

CDC MARKET BULLETIN



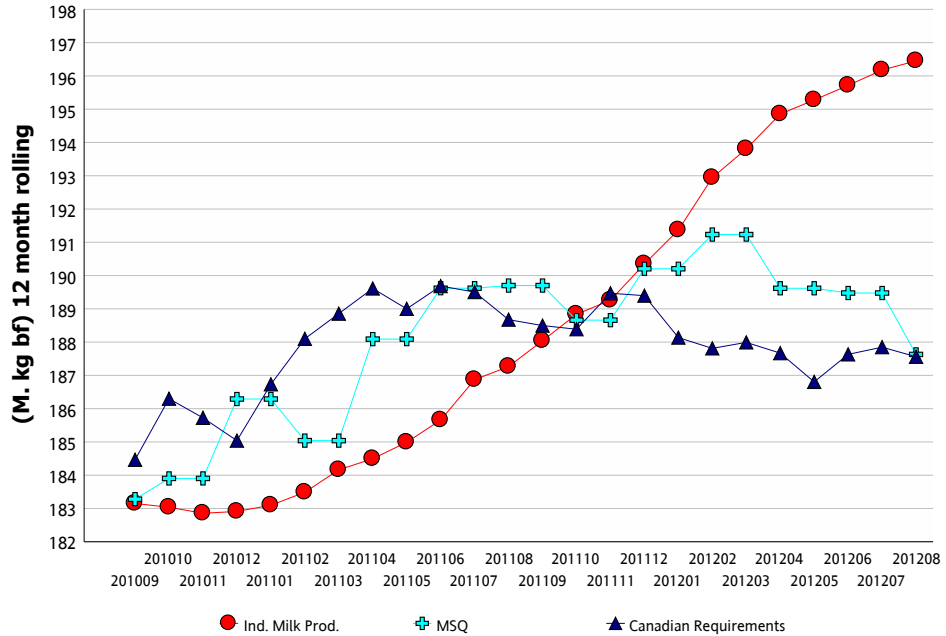
Market Comment

Canadian requirements for the twelve month period ended in August 2012 are 187.56 million kg of butterfat, which represents a slight decrease of 0.16% in comparison to Canadian requirements in July 2012 and almost no change in comparison to the base of June 2012.

This decrease in Canadian requirements is mainly explained by a decrease of approximately 500 tonnes in butter retail sales in August 2012 compared to the same month last year. Canadian requirements were not too affected because demand increased in other markets, mainly for yogurt and specialty cheeses. A decrease in skim-off from the fluid milk market has also sustained the demand for raw milk on the industrial side.

In August 2012, total milk deliveries increased by 1.2% compared to the same month last year. Fluid milk deliveries grew by 0.3% and deliveries of industrial milk increased by 1.7%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/9 to 2011/8	2011/9 to 2012/8	% Change	2010/9 to 2011/8	2011/9 to 2012/8	% Change	2010/9 to 2011/8	2011/9 to 2012/8	% Change
NL	1,893,776	1,888,658	-0.27%	1,526,317	1,483,879	-2.78%	367,459	404,779	10.16%
P5	233,121,628	237,586,882	1.92%	81,048,650	80,232,591	-1.01%	152,072,978	157,354,291	3.47%
WMP	71,353,652	74,950,149	5.04%	36,528,880	36,256,813	-0.74%	34,824,772	38,693,336	11.11%
Canada	306,369,056	314,425,689	2.63%	119,103,847	117,973,283	-0.95%	187,265,209	196,452,406	4.91%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/9 to 2011/8	2011/9 to 2012/8	% Change	2010/9 to 2011/8	2011/9 to 2012/8	% Change
1(a)	47,343	46,657	-1.45%	247,927	245,176	-1.11%
1(b)	43,882	45,356	3.36%	19,138	19,824	3.58%
2	23,715	24,572	3.61%	39,731	42,879	7.92%
3	104,185	105,435	1.20%	235,736	237,695	0.83%
4(a)	56,585	58,703	3.74%	12,582	13,317	5.84%
4(b)	1,913	1,919	0.32%	6,918	7,344	6.16%
4(m) 4(a1)	577	775	34.28%	56,826	72,027	26.75%
5(a,b,c)	25,454	26,551	4.31%	42,836	43,042	0.48%
5(d)	836	943	12.69%	27,671	30,031	8.53%
Other	1,049	2,670	154.58%	7,059	4,812	-31.83%
Total	305,538	313,580	2.63%	696,425	716,147	2.83%

Continuous Quota

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

Province	kg of bf	% *
NL	-51,432	-2.58%
PE	-12,297	-0.30%
NS	-1,755	-0.03%
NB	39,872	0.74%
QC	-548,754	-0.46%
ON	-261,184	-0.26%
MB	86,698	0.69%
SK	-48,989	-0.54%
AB	178,257	0.69%
BC	151,723	0.58%

* 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:	August 25, 2012		
	Previous 12 Month	12 Month	Change
Butter	52,237	52,023	- 0.4%
Total Cheese	245,504	247,275	+ 0.4%
Cheddar	73,780	75,272	+ 2.0%
Specialty	69,182	69,877	+ 1.0%
Processed	86,965	86,018	- 1.1%
Ice cream	197,501	187,361	- 5.1%
Yogurt	253,117	257,635	+ 1.8%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2010/9 to 2011/8	2011/9 to 2012/8	
1	\$90.92	\$94.21	3.61%
2 to 4(d)	\$76.45	\$77.65	1.57%
4(m) 4(a1)*	\$12.64	\$11.63	-8.00%
5(a) to (c)	\$37.49	\$37.35	-0.37%
5(d)	\$31.59	\$31.10	-1.54%
All Classes	\$75.50	\$76.01	0.68%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Aug 31, 2011	Aug 31, 2012
PLAN A BUTTER	330	2,863
PLAN B BUTTER	9,124	13,209
IMPORTED BUTTER	2,141	534
TOTAL CDC BUTTER STOCKS	11,595	16,606
PRIVATE BUTTER STOCKS	6,153	7,181
TOTAL CDC AND PRIVATE BUTTER STOCKS	17,748	23,787

Other Private Stocks ('000 kg)

	Aug 31, 2011	Aug 31, 2012
CHEDDAR	46,729	45,101
PROCESSED CHEESE	9,823	11,649
SPECIALTY CHEESE	21,758	23,998

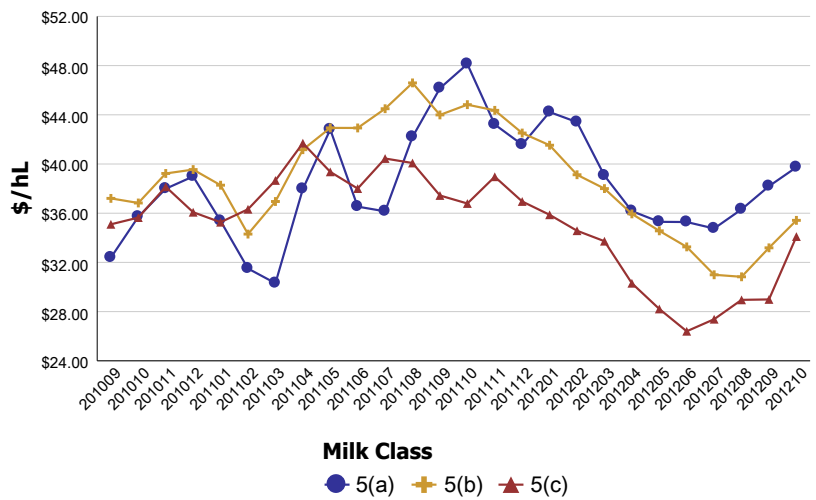
Comments on Stocks

Plan A butter stocks made an important leap in August, increasing from 1,958 t on July 31, 2012 to 2,888 t on August 31, 2012. Strong milk production and the closing of Plan B on August 1st have prompted manufacturers to offer more butter in Plan A.

As is normally the case, Plan B butter stocks continued to come down and stood at 13,209 t on August 31, 2012. All this butter must be bought back by manufacturers by December 22, 2012. Nearly 4,500 t per month on average will therefore need to be bought back in October, November, and December.

Imported butter stocks grew from 152 t on July 31, 2012 to 534 t at the end of August as we have started to receive butter from New Zealand. Nearly 2,000 t have been purchased and will be received from August to December or January, depending on our supplier's product availability. Butter stocks for export are still nil. However once we reach our objective of 3,000 t in Plan A butter inventory, we could start purchasing butter for export again, for the first time in two years.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

