



CDC MARKET BULLETIN



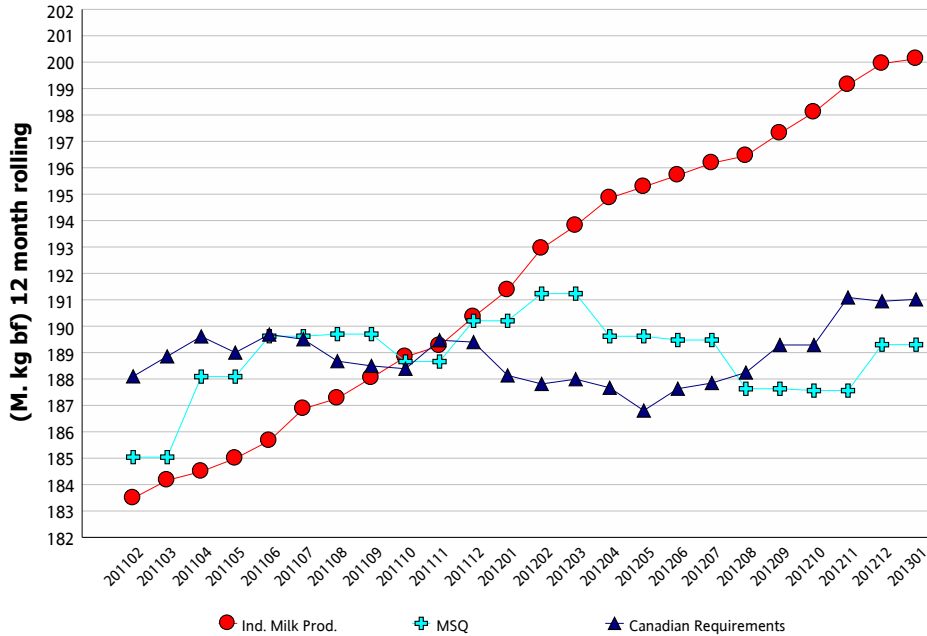
Market Comment

Canadian requirements for the twelve month period ending in January 2013 were 191.03 million hl, roughly unchanged in relation to the base of December 2012.

Several factors contributed to Canadian requirements in January. The most significant was a 1 million kg increase in butterfat utilization in the cheese classes in comparison to the same month of the previous year. There was also an increase in the utilization of butterfat in class 2 (yogurt and ice cream) and further processing. It should be noted that skim-off from the fluid milk market has come down again, thereby increasing the raw milk requirements of the processing sector. In the face of all these growing markets, it is difficult to explain why Canadian requirements were stable in January.

In January 2013, total milk deliveries increased by 0.5 % compared to the same month last year. Deliveries of fluid milk decreased by 0.4 % while deliveries of industrial milk increased by 1.1%. The upward trend in total production observed since December 2010 is now about to turn around.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/2 to 2012/1	2012/2 to 2013/1	% Change	2011/2 to 2012/1	2012/2 to 2013/1	% Change	2011/2 to 2012/1	2012/2 to 2013/1	% Change
NL	1,854,416	1,870,095	0.85%	1,507,248	1,463,220	-2.92%	347,168	406,875	17.20%
P5	235,061,394	240,525,514	2.32%	80,657,481	79,698,661	-1.19%	154,403,913	160,826,853	4.16%
WMP	73,060,949	74,925,019	2.55%	36,444,930	36,031,058	-1.14%	36,616,019	38,893,961	6.22%
Canada	309,976,759	317,320,628	2.37%	118,609,659	117,192,939	-1.19%	191,367,100	200,127,689	4.58%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/2 to 2012/1	2012/2 to 2013/1	% Change	2011/2 to 2012/1	2012/2 to 2013/1	% Change
1(a)	47,056	46,691	-0.78%	246,480	243,221	-1.32%
1(b)	44,372	45,863	3.36%	19,352	19,969	3.18%
2	23,687	23,298	-1.64%	40,778	41,344	1.39%
3	104,669	104,653	-0.02%	236,924	230,500	-2.71%
4(a)	58,294	55,705	-4.44%	14,794	9,360	-36.73%
4(b)	2,012	1,884	-6.37%	7,260	7,254	-0.08%
4(m) 4(a1)	566	805	42.10%	57,063	74,454	30.48%
5(a,b,c)	25,442	27,044	6.30%	43,427	42,938	-1.13%
5(d)	652	2,774	325.37%	30,537	36,488	19.49%
Other	2,396	7,763	224.03%	7,727	15,712	103.34%
Total	309,147	316,480	2.37%	704,341	721,238	2.40%

Continuous Quota

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

Province	kg of bf	% *
NL	-77,946	-4.03%
PE	31,713	0.78%
NS	53,789	0.78%
NB	41,988	0.78%
QC	260,450	0.22%
ON	794,027	0.78%
MB	167,342	1.33%
SK	-100,921	-1.12%
AB	231,105	0.90%
BC	69,329	0.27%

* 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: February 9, 2013

	Previous 12 Month	12 Month	Change
Butter	52,444	53,381	+ 1.8%
Total Cheese	249,503	254,032	+ 0.9%
Cheddar	79,667	80,593	+ 1.2%
Specialty	80,429	81,868	+ 1.8%
Processed	87,014	86,783	- 0.3%
Ice cream	192,675	184,470	- 4.3%
Yogurt	255,128	265,650	+ 4.1%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

Butter Inventory ('000 kg)

	Jan 31, 2012	Jan 31, 2013
PLAN A BUTTER	232	2,455
PLAN B BUTTER	3,746	6,984
IMPORTED BUTTER	337	537
BUTTER FOR EXPORT		1,807
TOTAL CDC BUTTER STOCKS	4,315	11,783
PRIVATE BUTTER STOCKS	12,353	10,724
TOTAL CDC AND PRIVATE BUTTER STOCKS	16,668	22,507

Other Private Stocks ('000 kg)

	Jan 31, 2012	Jan 31, 2013
CHEDDAR	45,744	45,878
PROCESSED CHEESE	10,377	11,964
SPECIALTY CHEESE	24,261	24,405

Comments on Stocks

There has been very little activity in the CDC's Plan A. Manufacturers still can not offer butter in Plan A and our sales are extremely limited because of the great availability of milk. At the end of January, we had 2,455 t in stock. It is very likely that the CDC will decide not to purchase butter in Plan A this year, and that it will only purchase butter through 5(d) permits.

We are in the phase of rebuilding our butter stocks in Plan B, and they are quickly growing. We already had 6,984 t in stock as of January 31, 2013. Some manufacturers say that they are well ahead of schedule in comparison to previous years and that they will soon have to produce 25 kg blocks of butter to sell to the CDC.

The CDC purchased no more imported butter in January. The decrease in stocks from 630 to 537 t in January reflects sales made during the month. The world price is currently high and we are waiting before finalizing our last purchases for 2012-2013.

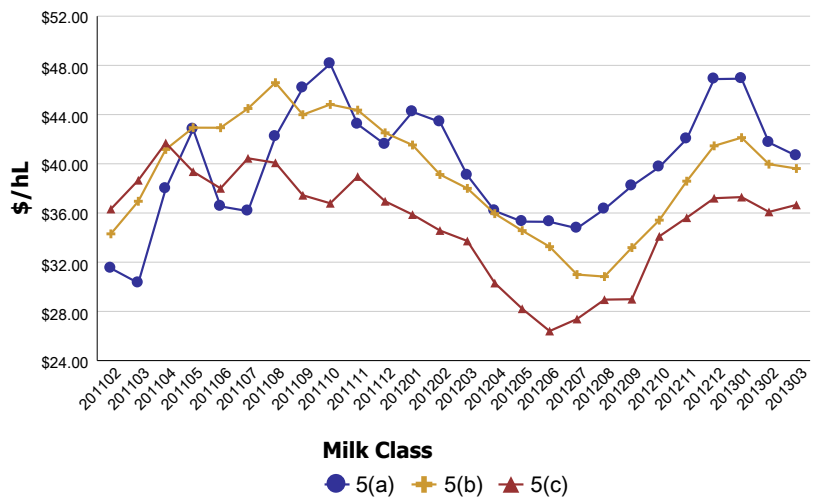
The CDC continued to remove butter surpluses through 5(d) permits. Our stocks of butter for export went from 1,088 t at the end of December to 1,807 t at the end of January. Of this total, 350 t have already been sold, which leaves us 1,457 t to sell rather quickly in order to take advantage of relatively high prices on the international market.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2011/2 to 2012/1	2012/2 to 2013/1	
1	\$93.22	\$93.95	0.78%
2 to 4(d)	\$76.87	\$78.16	1.68%
4(m) 4(a1)*	\$13.43	\$11.17	-16.82%
5(a) to (c)	\$39.82	\$36.05	-9.45%
5(d)	\$32.83	\$27.90	-15.00%
Other		\$79.31	
All Classes	\$76.61	\$75.48	-1.48%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

