Canadian Dairy Commission | Commission canadienne du lait

January 9, 2012

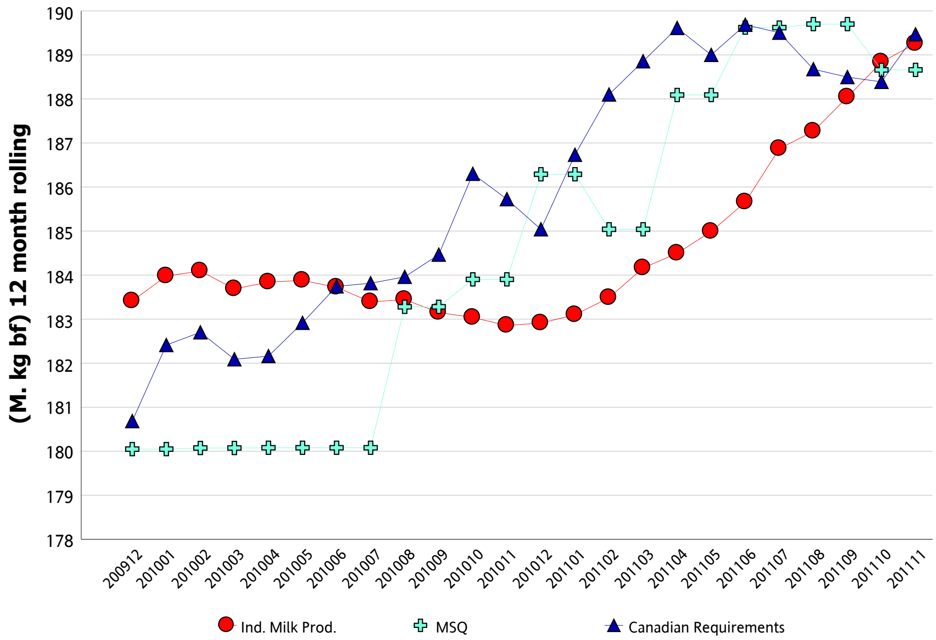
Market Comment

Canadian requirements for the twelve month period ending in November 2011 were 189.46 million kg of butterfat, up 0.57 % from the base of 188.39 million kg of butterfat of October 2011.

Four factors contributed to this increase in Canadian requirements. First, the consumption of butter in Canada during November 2011 was up by about 1.5 million kg of butterfat in comparison to the same month the previous year. Secondly, processors increased their cheese stocks which temporarily maintained their demand for raw milk. Thirdly, the use of butterfat in the confectionery market increased by about 130,000 kg. Finally, skim-off decreased again and pushed up Canadian requirements by the equivalent of 100,000 kg of b.f. this month. Certain markets, however, experienced a decline. The use of butterfat in ice cream and in certain further processing sectors has diminished.

In November 2011, total milk deliveries increased by 2.1% compared to the same month last year. Fluid milk deliveries grew by 1.0% and deliveries of industrial milk increased by 2.8%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/12 to 2010/11	2010/12 to 2011/11	% Change	2009/12 to 2010/11	2010/12 to 2011/11	% Change	2009/12 to 2010/11	2010/12 to 2011/11	% Change
NL	1,892,504	1,874,628	-0.94%	1,415,439	1,512,610	6.87%	477,065	362,018	-24.12%
P5	229,380,402	233,889,004	1.97%	80,505,264	80,792,778	0.36%	148,875,138	153,096,226	2.84%
WMP	69,789,020	72,298,435	3.60%	36,284,641	36,500,402	0.59%	33,504,379	35,798,033	6.85%
Canada	**301,061,926**	**308,062,067**	**2.33%**	**118,205,344**	**118,805,790**	**0.51%**	**182,856,582**	**189,256,277**	**3.50%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2009/12 to 2010/11	Butterfat 2010/12 to 2011/11	Butterfat % Change	Solids Non Fat 2009/12 to 2010/11	Solids Non Fat 2010/12 to 2011/11	Solids Non Fat % Change
1(a)	47,212	47,153	-0.13%	248,465	247,109	-0.55%
1(b)	42,601	44,274	3.93%	18,742	19,330	3.14%
2	23,838	23,500	-1.42%	38,537	40,261	4.47%
3	104,177	104,737	0.54%	239,426	237,029	-1.00%
4(a)	53,045	56,896	7.26%	13,007	14,372	10.49%
4(b)	1,476	1,966	33.25%	5,766	7,192	24.72%
4(m) 4(a1)	621	548	-11.71%	58,943	56,191	-4.67%
5(a,b,c)	24,705	25,026	1.30%	39,476	42,398	7.40%
5(d)	2,275	641	-71.84%	22,676	28,102	23.93%
Other	402	2,393	495.22%	4,601	7,665	66.61%
Total	**300,352**	**307,135**	**2.26%**	**689,639**	**699,650**	**1.45%**

Continuous Quota

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

November 30, 2011

Province	kg of bf	% *
NL	-85,584	-4.27%
PE	-50,526	-1.26%
NS	-104,393	-1.53%
NB	-60,488	-1.14%
QC	-1,799,569	-1.53%
ON	-1,503,770	-1.49%
MB	-187,695	-1.50%
SK	-134,481	-1.50%
AB	-385,883	-1.50%
BC	-388,308	-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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CDC Market Bulletin

Retail Product Sales

Current period vs previous period
('000 kg)

Up to: November 19, 2011

	Previous 12 Month	12 Month	Change
Butter	51,553	52,635	**+ 2.1%**
Total Cheese*	270,893	271,782	+ 0.2%
Cheddar	80,910	79,633	- 1.6%
Specialty*	78,596	80,181	+ 2.0%
Processed	109,466	109,785	+ 0.3%
Ice cream	203,783	194,959	**- 4.3%**
Yogurt	251,302	254,044	**+ 1.1%**

Source: The Nielsen Company, MarketTrack [channel coverage eg: GB+D+MM+C&G]

Butter Inventory ('000 kg)

	Nov 30, 2010	Nov 30, 2011
PLAN A BUTTER	825	138
PLAN B BUTTER	4,539	3,857
IMPORTED BUTTER	1,067	855
TOTAL CDC BUTTER STOCKS	**6,431**	**4,850**
PRIVATE BUTTER STOCKS	7,160	8,498
TOTAL CDC AND PRIVATE BUTTER STOCKS	**13,590**	**13,348**

Other Private Stocks ('000 kg)

	Nov 30, 2010	Nov 30, 2011
CHEDDAR	43,218	45,890
PROCESSED CHEESE	9,744	11,162
SPECIALTY CHEESE	21,630	23,109

Comments on Stocks

Plan A butter stocks increased slightly from 70 t at the end of October to 138 t at the end of November. It is expected that the CDC will start to rebuild its Plan A inventory by January 2012.

Plan B butter stocks decreased from 6,663 t at the end of October to 3,857 t at the end of November. These stocks will continue to decrease over the coming months in order to satisfy the normal seasonal demand in the fall. Plan B stock levels are anticipated to be below 500 t by the end of December 2011.

Imported butter stocks decreased from 1,125 t at the end of October to 855 t at the end of November. Demand for imported butter remained strong in November and is expected continue into December. The CDC has imported almost all of the 3,000 t of butter it had committed to importing this fall. This amount represents the majority of the import requirements of 3,274 t for the 2011-2012 dairy year. As for export butter, our stocks will remain at zero over the coming months.

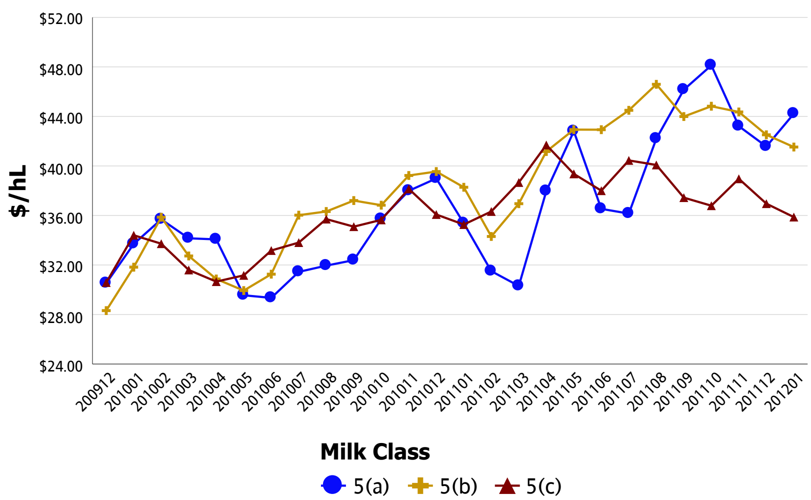
Average Return from Milk Sales

($/hl std)

Milk Class	2009/12 to 2010/11	2010/12 to 2011/11	% Change
1	$89.42	$92.31	3.23%
2 to 4(d)	$75.85	$76.69	1.10%
4(m) 4(a1)*	$11.27	$12.69	12.68%
5(a) to (c)	$32.95	$39.28	19.22%
5(d)	$26.49	$32.76	23.68%
All Classes	**$74.19**	**$76.30**	**2.84%**

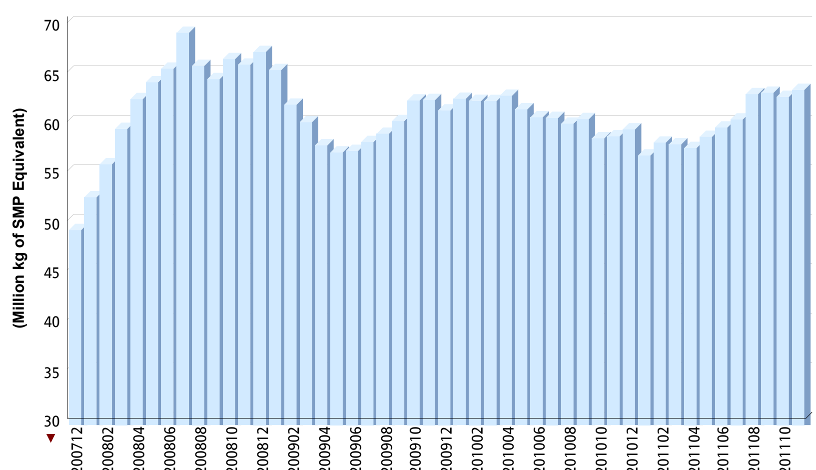
* Price based on SNF components only

Class 5 Component Prices in $/hL



Structural Surplus

(12 Month Rolling)



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