

# CDC MARKET BULLETIN



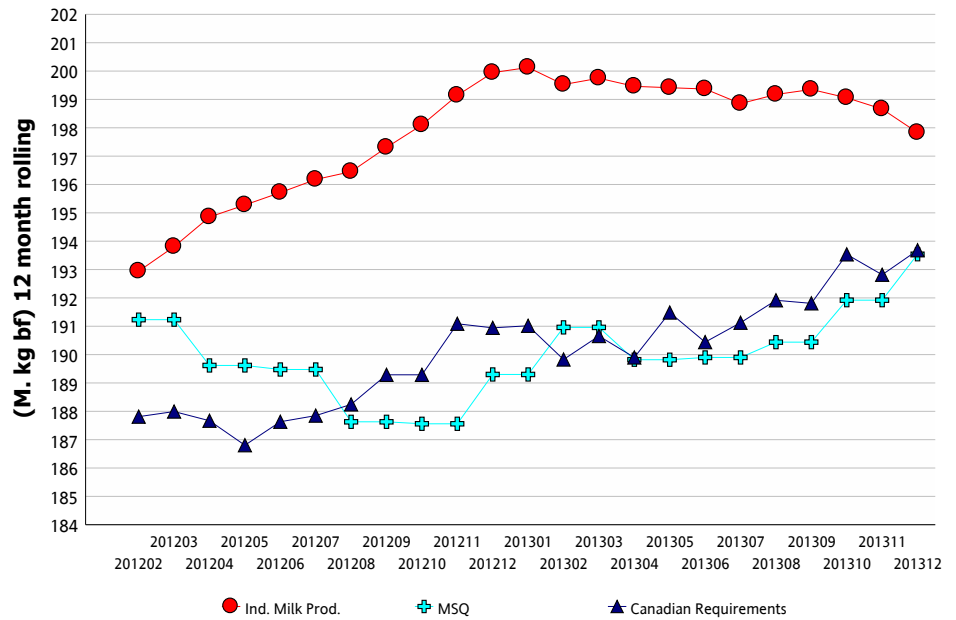
## Market Comment

Canadian requirements for the twelve month period ending in January 2014 were 195.04 million kg of butterfat, up by 0.71 % in comparison to Canadian requirements in December.

Many factors contributed to the increase of Canadian requirements in January. The CDC estimates that butter consumption increased by nearly 1.5 million kg of butterfat in relation to the same month last year. Butterfat utilization in further processing increased sharply, by 17.5% in Class 5(a), by 86.5% in Class 5(b) and by 18.4% in Class 5(c). There was also a slight decrease in skim-off from the fluid milk market. It should be noted that the increase in Canadian requirements was countered by lower butterfat utilization in the production of ice cream and cheese.

Total milk deliveries decreased by 2.5% in January in comparison to the same month last year. More specifically, fluid milk deliveries grew by 1.9% while deliveries of industrial milk decreased by 5.0%.

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



|               | Total Production (kg bf) |                    |               | Fluid Production (kg bf) |                    |               | Industrial Production (kg bf) |                    |               |
|---------------|--------------------------|--------------------|---------------|--------------------------|--------------------|---------------|-------------------------------|--------------------|---------------|
|               | 2012/2 to 2013/1         | 2013/2 to 2014/1   | % Change      | 2012/2 to 2013/1         | 2013/2 to 2014/1   | % Change      | 2012/2 to 2013/1              | 2013/2 to 2014/1   | % Change      |
| NL            | 1,870,095                | 1,882,826          | 0.68%         | 1,463,220                | 1,502,317          | 2.67%         | 406,875                       | 380,509            | -6.48%        |
| P5            | 240,525,514              | 238,899,903        | -0.68%        | 79,698,661               | 79,617,526         | -0.10%        | 160,826,853                   | 159,282,377        | -0.96%        |
| WMP           | 74,925,019               | 72,937,618         | -2.65%        | 36,031,058               | 35,647,100         | -1.07%        | 38,893,961                    | 37,290,518         | -4.12%        |
| <b>Canada</b> | <b>317,320,628</b>       | <b>313,720,347</b> | <b>-1.13%</b> | <b>117,192,939</b>       | <b>116,766,943</b> | <b>-0.36%</b> | <b>200,127,689</b>            | <b>196,953,404</b> | <b>-1.59%</b> |

## Milk Utilization ('000 kg)

| Milk Class   | Butterfat        |                  |               | Solids Non Fat   |                  |               |
|--------------|------------------|------------------|---------------|------------------|------------------|---------------|
|              | 2012/2 to 2013/1 | 2013/2 to 2014/1 | % Change      | 2012/2 to 2013/1 | 2013/2 to 2014/1 | % Change      |
| 1(a)         | 46,691           | 46,373           | -0.68%        | 243,221          | 239,648          | -1.47%        |
| 1(b)         | 45,863           | 46,535           | 1.47%         | 19,969           | 20,135           | 0.83%         |
| 2            | 25,146           | 24,247           | -3.57%        | 45,227           | 47,102           | 4.14%         |
| 3            | 108,279          | 108,803          | 0.48%         | 239,079          | 231,508          | -3.17%        |
| 4(a)         | 55,705           | 49,410           | -11.30%       | 9,360            | 10,129           | 8.22%         |
| 4(b)         | 1,884            | 1,735            | -7.89%        | 7,254            | 6,352            | -12.43%       |
| 4(m) 4(a1)   | 805              | 760              | -5.60%        | 74,454           | 66,277           | -10.98%       |
| 5(a,b,c)     | 27,044           | 30,436           | 12.54%        | 42,938           | 44,296           | 3.16%         |
| 5(d)         | 2,774            | 3,058            | 10.21%        | 36,488           | 35,095           | -3.82%        |
| Other        | 2,290            | 1,508            | -34.13%       | 3,249            | 3,800            | 16.97%        |
| <b>Total</b> | <b>316,480</b>   | <b>312,865</b>   | <b>-1.14%</b> | <b>721,238</b>   | <b>704,343</b>   | <b>-2.34%</b> |

## Continuous Quota

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

January 31, 2014

| Province | kg of bf | % *    |
|----------|----------|--------|
| NL       | -94,226  | -4.86% |
| PE       | -11,496  | -0.28% |
| NS       | -39,511  | -0.57% |
| NB       | 6,648    | 0.12%  |
| QC       | 347,460  | 0.29%  |
| ON       | 395,614  | 0.39%  |
| MB       | -184,005 | -1.46% |
| SK       | -62,014  | -0.69% |
| AB       | -247,581 | -0.95% |
| BC       | -246,785 | -0.94% |

\* 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: February 8, 2014

|                     | Previous 12 Month | 12 Month | Change        |
|---------------------|-------------------|----------|---------------|
| <b>Butter</b>       | 53,331            | 55,549   | <b>+ 4.2%</b> |
| <b>Total Cheese</b> | 254,082           | 258,793  | <b>+ 1.9%</b> |
| Cheddar             | 82,100            | 85,258   | + 3.8%        |
| Fine Cheese*        | 50,928            | 50,480   | - 0.9%        |
| Everyday Cheese*    | 55,043            | 56,480   | + 2.6%        |
| Processed           | 63,442            | 63,271   | - 0.3%        |
| <b>Ice cream</b>    | 184,367           | 182,823  | <b>- 0.8%</b> |
| <b>Yogurt</b>       | 266,020           | 272,974  | <b>+ 2.6%</b> |

Source: The Nielsen Company, MarketTrack and Homescan panelists.

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

### Butter Inventory ('000 kg)

|  | Jan 31, 2013  | Jan 31, 2014  |
|--|---------------|---------------|
| <b>PLAN A BUTTER</b>                       | 2,455         | 2,298         |
| <b>PLAN B BUTTER</b>                       | 6,984         | 5,069         |
| <b>IMPORTED BUTTER</b>                     | 537           | 537           |
| <b>BUTTER FOR EXPORT</b>                   | 1,807         | 418           |
| <b>TOTAL CDC BUTTER STOCKS</b>             | <b>11,783</b> | <b>8,322</b>  |
| <b>PRIVATE BUTTER STOCKS</b>               | 10,724        | 9,138         |
| <b>TOTAL CDC AND PRIVATE BUTTER STOCKS</b> | <b>22,507</b> | <b>17,460</b> |

### Other Private Stocks ('000 kg)

|                         | Jan 31, 2013 | Jan 31, 2014 |
|-------------------------|--------------|--------------|
| <b>CHEDDAR</b>          | 45,878       | 44,742       |
| <b>PROCESSED CHEESE</b> | 11,964       | 10,373       |
| <b>SPECIALTY CHEESE</b> | 24,405       | 23,736       |

### Comments on Stocks

There are 561 t of unsalted butter for export and 2,330 t of salted butter currently in Plan A stocks. In recent months, surplus butter has been purchased in the form of unsalted butter in order to have this type of butter available for the domestic market and to have the option of exporting it later. As expected, inventories of Plan B have increased by approximately 2,000 t since December 2013, when stocks are typically at their lowest levels.

The CDC continues to take advantage of higher world prices to sell surplus removal SNF in the form of skim milk powders and dry dairy powder blends which is helping to reduce the amount of SMP that would otherwise be purchased in 4(m). Since August 2013, our stocks of 4(m) powder have been reduced from 19,123 t to 14,185 t.

The CDC will hold another export tender in early April and expects to commit at that time, most of the remaining balance of SMP and partly skimmed milk powder pursuant to our commitments under the WTO. Since selling prices

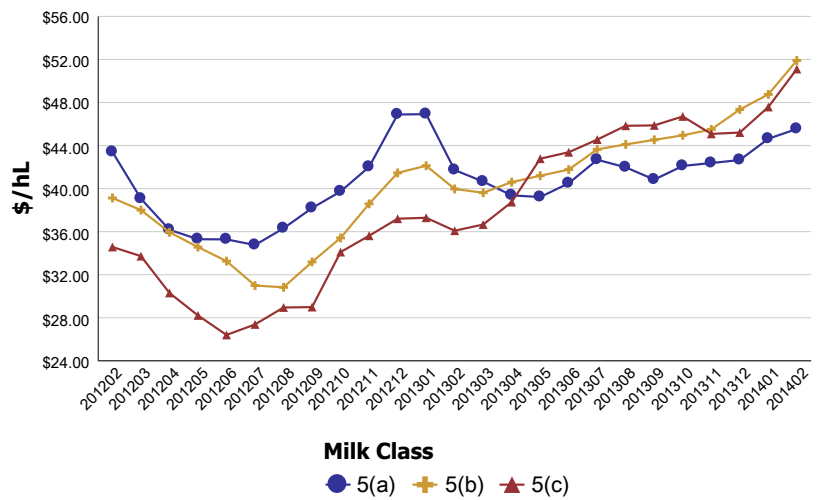
### Average Return from Milk Sales

(\$/hl std)

| Milk Class         | 2012/2 to 2013/1 | 2013/2 to 2014/1 | % Change     |
|--------------------|------------------|------------------|--------------|
| 1                  | \$93.95          | \$94.84          | 0.96%        |
| 2 to 4(d)          | \$78.21          | \$78.52          | 0.40%        |
| 4(m) 4(a1)*        | \$11.17          | \$15.74          | 40.92%       |
| 5(a) to (c)        | \$36.05          | \$42.54          | 17.97%       |
| 5(d)               | \$27.90          | \$35.70          | 27.94%       |
| <b>All Classes</b> | <b>\$75.48</b>   | <b>\$77.36</b>   | <b>2.49%</b> |

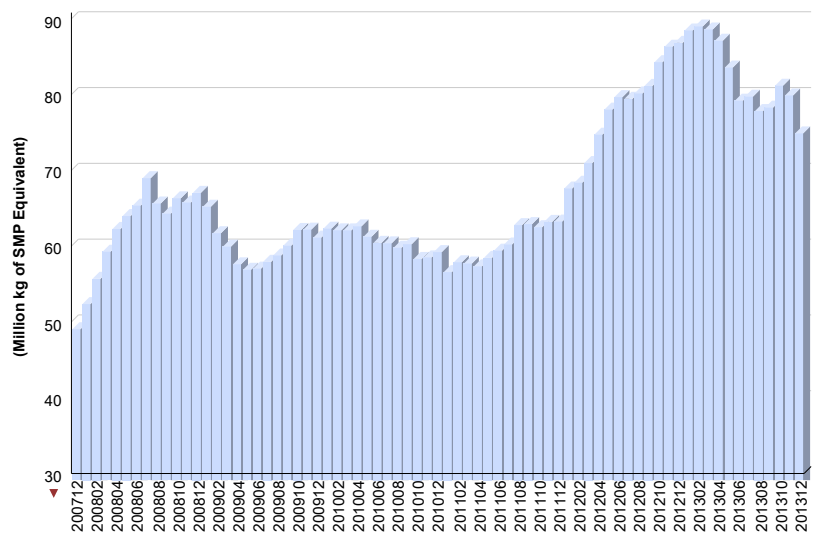
\* Price based on SNF components only

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



### Structural Surplus

(12 Month Rolling)





**Retail Product Sales\***

Current period vs previous period  
(’000 kg)

Up to:

Source: The Nielsen Company, MarketTrack and Homescan panelists.

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

**Average Return from Milk Sales**

(\$/hl std)

\* Price based on SNF components only

**Butter Inventory (’000 kg)**  
**Other Private Stocks (’000 kg)**

**Comments on Stocks**

remain firm at US 4,500/t, the CDC could export as much as 25,000 t, that is 18,000 t of SMP and 7,000 t of partly skimmed milk powder and MPC.