

CDC MARKET BULLETIN

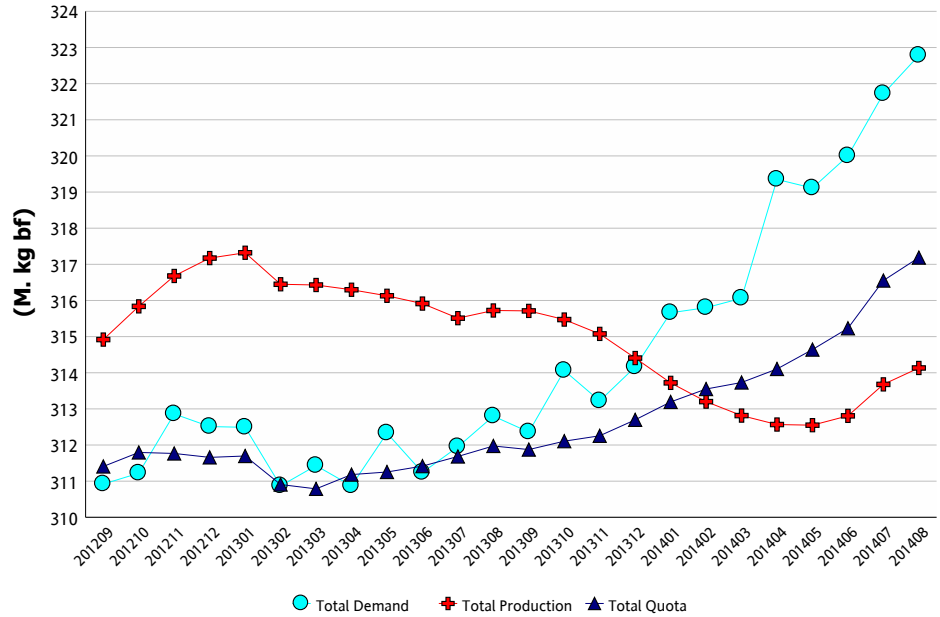
Market Comment

Canadian requirements for the twelve-month period ended in August 2014 were 201.84 M kg of butterfat, which represents a 0.77% increase in comparison to July 2014 and a 1.28% increase in comparison to the base of June 2014.

Many factors have contributed to the increase in Canadian requirements this month. The CDC estimates that the butter consumption increased by almost 250,000 M kg of BF compared to the same month last year. We also observed a similar increase in the cheese market. Butterfat utilization in the manufacture of yogurt increased by 20% but the impact on Canadian requirements was marginal because yogurt consists mainly of solids non fat. Skim-off from the fluid milk market decreased slightly and as such contributed to the increase in Canadian requirements. It is to be noted that butterfat utilization in the ice cream market continued to decrease this month at a rate of 9%.

In August, total milk deliveries increased by 1.7% compared to the same month last year. More specifically, fluid milk deliveries fell by 3.2% while deliveries of industrial milk increased by 4.6%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2012/9 to 2013/8	2013/9 to 2014/8	% Change	2012/9 to 2013/8	2013/9 to 2014/8	% Change	2012/9 to 2013/8	2013/9 to 2014/8	% Change
NL	1,839,559	1,883,644	2.40%	1,443,970	1,507,496	4.40%	395,589	376,148	-4.91%
P5	240,580,829	238,030,771	-1.06%	79,385,836	79,140,238	-0.31%	161,194,993	158,890,533	-1.43%
WMP	73,302,391	74,217,694	1.25%	35,718,729	35,557,830	-0.45%	37,583,662	38,659,864	2.86%
Canada	315,722,779	314,132,109	-0.50%	116,548,535	116,205,564	-0.29%	199,174,244	197,926,545	-0.63%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2012/9 to 2013/8	2013/9 to 2014/8	% Change	2012/9 to 2013/8	2013/9 to 2014/8	% Change
1(a)	46,502	46,344	-0.34%	240,530	237,304	-1.34%
1(b)	45,987	46,929	2.05%	19,953	20,054	0.50%
2	25,105	23,666	-5.73%	47,284	46,425	-1.82%
3	110,892	107,768	-2.82%	235,509	234,930	-0.25%
4(a)	50,238	50,876	1.27%	11,496	13,045	13.47%
4(b)	1,890	1,702	-9.94%	6,793	5,368	-20.97%
4(m) 4(a1)	748	545	-27.17%	67,397	58,591	-13.06%
5(a,b,c)	27,373	31,406	14.73%	42,700	44,950	5.27%
5(d)	3,939	2,597	-34.08%	36,156	38,340	6.04%
Other	2,200	1,395	-36.61%	4,615	3,302	-28.45%
Total	314,875	313,227	-0.52%	712,435	702,309	-1.42%

Continuous Quota

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

August 31, 2014

Province	kg of bf	% *
NL	-44,554	-2.28%
PE	-82,074	-1.99%
NS	-111,958	-1.60%
NB	-95,186	-1.75%
QC	-360,313	-0.30%
ON	-313,227	-0.30%
MB	-250,315	-1.94%
SK	-86,706	-0.94%
AB	-369,050	-1.39%
BC	-296,957	-1.11%

* 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: 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)

	Aug 31, 2013	Aug 31, 2014
PLAN A BUTTER	2,742	877
PLAN B BUTTER	13,017	7,581
IMPORTED BUTTER	809	638
BUTTER FOR EXPORT	209	
TOTAL CDC BUTTER STOCKS	16,778	9,097
PRIVATE BUTTER STOCKS	9,069	7,148
TOTAL CDC AND PRIVATE BUTTER STOCKS	25,847	16,245

Other Private Stocks ('000 kg)

	Aug 31, 2013	Aug 31, 2014
CHEDDAR	44,038	47,678
PROCESSED CHEESE	11,191	12,847
SPECIALTY CHEESE	24,240	26,141

Comments on Stocks

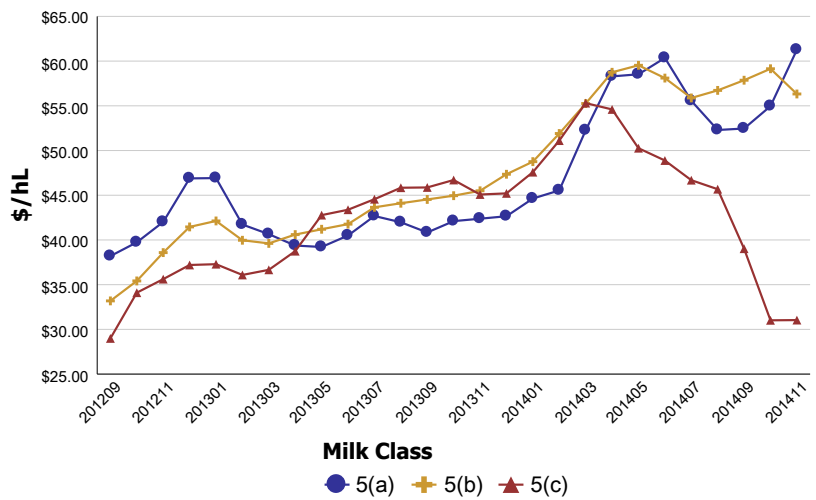
Plan A stocks remained considerably lower this year than last year due to tightness in milk supply in early 2014. This reduced butter production. To address this situation, the CDC suspended its purchases in Plan B effective October 1, 2014. Plan B stocks were also considerably lower due in part to stronger demand. Imported butter stocks in August 2014 were similar to August in the previous year. The CDC purchased 1900 t of butter from New Zealand and Ireland which will arrive in the second half of October. With no surplus butter available in the domestic market, no export activities were authorized.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2012/9 to 2013/8	2013/9 to 2014/8	
1	\$94.51	\$95.79	1.35%
2 to 4(d)	\$78.47	\$78.78	0.40%
4(m) 4(a1)*	\$13.35	\$19.72	47.70%
5(a) to (c)	\$40.05	\$49.68	24.04%
5(d)	\$30.24	\$41.60	37.57%
All Classes	\$76.68	\$79.17	3.24%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



SNF Surplus

(12 Month Rolling)

