

CDC MARKET BULLETIN

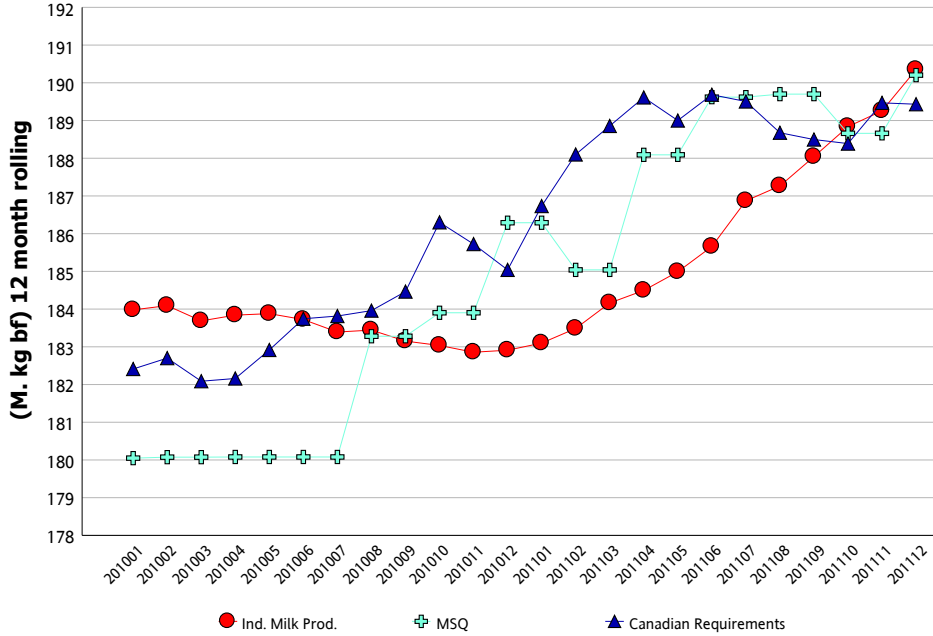
Market Comment

In comparison to their level in November 2011, Canadian requirements for the twelve month period ending in December 2011 have remained nearly unchanged at 189.41 million kg of b.f., but have increased by 0.54% in relation to the base of 188.39 million kg established in October 2011.

In December, Canadian requirements did not change since growth in certain markets was cancelled out by sectors which did not perform as well. There was strong growth in the further processing market. Its use of butterfat increased by about 400,000 kg in comparison to the same month last year. However butter consumption decreased considerably and, exceptionally, skim-off increased which brought down requirements for industrial milk.

In December 2011, total milk deliveries increased by 3.4% when compared to the same month last year. Deliveries of fluid milk decreased by 2.0% and deliveries of industrial milk increased by 7.1%. Since production is greater than anticipated, it is expected that in the spring, butter stocks will reach a level sufficient to meet high demand in the fall.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2010/1 to 2010/12	2011/1 to 2011/12	% Change	2010/1 to 2010/12	2011/1 to 2011/12	% Change	2010/1 to 2010/12	2011/1 to 2011/12	% Change
NL	1,894,510	1,868,897	-1.35%	1,419,241	1,513,384	6.63%	475,269	355,513	-25.20%
P5	229,576,931	234,424,893	2.11%	80,597,154	80,643,060	0.06%	148,979,777	153,781,833	3.22%
WMP	69,749,477	72,648,275	4.16%	36,294,126	36,436,856	0.39%	33,455,351	36,211,419	8.24%
Canada	301,220,918	308,942,065	2.56%	118,310,521	118,593,300	0.24%	182,910,397	190,348,765	4.07%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2010/1 to 2010/12	2011/1 to 2011/12	% Change	2010/1 to 2010/12	2011/1 to 2011/12	% Change
1(a)	47,216	47,104	-0.24%	248,332	246,781	-0.62%
1(b)	42,890	44,206	3.07%	18,873	19,293	2.22%
2	23,775	23,509	-1.12%	38,557	40,291	4.50%
3	103,990	104,742	0.72%	239,227	236,725	-1.05%
4(a)	53,042	57,405	8.22%	13,113	15,244	16.25%
4(b)	1,482	1,882	26.96%	5,788	6,977	20.54%
4(m) 4(a1)	627	552	-11.99%	59,299	56,696	-4.39%
5(a,b,c)	24,434	25,436	4.10%	38,877	43,240	11.22%
5(d)	2,283	662	-71.01%	22,406	28,779	28.44%
Other	676	2,607	285.80%	5,339	7,707	44.36%
Total	300,415	308,105	2.56%	689,812	701,732	1.73%

Continuous Quota

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

December 31, 2011

Province	kg of bf	% *
NL	-102,243	-5.09%
PE	-56,223	-1.40%
NS	-112,585	-1.65%
NB	-68,556	-1.29%
QC	-1,859,188	-1.58%
ON	-1,320,941	-1.31%
MB	-193,054	-1.54%
SK	-138,320	-1.54%
AB	-393,039	-1.53%
BC	-372,601	-1.44%

* 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 17, 2011

	Previous 12 Month	12 Month	Change
Butter	49,112	49,299	+ 0.4%
Total Cheese	242,987	245,534	+ 1.0%
Cheddar	73,569	74,226	+ 0.8%
Specialty	67,829	69,070	+ 1.8%
Processed	100,080	100,670	+ 0.6%
Ice cream	199,255	190,550	- 4.4%
Yogurt	235,762	236,513	+ 0.3%

Source: The Nielsen Company, MarketTrack [channel coverage eg: T,GB+D+MM

*NOTE: Homescan panelists temporarily removed due to irregularities in the data.

Butter Inventory ('000 kg)

	Dec 31, 2010	Dec 31, 2011
PLAN A BUTTER	523	112
PLAN B BUTTER	3,127	197
IMPORTED BUTTER	1,267	477
TOTAL CDC BUTTER STOCKS	4,918	786
PRIVATE BUTTER STOCKS	6,442	11,427
TOTAL CDC AND PRIVATE BUTTER STOCKS	11,360	12,213

Other Private Stocks ('000 kg)

	Dec 31, 2010	Dec 31, 2011
CHEDDAR	40,473	43,906
PROCESSED CHEESE	9,056	9,686
SPECIALTY CHEESE	20,236	21,998

Comments on Stocks

Plan A butter stocks decreased slightly from 138 t at the end of November to 112 t at the end of December. It is expected that the CDC will start to rebuild its Plan A inventory by January 2012. The target stock level in Plan A for the end of January 2012 is 750 t.

Plan B butter stocks decreased from 3,857 t at the end of November to 197 t at the end of December. Plan B stocks are expected to increase rapidly in January and into the spring as the overall milk supply continues to improve.

Imported butter stocks decreased from 855 t at the end of November to 477 t at the end of December. Demand for imported butter remained strong in December. The CDC has imported all of the 3,000 t of butter it had committed to importing this fall. This amount represents the majority of the import requirements of 3,274 t for the 2011-2012 dairy year. As for export butter, our stocks will remain at zero over the coming months.

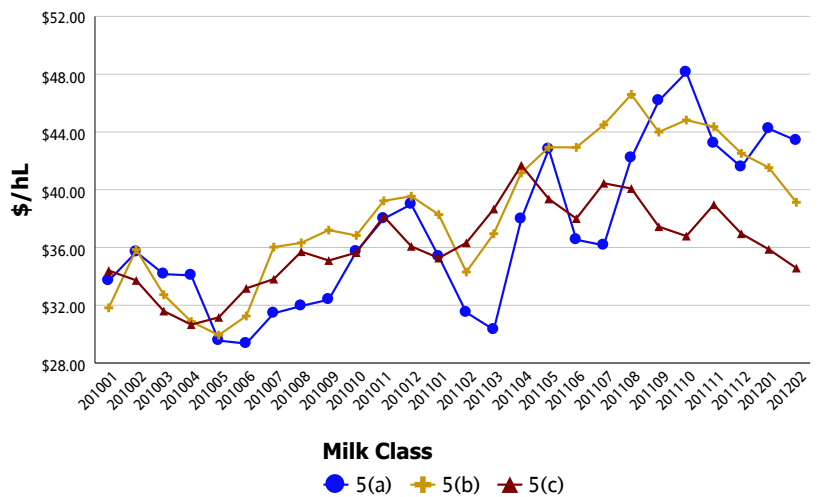
Average Return from Milk Sales

(\$/hl std)

Milk Class	2010/1 to 2010/12	2011/1 to 2011/12	% Change
1	\$89.42	\$92.79	3.77%
2 to 4(d)	\$75.85	\$76.78	1.23%
4(m) 4(a1)*	\$11.25	\$13.06	16.04%
5(a) to (c)	\$33.62	\$39.43	17.30%
5(d)	\$26.62	\$32.95	23.76%
All Classes	\$74.27	\$76.45	2.94%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

