o		215o
	Ja-Ag	315		235o
MO Bootheel	Spot	288o		213t
	Ja-Ag	315o		235o
NE Arkansas	Spot	285o		n/a
SOUTHWEST		(\$/ton)		
West Texas (as ginned)	Spot	370b / 375o		208o
	Dec.	390o		n/a
	Ja-Ag	398o		230-233o
FAR WEST		(\$/ton)		
Arizona	Spot	350b / 355o		265o/t
Cal. Corc. N & Stockton	Spot	400-405o		300-305o
	Clock	398o		n/a
SPECIALLY PROCESSED PRODUCTS (\$/TON)				
Easi Flo™	Courtland, AL	Spot	320o	245o
b = bid o = offer t = trade n/a = not available				

COTTONSEED dlvd. points					
<u>PRICES 11-11-11</u>		<u>Dump</u>	<u>Hopper</u>	<u>Live Floor</u>	<u>Rail</u>
NORTHEAST		(\$/ton)			
W. New York	Nv-Dc	307o			
	Ja-Ag	337o			
SE Pennsylvania	Nv-Dc	290o			
	Ja-Ag	320o			
NE Ohio	Nv-Dc	307o			
	Ja-Ag	337o			
MIDWEST		(\$/ton)			
MI (Grand Rpds.)	Nv-Dc	317o			
	Ja-Ag	347o			
MN (Rochester)	Nv-Dc		347o	350-355o	
	JFM		357o	365o	
WI (Madison)	Nv-Dc		340o	344-350o	
	JFM		350o	360o	
SOUTHWEST		(\$/ton)			
Texas / Dublin-	Spot		385o		
Stephenville	Ja-Ag		403o		
RAIL - FOB TRACK		(\$/ton)			
Laredo TX	Spot				n/a
California	Spot				n/a
Idaho (UP)	Spot				375b 385o
	Dec.				395o
	Ja-Ag				390b 405o
WA/OR (BN)	Spot				405o
	Dec.				410o
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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