

CDC MARKET BULLETIN



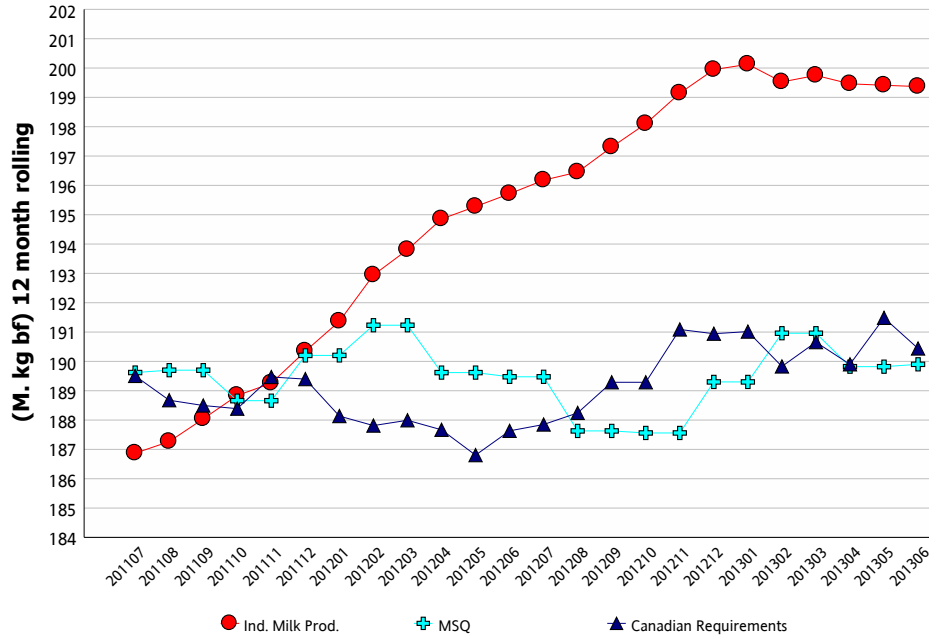
Market Comment

Canadian requirements for the twelve-month period ended in June 2013 are 190.44 million kg of butterfat, which represents a decrease of 0.55% in comparison to Canadian requirements in May, but an increase of 0.28% in comparison to the base of April 2013.

It is difficult to explain this decrease in Canadian requirements since retail sales grew in June in relation to June of last year. One must note that this increase is not reflected in the butterfat utilization reports of plants, which show a decrease in Class 2 (yogurt and ice cream) and in Class 4(a) (butter). These observations lead us to believe that retailers have used more stocks than usual to supply their markets in June.

In June 2013, total milk deliveries decreased by 0.8% compared to the same month last year. Deliveries of fluid milk decreased by 1.8% and deliveries of industrial milk decreased by 0.3%. Depending on its quality, the new forage which will be used this fall could accentuate or slow the current downward trend in production.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/7 to 2012/6	2012/7 to 2013/6	% Change	2011/7 to 2012/6	2012/7 to 2013/6	% Change	2011/7 to 2012/6	2012/7 to 2013/6	% Change
NL	1,860,881	1,855,772	-0.27%	1,508,505	1,446,733	-4.09%	352,376	409,039	16.08%
P5	237,232,514	240,494,219	1.37%	80,261,732	79,409,770	-1.06%	156,970,782	161,084,449	2.62%
WMP	74,814,776	73,563,869	-1.67%	36,423,391	35,689,320	-2.02%	38,391,385	37,874,549	-1.35%
Canada	313,908,171	315,913,860	0.64%	118,193,628	116,545,823	-1.39%	195,714,543	199,368,037	1.87%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/7 to 2012/6	2012/7 to 2013/6	% Change	2011/7 to 2012/6	2012/7 to 2013/6	% Change
1(a)	46,847	46,447	-0.85%	245,765	240,946	-1.96%
1(b)	45,321	45,693	0.82%	19,732	19,897	0.84%
2	24,293	25,180	3.65%	42,504	47,036	10.66%
3	105,057	109,838	4.55%	236,878	235,585	-0.55%
4(a)	59,672	51,250	-14.11%	12,534	12,876	2.73%
4(b)	1,925	1,890	-1.80%	7,313	6,909	-5.53%
4(m) 4(a1)	773	735	-4.99%	71,341	70,208	-1.59%
5(a,b,c)	25,353	28,091	10.80%	42,601	43,617	2.39%
5(d)	780	3,951	406.73%	29,728	33,391	12.32%
Other	3,087	1,955	-36.69%	5,994	4,402	-26.56%
Total	313,108	315,031	0.61%	714,389	714,866	0.07%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
June 30, 2013

Province	kg of bf	% *
NL	-70,057	-3.74%
PE	21,911	0.54%
NS	32,847	0.48%
NB	27,462	0.51%
QC	640,316	0.54%
ON	459,367	0.45%
MB	87,833	0.70%
SK	-54,446	-0.61%
AB	186,757	0.73%
BC	71,436	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:	June 29, 2013		
	Previous 12 Month	12 Month	Change
Butter	52,595	53,915	+ 2.5%
Total Cheese	249,590	257,526	+ 3.1%
Cheddar	80,374	83,995	+ 4.5%
Fine Cheese*	50,465	50,978	+ 1.0%
Everyday Cheese*	49,895	52,234	+ 4.7%
Processed	66,315	67,470	+ 1.7%
Ice cream	187,209	183,833	- 1.8%
Yogurt	256,930	271,547	+ 5.7%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

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

Butter Inventory ('000 kg)

	Jun 30, 2012	Jun 30, 2013
PLAN A BUTTER	1,629	2,473
PLAN B BUTTER	14,912	13,965
IMPORTED BUTTER	156	666
BUTTER FOR EXPORT		1,142
TOTAL CDC BUTTER STOCKS	16,697	18,246
PRIVATE BUTTER STOCKS	6,754	9,707
TOTAL CDC AND PRIVATE BUTTER STOCKS	23,451	27,952

Other Private Stocks ('000 kg)

	Jun 30, 2012	Jun 30, 2013
CHEDDAR	44,433	44,064
PROCESSED CHEESE	12,107	12,751
SPECIALTY CHEESE	24,113	24,608

Comments on Stocks

The CDC continued to purchase Plan A butter to bring back stocks to a desirable level. Stocks therefore increased from 2,232 t to 2,473 t during June 2013. We plan to make more purchases and to convert butter for export into Plan A butter between now and July 31, 2013, in order to get as close as possible to our objective of 3,000 t by that date.

Plan B butter stocks started to come down in June, dropping from 15,037 t to 13,965 t. Repurchase by processors will speed up over the coming months as is usually the case.

We have received American butter during June and receipts will be completed in July so that the CDC can demonstrate that it has made full use of its import permit as it must do every year. This explains why our stocks have increased from 28 t to 666 t at the end of June. The CDC expects to sell this butter rather quickly as of August 1st, 2013.

We purchased the last batches of butter for export in June, which has rapidly increased our stocks of this type of butter from 930 t to 1,142 t at the end of June. The vast majority of this butter will be exported in July, and the rest will be exported in August.

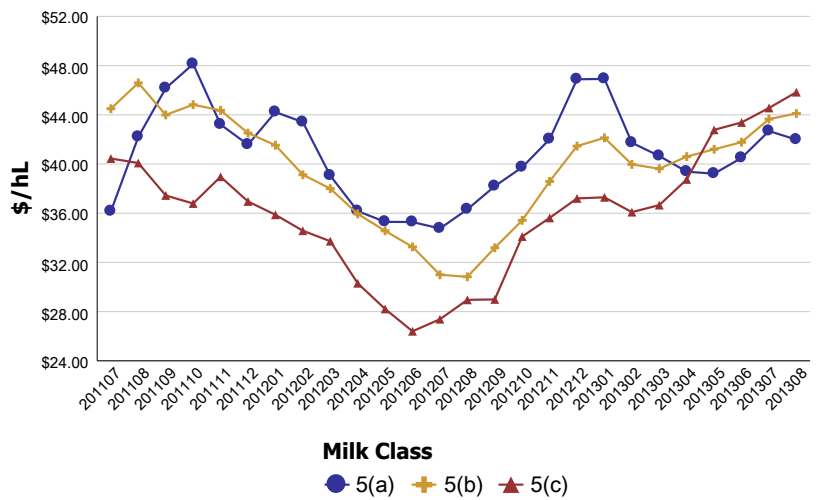
Average Return from Milk Sales

(\$/hl std)

Milk Class	2011/7 to 2012/6	2012/7 to 2013/6	% Change
1	\$94.11	\$94.35	0.25%
2 to 4(d)	\$77.43	\$78.40	1.25%
4(m) 4(a1)*	\$11.50	\$12.25	6.48%
5(a) to (c)	\$38.96	\$38.06	-2.31%
5(d)	\$31.74	\$28.68	-9.64%
All Classes	\$76.13	\$76.19	0.07%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

