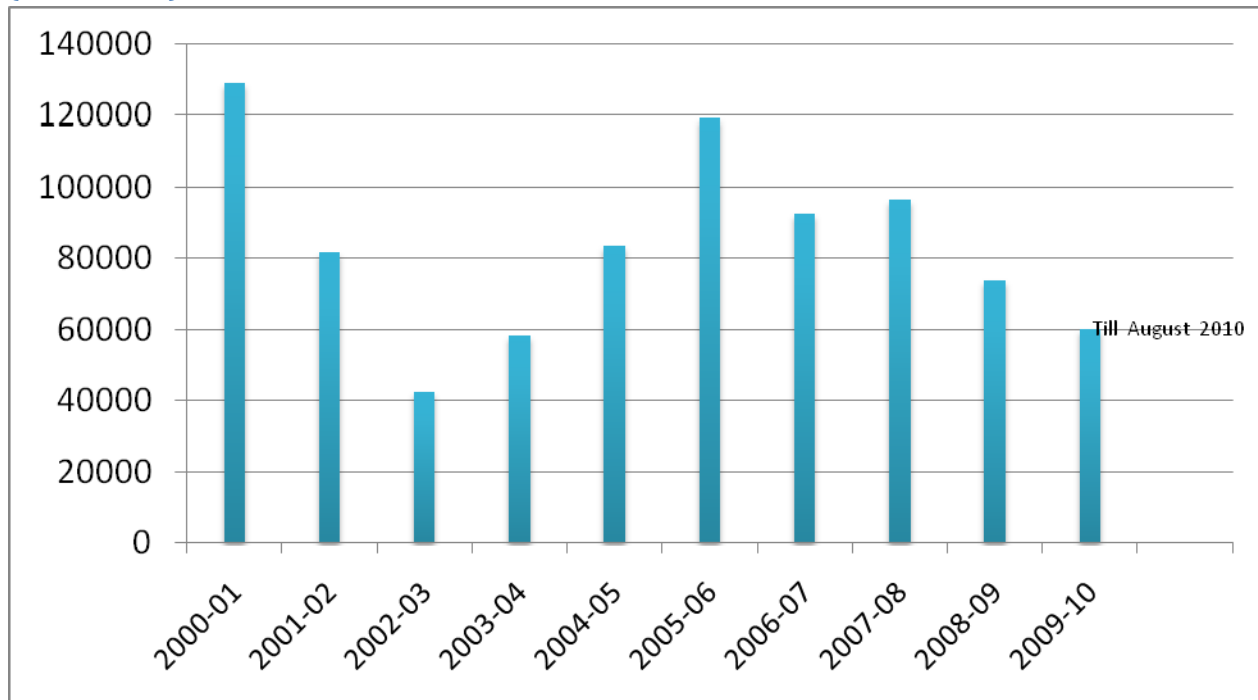


## ANNUAL REPORT FOR CCI-NCPA- MEXICO OCT. 2009-SEPT. 2010

### General Summary

For marketing year Oct 1 2009-Sept 30-2010, imports of US cottonseed meal (USCSM) into Mexico will decrease slightly (Table. 1) compared to the previous fiscal year. This can primarily be attributed to the smaller U.S. cotton crop of 8.8 millions of acres. Nevertheless, for the present marketing year USDA reports an increase to 11.0 million acres planted with a production of 18.8 million bales compared to 12.2 million bales in the previous year. Furthermore, the southwest region of the US is forecasted to produce 9.3 million bales of cotton. This region influences cottonseed meal exports to Mexico more than any other area of the US, as USCSM enjoys a considerable freight advantage vs other US protein meals being shipped to most regions in Mexico. For 2010-11, USCSM exports to Mexico are projected to be as much as 40% higher, to nearly 98,000 metric tons vs an expected 70,000 for 2009-10.

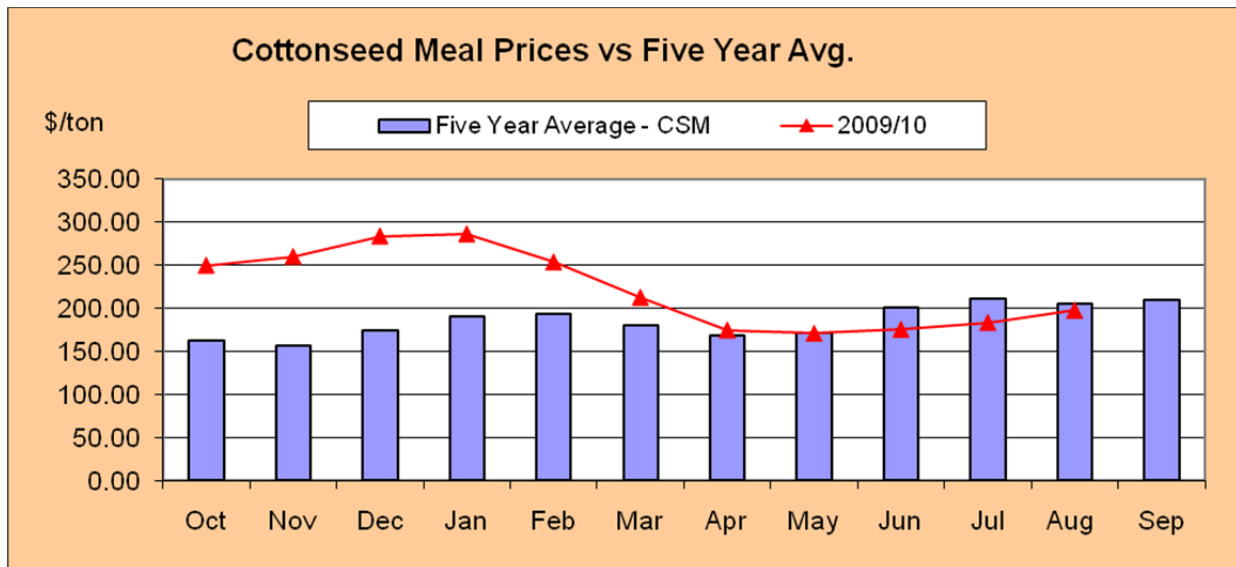
**Table.1 USCSM IMPORTS (Met. Tons.) MEXICO 2000-01- 2009-10 (Fiscal Years) (NCPA. Data)**



Market conditions (Table 2) and other factors as the Mexican peso to one U.S dollar relation (Figure.1) can have influence on imports during any fiscal year. The fluctuation of the Peso to U.S. dollar relation can be observed ranging from 12.26 pesos to 1 U.S. dollar in April to 13.18 pesos to 1 U.S. dollar in August. NCPA and Cotton Council International have worked constantly to ensure that Mexican customers use practical feeding practices in using cottonseed meal and keeping updated with market information that will helped them in their final decisions of importing USCSM. Expanded cottonseed meal use in rations across the country have made Dairies now regularly include cottonseed meal in the rations where the previously did not as the Laguna area (Coahuila and Durango) with more than 200,000 dairy cows in production and the Delicias area in Chihuahua with more than 50,000 dairy cows. The

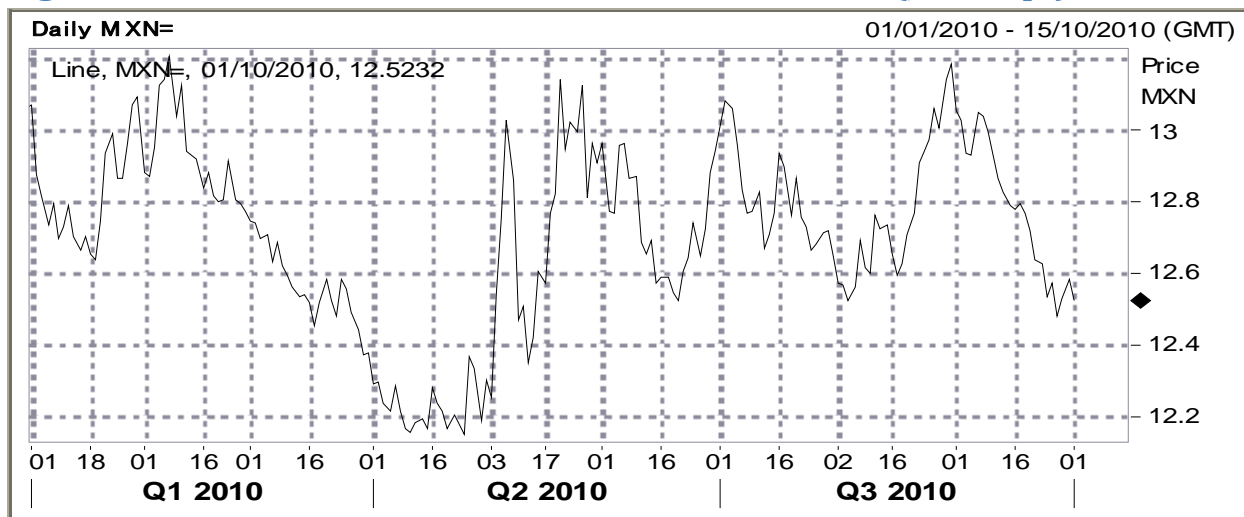
Mennonite Region also in Chihuahua with 30,000 dairy cows is importing significant amounts of USCSM over 4,000 metric tons of USCSM from one specific buyer and it is considered that this will increase. More nutritionists in Mexico now recommend cottonseed meal in rations than ever before, with uses showing 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 will begin to use USCSM in the fall of 2010. This area is estimated to have around 30,000 dairy cows but 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.

Table.2



NCPA. Data

**Figure.1 Mexican Peso to One U.S. Dollar Relation 2010 (Jan.- Sept)**



Casa de Cambio- Chihuahua- Mexico. 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.

## North Region States Users of USCSM

### Nuevo Leon

**AYAMSA** (Aceites y Algodones y Mexicanos) has been one of the major Mexican clients 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.

AYAMSA of Monterrey reports that the outlooks for the cotton crop of U.S. cotton for 2010 will favor their imports which with a good cotton crop can surpass 30,000 metric tons of USCSM, according to Jaime Guerra, Director of AYAMSA. They consider that they are still being challenged by DDG's but consider that this fiscal year will be a good year for USCSM imports in their area.

Total US CSM imports for this region were projected to reach 12,750 metric tons (mt) but NCPA/CCI estimates this will total closer to 11,750 mt for 2009-10 (Oct-Sep) as total supplies of US CSM were well below season averages.

### Chihuahua

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 has monitored throughout this last fiscal year a Mr. Juan Olfert Director of Sales of Avena Flor De Llano and has reported that they are importing between 4 to 6 railroad cars per month or a range of 4,000 metric tons to 6,000 metric tons per year. Thus, they along with other minor sellers of USCSM in the area could be importing close to 10,000 metric tons. Therefore this area will be focused further in the promotion plans to increase the use of USCSM in Mexico. 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 close to 6 million dollars. 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. In summary the state of Chihuahua is considered to have an estimated total use of USCSM per year of over 20,000 metric tons

with a market value of around 6 million dollars is reported. The providers at the moment are **PYCO** industries of Lubbock, **ADM** offices in Mexico City and recently **AGMOTION** brokers. The first two are NCPA members and providers of the Mennonites and the last one has been provided by **AGMOTION** brokers.

Total US CSM imports for this region were projected to reach 7,350 mt but NCPA/CCI estimates this will total closer to 7,000 mt for 2009-10 (Oct-Sep) as total supplies of US CSM were well below season averages.

## Coahuila and Durango

**LALA-NUPLEN**, located in the state of Coahuila and Durango is the largest dairy cooperative in Mexico with over 250,000 dairy cows in production with their plant Director being Mr. Gamio Chipi Gomez. They are importing 800 metric tons of USCSM per month. The amount of U.S. meal used represents about 3% of the dairy cow feed rations. NCPA has advised that they could easily increase that percentage from a nutrition and milk production standpoint. The market value of U.S. cottonseed meal being used by **LALA-NUPLEN** is in the range of 3 million dollars over a year's period.

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.

The providers for this area are mainly **ADM** with its offices in the city of Torreon of the state of Coahuila for **LALA-NUPLEN** and **PYCO** industries for the Coahuila state cattle association.

Total US CSM imports for this region were projected to reach 1,050 mt and NCPA/CCI estimates this will total close to that figure at 1,000 mt for 2009-10 (Oct-Sep). An increase in total supplies of US CSM for next year should help NCPA/CCI obtain their goal for this region.

## Central States Users of CSM

### Jalisco

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 are importing at the moment on an average of 500 metric tons per month or 6,000 metric tons per year. This area is estimated to import between 30,000 to 35,000 metric tons per year with an estimated market value of over 12 million dollars. It's **Angelica**

Macias that wants to buy directly from NCPA members but is buying USCSM from AYAMSA of Monterrey a major distributor of USCSM in Mexico.

NCPA/CCI has experienced the greatest amount of success in this region as it ranks first in imports of US CSM. Total US CSM imports for this region were projected to reach 37,050 mt and in spite of a decline in US supplies of CSM, NCPA/CCI estimates this will total close to 33,000 mt for 2009-10 (Oct-Sep). An increase in total supplies of US CSM for next year should help NCPA/CCI obtain their goal for this region.

## LEON

This 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.

Total US CSM imports for this region were projected to reach 7,350 mt for 2009-10 and will likely reach 7,000 mt for 2009-10 (Oct-Sep). An increase in total supplies of US CSM for next year should help NCPA/CCI obtain their goal for this region.

## Other States Users of CSM

### Sonora, Baja California and Sinaloa

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.

Total US CSM imports for this region were projected to reach 4,000 mt and NCPA/CCI now estimates this will total close to 3,500 mt for 2009-10 (Oct-Sep). An increase in total supplies of US CSM for next year should help NCPA/CCI obtain their goal for this region.

## Southern States Users of CSM

### Veracruz

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. This state is projected to bring in USCSM at a rate of 2,000 metric tons per year, with a market value of 700,000 thousand dollars. One of their main providers is **Forrajes Chapeteados**. 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.

Total US CSM imports for this region were projected to reach 3,000 mt and NCPA/CCI estimates this will total closer to 2,000 mt for 2009-10 (Oct-Sep). An increase in total supplies of US CSM for next year should help NCPA/CCI obtain their goal for this region.

### Trade Shows and Conferences



### XIII International Feedlot Conferences August 26 and 27th, 2010 Monterrey, México

NCPA and CCI were invited to promote USCSM in the XIII International Feedlot Conference organized by MNA of Mexico (Micro-Nutrients Feed and Additives Co.). Two hundred and six participants were registered with 30% being feedlot owners. It is considered important to continue promoting USCSM use in this type of technical seminars since cottonseed meal is constantly being challenged by other protein sources in feedlot rations, as DDG and canola meal due to market conditions. The market of USCSM estimated for feedlot in the area of Monterrey and the state of Tamaulipas represents over 15,000 metric tons with a market value of over 3 million U.S. dollars. This area borders with the state of Texas and has close proximity to U.S. providers of USCSM.

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