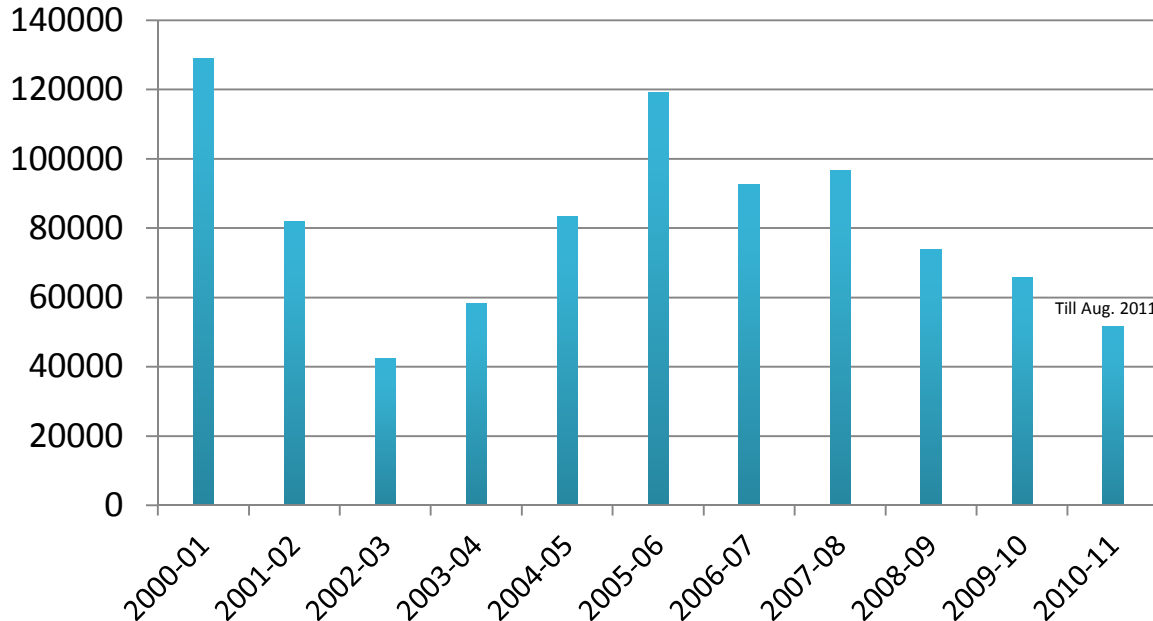


ANNUAL REPORT FOR CCI-NCPA- MEXICO OCT. 2010-SEPT. 2011

General Summary

For the marketing year Oct 1 2010-Sept 30-2011, imports of US cottonseed meal (USCSM) into Mexico will probably be around 55,000 metric tons a decrease from the previous fiscal year of 65,878 metric tons (Table 1). This reduction tendency that started in the fiscal year 2008-2009 can be primarily attributed to the smaller U.S. cotton crops since the 2008-2009 cycle, although there was an increase during 2010-2011 (Table 2). These factors along with the increase dollar value market in certain months of the year (Figure 1) make availability and market conditions (Figure 2) variables hard to handle for the Mexican consumer when USCSM is being challenged by other protein sources at the moment as Canola Meal and DDG's. It is estimated that for the fiscal year 2011-2012 USCSM imports will be around 60,000 metric tons. This is mainly due to the fact that, the Southwest region of the U.S which was forecasted to produce 9.3 million bales of cotton and finally ended with 8.3 million bales for 2009-2010 has been reduced by 50% to 4.2 million bales for 2011-2012. Also, the stocks of USCSM tend to decrease at the start of the new fiscal year of 2011-2012 as can be observed (Figure3). The Southwest region influences cottonseed meal exports to Mexico significantly more than any other area of the U.S, as USCSM enjoys a considerable freight advantage vs other US protein meals being shipped to most regions in Mexico.

Table.1 USCSM IMPORTS (Met. Tons.) MEXICO 2000-01- 2009-10 (Fiscal Years) (NCPA. Data)



On October 20, 2010 the first Mexican transport vehicle with freight was allowed to enter the U.S. past the 20 km limit as part of the North Free Trade Agreement of 1994.. Although, up to know it has been only one company, Transportes Olympic of Monterrey, that has received the permit after complying with U.S. laws; this could have positive repercussions in the near future on freight costs for Mexican

importers of U.S. agricultural products. Mexican transports can now be allowed to enter any part of the U.S. and bring their imports back to Mexico.

Table. 2 U.S. Cotton Balance Sheet

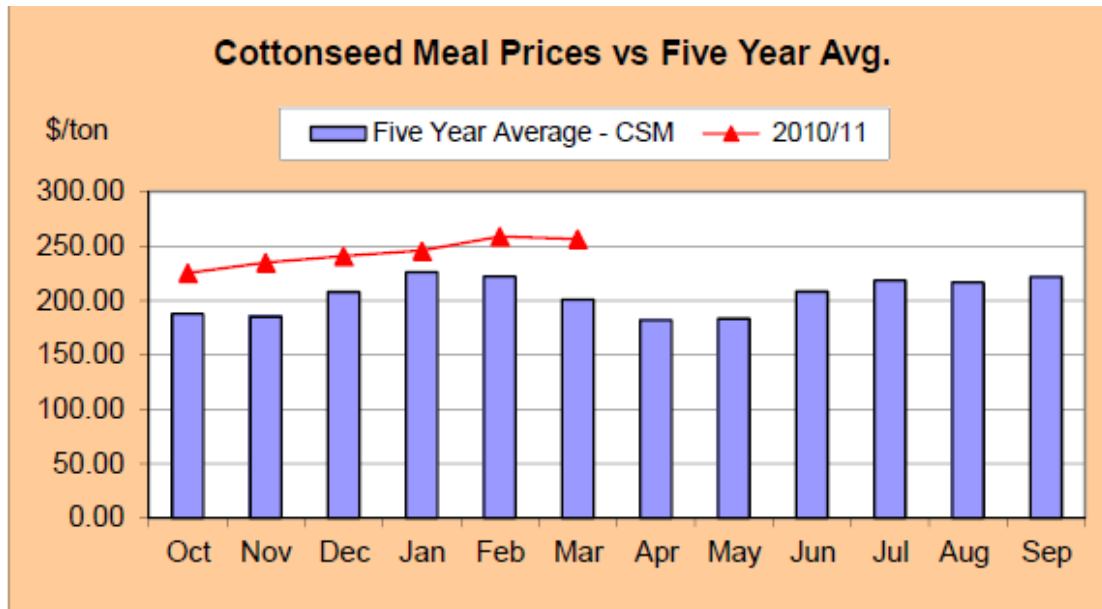
(Millions of 480-lb.bales)	2007/08	2008/09	2009/10	2010/11	2011/12 September	2011/12 October
Beginning Stocks	9.5	10.1	6.3	2.9	2.6	2.6
Production	19.2	12.8	12.2	18.1	16.6	16.6
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	28.7	22.9	18.5	21.1	19.2	19.2
U.S. Mill Use	4.6	3.5	3.6	3.9	3.8	3.8
Exports	13.6	13.3	12.0	14.4	12.0	11.5
Demand	18.2	16.8	15.6	18.3	15.8	15.3
Ending Stocks	10.1	6.3	2.9	2.6	3.4	3.9
Stocks/Use Ratio	55.2%	37.7%	18.9%	14.2%	21.5%	25.5%

Source: USDA

Figure.1 Mexican Peso to One U.S. Dollar Relation Jan 2010-Sept 2011.

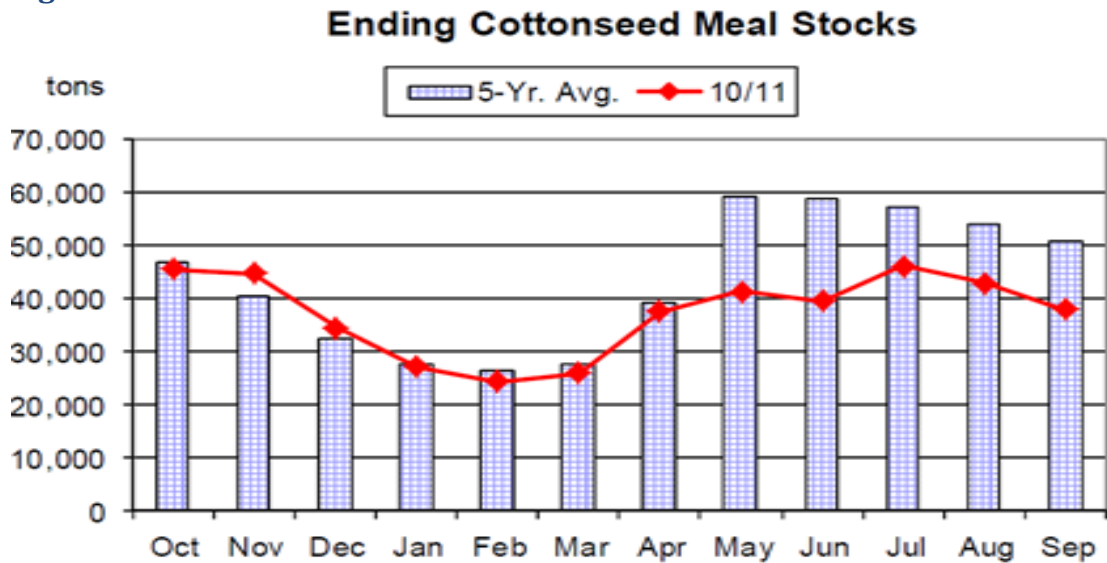


Figure 2



NCPA. Data

Figure 3



NCPA. Data

NCPA and Cotton Council International have been working constantly to ensure that Mexican customers are advised correctly in feeding USCSM and also updating them with market information that will help them in their final decisions of importing USCSM. Unfortunately the Mexican customers tend to use the spot markets instead of looking a few months ahead. Cottonseed meal use in rations across the country is more common and especially in Dairies where they previously did not as the Laguna area (Coahuila and Durango) production with more than 200,000 dairy cows and the Delicias area in Chihuahua with more than 50,000. The Mennonite Region also in Chihuahua with 30,000 dairy cows is

importing significant amounts of USCSM over 10,000 metric tons of USCSM. More nutritionists in Mexico now recommend cottonseed meal in rations than ever before, with uses showing up in rations ranging from bullfighting stocks to the ever-expanding goat industry across the Pacifico Sur and Altiplano regions of México. Furthermore it is reported that the area of the Altiplano, Tizayuca Hidalgo a dairy area of 30,000 dairy cows, close to Mexico City, through Dr. Enrique Pons, major dairy Nutritionist of the area, has been put in contact with an NCPA member (ADM) in looking into the possibility of importing USCSM. This area have been using soybean meal and canola meals as their protein source. This possible change if it occurs would be due to market conditions and the awareness on the advantages of USCSM promoted by CCI and NCPA.

The Mexican Cotton Crop estimate for the fiscal year 2011-2012 (Table 3) has increased considerably over previous years with 1,145,658 bales and 435,350 metric tons of cottonseed which will reduce the imports of U.S. whole cottonseed into Mexico. Also, Mexico does not have a crushing facility at the moment.

Table. 3 COTTON BALES AND COTTONSEED PRODUCTION FOR 2009-2010. FINAL PRODUCTION FOR 2010/11 AND FORECAST FOR 2011-2012.

REGION	BALES		SEED		BALES	
	09-10	09-10	10-11	10-11	Estimated 11-12	SEED 11-12
SONORA	11,050	4,199	17,215	6,542	87,500	33,250
MEX B.C.	121,250	46,075	164,014	62,325	227,740	86,541
CHIH.	146,012	55,484	406,855	154,605	638,918	242,789
LAGUNA	132,031	50,171	108,203	41,117	162,500	61,750
TAMPS.			16,400	6,232	25,000	9,500
SINALOA					4,000	1,520
Total	410,343	155,930	712,687	270,821	1,145,658	435,350

Mexican Confederation of Cotton Growers Data

Market Summary

Cottonseed meal (CSM) is a by product from the extraction of oil from cottonseed. CSM is palatable and commonly used in livestock and dairy cattle rations as a natural high protein supplement and can be used as a substitute for soybean meal and canola meals in ruminant rations.

Specific goals 2010-2011 for Animals Using USCSM in Mexico

Utilization in Feedlots:

States: Nuevo Leon, Sonora, Sinaloa, Jalisco Tamaulipas, Veracruz

1. Stimulate demand for CSM used in feed lots in Nuevo Leon & Tamaulipas, which is forecast at 17,000 in 2010/11;

For the area of Nuevo Leon and Tamaulipas **AYAMSA** (Aceites y Algodones y Mexicanos) has been one of the major customers of USCSM and whole cottonseed for many years due to its proximity with the U.S. border. They import between 10,000 to 15,000 metric tons per year with a market value of more than 4 million U.S. dollars. Providers of AYAMSA is mainly **VALCO** industries of Harlingen, **ADM** with offices in Mexico City and **CONAGRA Brokers**, all NCPA members. They consider that they are still being challenged by DDG's and also by Canola Meal this past fiscal year.

Total US CSM imports for this past fiscal year is estimated at 10,000 metric tons as total supplies of US CSM were below season averages.

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2. Monitor the amount of CSM used in feed lots in Sonora, Sinaloa and Jalisco, which is estimated at 4,000 mt in 2010/11 ;

The key customer in the area is the Grupo **SUKARNE** which operates various feedlots in Sinaloa, Baja California, Monterrey and Jalisco. They have imported previously an estimated 4,500 metric tons of USCSM per year. SUKARNE has a capacity of an estimated 200,000 animals considered to be one of the five biggest feedlots in the world. When they have imported USCSM, they have done it at an estimated level of between 300-500 metric tons per month, which surpasses the objective determined by CCI-NCPA. Their provider when they import is the **JG Boswell Company of Corcoran**, California, an NCPA member. A positive or negative recommendation by the SUKARNE nutrition consultant is key to

determining USCSM sales, as well as price and availability. It is considered that this company did not purchase USCSM in this last fiscal year due to lack of supply and market conditions.

3. Monitor cottonseed meal use of dairy, feed lot, and cow-calf operations in Veracruz which is forecast to remain unchanged from an estimated 4,000 mt in 2010/11;

The state of Veracruz is in the tropic region of Mexico, which represents considerable challenges compared to other regions in Mexico is also limited by its geographic location far away from the U.S. border impacting freight costs. This state is one of the largest states bordering the Gulf of Mexico, which could serve as an entry (seaport) to other tropical states, such as Chiapas which has a significant number of cattle. One of their main providers is **Forrajes Chapetados**. It is considered that the original estimate will be reduced to 1,000 metric tons, since market conditions have affected negatively the number of distributors in the area but **Forrajes Chapetados** reports that they will be increasing their focus in this area for the fiscal year 2011-2012..

Utilization in cow calf operations States: Chihuahua, Coahuila

1. Help increase cottonseed meal use in cow-calf operations in Chihuahua estimated to import 4,000 metric tons for 2010/11;

The **Union Ganadera of Chihuahua** (Feed Cattle Association) representing more than one million animals, under a cow- calf system, under range conditions, are continuing using USCSM as their protein source. According to Martin Dominguez, director of buying, their customers have been traditional users of cottonseed meal and will continue demanding it. They import U.S. cottonseed meal in the range of 3,000 to 5,000 metric tons per year, with a market value of over one million dollars, depending on the occurrence of drought conditions which increases significantly the use of cottonseed meal in cow-calf ranchers under pasture conditions. During this last fiscal year a drought affected considerably this area through the months of January till July with residual effects still being felt. This brought considerable demand for USCSM but lack of supply inhibited the increase use of USCSM. Nevertheless, NCPA CCI was instrumental in providing USCSM for this area during the drought. It is considered that they imported 3,000 metric tons for this last fiscal year.

2. Maintain the amount of cottonseed meal use of cow-calf operations in Coahuila which is forecast at 1,050 mt in 2010/11;

The **Union Ganadera Regional de Coahuila** (state cattle association) purchases around 350 metric tons of U.S. cottonseed meal per year, primarily for use in beef cattle. This accounts for nearly one-third of the estimated 1,000 tons of USCSM that NCPA has projected for their objective in this region. It is considered that this area did maintain their goal since this area also was affected by drought conditions which normally increase the use of USCSM in these cow-calf operations of the Northern part of Mexico. The provider for this Association is PYCO Industries of Lubbock Texas and is considered that with the opening of the border to Mexican Transport, past the 20 km limit, this will benefit this Association by

reducing their freight cost and possibly increasing their USCSM use, since they are located at the Mexican border.

Utilization in Dairy Operations

States: Coahuila, Chihuahua, Durango, Jalisco

1. Monitor cottonseed meal use of dairy operations in Chihuahua, Cuauhtémoc and Coahuila, which is forecast at 20,000 mt tons in 2010/11;

Another major client of USCSM in Mexico, in the area of Chihuahua are the **Mennonites**, located in Cuauhtémoc, Chihuahua, with one sector of their population representing approximately 30,000 dairy cows in production. It was estimated that this area consumed around 7,000 metric tons of USCSM but CCI-NCPA monitoring throughout this last fiscal year with Mr. Juan Olfert Director of Sales of Avena Flor De Llano estimates that they imported around 10,000 metric tons. This could have increased but the lack of supply inhibited increases in the use of USCSM when the area was being affected by the drought. NCPA-CCI also assisted them in supplying information during this period.

The **ALCODESA** feed plant located in the city of Delicias, Chihuahua is a major feed plant and part of a dairy cooperative that milks an estimated 50,000 dairy cows consuming approximately 8,000 metric tons of USCSM per year with a market value of over 2 million dollars.

In summary this dairy area of Chihuahua is considered to have imported an estimated 18,000 metric tons of USCSM with a market value of over 5 million dollars during this last fiscal year. The providers at the moment are **PYCO** industries of Lubbock, **ADM** offices in Mexico City and recently **AGMOTION** brokers.

LALA-NUPLEN, located in the state of Coahuila and Durango is the largest dairy cooperative in Mexico with over 200,000 dairy cows in production with their plant Director being Mr. Gamio Chipi Gomez. They were importing 800 metric tons of USCSM per month but it is estimated that they did not significantly import USCSM during this last fiscal year. It is considered that this was due to the lack of supply and market conditions. The providers for this area are mainly **ADM** with its offices in the city of Torreon of the state of Coahuila.

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2.Help increase cottonseed meal use in dairy operations in Jalisco state estimated at 40,000 mt for 2010/11;

Jalisco is the number one producing dairy state in Mexico but as a region it's the Laguna area between the states of Durango and Coahuila, where the dairy cooperative LALA-NUPLEN is located. This area is mainly distributed by **Forrajes Chapeteados** which brings USCSM from NCPA member and sells it to dairy farmers in the state of Jalisco and neighboring states. The key customer, Forrajes Chapeteados, operates a fleet of trucks that enables it to distribute USCSM provided mainly by **VALCO** industries in Harlingen. NCPA also believes that **ADM** offices in Mexico provide USCSM directly to the region as

well. Chapeteados imports between 25,000 to 30,000 metric tons per year. A recent client of USCSM is **Angelica Macias** in the area of Zapotlanejo, Jalisco. They were importing on an average of 500 metric tons per month or 6,000 metric tons per year but this year they did not import any significant amount of USCSM due to the lack of supply, market conditions and inconsistency in the quality of the product according to Angelica Macias

NCPA/CCI estimates that this region imported around 25,000 metric tons of USCSM with a market value of over 7 million dollars.

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New Markets in Mexico for USCSM **State:Hidalgo,Guanajuato,Queretaro**

1. A major dairy nutritionist Dr. Enrique Pons was visited in Queretaro and he mentioned that he would recommend the use of USCSM in the dairy rations of Tisayuca, a major dairy area close to Mexico City which represents over 30,000 dairy cows but needed more consistency in the quality of the product and availability according to him. He has been contacted with ADM an NCPA member which has offered to comply with those requirements.

2. The area of Guanajuato in the state of Leon, a central state close to Jalisco has become a significant potential user of USCSM due to its recent interest in its use by their Dairy Goats Systems, in their feed rations, that have flourished in the area. USCSM can be given to a dairy goat at levels of 10 to 15% of their ration. CCI-NCPA has been promoting its use through the main nutritionist of the Dairy Goat Association of Guanajuato, Dr.Hector Andrade Montemayor, but has been unsuccessful due to apparent lack of knowledge on the part of the feed plant managers of the Association. In the near future ADM

will be contacted with these potential customers, since they are very interested in being a provider to this area.

Other objectives

1. Increase the number of influential nutritionists who recommend cottonseed meal use from 15 to 16 in 2010/11;

Recently Dr. Enrique Pons of Mexico City , major Dairy Nutritionist in the State of Mexico was added to the list of influential nutritionists.

2. Increase the average number of monthly inquiries from Mexican industry members interested in US cottonseed meal from in 2010/11 as measured by web site statistics;

NCPA web site statistics are monitoring this objective.

For the Caribbean region:

- a. Continue to identify and provide data regarding market size and scope for protein feed ingredients;
- b. Continue to determine potential size and scope for US cottonseed meal sales;
- c. Maintain contact with key industry officials, including buyers, feed mixers and distributors.
- d. Initiate small-scale feeding trial of up to 10 mt of US CSM
- e. Establish sales of 4,000 mt to one or more key buyers.

1. Prepare a summary report on the Caribbean/Central American market for US cottonseed meal, identify the top importers/key customers, and provide a summary description of each.

CARIBBEAN ANNUAL REPORT 2011: PANAMA

Panama is considered to be a key country at this point since contacts were made with Industrias de Nata of Panama and Ing. Susset Dager, Director of Purchasing. Nata's market potential is considered to be significant but due to the substitution in Management of Ms. Susset Dager and difficulties in starting a small feeding trial that would show the advantages of USCSM under field conditions basically related to Panama's custom laws; the promotional Marketing Plan was suspended temporarily. Nevertheless the information related to its marketing potential is reported.

Grupo Caleza. Ing. Susset Dagger. Gerente de Produccion of Industrias Nata

Grupo Caleza is a corporation of 7 major companies of Panama, a sugar company, named Estrella, a rice producer with the Oro and Premier brands, a shrimp producer in Coclé with 3000 Hectares, a feed plant named Industrias Nata, a Dairy Cooperative in Chiriquí, a buyer group named CINSA and a swine and cattle company of the Cebu breed in Coclé. In their feed plant (Industrias Nata) 70% of the feed goes for aquaculture and 30 % for feedlot, swine, broiler and horses. According to the technicians in Industrias de Nata they produce a concentrate for dairy cows of 12% crude protein with a volume of 8,000 quintals'

monthly or 174 metric tons. The concentrate is made of Rice polishing's, soybean meal, DDG and corn. They also report that their main market is the 20 lbs. milk production dairy cows. These cows on average consume 6 to 7 lbs. of the feed mentioned previously per cow, were 10 to 15% of this feed can easily be USCSM.

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