



CDC MARKET BULLETIN



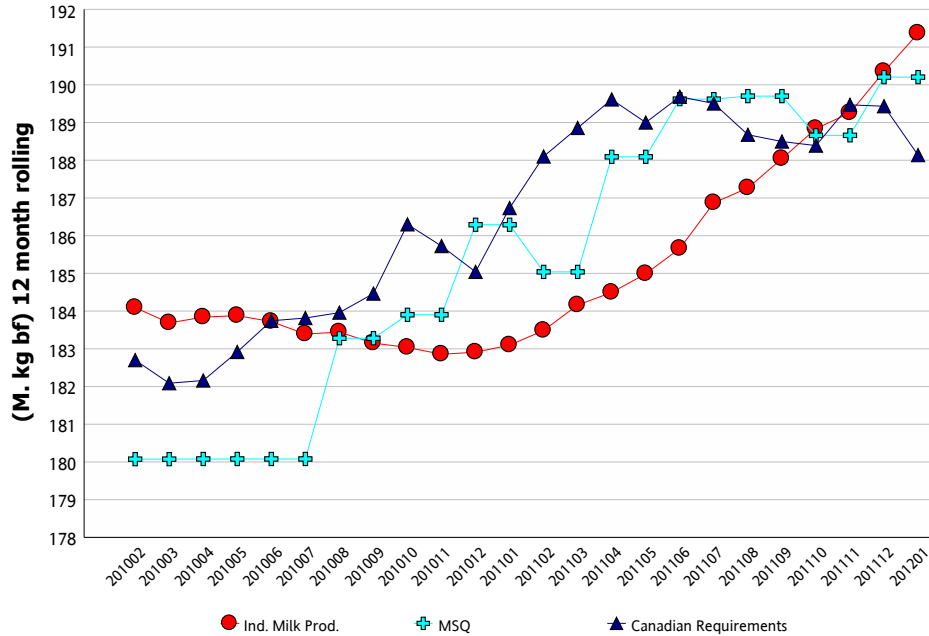
Market Comment

Canadian requirements for the twelve month period ending in January 2012 were 188.14 million kg of butterfat which represents a 0.67% decrease from the December 2011 base of 189.41 million kg of butterfat.

This decrease can be attributed to much higher average retail prices during the 2011 Holiday season in comparison to the same period in 2010. A drop in the number of promotions had a particularly negative effect on butter; sales diminished by 13% and retailers and hotels requested less butter in January 2012 than in the previous year. Other markets, however, remained relatively stable. The CDC expects Canadian requirements to remain slightly above 188 million kg of butterfat until the beginning of spring and then to start growing again. On March 1, 2012, it announced the renewal of the 1% growth adjustment until July 31, 2012.

In January 2012, total milk deliveries increased by 3.9 % compared to the same month last year. Fluid milk deliveries grew by 0.2% and deliveries of industrial milk increased by 6.2%. Thanks to the surge in production, the CDC expects to rapidly replenish its butter stocks this spring.

Industrial Milk Demand, Market Sharing Quota (MSQ) and Production



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/2 to 2011/1	2011/2 to 2012/1	% Change	2010/2 to 2011/1	2011/2 to 2012/1	% Change	2010/2 to 2011/1	2011/2 to 2012/1	% Change
NL	1,913,946	1,854,416	-3.11%	1,439,755	1,507,248	4.69%	474,191	347,168	-26.79%
P5	229,878,223	235,061,394	2.25%	80,605,138	80,657,481	0.06%	149,273,085	154,403,913	3.44%
WMP	69,726,286	73,060,949	4.78%	36,375,111	36,444,930	0.19%	33,351,175	36,616,019	9.79%
Canada	301,518,455	309,976,759	2.81%	118,420,004	118,609,659	0.16%	183,098,451	191,367,100	4.52%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/2 to 2011/1	2011/2 to 2012/1	% Change	2010/2 to 2011/1	2011/2 to 2012/1	% Change
1(a)	47,297	47,056	-0.51%	248,604	246,480	-0.85%
1(b)	42,978	44,372	3.24%	18,896	19,352	2.41%
2	23,855	23,687	-0.70%	38,514	40,778	5.88%
3	103,984	104,669	0.66%	239,104	236,924	-0.91%
4(a)	53,101	58,294	9.78%	14,635	14,794	1.08%
4(b)	1,501	2,012	34.03%	5,843	7,260	24.25%
4(m) 4(a1)	613	566	-7.63%	58,418	57,063	-2.32%
5(a,b,c)	24,626	25,442	3.32%	39,694	43,427	9.40%
5(d)	2,342	652	-72.15%	21,322	30,537	43.22%
Other	368	2,396	550.52%	4,850	7,727	59.32%
Total	300,666	309,147	2.82%	689,880	704,341	2.10%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
January 31, 2012

Province	kg of bf	% *
NL	-115,443	-5.76%
PE	-57,605	-1.43%
NS	-98,512	-1.44%
NB	-56,125	-1.05%
QC	-1,614,161	-1.37%
ON	-959,924	-0.95%
MB	-156,982	-1.25%
SK	-109,223	-1.22%
AB	-298,887	-1.16%
BC	-260,030	-1.00%

* Cumulative Over / Under Production (with limits) expressed as a % of the most recent 12 months total quota



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Retail Product Sales*

Current period vs previous period ('000 kg)

Up to: February 11, 2012

	Previous 12 Month	12 Month	Change
Butter	49,232	49,696	+ 0.9%
Total Cheese	243,132	245,988	+ 1.0%
Cheddar	73,809	74,048	+ 0.3%
Specialty	67,997	69,016	+ 1.5%
Processed	99,879	101,055	+ 1.2%
Ice cream	198,665	189,516	- 4.6%
Yogurt	234,664	237,299	+ 1.1%

Source: The Nielsen Company, MarketTrack [channel coverage eg: T.GB+D+MM

*NOTE: Homescan panelists temporarily removed due to irregularities in the data.

Butter Inventory ('000 kg)

	Jan 31, 2011	Jan 31, 2012
PLAN A BUTTER	1,210	232
PLAN B BUTTER	3,314	3,746
IMPORTED BUTTER	1,085	337
TOTAL CDC BUTTER STOCKS	5,610	4,315
PRIVATE BUTTER STOCKS	7,550	12,353
TOTAL CDC AND PRIVATE BUTTER STOCKS	13,159	16,668

Other Private Stocks ('000 kg)

	Jan 31, 2011	Jan 31, 2012
CHEDDAR	43,489	45,744
PROCESSED CHEESE	10,550	10,377
SPECIALTY CHEESE	21,974	24,261

Comments on Stocks

Plan A butter stocks increased slightly from 112 t at the end of December to 232 t at the end of January. It is expected that the CDC will reach its target stock level of 750 t in Plan A by early March.

Plan B butter stocks increased from 197 t at the end of December to 3,746 t at the end of January. Plan B stocks are likely to increase significantly in March given the strong growth in the overall supply of milk. It is anticipated that the CDC butter stocks will be at normal levels at the end of July.

Imported butter stocks decreased slightly from 477 t at the end of December to 337 t at the end of January. The CDC has imported all of the butter it had committed to importing for this dairy year. As for export butter, our stocks will remain at zero over the coming months.

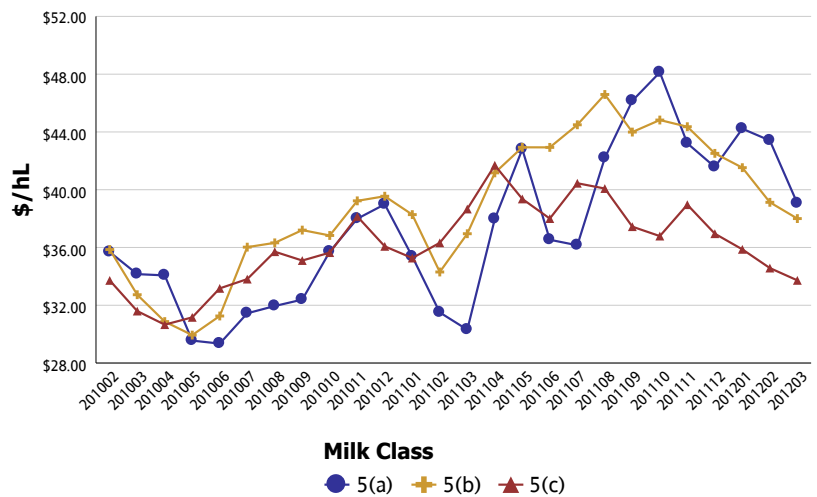
Average Return from Milk Sales

(\$/hl std)

Milk Class	2010/2 to 2011/1	2011/2 to 2012/1	% Change
1	\$89.42	\$93.22	4.25%
2 to 4(d)	\$75.84	\$76.87	1.36%
4(m) 4(a1)*	\$11.56	\$13.43	16.16%
5(a) to (c)	\$33.84	\$39.82	17.65%
5(d)	\$26.37	\$32.83	24.50%
All Classes	\$74.37	\$76.61	3.01%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

