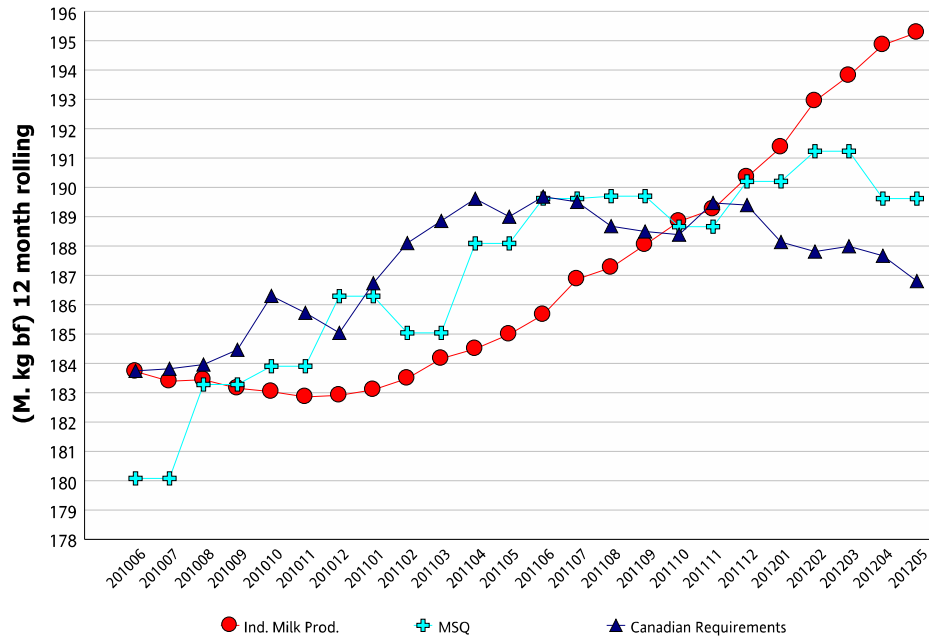


CDC MARKET BULLETIN



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



Market Comment

Canadian requirements for the twelve month period ending in May 2012 were 186.67 million kg of butterfat, down 0.47% in comparison to Canadian requirements in April 2012.

This drop in Canadian requirements is difficult to explain. The use of butterfat in cheddar cheese decreased by 7.9% in May 2012 when compared to May 2011. It also seems that some restaurants and retailers drew on their stocks to supply part of their market, which could have temporarily reduced demand for butter from processors. These factors, however, are minimal in relation to the growth displayed by other markets. The use of butterfat in yogurt and specialty cheeses has increased by about 4% and 6.5% respectively. The further processing market has increased by about 400,000 kg of butterfat. Skim-off from the fluid milk market has decreased again, which has increased requirements for raw milk.

In May 2012, total milk deliveries increased by 1.8% compared to the same month last year. Fluid milk deliveries grew by 0.6% and deliveries of industrial milk increased by 2.6%. The growth of production seems to be weakening.

	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/6 to 2011/5	2011/6 to 2012/5	% Change	2010/6 to 2011/5	2011/6 to 2012/5	% Change	2010/6 to 2011/5	2011/6 to 2012/5	% Change
NL	1,932,356	1,856,555	-3.92%	1,473,098	1,513,615	2.75%	459,258	342,940	-25.33%
P5	231,349,303	237,196,504	2.53%	80,762,645	80,416,236	-0.43%	150,586,658	156,780,268	4.11%
WMP	70,419,583	74,579,988	5.91%	36,475,989	36,425,712	-0.14%	33,943,594	38,154,276	12.40%
Canada	303,701,242	313,633,047	3.27%	118,711,732	118,355,563	-0.30%	184,989,510	195,277,484	5.56%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/6 to 2011/5	2011/6 to 2012/5	% Change	2010/6 to 2011/5	2011/6 to 2012/5	% Change
1(a)	47,325	46,913	-0.87%	248,106	246,058	-0.83%
1(b)	43,253	45,192	4.48%	18,930	19,652	3.81%
2	23,774	24,204	1.81%	38,786	42,234	8.89%
3	104,478	104,626	0.14%	238,744	235,788	-1.24%
4(a)	53,875	60,012	11.39%	11,599	15,096	30.14%
4(b)	1,734	1,928	11.18%	6,270	7,306	16.53%
4(m) 4(a1)	575	744	29.41%	54,966	68,521	24.66%
5(a,b,c)	25,627	25,636	0.04%	41,676	43,123	3.47%
5(d)	1,372	627	-54.30%	26,106	30,127	15.40%
Other	804	2,938	265.29%	6,916	5,665	-18.09%
Total	302,817	312,820	3.30%	692,099	713,572	3.10%

Continuous Quota

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

Province	kg of bf	% *
NL	-145,391	-7.19%
PE	-29,666	-0.73%
NS	-32,926	-0.48%
NB	26,956	0.50%
QC	-714,731	-0.60%
ON	-269,726	-0.27%
MB	54,640	0.43%
SK	-50,802	-0.56%
AB	94,592	0.36%
BC	131,402	0.50%

* Cumulative Over / Under Production (with limits) expressed as a % of the most recent 12 months total quota



CDC MARKET BULLETIN



Retail Product Sales*

Up to:	Current period vs previous period ('000 kg)			
	June 2, 2012	Previous 12 Month	12 Month	Change
Butter	51,875	52,343		+ 0.9%
Total Cheese	245,924	246,869		+ 0.4%
Cheddar	79,323	79,935		+ 0.8%
Specialty	80,145	80,714		+ 0.7%
Processed	86,456	86,221		- 0.3%
Ice cream	198,982	190,113		- 4.5%
Yogurt	252,141	255,914		+ 1.5%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2010/6 to 2011/5	2011/6 to 2012/5	
1	\$90.10	\$93.93	4.25%
2 to 4(d)	\$76.18	\$77.32	1.49%
4(m) 4(a1)*	\$13.14	\$11.82	-10.04%
5(a) to (c)	\$35.39	\$39.48	11.56%
5(d)	\$30.54	\$31.15	1.99%
All Classes	\$75.09	\$76.22	1.51%

* Price based on SNF components only

Butter Inventory ('000 kg)

	May 31, 2011	May 31, 2012
PLAN A BUTTER	289	1,321
PLAN B BUTTER	9,091	15,076
IMPORTED BUTTER	271	161
TOTAL CDC BUTTER STOCKS	9,651	16,558
PRIVATE BUTTER STOCKS	6,848	8,985
TOTAL CDC AND PRIVATE BUTTER STOCKS	16,499	25,543

Other Private Stocks ('000 kg)

	May 31, 2011	May 31, 2012
CHEDDAR	46,325	44,260
PROCESSED CHEESE	11,098	11,783
SPECIALTY CHEESE	24,320	24,796

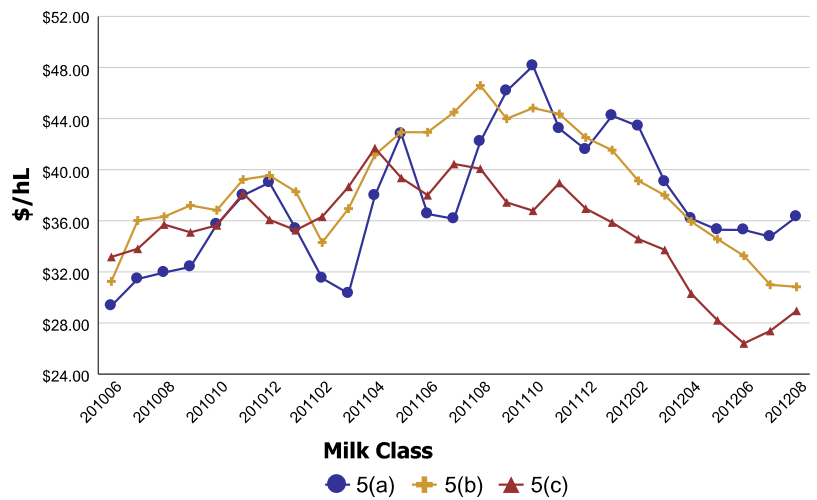
Comments on Stocks

Plan A butter stocks increased from 755 t at the end of April to 1,321 t at the end of May. It is expected that the Plan A stocks will be slightly below their target level of 3,000 t by the end of July, 2012.

Plan B butter stocks increased from 13,616 t at the end of April to 15,076 t at the end of May. Plan B stocks have likely reached their peak levels and will start to decline moving into the summer/fall months. The overall Plan B stocks are expected to be higher than normal levels at the end of July.

Imported butter stocks decreased slightly from 176 t at the end of April to 161 t at the end of May. The CDC has imported all of the butter it had committed to importing for this dairy year. As for export butter, our stocks will remain at zero over the coming months.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

