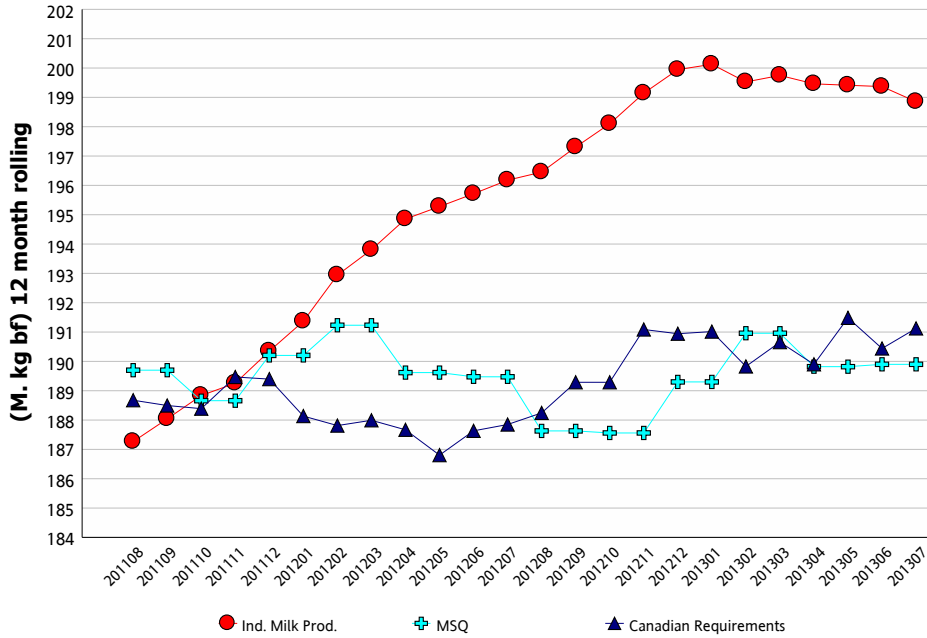




CDC MARKET BULLETIN



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



Market Comment

Canadian requirements for the twelve month period ending in July 2013 were 191.13 million kg of butterfat, which represents an increase of 0.36% in comparison to the base of June.

Among the factors which contributed to Canadian requirements in July is the use of butterfat in cheese classes, especially for cheddar, where utilization increased by 4.5 % in comparison to the same month last year. Butterfat utilization increased by 2.3% in Class 2, that is in the yogurt and ice cream market. Skim-off from the fluid milk market has slightly decreased thus increasing demand for raw milk. The increase in butter retail sales is not reflected in Class 4(a) butterfat utilization reported by plants which has decreased. Apparently, retailers continued to use their stocks to supply the market in July.

In July 2013, total milk deliveries did not change (0.4%) in comparison to the same month last year. Deliveries of fluid milk decreased again by 1.1 % while deliveries of industrial milk increased by 1.4 %.

	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/8 to 2012/7	2012/8 to 2013/7	% Change	2011/8 to 2012/7	2012/8 to 2013/7	% Change	2011/8 to 2012/7	2012/8 to 2013/7	% Change
NL	1,879,648	1,789,336	-4.80%	1,477,997	1,406,412	-4.84%	401,651	382,924	-4.66%
P5	237,330,328	240,351,514	1.27%	80,152,356	79,542,957	-0.76%	157,177,972	160,808,557	2.31%
WMP	74,912,942	73,369,707	-2.06%	36,315,978	35,708,589	-1.67%	38,596,964	37,661,118	-2.42%
Canada	314,122,918	315,510,557	0.44%	117,946,331	116,657,958	-1.09%	196,176,587	198,852,599	1.36%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/8 to 2012/7	2012/8 to 2013/7	% Change	2011/8 to 2012/7	2012/8 to 2013/7	% Change
1(a)	46,763	46,594	-0.36%	245,395	240,952	-1.81%
1(b)	45,117	46,057	2.08%	19,716	19,969	1.29%
2	24,659	25,227	2.30%	42,937	47,339	10.25%
3	105,422	110,526	4.84%	237,838	236,080	-0.74%
4(a)	59,086	50,406	-14.69%	12,651	9,942	-21.42%
4(b)	1,911	1,919	0.40%	7,297	6,869	-5.87%
4(m) 4(a1)	785	741	-5.66%	73,009	69,265	-5.13%
5(a,b,c)	25,995	27,472	5.68%	42,673	43,146	1.11%
5(d)	895	3,925	338.29%	28,882	35,079	21.45%
Other	2,673	1,771	-33.72%	4,969	4,416	-11.13%
Total	313,307	314,638	0.42%	715,366	713,056	-0.32%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
July 31, 2013

Province	kg of bf	% *
NL	-87,398	-4.78%
PE	20,718	0.51%
NS	18,194	0.26%
NB	22,012	0.41%
QC	666,963	0.56%
ON	343,004	0.34%
MB	79,991	0.64%
SK	-50,752	-0.57%
AB	181,429	0.70%
BC	34,806	0.13%

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



CDC MARKET BULLETIN



Retail Product Sales*

Current period vs previous period ('000 kg)

Up to:	July 27, 2013		
	Previous 12 Month	12 Month	Change
Butter	52,499	53,954	+ 2.8%
Total Cheese	249,691	257,622	+ 3.1%
Cheddar	80,505	84,016	+ 4.4%
Fine Cheese*	50,480	50,900	+ 0.8%
Everyday Cheese*	49,876	52,335	+ 4.9%
Processed	66,280	67,510	+ 1.9%
Ice cream	186,994	182,843	- 2.2%
Yogurt	257,926	272,284	+ 5.6%

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

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2011/8 to 2012/7	2012/8 to 2013/7	
1	\$94.27	\$94.44	0.18%
2 to 4(d)	\$77.54	\$78.48	1.21%
4(m) 4(a1)*	\$11.53	\$12.83	11.28%
5(a) to (c)	\$38.24	\$39.08	2.20%
5(d)	\$31.34	\$29.62	-5.51%
All Classes	\$76.08	\$76.45	0.48%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Jul 31, 2012	Jul 31, 2013
PLAN A BUTTER	1,958	2,870
PLAN B BUTTER	14,706	13,207
IMPORTED BUTTER	152	944
BUTTER FOR EXPORT		284
TOTAL CDC BUTTER STOCKS	16,816	17,305
PRIVATE BUTTER STOCKS	6,562	9,314
TOTAL CDC AND PRIVATE BUTTER STOCKS	23,378	26,619

Other Private Stocks ('000 kg)

	Jul 31, 2012	Jul 31, 2013
CHEDDAR	45,044	45,390
PROCESSED CHEESE	12,896	13,534
SPECIALTY CHEESE	24,212	24,960

Comments on Stocks

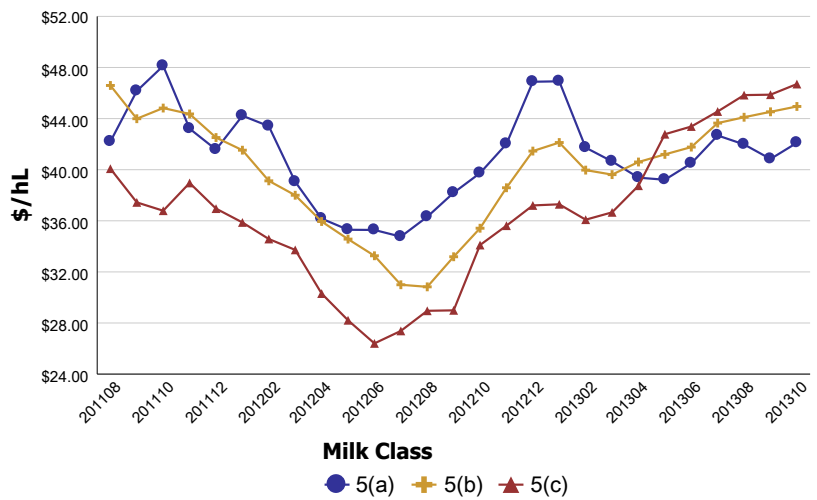
We completed the dairy year with Plan A butter stocks of 2,870 t in comparison to stocks of 2,473 t at the end of June 2013, which is very close to our goal of 3,000 t. Since milk production is relatively good, we do not foresee important sales in the coming months.

Plan B butter stocks continued to diminish in July, dropping from 13,965 t at the end of June to 13,207 t. This decrease is minimal and indicates that milk production is more than sufficient to fulfil requirements.

We have completed our imported butter purchases for the 2012-2013 dairy year and have used our entire import license as we are required to do every year. We ended the year with stocks of 944 t. To take advantage of low U.S. butter prices, we have committed to importing 650 t in August and September.

We have shipped 570 t of butter for export in July, which has brought down our stocks of this type of butter from 1,142 t at the end of June to only 284 t on July 31, 2013. We are not currently planning to purchase butter in Class 5(d) and the great majority of these stocks will be exported in August.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

