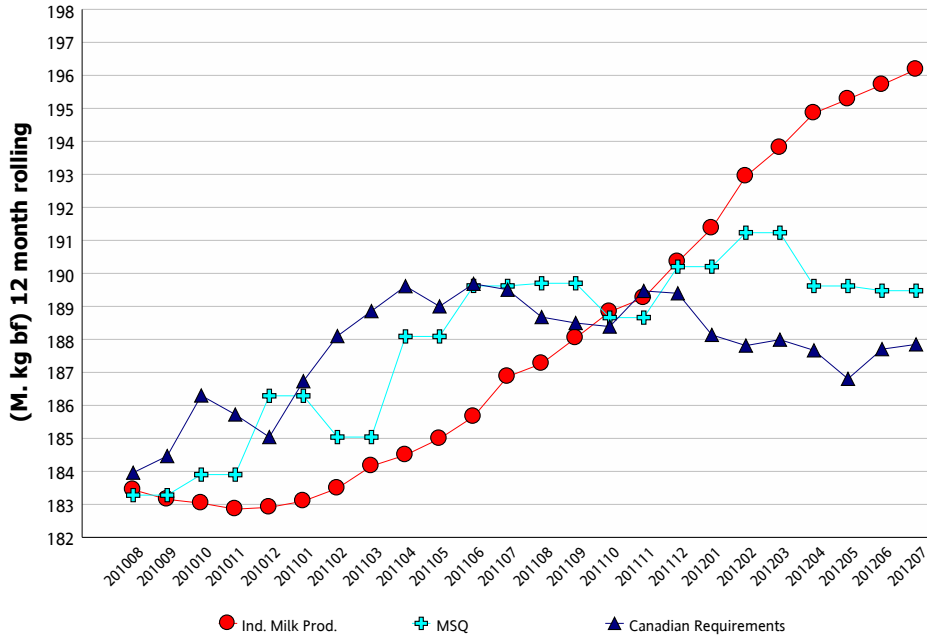




CDC MARKET BULLETIN



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



Market Comment

Canadian requirements for the twelve month period ending in July 2012 were 187.86 million kg of butterfat, up slightly by 0.12% in comparison to Canadian requirements in June 2012.

Several factors boosted Canadian requirements in July. The use of butterfat in cheese-making increased significantly in comparison to the same month last year. The special class market also experienced significant growth and the heat wave stimulated the ice cream market. The same heat wave however, diminished Canadian requirements overall, since households used less butter when cooking. In July, butter consumption decreased by an equivalent of roughly half a million kg of butterfat in comparison to last year.

In July 2012, total milk deliveries increased by 0.8 % compared to the same month last year. Deliveries of fluid milk decreased by 2.7% while deliveries of industrial milk increased by 2.8%.

	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/8 to 2011/7	2011/8 to 2012/7	% Change	2010/8 to 2011/7	2011/8 to 2012/7	% Change	2010/8 to 2011/7	2011/8 to 2012/7	% Change
NL	1,901,341	1,879,648	-1.14%	1,521,463	1,477,997	-2.86%	379,878	401,651	5.73%
P5	232,736,243	237,330,328	1.97%	80,806,441	80,152,356	-0.81%	151,929,802	157,177,972	3.45%
WMP	71,030,769	74,912,942	5.47%	36,469,691	36,315,978	-0.42%	34,561,078	38,596,964	11.68%
Canada	305,668,353	314,122,918	2.77%	118,797,595	117,946,331	-0.72%	186,870,758	196,176,587	4.98%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/8 to 2011/7	2011/8 to 2012/7	% Change	2010/8 to 2011/7	2011/8 to 2012/7	% Change
1(a)	47,221	46,763	-0.97%	247,472	245,395	-0.84%
1(b)	43,641	45,117	3.38%	19,068	19,716	3.40%
2	23,737	24,659	3.88%	38,997	42,937	10.10%
3	103,990	105,422	1.38%	236,019	237,838	0.77%
4(a)	55,738	59,086	6.01%	14,325	12,651	-11.69%
4(b)	1,879	1,911	1.73%	6,775	7,297	7.70%
4(m) 4(a1)	565	785	38.87%	53,390	73,009	36.75%
5(a,b,c)	25,619	25,995	1.47%	42,505	42,673	0.39%
5(d)	984	895	-9.00%	28,930	28,882	-0.16%
Other	1,407	2,673	89.98%	7,659	4,969	-35.12%
Total	304,781	313,307	2.80%	695,140	715,366	2.91%

Continuous Quota

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

Province	kg of bf	% *
NL	-147,434	-7.40%
PE	-5,022	-0.12%
NS	5,512	0.08%
NB	52,592	0.98%
QC	-389,318	-0.33%
ON	-227,031	-0.22%
MB	78,633	0.62%
SK	-35,215	-0.39%
AB	161,670	0.62%
BC	162,964	0.62%

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



CDC MARKET BULLETIN



Retail Product Sales*

Current period vs previous period ('000 kg)

Up to:	July 28, 2012		
	Previous 12 Month	12 Month	Change
Butter	52,034	52,516	+ 0.9%
Total Cheese	272,032	272,674	- 0.2%
Cheddar	79,461	80,185	+ 0.9%
Specialty	80,655	80,754	+ 0.1%
Processed	86,948	85,653	- 1.5%
Ice cream	197,813	187,865	- 5.0%
Yogurt	252,902	257,534	+ 1.8%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Average Return from Milk Sales

(\$/hl std)

Milk Class	2010/8 to 2011/7	2011/8 to 2012/7	% Change
1	\$90.47	\$94.27	4.20%
2 to 4(d)	\$76.35	\$77.54	1.56%
4(m) 4(a1)*	\$13.26	\$11.53	-13.05%
5(a) to (c)	\$36.74	\$38.24	4.09%
5(d)	\$30.91	\$31.34	1.41%
All Classes	\$75.37	\$76.08	0.94%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Jul 31, 2011	Jul 31, 2012
PLAN A BUTTER	55	1,958
PLAN B BUTTER	9,650	14,706
IMPORTED BUTTER	49	152
TOTAL CDC BUTTER STOCKS	9,754	16,816
PRIVATE BUTTER STOCKS	6,486	6,562
TOTAL CDC AND PRIVATE BUTTER STOCKS	16,240	23,378

Other Private Stocks ('000 kg)

	Jul 31, 2011	Jul 31, 2012
CHEDDAR	47,383	45,044
PROCESSED CHEESE	10,156	12,896
SPECIALTY CHEESE	23,270	24,212

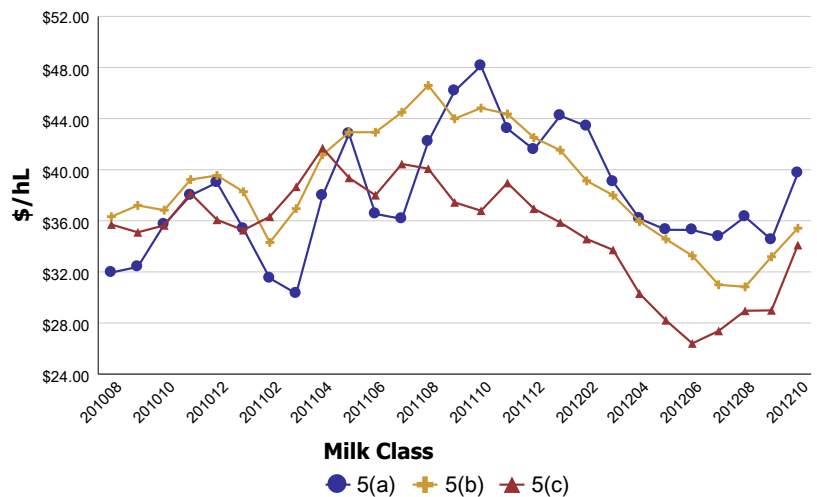
Comments on Stocks

Plan A butter stocks continued to increase in July but we remain far from our objective of 3,000 t at the end of the dairy year. The year ended on July 31 2012 with only 1,958 t in stock. The suspension of Plan B could prompt processors to offer more butter in Plan A during the coming months.

As is normally the case, Plan B butter stocks started to come down and stood at 14,706 t at the end of the dairy year. The Plan B program for butter is now closed and all the butter must be bought back by the processors before December 22. Nearly 3,000 t per month on average will need to be bought back this fall.

Imported butter stocks diminished by 4 t in July and stood at 152 t on July 31, 2012. Nearly 1,700 t were purchased and will be received from August to November, and the rest will be purchased at the beginning of 2013 when world prices should be more affordable. There will be no butter stocks intended for export as long as the CDC does not reach its goal of 3,000 t of butter in Plan A, which could happen at some point this fall.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

