Canadian Dairy Commission | Commission canadienne du lait

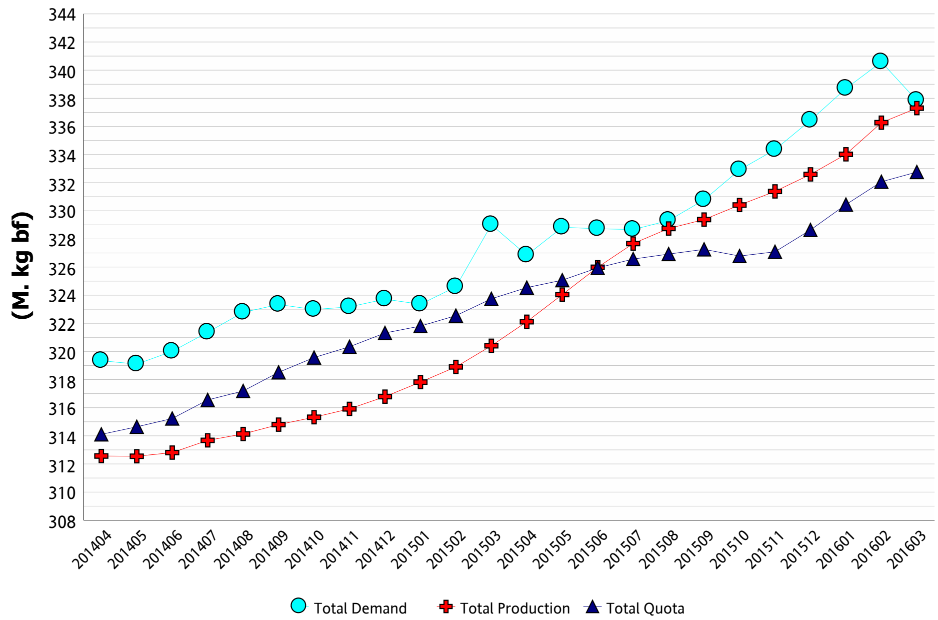
May 16, 2016

Market Comment

Total Requirements for the 12-month period ending March 2016 were 337.30 kg BF. This figure represents a 0.8% decrease compared to last month and a 2.7% increase over the same period last year. This month-over-month decrease in the requirements, which is the first significant decrease since April 2015, can be partly attributed to a shift from cheese to butter processing that has occurred since last spring. To illustrate this shift, there was a slight decrease in BF used in cheese in March 2016 compared to March 2015. Meanwhile, there was a significant increase in the amount of milk directed towards butter-making. Class 4(a) BF utilization increased by over 2 M kg BF or 48% between March 2015 and March 2016. Much of this butter was kept in storage.

In terms of long-term trends, BF utilization for cream has remained strong with a 6.2% increase for the 12 months ending March 2016 compared to the same period one year ago. Together, ice cream and yogurt have absorbed 3.2 M. kg BF more than last year. In the most recent months, further processing has been served with imported rather than domestic butter, which explains the decrease in BF utilization seen for Classes 5(b) and 5(c).

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2014/4 to 2015/3	2015/4 to 2016/3	% Change	2014/4 to 2015/3	2015/4 to 2016/3	% Change	2014/4 to 2015/3	2015/4 to 2016/3	% Change
NL	1,922,586	1,971,199	2.53%	1,508,957	1,486,254	-1.50%	413,629	484,945	17.24%
P5	241,611,179	254,414,446	5.30%	78,702,279	77,729,206	-1.24%	162,908,900	176,685,240	8.46%
WMP	76,870,796	80,913,503	5.26%	35,688,364	36,101,739	1.16%	41,182,432	44,811,764	8.81%
Canada	**320,404,561**	**337,299,148**	**5.27%**	**115,899,600**	**115,317,199**	**-0.50%**	**204,504,961**	**221,981,949**	**8.55%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2014/4 to 2015/3	Butterfat 2015/4 to 2016/3	% Change	Solids Non Fat 2014/4 to 2015/3	Solids Non Fat 2015/4 to 2016/3	% Change
1(a)	46,412	46,866	0.98%	235,344	233,310	-0.86%
1(b)	47,613	50,581	6.23%	20,428	21,625	5.86%
2	24,657	27,822	12.84%	47,245	50,112	6.07%
3	114,000	118,310	3.78%	241,304	240,627	-0.28%
4(a)	52,295	61,018	16.68%	13,635	12,081	-11.40%
4(b)	1,815	1,853	2.08%	5,021	4,697	-6.47%
4(m) 4(a1)	719	1,000	39.21%	76,181	106,943	40.38%
5(a,b,c)	29,461	26,921	-8.62%	44,523	44,038	-1.09%
5(d)	1,422	1,118	-21.34%	27,639	30,745	11.24%
Other	1,135	993	-12.43%	2,735	8,888	224.99%
Total	**319,529**	**336,483**	**5.31%**	**714,054**	**753,065**	**5.46%**

Continuous Quota

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

March 31, 2016

Province	kg of bf	% *
NL	-434,567	-18.23%
PE	-134,311	-3.14%
NS	-49,286	-0.68%
NB	-69,319	-1.22%
QC	-814,349	-0.65%
ON	1,815,342	1.68%
MB	-499,879	-3.62%
SK	-115,431	-1.17%
AB	-377,837	-1.33%
BC	-5,347	-0.02%

* 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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CDC Market Bulletin

Retail Product Sales*

Current period vs previous period
('000 kg)

Up to: April 2, 2016

	Previous 12 Month	12 Month	Change
Butter	57,738	57,223	**- 0.9%**
Total Cheese	287,923	288,894	**+ 0.3%**
Cheddar	88,184	89,321	+ 1.3%
Fine Cheese*	48,206	49,488	+ 2.6%
Everyday Cheese*	137,896	140,586	+ 1.9%
Processed	59,504	56,464	- 5.4%
Ice cream	177,605	182,045	**+ 2.5%**
Yogurt	316,964	327,770	**+ 3.3%**
Cream	87,543	90,530	**+ 3.3%**

Source: The Nielsen Company, MarketTrack and Homescan panelists.
*Note: Everyday Cheese = 3(c), Fine Cheese = 3(a)

Butter Inventory ('000 kg)

	Mar 31, 2015	Mar 31, 2016
PLAN A BUTTER	5	16
PLAN B BUTTER	2,321	3,945
IMPORTED BUTTER	331	296
TOTAL CDC BUTTER STOCKS	**2,657**	**4,258**
PRIVATE BUTTER STOCKS	10,752	14,781
TOTAL CDC AND PRIVATE BUTTER STOCKS	**13,410**	**19,039**

Other Private Stocks ('000 kg)

	Mar 31, 2015	Mar 31, 2016
CHEDDAR	46,608	50,907
PROCESSED CHEESE	16,711	14,751
SPECIALTY CHEESE	28,130	30,245

Comments on Stocks

Total milk production for the 12-month period ending March 2016 was 5.3% higher than the same period last year. As production and supply (including net imports) edge above Total Requirements, the industry will enter a period of butter stock re-building.

As of March 31, 2016, the CDC held 16 tonnes of butter in Plan A and 3,945 tonnes of butter in Plan B. Supplementary butter imports for March 2016 tallied 296 tonnes. The CDC has obtained an additional butter import permit of 4,000 tonnes from Global Affairs Canada and will continue to purchase product if the market requires it.

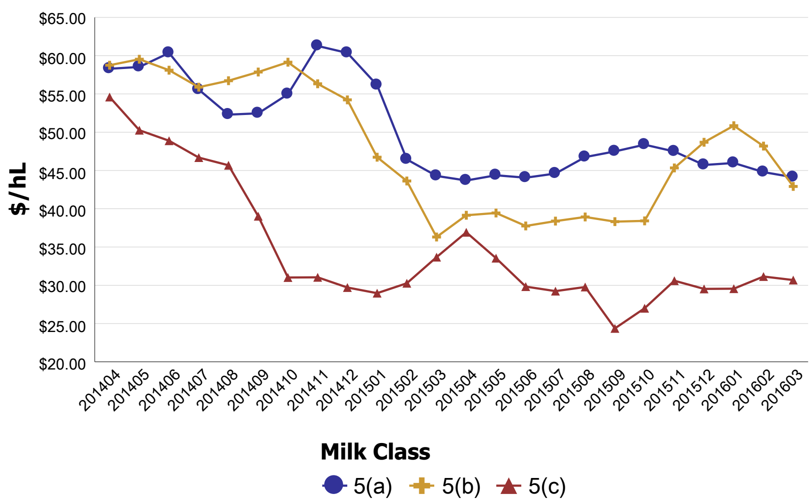
Average Return from Milk Sales

($/hl std)

Milk Class	2014/4 to 2015/3	2015/4 to 2016/3	% Change
1	$96.40	$96.30	-0.10%
2 to 4(d)	$78.97	$75.85	-3.96%
4(m) 4(a1)*	$13.61	$8.17	-39.99%
5(a) to (c)	$50.32	$39.90	-20.70%
5(d)	$37.72	$25.02	-33.66%
All Classes	**$78.50**	**$73.83**	**-5.95%**

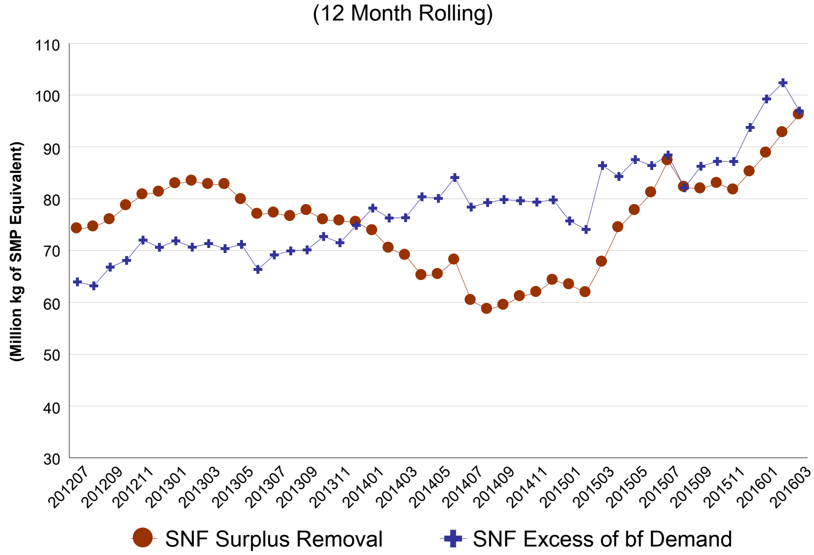
* Price based on SNF components only

Class 5 Component Prices in $/hL



SNF Surplus

(12 Month Rolling)



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