

CDC MARKET BULLETIN



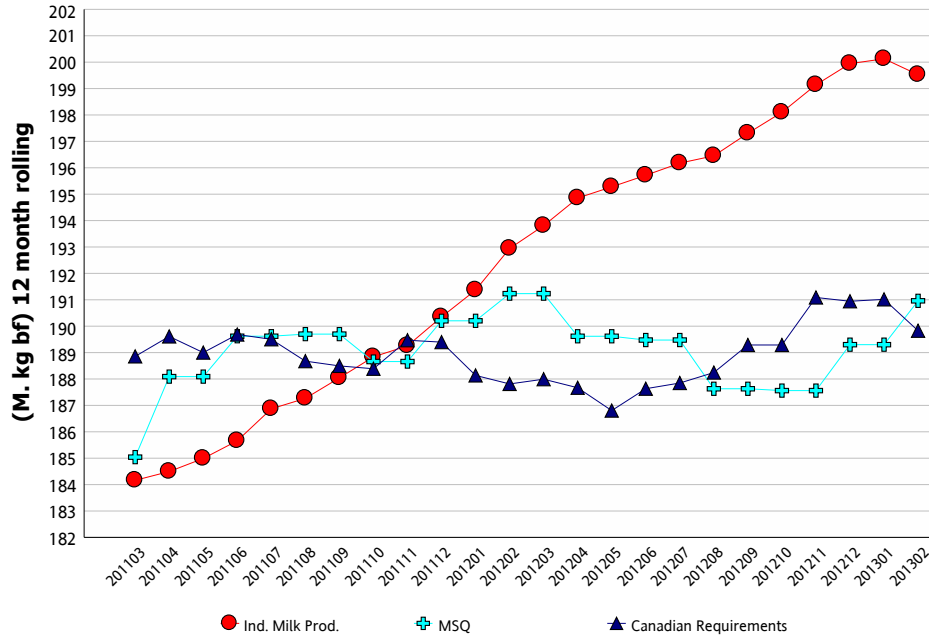
Market Comment

Canadian requirements for the twelve month period ended in February 2013 are 189.82 million kg of butterfat, which represents a decrease of 0.6% in comparison to Canadian requirements of January 2013 and the base of December 2012.

Retail butter sales decreased in February which brought down Canadian requirements. The size of the decrease is surprising because certain important markets experienced considerable growth despite the loss of one calendar day. The utilization of butterfat in class 2 (yogurt and ice cream) and in class 3 (cheese) increased by 16.9% and 2.3% respectively. It should be noted that skim-off from the fluid milk market has come down again, thereby increasing the volume of raw milk required for the processing sector.

In February 2013, total milk deliveries decreased by 3.4% compared to the same month last year. Deliveries of fluid milk diminished by 2.9% while deliveries of industrial milk decreased by 3.7%. The loss of one calendar day largely explains the decrease in milk production in February. Without this lost day, production would not have changed.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/3 to 2012/2	2012/3 to 2013/2	% Change	2011/3 to 2012/2	2012/3 to 2013/2	% Change	2011/3 to 2012/2	2012/3 to 2013/2	% Change
NL	1,862,240	1,865,365	0.17%	1,513,175	1,453,355	-3.95%	349,065	412,010	18.03%
P5	236,161,877	240,061,495	1.65%	80,663,607	79,606,239	-1.31%	155,498,270	160,455,256	3.19%
WMP	73,643,728	74,521,796	1.19%	36,548,858	35,863,140	-1.88%	37,094,870	38,658,656	4.22%
Canada	311,667,845	316,448,656	1.53%	118,725,640	116,922,734	-1.52%	192,942,205	199,525,922	3.41%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/3 to 2012/2	2012/3 to 2013/2	% Change	2011/3 to 2012/2	2012/3 to 2013/2	% Change
1(a)	47,073	46,693	-0.81%	246,639	242,512	-1.67%
1(b)	44,609	45,755	2.57%	19,464	19,934	2.42%
2	23,618	25,406	7.57%	41,022	45,669	11.33%
3	104,989	108,469	3.31%	237,710	237,825	0.05%
4(a)	59,888	54,630	-8.78%	16,941	9,622	-43.21%
4(b)	2,030	1,844	-9.15%	7,297	7,110	-2.57%
4(m) 4(a1)	591	837	41.58%	57,973	74,929	29.25%
5(a,b,c)	24,971	27,120	8.61%	43,518	42,820	-1.60%
5(d)	656	2,790	325.32%	30,607	35,087	14.64%
Other	2,408	2,037	-15.38%	7,225	3,251	-55.00%
Total	310,833	315,582	1.53%	708,397	718,758	1.46%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
 February 28, 2013

Province	kg of bf	% *
NL	-72,496	-3.79%
PE	20,815	0.51%
NS	35,305	0.51%
NB	27,559	0.51%
QC	574,452	0.49%
ON	521,166	0.51%
MB	110,382	0.88%
SK	-84,684	-0.95%
AB	226,955	0.88%
BC	113,023	0.44%

* 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 9, 2013		
	Previous 12 Month	12 Month	Change
Butter	52,556	53,231	+ 1.3%
Total Cheese	249,398	254,544	+ 1.0%
Cheddar	79,615	80,493	+ 1.1%
Specialty	80,530	82,026	+ 1.9%
Processed	86,812	86,868	+ 0.1%
Ice cream	191,977	184,925	- 3.7%
Yogurt	255,417	267,061	+ 4.6%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Average Return from Milk Sales

(\$/hl std)

Milk Class	2011/3 to 2012/2	2012/3 to 2013/2	% Change
1	\$93.40	\$94.03	0.67%
2 to 4(d)	\$76.97	\$78.21	1.61%
4(m) 4(a1)*	\$13.40	\$10.99	-17.99%
5(a) to (c)	\$40.31	\$36.06	-10.53%
5(d)	\$32.98	\$27.75	-15.84%
All Classes	\$76.72	\$75.50	-1.59%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Feb 29, 2012	Feb 28, 2013
PLAN A BUTTER	346	2,321
PLAN B BUTTER	4,042	10,498
IMPORTED BUTTER	251	240
BUTTER FOR EXPORT		1,660
TOTAL CDC BUTTER STOCKS	4,639	14,720
PRIVATE BUTTER STOCKS	14,097	10,657
TOTAL CDC AND PRIVATE BUTTER STOCKS	18,736	25,376

Other Private Stocks ('000 kg)

	Feb 29, 2012	Feb 28, 2013
CHEDDAR	45,926	46,615
PROCESSED CHEESE	10,977	23,925
SPECIALTY CHEESE	24,442	12,786

Comments on Stocks

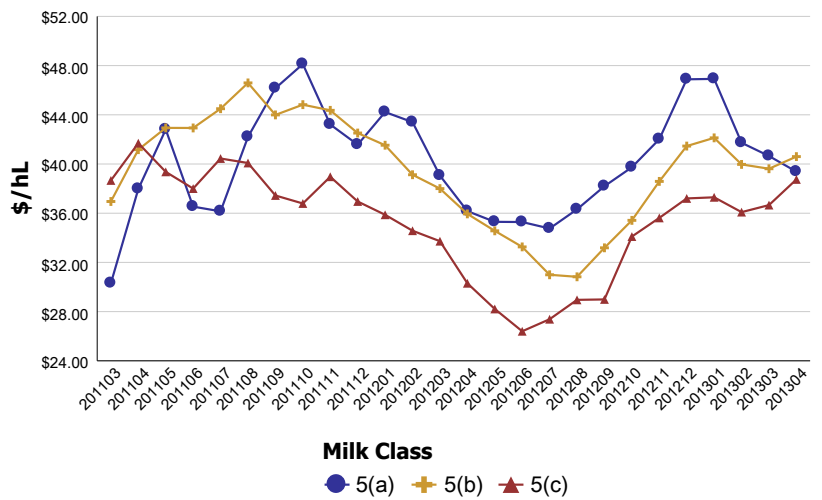
There is still very little activity in the CDC's Plan A for butter. The program is currently closed and our sales extremely limited because of the strong availability of milk. At the end of February, we had 2,321 t in stock. It is very likely that the CDC will decide not to purchase butter in Plan A this year, and that it will only purchase butter through 5(d) permits.

We are in the phase of rebuilding our butter stocks in Plan B, and they are quickly growing. They stood at 10,498 t on February 28, 2013, in comparison to 6,984 t on January 31, 2013. Some manufacturers have told us that they are well ahead of schedule in comparison to previous years and that they will soon have to produce 25 kg blocks of butter to sell their surplus to the CDC.

Because of high world prices, the CDC has not purchased more imported butter during the past months. Thanks to the sales we have made, our stocks have fallen from 537 t to only 240 t at the end of February. We are waiting for better purchasing conditions before finalizing the imports for 2012-2013.

The CDC has purchased very little butter surpluses through 5(d) permits during the last month. Our stocks of butter for export went from 1,807 t at the end of January to 1,660 t at the end of February. All the unsalted butter in stock has been sold under export contracts and is expected to be shipped in April and May.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

