Canadian Dairy Commission | Commission canadienne du lait

November 7, 2012

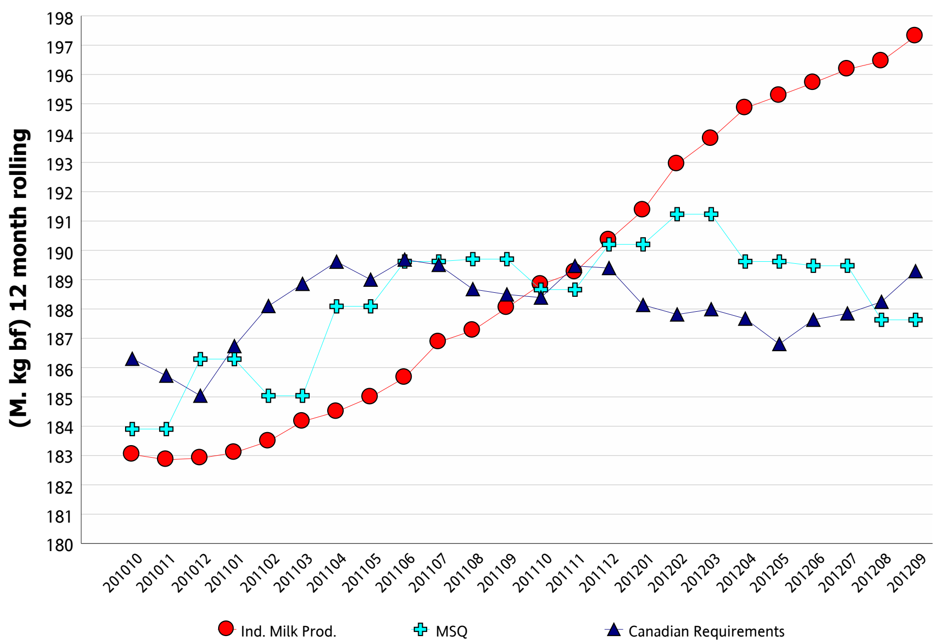
Market Comment

Canadian requirements for the twelve month period ending in September 2012 were 189.28 million kg of butterfat, which represents a sizeable 0.91% increase in comparison to Canadian requirements in August 2012.

Several factors boosted Canadian requirements in September. Retail butter sales increased by nearly 300 t in relation to the same month the previous year. There was also a strong increase in the utilization of dairy ingredients such as cheese in the further processing market. Skim-off from the fluid milk mark fell once again, by 0.3 million kg this month, which pushed up raw milk requirements by as much. There also seems to have been a considerable increase on the yogurt, ice cream and cheddar markets.

In September 2012, total milk deliveries increased by 2.0% compared to the same month last year. Deliveries of fluid milk decreased by 3.7% and deliveries of industrial milk increased by 5.6%. Since several provinces do not have many production credits left, a weakening of growth is expected in the near future.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/10 to 2011/9	2011/10 to 2012/9	% Change	2010/10 to 2011/9	2011/10 to 2012/9	% Change	2010/10 to 2011/9	2011/10 to 2012/9	% Change
NL	1,885,577	1,892,786	0.38%	1,526,662	1,472,088	-3.57%	358,915	420,698	17.21%
P5	233,554,829	238,024,500	1.91%	80,971,708	79,949,760	-1.26%	152,583,121	158,074,740	3.60%
WMP	71,601,831	75,000,686	4.75%	36,502,772	36,190,179	-0.86%	35,099,059	38,810,507	10.57%
Canada	**307,042,237**	**314,917,972**	**2.57%**	**119,001,142**	**117,612,027**	**-1.17%**	**188,041,095**	**197,305,945**	**4.93%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2010/10 to 2011/9	Butterfat 2011/10 to 2012/9	Butterfat % Change	Solids Non Fat 2010/10 to 2011/9	Solids Non Fat 2011/10 to 2012/9	Solids Non Fat % Change
1(a)	47,203	46,578	-1.32%	247,624	244,413	-1.30%
1(b)	44,072	45,407	3.03%	19,245	19,851	3.14%
2	23,541	24,718	5.00%	39,789	43,355	8.96%
3	104,594	105,540	0.90%	236,282	237,110	0.35%
4(a)	56,691	57,889	2.11%	13,654	12,351	-9.55%
4(b)	1,953	1,915	-1.96%	7,113	7,318	2.88%
4(m) 4(a1)	579	766	32.33%	56,860	71,033	24.93%
5(a,b,c)	25,432	26,669	4.86%	42,425	43,732	3.08%
5(d)	790	973	23.11%	27,696	32,184	16.20%
Other	1,376	3,568	159.34%	6,827	5,933	-13.09%
Total	**306,231**	**314,023**	**2.54%**	**697,516**	**717,280**	**2.83%**

Continuous Quota

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

September 30, 2012

Province	kg of bf	% *
NL	-44,152	-2.24%
PE	-11,182	-0.28%
NS	3,968	0.06%
NB	39,377	0.73%
QC	-569,560	-0.48%
ON	-196,949	-0.19%
MB	120,113	0.96%
SK	-72,200	-0.80%
AB	173,885	0.67%
BC	106,344	0.41%

* 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: September 22, 2012

	Previous 12 Month	12 Month	Change
Butter	52,274	52,320	**+ 0.1%**
Total Cheese	249,187	251,337	**+ 0.6%**
Cheddar	79,310	80,403	+ 1.4%
Specialty	80,611	81,249	+ 0.8%
Processed	86,911	86,573	- 0.4%
Ice cream	195,545	187,629	**- 0.4%**
Yogurt	254,015	257,738	**+ 1.5%**

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Butter Inventory ('000 kg)

	Sep 30, 2011	Sep 30, 2012
PLAN A BUTTER	129	3,217
PLAN B BUTTER	7,908	10,432
IMPORTED BUTTER	1,338	245
BUTTER FOR EXPORT		87
TOTAL CDC BUTTER STOCKS	9,375	13,980
PRIVATE BUTTER STOCKS	6,992	7,096
TOTAL CDC AND PRIVATE BUTTER STOCKS	16,367	21,076

Other Private Stocks ('000 kg)

	Sep 30, 2011	Sep 30, 2012
CHEDDAR	44,817	43,121
PROCESSED CHEESE	10,652	1,099
SPECIALTY CHEESE	21,977	23,673

Comments on Stocks

Our Plan A butter inventories continued to increase, growing from 2,888 t on September 1 to 3,217 t on September 30, 2012. Once we reached our objective of 3,000 t, we started to purchase butter in 25 kg boxes through 5(d) permits. We have sold about 300 t of Plan A butter per month since August 1.

While Plan B inventory levels are relatively high for this time of year, they have come down from 13,209 t to 10,432 t in September. This means that very large quantities will have to be bought back between now and December 21, the deadline for repurchasing Plan B butter inventories purchased by the CDC before August 1, 2012. Given the current level of the Plan A inventory, the CDC has decided to open the Plan B butter program as of October 1.

From August 1 to September 30, the CDC has sold 781 t of imported butter, the demand for unsalted butter being especially strong. Over 2,000 t have already been ordered, most of which has been received in our warehouses. Nevertheless, our imported butter inventory is only 245 t in comparison to 534 t the previous month.

We have started purchasing butter for export which explains why our inventory had reached 87 t at the end of September. Everything suggests that the CDC will be purchasing significant quantities of butter in 5(d) over the coming months.

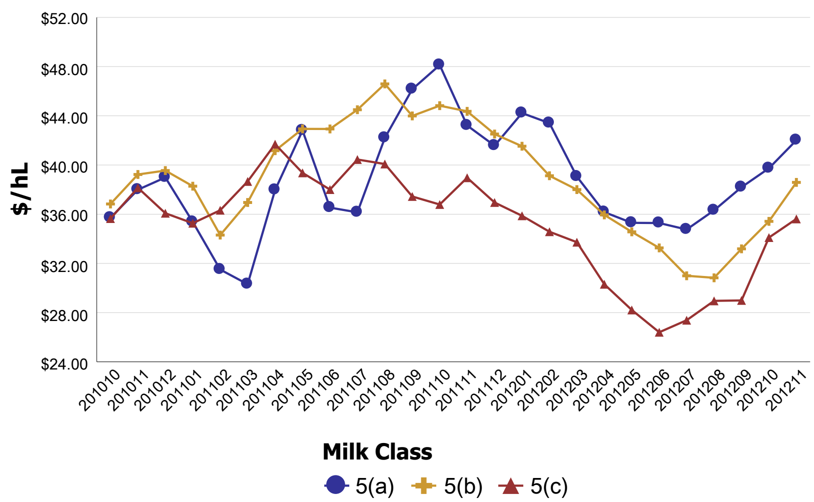
Average Return from Milk Sales

($/hl std)

Milk Class	2010/10 to 2011/9	2011/10 to 2012/9	% Change
1	$91.38	$94.15	3.04%
2 to 4(d)	$76.52	$77.76	1.61%
4(m) 4(a1)*	$12.67	$11.70	-7.62%
5(a) to (c)	$38.29	$36.55	-4.54%
5(d)	$31.93	$31.08	-2.64%
All Classes	**$75.77**	**$75.90**	**0.16%**

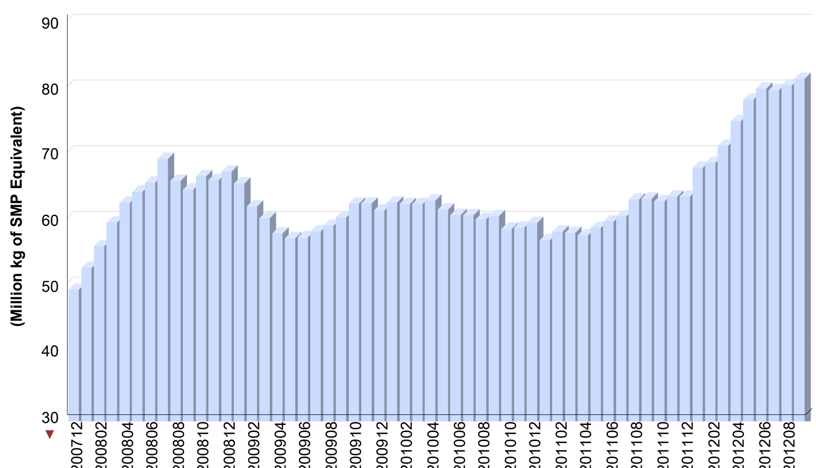
* Price based on SNF components only

Class 5 Component Prices in $/hL



Structural Surplus

(12 Month Rolling)



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