Canadian Dairy Commission | Commission canadienne du lait

May 14, 2014

CDC Market Bulletin

Market Comment

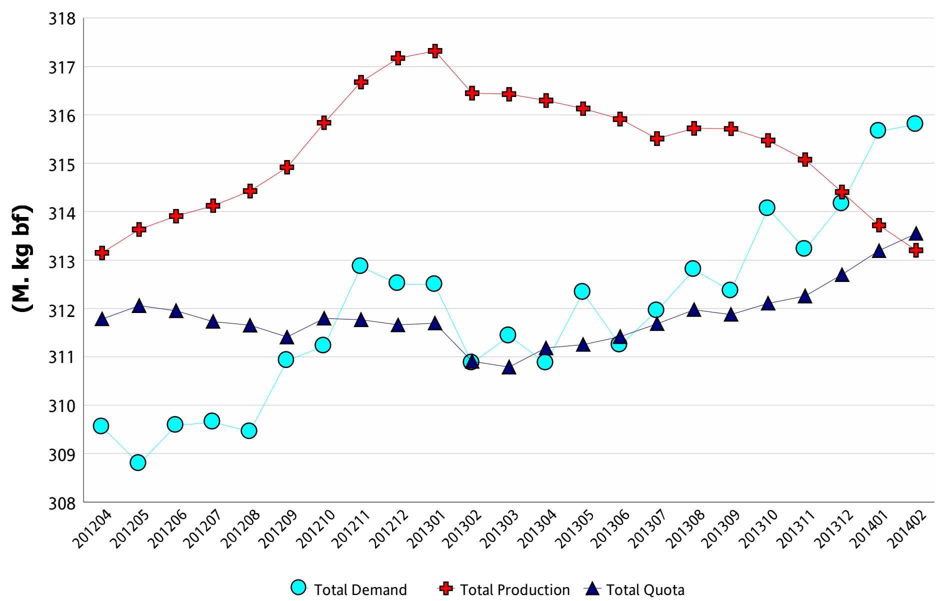
Canadian requirements for the twelve-month period ending in March 2014 were 195.34 million kg BF, slightly up 0.16% from the base of February 2014.

Among the factors that favoured Canadian requirements, butter had the most impact. According to CDC estimates, butter consumption increased by 1.2 million kg of BF in March compared to last year. Yogurt and ice cream production also increased. The use of butterfat in these markets increased by 15.8% and 9.9%, respectively. The further processing market also grew in March, although not by as much as in the last months.

Other markets did not perform as well. Cheese is one of them; it has been shrinking since the beginning of the dairy year. In March only, the use of butterfat in domestic cheese classes declined by 15%. Two factors explain this trend: the reintroduction of stocks on the market and a weaker cheese consumption. It is also worth noting that skim-off from the fluid milk market has increased in March. Besides, we observe that skim-off deviates more often than before from its long-term downward trend.

Total milk deliveries decreased by 1.4% in March in comparison to the same month last year. More specifically, fluid milk deliveries fell by 1.0% while deliveries of industrial milk decreased by 1.7%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2012/4 to 2013/3	2013/4 to 2014/3	% Change	2012/4 to 2013/3	2013/4 to 2014/3	% Change	2012/4 to 2013/3	2013/4 to 2014/3	% Change
NL	1,861,878	1,887,588	1.38%	1,441,380	1,521,252	5.54%	420,498	366,336	-12.88%
P5	240,247,505	237,979,571	-0.94%	79,425,979	79,572,856	0.18%	160,821,526	158,406,715	-1.50%
WMP	74,318,812	72,947,342	-1.85%	35,812,319	35,569,589	-0.68%	38,506,493	37,377,753	-2.93%
Canada	**316,428,195**	**312,814,501**	**-1.14%**	**116,679,678**	**116,663,697**	**-0.01%**	**199,748,517**	**196,150,804**	**-1.80%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2012/4 to 2013/3	Butterfat 2013/4 to 2014/3	Butterfat % Change	Solids Non Fat 2012/4 to 2013/3	Solids Non Fat 2013/4 to 2014/3	Solids Non Fat % Change
1(a)	46,794	46,268	-1.12%	242,215	239,157	-1.26%
1(b)	45,805	46,433	1.37%	19,526	20,041	2.64%
2	25,060	24,279	-3.12%	45,798	47,027	2.68%
3	108,620	106,922	-1.56%	237,583	230,584	-2.95%
4(a)	54,557	50,188	-8.01%	9,815	9,747	-0.70%
4(b)	1,883	1,740	-7.62%	7,199	6,112	-15.09%
4(m) 4(a1)	802	620	-22.68%	75,959	62,870	-17.23%
5(a,b,c)	27,427	30,902	12.67%	42,935	45,008	4.83%
5(d)	2,901	3,299	13.72%	33,191	36,778	10.81%
Other	1,698	1,298	-23.56%	3,842	3,678	-4.26%
Total	**315,547**	**311,947**	**-1.14%**	**718,061**	**701,002**	**-2.38%**

Continuous Quota

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

March 31, 2014

Province	kg of bf	% *
NL	-100,558	-5.13%
PE	-24,436	-0.60%
NS	-46,248	-0.67%
NB	-13,932	-0.26%
QC	352,246	0.30%
ON	238,673	0.23%
MB	-211,062	-1.67%
SK	-58,488	-0.65%
AB	-255,281	-0.98%
BC	-154,329	-0.59%

* 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

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Retail Product Sales*

Current period vs previous period
('000 kg)

Up to: April 5, 2014

	Previous 12 Month	12 Month	Change
Butter	52,954	55,550	**+ 4.9%**
Total Cheese	254,359	256,694	**+ 0.9%**
Cheddar	82,387	84,530	+ 2.6%
Fine Cheese*	50,816	49,837	- 1.9%
Everyday Cheese*	55,182	55,932	+ 1.4%
Processed	63,343	62,398	- 1.5%
Ice cream	184,310	179,385	**- 2.7%**
Yogurt	267,396	274,999	**+ 2.8%**

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

Butter Inventory ('000 kg)

	Mar 31, 2013	Mar 31, 2014
PLAN A BUTTER	2,204	2,266
PLAN B BUTTER	11,632	6,266
IMPORTED BUTTER	84	403
BUTTER FOR EXPORT	1,454	487
TOTAL CDC BUTTER STOCKS	15,373	9,421
PRIVATE BUTTER STOCKS	10,954	10,643
TOTAL CDC AND PRIVATE BUTTER STOCKS	26,328	20,064

Other Private Stocks ('000 kg)

	Mar 31, 2013	Mar 31, 2014
CHEDDAR	46,091	43,663
PROCESSED CHEESE	12,577	11,939
SPECIALTY CHEESE	23,990	23,846

Comments on Stocks

There are 464 t of unsalted butter (for export) and 2,390 t of butter (mostly salted) currently in our Plan A. In recent months, surplus butter has been purchased as unsalted butter so that it is available for the domestic market and can be exported later if appropriate. Butter purchased for export will be converted to Plan A in the coming months when required for domestic customers.

The CDC purchased 456 t of USA butter and approximately 1,700 t of New Zealand butter which represents the balance of our import obligations for this dairy year. We will receive this butter between May and July. The CDC took advantage of a sudden drop in world prices (USD4,350/t on average).

Since August 2013, 4(m) stocks of powder have been reduced from 19,123 t to 12,903 t. Due to the recent tightness in supply of milk to some plants, the CDC has limited new export contracts. In a tender held in April, the CDC sold 1,000 t of SMP at a price of USD 4,050/t. This leaves approximately 500 t of SMP to sell for the remainder of this dairy year.

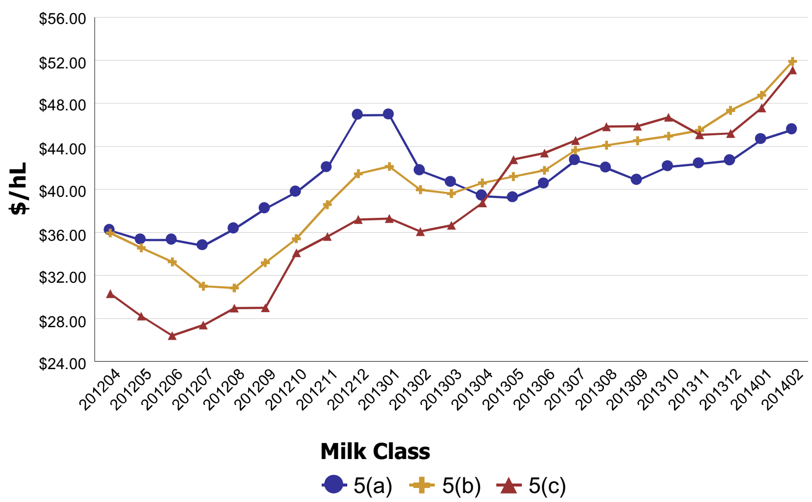
Average Return from Milk Sales

($/hl std)

Milk Class	2012/4 to 2013/3	2013/4 to 2014/3	% Change
1	$94.13	$95.11	1.05%
2 to 4(d)	$78.21	$78.68	0.60%
4(m) 4(a1)*	$10.94	$17.35	58.57%
5(a) to (c)	$36.20	$44.32	22.43%
5(d)	$27.75	$37.52	35.23%
All Classes	**$75.52**	**$77.94**	**3.20%**

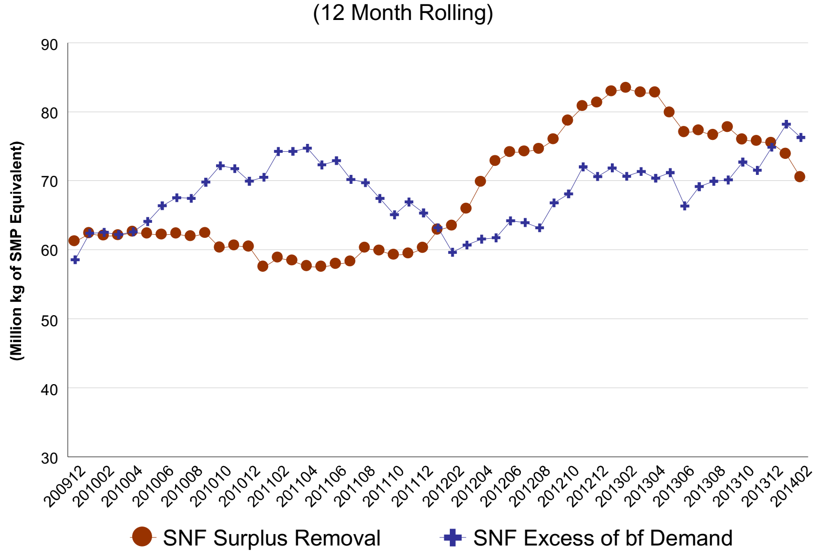
* Price based on SNF components only

Class 5 Component Prices in $/hL



SNF Surplus

(12 Month Rolling)



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