

# CDC MARKET BULLETIN



## Market Comment

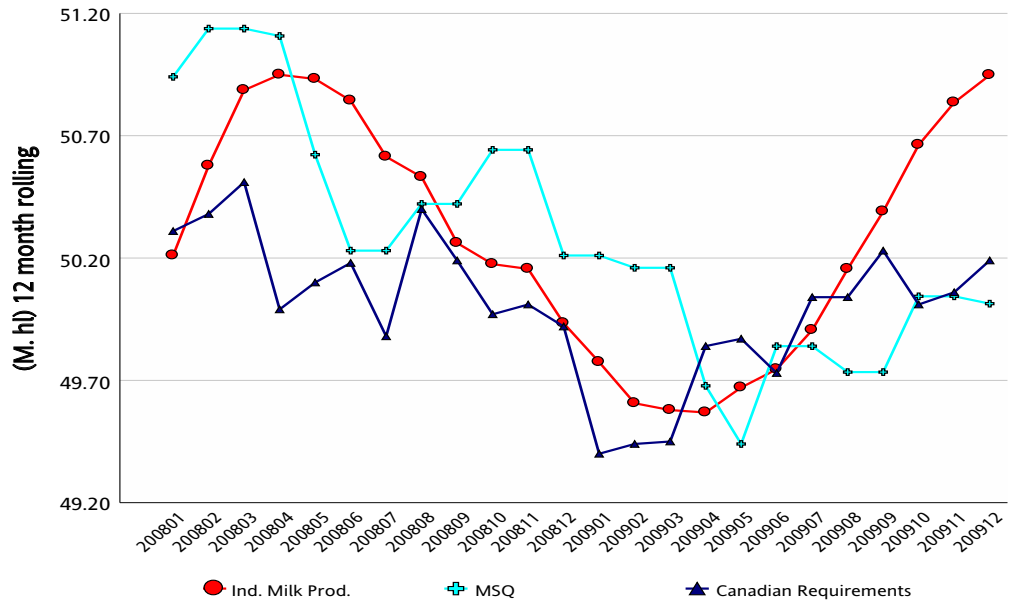
Canadian requirements for the twelve month period ending in December 2009 were 50.19 million hl, up 0.3 % from the November 2009 requirements of 50.06 million hl.

The increase in Canadian requirements can be attributed in part to an increased requirement for milk to build cheese stocks. Private stocks of cheddar cheese and specialty cheeses increased by 390 and 1,580 tonnes respectively in December 2009 compared to December 2008. Strong demand for dairy products used in further processing also contributed to the increase in Canadian requirements in December. In relation to the previous year, sales in class 5(a) increased by 24.9% and those in class 5(b) increased by 36.7%, while sales in class 5(c) decreased by 15.7%.

Despite the increase in Canadian requirements, there was no notable growth in the retail market in relation to November on a twelve month rolling basis. The growth in yogurt and cheeses was offset by a decrease in butter and ice cream sales.

In December 2009, total milk deliveries increased by 1.6 % compared to the same month last year. Deliveries of fluid milk grew by 0.1 % and those of industrial milk increased by 2.7%.

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



### Total Production (kg bf)

### Fluid Production (kg bf)

### Industrial Production (kg bf)

	2008/1 to 2008/12	2009/1 to 2009/12	% Change	2008/1 to 2008/12	2009/1 to 2009/12	% Change	2008/1 to 2008/12	2009/1 to 2009/12	% Change
NL	1,918,098	1,834,568	-4.35%	1,322,768	1,322,231	-0.04%	595,330	512,337	-13.94%
P5	224,845,477	229,400,206	2.03%	80,746,825	80,685,903	-0.08%	144,098,652	148,714,303	3.20%
WMP	71,433,979	70,612,594	-1.15%	36,367,989	36,428,051	0.17%	35,065,990	34,184,543	-2.51%
<b>Canada</b>	<b>298,197,554</b>	<b>301,847,368</b>	<b>1.22%</b>	<b>118,437,582</b>	<b>118,436,185</b>	<b>0.00%</b>	<b>179,759,972</b>	<b>183,411,183</b>	<b>2.03%</b>

## Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/1 to 2008/12	2009/1 to 2009/12	% Change	2008/1 to 2008/12	2009/1 to 2009/12	% Change
1(a)	47,259	47,232	-0.06%	249,118	248,460	-0.26%
1(b)	40,129	40,830	1.75%	17,706	18,102	2.24%
2	19,102	20,999	9.93%	35,468	36,527	2.98%
3	101,028	102,000	0.96%	230,756	235,837	2.20%
4(a)	59,475	60,542	1.79%	12,551	13,054	4.01%
4(b)	2,007	1,978	-1.45%	7,398	7,246	-2.06%
4(m) 4(a1)	680	609	-10.46%	57,144	56,017	-1.97%
5(a,b,c)	24,157	23,335	-3.40%	36,604	40,253	9.97%
5(d)	1,911	1,839	-3.78%	30,449	27,670	-9.12%
Other	1,846	1,735	-6.03%	4,604	3,784	-17.82%
<b>Total</b>	<b>297,592</b>	<b>301,096</b>	<b>1.18%</b>	<b>681,799</b>	<b>686,950</b>	<b>0.76%</b>

## Continuous Quota

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

December 31, 2009

Province	kg of bf	% *
NL	-191,241	-9.89%
PE	-24,035	-0.61%
NS	-89,304	-1.35%
NB	-6,414	-0.12%
QC	-2,720,922	-2.38%
ON	-1,039,499	-1.06%
MB	14,864	0.12%
SK	-49,525	-0.57%
AB	-536,482	-2.16%
BC	16,838	0.07%

\* 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 19, 2009

	Previous 12 Month	12 Month	Change
<b>Butter</b>	50,314	51,061	+ 1.5%
<b>Total Cheese</b>	259,282	269,482	+ 3.9%
Cheddar	75,750	79,741	+ 5.3%
Specialty	74,809	78,064	+ 4.4%
Processed	108,723	111,678	+ 2.7%
<b>Ice cream</b>	213,397	209,453	- 1.8%
<b>Yogurt</b>	240,877	234,843	+ 2.6%

Source: The Nielsen Company, MarketTrack [channel coverage eg: GB+D+MM+C&G]

### Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/1 to 2008/12	2009/1 to 2009/12	% Change
1	\$84.91	\$89.03	4.84%
2 to 4(d)	\$74.07	\$75.73	2.23%
4(m) 4(a1)*	\$11.74	\$9.10	-22.51%
5(a) to (c)	\$39.10	\$27.84	-28.79%
5(d)	\$32.74	\$21.56	-34.16%
<b>All Classes</b>	<b>\$71.94</b>	<b>\$73.26</b>	<b>1.83%</b>

\* Price based on SNF components only

### Butter Inventory ('000 kg)

	Dec 31, 2008	Dec 31, 2009
<b>PLAN A BUTTER</b>	1,041	2,763
<b>PLAN B BUTTER</b>	3,548	4,957
<b>IMPORTED BUTTER</b>	1,254	53
<b>BUTTER FOR EXPORT</b>		785
<b>TOTAL CDC BUTTER STOCKS</b>	<b>5,843</b>	<b>8,559</b>
<b>PRIVATE BUTTER STOCKS</b>	5,847	6,604
<b>TOTAL CDC AND PRIVATE BUTTER STOCKS</b>	<b>11,690</b>	<b>15,163</b>

### Other Private Stocks ('000 kg)

	Dec 31, 2008	Dec 31, 2009
<b>CHEDDAR</b>	42,960	43,348
<b>PROCESSED CHEESE</b>	9,102	9,141
<b>SPECIALTY CHEESE</b>	17,936	19,513

### Comments on Stocks

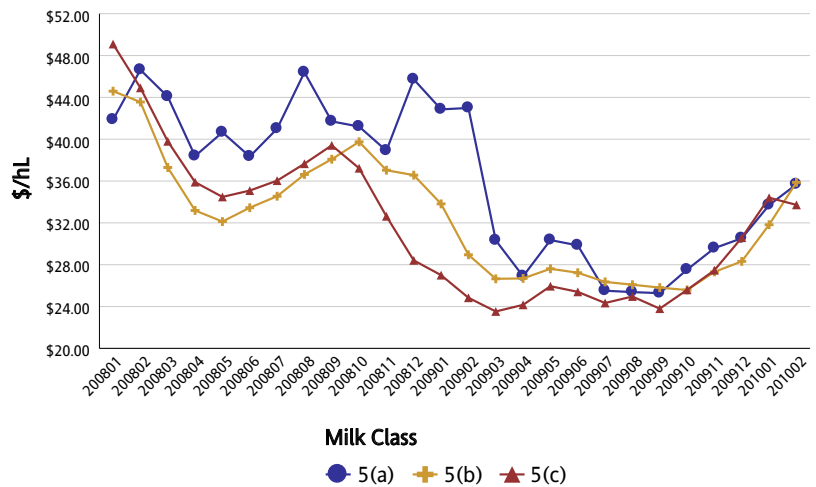
Overall butter stocks continued to decrease during the month of December. Plan A butter stocks have gone down by only 2 truckloads and are now at 2,763 t. Given the abundance of milk and cream in the system, manufacturers of butter did not need to purchase Plan A butter to supplement their supply of butterfat throughout the Fall months.

Plan B butter stocks continued to decrease more significantly during the month of December. However, these stocks are currently at a significantly higher level than last year when they were at 3,548 t at the end of December 2008. The current level of Plan B butter (4,957 t) is considered quite high and we can expect that manufacturers will restock their Plan B early in 2010 and have surplus to offer to the CDC under the 5(d) export class.

Concerning butter for export, no further purchase has taken place since October. Those stocks were reduced by 400 t in early January when that quantity was delivered for export. The balance of the export butter will likely be converted to Plan A to top up these stocks to the 3,000 t level. For that reason, we don't expect to purchase any Plan A in 2010.

Regarding imported butter, stocks have decreased during the months of November and December despite a delivery of 1,000 t from New Zealand in November. Our stocks of imported butter are now at only 53 t compared to 255 t last month. In view of the current high world prices for butter, the balance of the TRQ butter will be imported later in 2010.

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



### Structural Surplus

(12 Month Rolling)

