



CDC MARKET BULLETIN



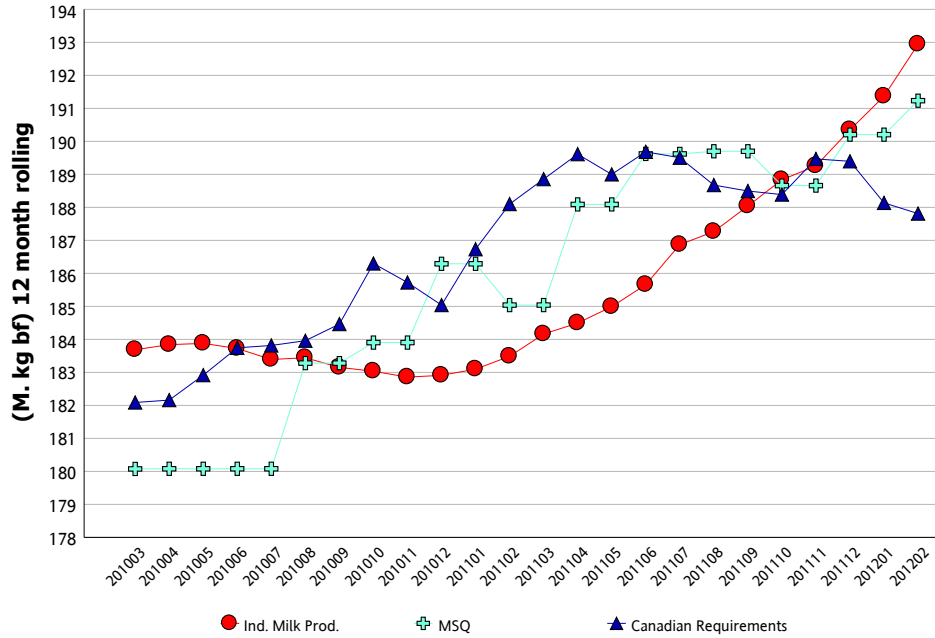
Market Comment

Canadian requirements for the 12-month period ended in February 2012 were 187.81 million kg of butterfat, a 0.18% decrease in comparison to the requirements of January 2012 and a 0.84% decrease compared to the base of December 2011.

This reduction in Canadian requirements is due to an important decrease in butterfat utilization in further processing. In Class 5(a), this decrease reached 9.9% compared to the same month last year. The drop was even more drastic in Classes 5(b) and 5(c), reaching -22.3% and -26.4%, respectively. The negative impact of this decrease in activity in the further processing sector was such that it cancelled the impact of the additional day of this leap year on Canadian requirements. It is worth noting that this important decrease in activity was forecasted and that it should be temporary.

In February 2012, total milk deliveries increased by 7.1 % compared to the same month last year. Fluid milk deliveries grew by 1.2% and deliveries of industrial milk increased by 10.8%. These growth rates must be put in perspective. An important part of this growth, 3.6 percentage points, is due to the extra production day in this leap year.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/3 to 2011/2	2011/3 to 2012/2	% Change	2010/3 to 2011/2	2011/3 to 2012/2	% Change	2010/3 to 2011/2	2011/3 to 2012/2	% Change
NL	1,917,243	1,862,240	-2.87%	1,448,268	1,513,175	4.48%	468,975	349,065	-25.57%
P5	230,272,809	236,161,877	2.56%	80,638,228	80,663,607	0.03%	149,634,581	155,498,270	3.92%
WMP	69,792,296	73,643,728	5.52%	36,409,533	36,548,858	0.38%	33,382,763	37,094,870	11.12%
Canada	301,982,348	311,667,845	3.21%	118,496,029	118,725,640	0.19%	183,486,319	192,942,205	5.15%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/3 to 2011/2	2011/3 to 2012/2	% Change	2010/3 to 2011/2	2011/3 to 2012/2	% Change
1(a)	47,266	47,073	-0.41%	248,522	246,639	-0.76%
1(b)	43,225	44,609	3.20%	18,970	19,464	2.60%
2	23,799	23,618	-0.76%	38,672	41,022	6.08%
3	103,823	104,989	1.12%	238,742	237,710	-0.43%
4(a)	52,493	59,888	14.09%	12,369	16,941	36.97%
4(b)	1,512	2,030	34.27%	5,852	7,297	24.71%
4(m) 4(a1)	612	591	-3.36%	58,931	57,973	-1.63%
5(a,b,c)	25,542	24,971	-2.24%	40,485	43,518	7.49%
5(d)	2,370	656	-72.31%	22,332	30,607	37.05%
Other	487	2,408	394.82%	5,436	7,225	32.90%
Total	301,128	310,833	3.22%	690,311	708,397	2.62%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:

February 29, 2012

Province	kg of bf	% *
NL	-124,411	-6.18%
PE	-53,552	-1.32%
NS	-88,708	-1.29%
NB	-38,679	-0.72%
QC	-1,405,864	-1.19%
ON	-725,871	-0.72%
MB	-117,426	-0.93%
SK	-82,824	-0.92%
AB	-204,877	-0.79%
BC	-158,023	-0.61%

* 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:	March 10, 2012		
	Previous 12 Month	12 Month	Change
Butter	52,130	52,557	+ 0.8%
Total Cheese	270,503	272,274	+ 0.5%
Cheddar	79,948	79,514	- 0.5%
Specialty	79,598	80,497	+ 1.1%
Processed	109,026	109,972	+ 0.9%
Ice cream	201,556	192,756	- 4.4%
Yogurt	251,063	255,267	+ 1.7%

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)

	Feb 28, 2011	Feb 29, 2012
PLAN A BUTTER	1,056	394
PLAN B BUTTER	4,813	4,042
IMPORTED BUTTER	24	251
TOTAL CDC BUTTER STOCKS	5,893	4,687
PRIVATE BUTTER STOCKS	7,261	14,097
TOTAL CDC AND PRIVATE BUTTER STOCKS	13,154	18,784

Other Private Stocks ('000 kg)

	Feb 28, 2011	Feb 29, 2012
CHEDDAR	43,484	45,926
PROCESSED CHEESE	11,693	10,977
SPECIALTY CHEESE	22,491	24,442

Comments on Stocks

Plan A butter stocks increased slightly from 232 t at the end of January to 394 t at the end of February. The Plan A butter stocks are expected to increase to the target level of 750 t by the end of March. The overall milk production has increased significantly compared to last year. As a result, sales of butter to the CDC over the coming months will be higher than a year ago.

Plan B butter stocks increased from 3,746 t at the end of January to 4,042 t at the end of February. Plan B stocks are likely to increase significantly in March as processors continue to store butter in the spring while the milk production is seasonally high. Plan B butter stocks are expected to be at normal levels at the end of July.

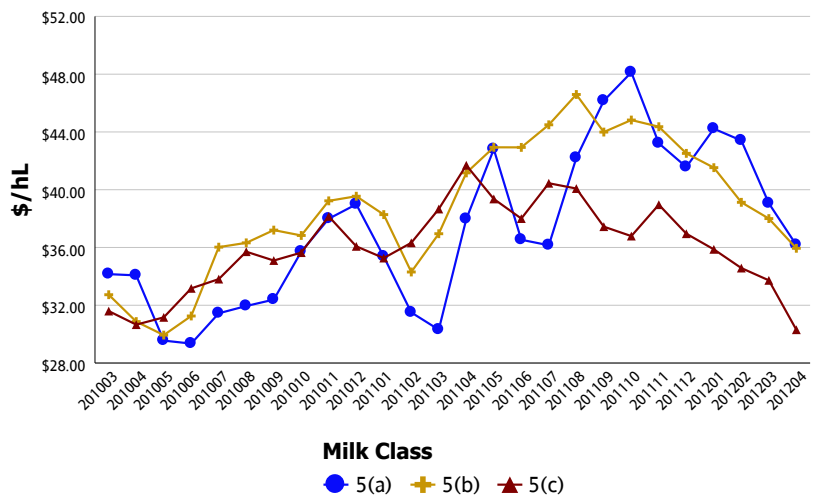
Imported butter stocks decreased slightly from 337 t at the end of January to 251 t at the end of February. The CDC has imported all of the butter it had committed to importing for this dairy year. As for export butter, our stocks will remain at zero over the coming months.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2010/3 to 2011/2	2011/3 to 2012/2	
1	\$89.57	\$93.40	4.27%
2 to 4(d)	\$75.93	\$76.97	1.37%
4(m) 4(a1)*	\$11.68	\$13.40	14.69%
5(a) to (c)	\$33.77	\$40.31	19.38%
5(d)	\$27.14	\$32.98	21.48%
All Classes	\$74.36	\$76.72	3.17%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

