Canadian Dairy Commission | Commission canadienne du lait

November 21, 2014

Market Comment

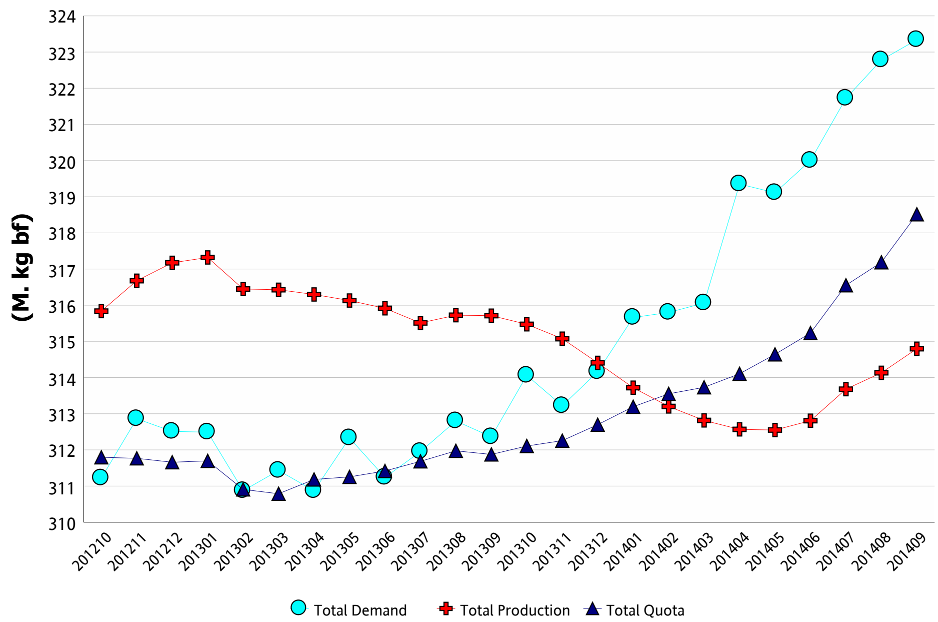
Canadian requirements for the twelve month period ending in September 2014 were 201.93 million kg of butterfat, which represents a marginal increase of 0.04% in relation to the base of August 2014.

The CDC estimates that butter consumption has continued to grow this month, increasing by about 400,000 kg of BF compared to September 2013. Butterfat utilization in the manufacture of yogurt (Class 2(a)) has increased by approximately 275,000 kg. Butterfat utilization in further processing also increased slightly.

The positive impact of these factors on Canadian requirements was cancelled out in large part by a decrease of 15.7% in butterfat utilization in the manufacture of cheddar (Class 3(b)). In addition, skim-off increased in September which reduced the need for industrial milk.

Total milk deliveries increased by 2.6% in September compared to the same month last year. More specifically, fluid milk deliveries increased by 2.9% while deliveries of industrial milk increased by 2.4%.

Total Demand, Total Quota and Total Production
(12 Month Rolling)



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2012/10 to 2013/9	2013/10 to 2014/9	% Change	2012/10 to 2013/9	2013/10 to 2014/9	% Change	2012/10 to 2013/9	2013/10 to 2014/9	% Change
NL	1,841,789	1,929,983	4.79%	1,458,896	1,551,228	6.33%	382,893	378,755	-1.08%
P5	240,684,922	238,300,120	-0.99%	79,237,005	79,285,267	0.06%	161,447,917	159,014,853	-1.51%
WMP	73,184,888	74,566,981	1.89%	35,664,689	35,639,354	-0.07%	37,520,199	38,927,627	3.75%
Canada	**315,711,599**	**314,797,084**	**-0.29%**	**116,360,590**	**116,475,849**	**0.10%**	**199,351,009**	**198,321,235**	**-0.52%**

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2012/10 to 2013/9	2013/10 to 2014/9	% Change	2012/10 to 2013/9	2013/10 to 2014/9	% Change
1(a)	46,498	46,446	-0.11%	239,940	237,619	-0.97%
1(b)	45,825	47,112	2.81%	19,846	20,176	1.66%
2	24,971	23,960	-4.05%	47,255	46,774	-1.02%
3	111,012	107,357	-3.29%	235,039	234,719	-0.14%
4(a)	50,327	51,766	2.86%	11,298	14,075	24.58%
4(b)	1,905	1,699	-10.81%	6,866	5,177	-24.60%
4(m) 4(a1)	783	545	-30.37%	68,511	61,610	-10.07%
5(a,b,c)	27,739	31,539	13.70%	42,746	44,750	4.69%
5(d)	4,096	2,524	-38.36%	36,150	35,830	-0.89%
Other	1,747	942	-46.04%	3,893	2,808	-27.87%
Total	**314,904**	**313,892**	**-0.32%**	**711,546**	**703,538**	**-1.13%**

Continuous Quota

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

September 30, 2014

Province	kg of bf	% *
NL	-51,034	-2.55%
PE	-101,085	-2.45%
NS	-129,475	-1.85%
NB	-112,215	-2.05%
QC	-598,654	-0.50%
ON	-334,782	-0.32%
MB	-202,256	-1.56%
SK	-116,956	-1.26%
AB	-415,857	-1.56%
BC	-401,197	-1.50%

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

For additional information, please contact: benoit.basillais@cdc-ccl.gc.ca

Canada

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Retail Product Sales*

Current period vs previous period
('000 kg)

Up to: September 20, 2014

	Previous 12 Month	12 Month	Change
Butter	54,144	56,324	**+ 4.0%**
Total Cheese	256,283	256,378	**+ 0.0%**
Cheddar	83,999	85,419	+ 1.7%
Fine Cheese*	50,549	50,789	+ 0.5%
Everyday Cheese*	56,307	56,660	+ 0.6%
Processed	62,974	60,810	- 3.4%
Ice cream	181,325	178,536	**- 1.5%**
Yogurt	315,092	314,187	**- 0.3%**

Source: The Nielsen Company, MarketTrack and Homescan panelists.
*Note: Everyday Cheese = 3(c), Fine Cheese = 3(a)

Butter Inventory ('000 kg)

	Sep 30, 2013	Sep 30, 2014
PLAN A BUTTER	2,853	585
PLAN B BUTTER	11,030	4,889
IMPORTED BUTTER	903	391
BUTTER FOR EXPORT	9	
TOTAL CDC BUTTER STOCKS	**14,795**	**5,866**
PRIVATE BUTTER STOCKS	8,592	7,549
TOTAL CDC AND PRIVATE BUTTER STOCKS	**23,386**	**13,415**

Other Private Stocks ('000 kg)

	Sep 30, 2013	Sep 30, 2014
CHEDDAR	43,432	46,303
PROCESSED CHEESE	10,053	11,735
SPECIALTY CHEESE	23,172	25,335

Comments on Stocks

Increased demand for butter in the domestic market over the past several months reduced inventory levels for Plan A butter. The Plan B butter program was supspended on October 1st to encourage the re-building of Plan A stocks to more normal levels. Imported butter stocks in September sat at 391 t but will increase significantly in the 2nd half of October and in November with the arrival of approximatly 1,900 t of butter originating from New Zealand and Ireland. With no surplus butter available in the domestic market, no export activities are contemplated.

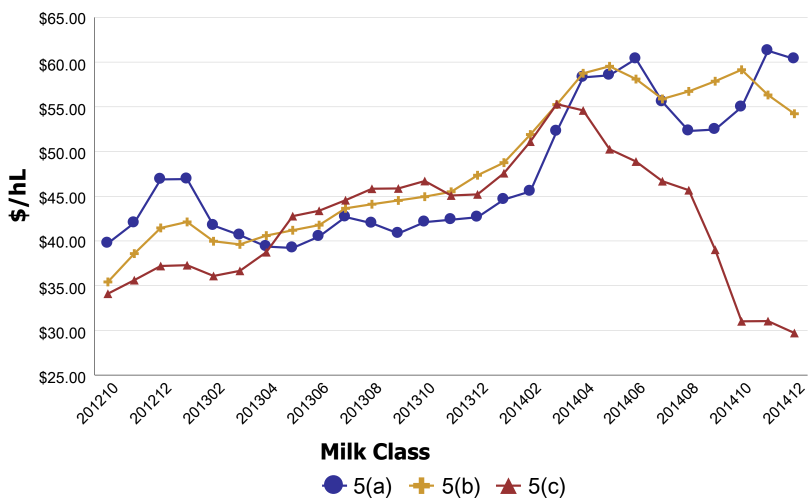
Average Return from Milk Sales

($/hl std)

Milk Class	2012/10 to 2013/9	2013/10 to 2014/9	% Change
1	$94.58	$95.91	1.41%
2 to 4(d)	$78.49	$78.84	0.44%
4(m) 4(a1)*	$13.79	$18.68	35.45%
5(a) to (c)	$40.97	$50.40	23.02%
5(d)	$31.02	$41.78	34.68%
All Classes	**$76.75**	**$79.20**	**3.19%**

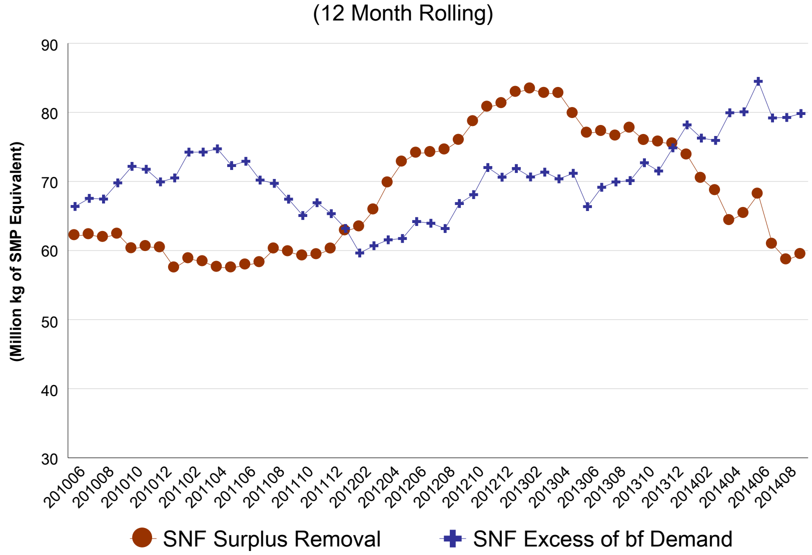
* Price based on SNF components only

Class 5 Component Prices in $/hL



SNF Surplus

(12 Month Rolling)



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