

# CDC MARKET BULLETIN



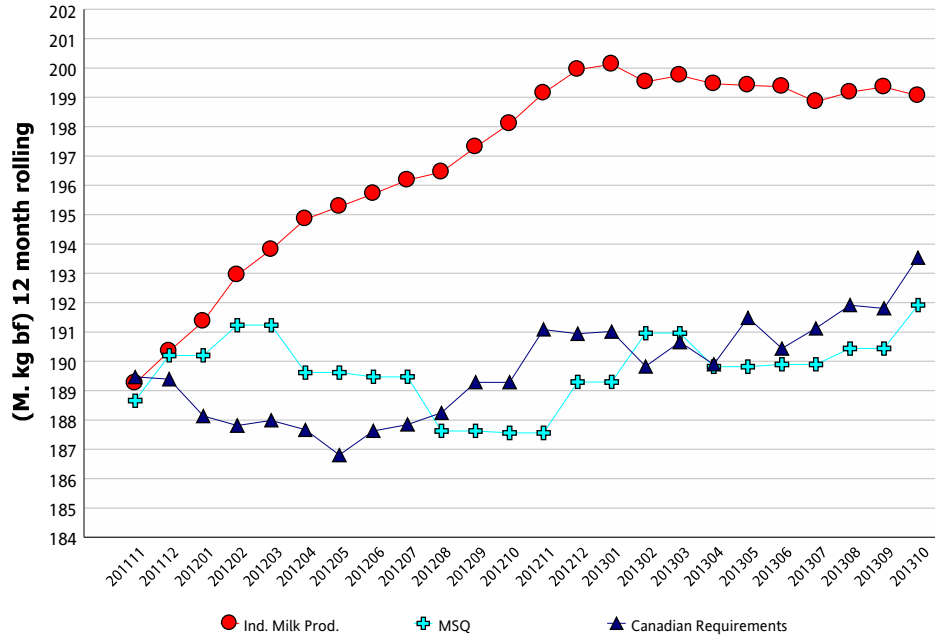
## Market Comment

Canadian requirements for the twelve-month period ended in October 2013 are 193.54 million kg of butterfat, which represents a sharp increase of 0.84 % in comparison to the base of August 2013, and an increase of 0.90 % in comparison to Canadian requirements of September.

Several factors boosted Canadian requirements in October. In retail, butter sales are now increasing at a yearly rate of 6.5%. According to CDC estimates, the market for butter taken as a whole has increased by nearly 2 million kg of butterfat in October in comparison to the same month of the previous year. The use of butterfat in further processing also displays a considerable increase of 0.4 million kg of butterfat. Skim-off from the fluid milk market has decreased by the equivalent of 70,000 kg of butterfat, which has increased industrial requirements for milk by as much. It should be noted that the increase in Canadian requirements was countered by lower butterfat utilization in classes 2 and 3 (yogurt, ice cream, and cheese). In November, the CDC foresees that a significant portion of the growth in October will disappear from Canadian requirements because of the accumulation of butter reserves by households prompted by recent promotions.

Total milk deliveries decreased by 0.9 % in October in comparison to the same month last year. Production has therefore resumed a downward trend after a pause in August and September. More specifically, fluid milk deliveries grew by 0.5 % while deliveries of industrial milk decreased by 1.8 %.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/11 to 2012/10	2012/11 to 2013/10	% Change	2011/11 to 2012/10	2012/11 to 2013/10	% Change	2011/11 to 2012/10	2012/11 to 2013/10	% Change
NL	1,901,458	1,837,962	-3.34%	1,486,154	1,459,880	-1.77%	415,304	378,082	-8.96%
P5	238,901,131	240,484,339	0.66%	80,053,838	79,257,041	-1.00%	158,847,293	161,227,298	1.50%
WMP	75,034,394	73,149,688	-2.51%	36,196,935	35,696,844	-1.38%	38,837,459	37,452,844	-3.57%
<b>Canada</b>	<b>315,836,983</b>	<b>315,471,989</b>	<b>-0.12%</b>	<b>117,736,927</b>	<b>116,413,765</b>	<b>-1.12%</b>	<b>198,100,056</b>	<b>199,058,224</b>	<b>0.48%</b>

## Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/11 to 2012/10	2012/11 to 2013/10	% Change	2011/11 to 2012/10	2012/11 to 2013/10	% Change
1(a)	46,633	46,469	-0.35%	244,442	239,844	-1.88%
1(b)	45,671	45,994	0.71%	19,964	19,920	-0.22%
2	24,919	24,822	-0.39%	44,129	47,243	7.06%
3	106,370	110,294	3.69%	238,019	233,977	-1.70%
4(a)	57,432	50,540	-12.00%	9,935	12,827	29.10%
4(b)	1,908	1,911	0.13%	7,278	6,863	-5.70%
4(m) 4(a1)	776	775	-0.04%	73,207	67,589	-7.67%
5(a,b,c)	27,363	28,132	2.81%	44,063	42,592	-3.34%
5(d)	1,315	3,812	189.77%	33,414	35,488	6.21%
Other	2,568	1,915	-25.42%	4,533	4,079	-10.02%
<b>Total</b>	<b>314,955</b>	<b>314,666</b>	<b>-0.09%</b>	<b>718,986</b>	<b>710,421</b>	<b>-1.19%</b>

## Continuous Quota

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

October 31, 2013

Province	kg of bf	% *
NL	-63,658	-3.37%
PE	6,539	0.16%
NS	-18,140	-0.26%
NB	26,563	0.49%
QC	515,511	0.43%
ON	571,087	0.56%
MB	-50,463	-0.40%
SK	-48,196	-0.54%
AB	-63,629	-0.25%
BC	-171,875	-0.66%

\* 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: October 19, 2013

	Previous 12 Month	12 Month	Change
<b>Butter</b>	52,771	54,924	<b>+ 4.1%</b>
<b>Total Cheese</b>	252,091	258,697	<b>+ 2.4%</b>
Cheddar	81,113	84,963	+ 4.7%
Fine Cheese*	50,942	50,684	- 0.5%
Everyday Cheese*	54,227	56,519	+ 4.2%
Processed	63,438	63,520	+ 0.1%
<b>Ice cream</b>	185,668	182,985	<b>- 1.4%</b>
<b>Yogurt</b>	260,602	274,073	<b>+ 5.2%</b>

Source: The Nielsen Company, MarketTrack and Homescan panelists.

\*Note: Everyday Cheese = 3(c), Fine Cheese = 3(a)

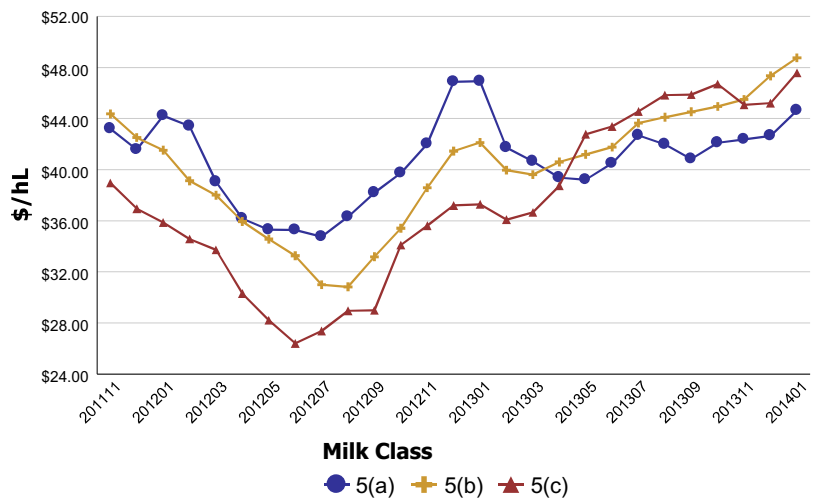
### Average Return from Milk Sales

(\$/hl std)

Milk Class	2011/11 to 2012/10	2012/11 to 2013/10	% Change
1	\$94.08	\$94.66	0.61%
2 to 4(d)	\$77.88	\$78.51	0.81%
4(m) 4(a1)*	\$11.85	\$14.32	20.90%
5(a) to (c)	\$36.04	\$41.60	15.43%
5(d)	\$29.79	\$31.70	6.39%
<b>All Classes</b>	<b>\$75.69</b>	<b>\$76.97</b>	<b>1.69%</b>

\* Price based on SNF components only

### Class 5 Component Prices in \$/hL



Butter Inventory ('000 kg)	Oct 31, 2012	Oct 31, 2013
<b>PLAN A BUTTER</b>	2,850	2,924
<b>PLAN B BUTTER</b>	8,779	8,769
<b>IMPORTED BUTTER</b>	291	853
<b>BUTTER FOR EXPORT</b>	539	0
<b>TOTAL CDC BUTTER STOCKS</b>	<b>12,459</b>	<b>12,546</b>
<b>PRIVATE BUTTER STOCKS</b>	8,446	8,106
<b>TOTAL CDC AND PRIVATE BUTTER STOCKS</b>	<b>20,905</b>	<b>20,652</b>

Other Private Stocks ('000 kg)	Oct 31, 2012	Oct 31, 2013
<b>CHEDDAR</b>	45,397	44,171
<b>PROCESSED CHEESE</b>	12,277	10,496
<b>SPECIALTY CHEESE</b>	24,224	23,852

### Comments on Stocks

We continued to purchase unsalted butter from a few manufacturers to respond to demand for this type of butter. Our Plan A sales are limited however, which explains why our stocks have grown from 2,853 t to 2,924 t during the month.

Plan B butter stocks have decreased by a little more than 2,000 t in October, dropping from 11,030 t to 8,769 t. Since milk production currently seems to be relatively strong, it is expected that stocks will not fall below 5,000 t before the end of December, and that year-end stocks will therefore be at their highest level since 1998.

The price of butter on the world market remains high. The CDC has committed to import from the U.S. 1,000 of the 3,274 t of butter it must import and was unable to reach an agreement with its supplier from New Zealand. As of October 31, its stocks of imported butter stood at 853 t in comparison to 903 t at the end of the previous month.

Stocks of butter for export were at zero at the end of October. Since our stocks of Plan A butter are of nearly 3,000 t, we will start to purchase unsalted butter in 5(d) in December if surpluses are offered to us.

### Structural Surplus

(12 Month Rolling)

