

CDC MARKET BULLETIN



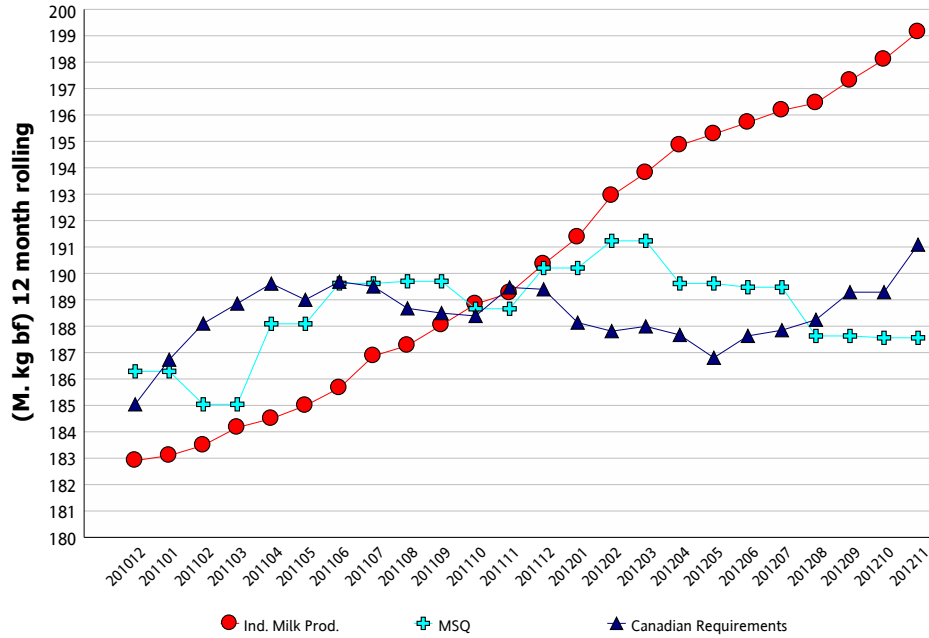
Market Comment

Canadian requirements for the twelve month period ending in November 2012 were 191.07 million kg of butterfat, which represents a strong increase of 0.94% in comparison to the base of October.

Among the factors which contributed to Canadian requirements of November are the use of butterfat reported in Class 3(b)(cheddar) which increased by 13% in comparison to the same month last year. There has also been a 4.1% increase in butterfat utilization in Class 2, that is in the market for yogurt and ice cream. In the time leading up to the year end holidays, the market for butter regained strength to reach the same level it achieved during the same month last year. Skim-off from the fluid milk market has decreased which has increased demand for raw milk.

In November 2012, total milk deliveries increased by 3.3% compared to the same month last year. Deliveries of fluid milk decreased by 1.9% while deliveries of industrial milk increased by 6.9%. Production in November decreased slightly in relation to October because producers have used most of their production credits.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/12 to 2011/11	2011/12 to 2012/11	% Change	2010/12 to 2011/11	2011/12 to 2012/11	% Change	2010/12 to 2011/11	2011/12 to 2012/11	% Change
NL	1,874,628	1,907,763	1.77%	1,512,610	1,495,881	-1.11%	362,018	411,882	13.77%
P5	233,889,004	239,732,286	2.50%	80,792,778	79,884,641	-1.12%	153,096,226	159,847,645	4.41%
WMP	72,298,435	75,038,204	3.79%	36,500,402	36,155,337	-0.95%	35,798,033	38,882,867	8.62%
Canada	308,062,067	316,678,253	2.80%	118,805,790	117,535,859	-1.07%	189,256,277	199,142,394	5.22%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/12 to 2011/11	2011/12 to 2012/11	% Change	2010/12 to 2011/11	2011/12 to 2012/11	% Change
1(a)	47,153	46,683	-1.00%	247,109	244,038	-1.24%
1(b)	44,274	45,738	3.31%	19,330	19,932	3.11%
2	23,500	24,995	6.36%	40,261	44,483	10.48%
3	104,737	106,862	2.03%	237,029	238,337	0.55%
4(a)	56,896	57,407	0.90%	14,372	9,703	-32.49%
4(b)	1,966	1,905	-3.11%	7,192	7,254	0.87%
4(m) 4(a1)	548	767	40.06%	56,191	73,036	29.98%
5(a,b,c)	25,026	27,466	9.75%	42,398	44,240	4.34%
5(d)	641	1,675	161.50%	28,102	35,757	27.24%
Other	2,393	2,342	-2.15%	7,665	3,906	-49.05%
Total	307,135	315,840	2.83%	699,650	720,685	3.01%

Continuous Quota

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

November 30, 2012

Province	kg of bf	% *
NL	-59,176	-2.99%
PE	2,951	0.07%
NS	39,362	0.57%
NB	59,409	1.11%
QC	-472,415	-0.40%
ON	254,868	0.25%
MB	150,901	1.20%
SK	-114,242	-1.27%
AB	137,617	0.53%
BC	-38,204	-0.15%

* 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: December 15, 2012

	Previous 12 Month	12 Month	Change
Butter	51,933	53,082	+ 2.2%
Total Cheese	249,053	252,141	+ 0.6%
Cheddar	79,688	80,329	+ 0.8%
Specialty	80,455	81,479	+ 1.3%
Processed	100,635	100,755	+ 0.1%
Ice cream	193,453	184,462	- 4.6%
Yogurt	254,123	262,445	+ 3.3%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Butter Inventory ('000 kg)

	Nov 30, 2011	Nov 30, 2012
PLAN A BUTTER	138	2,481
PLAN B BUTTER	3,857	6,472
IMPORTED BUTTER	855	887
BUTTER FOR EXPORT		983
TOTAL CDC BUTTER STOCKS	4,850	10,823
PRIVATE BUTTER STOCKS	8,498	8,001
TOTAL CDC AND PRIVATE BUTTER STOCKS	13,348	18,824

Other Private Stocks ('000 kg)

	Nov 30, 2011	Nov 30, 2012
CHEDDAR	45,890	43,842
PROCESSED CHEESE	11,162	13,783
SPECIALTY CHEESE	23,109	23,558

Comments on Stocks

Since the CDC closed its Plan A butter program at the beginning of October, its stocks continued to decrease. Our sales shrank by half in November in comparison to October sales. Our stocks therefore went from 2,850 t at the beginning of November to 2,481 t at the end of the month. Since it was essentially produced from May to September 2012, this butter is relatively fresh.

Our Plan B butter sales increased slightly in November and reached 3,154 t in comparison to 2,910 t in October. In light of the fact that manufacturers must buy back much of the Plan B butter no later than December 21, the level of repurchases will be much higher in December. Our Plan B butter stocks stood at 6,472 t at the end of November, and since manufacturers must buy back the butter, they could be of the order of 2,500 t at the end of December.

We received about 600 t of butter from New-Zealand in November. However we only sold 240 t during this period. Our stocks therefore grew from 291 t on November 1 to 887 t on December 1. We have no other commitment to import butter for the time being. We will sell a good portion of our stocks before signing new purchase contracts between now and the spring.

We continued to purchase butter through 5(d) permits. Our export butter inventory went from 539 t to 983 t in November. Faced with these surpluses, the CDC recently signed two contracts totalling 800

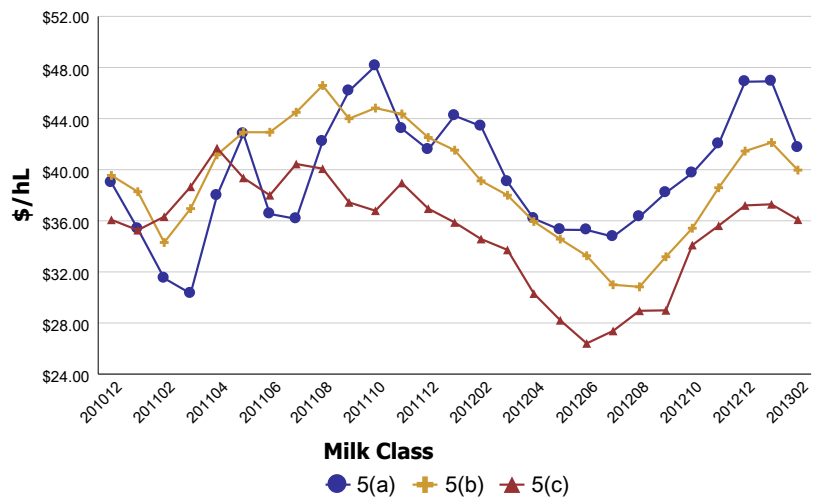
Average Return from Milk Sales

(\$/hl std)

Milk Class	2010/12 to 2011/11	2011/12 to 2012/11	% Change
1	\$92.31	\$94.02	1.85%
2 to 4(d)	\$76.69	\$77.99	1.70%
4(m) 4(a1)*	\$12.69	\$11.83	-6.82%
5(a) to (c)	\$39.28	\$35.84	-8.75%
5(d)	\$32.76	\$28.94	-11.65%
All Classes	\$76.30	\$75.56	-0.96%

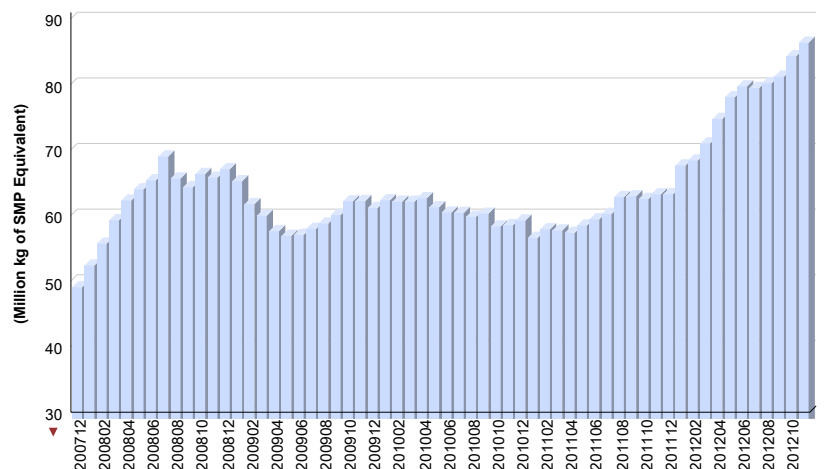
* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)





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Retail Product Sales*

Current period vs previous period
(‘000 kg)

Up to:

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Average Return from Milk Sales

(\$/hl std)

* Price based on SNF components only

Butter Inventory (‘000 kg) Other Private Stocks (‘000 kg)

Comments on Stocks

t for shipment from December 2012 to February 2013. Since we plan to continue 5(d) butter purchases, we will consider more exports during the coming months.