

CDC MARKET BULLETIN



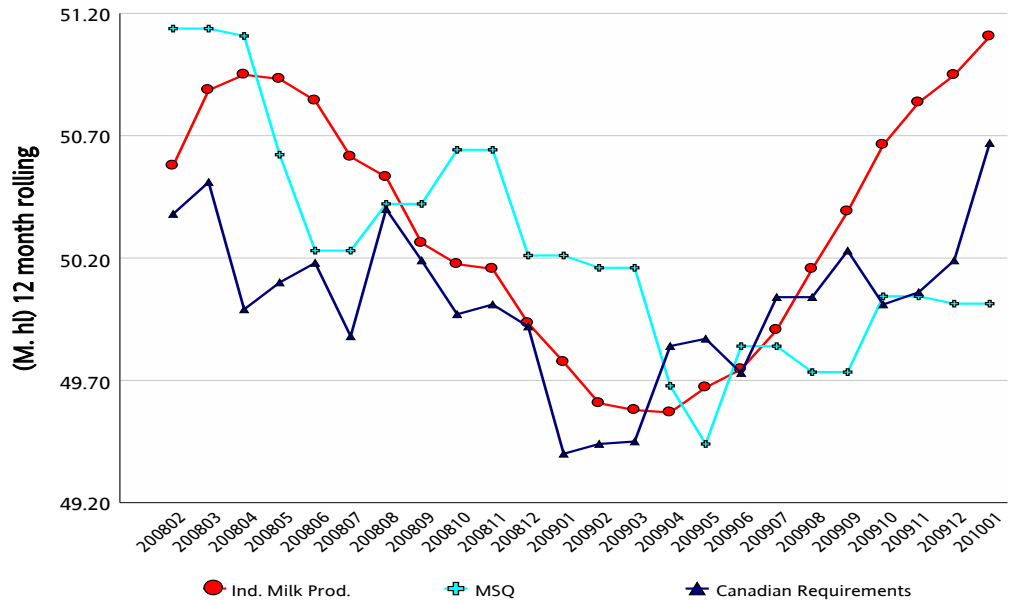
Market Comment

Canadian requirements for the twelve month period ending in January 2010 were 50.67 million hl, sharply up 0.96 % from the base of 50.19 million hl of December 2009.

This increase in Canadian requirements is due to several factors. The yogurt, ice cream and cheese markets have grown sufficiently to cause an increase in butterfat use in classes 2 and 3 that reached 9.3% and 3.9%, respectively when compared to the same month of the previous year. January demand in the further processing sector was also favourable to Canadian requirements. In fact, class 5(b) sales increased by 21.5% compared to last year and sales in class 5(c) increased by 2.7%. However, class 5(a) sales decreased by 13.8%. Another factor contributing to the increase in Canadian requirements is the decrease in skim-off of 0.08 million hl in January 2010 compared to January 2009. Canadian requirements should still be quite high in February 2010 then remain in the 50.4 million hl range for the rest of the dairy year.

In January 2010, total milk deliveries increased by 0.8 % compared to the same month last year. Deliveries of fluid milk decreased by 3.6 % and deliveries of industrial milk increased by 3.6%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2008/2 to 2009/1	2009/2 to 2010/1	% Change	2008/2 to 2009/1	2009/2 to 2010/1	% Change	2008/2 to 2009/1	2009/2 to 2010/1	% Change
NL	1,910,459	1,826,226	-4.41%	1,336,562	1,314,218	-1.67%	573,897	512,008	-10.78%
P5	224,414,939	229,667,539	2.34%	80,840,818	80,468,052	-0.46%	143,574,121	149,199,487	3.92%
WMP	71,469,915	70,555,963	-1.28%	36,429,490	36,288,527	-0.39%	35,040,425	34,267,436	-2.21%
Canada	297,795,313	302,049,728	1.43%	118,606,870	118,070,797	-0.45%	179,188,443	183,978,931	2.67%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/2 to 2009/1	2009/2 to 2010/1	% Change	2008/2 to 2009/1	2009/2 to 2010/1	% Change
1(a)	47,315	47,113	-0.43%	249,403	247,864	-0.62%
1(b)	40,039	40,884	2.11%	17,669	18,126	2.59%
2	19,221	21,128	9.92%	35,492	36,717	3.45%
3	101,041	102,329	1.27%	231,346	236,120	2.06%
4(a)	59,168	59,985	1.38%	12,105	12,710	5.00%
4(b)	1,976	1,980	0.20%	7,346	7,276	-0.96%
4(m) 4(a1)	666	591	-11.17%	56,299	54,997	-2.31%
5(a,b,c)	23,800	23,411	-1.64%	36,305	39,963	10.08%
5(d)	1,892	1,843	-2.59%	29,715	29,680	-0.12%
Other	2,082	2,030	-2.53%	4,831	4,353	-9.89%
Total	297,200	301,295	1.38%	680,511	687,805	1.07%

Continuous Quota

Cumulative Over/Under Production (with limits) as of: January 31, 2010

Province	kg of bf	% *
NL	-194,843	-10.19%
PE	-4,240	-0.11%
NS	-68,595	-1.04%
NB	11,047	0.21%
QC	-2,487,134	-2.18%
ON	-867,539	-0.89%
MB	28,905	0.24%
SK	-57,336	-0.67%
AB	-447,265	-1.80%
BC	174,016	0.70%

* 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: January 16, 2010

	Previous 12 Month	12 Month	Change
Butter	50,933	51,196	+ 0.5%
Total Cheese	261,226	269,995	+ 3.4%
Cheddar	76,294	80,009	+ 4.9%
Specialty	75,249	78,311	+ 4.1%
Processed	109,684	111,675	+ 1.8%
Ice cream	214,202	209,311	- 2.3%
Yogurt	233,930	242,224	+ 3.5%

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

Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/2 to 2009/1	2009/2 to 2010/1	% Change
1	\$85.30	\$89.25	4.63%
2 to 4(d)	\$74.21	\$75.85	2.21%
4(m) 4(a1)*	\$10.78	\$9.66	-10.44%
5(a) to (c)	\$38.51	\$27.51	-28.56%
5(d)	\$32.03	\$22.22	-30.61%
All Classes	\$72.16	\$73.38	1.68%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Jan 31, 2009	Jan 31, 2010
PLAN A BUTTER	1,838	2,761
PLAN B BUTTER	4,864	8,641
IMPORTED BUTTER	1,473	53
BUTTER FOR EXPORT		385
TOTAL CDC BUTTER STOCKS	8,174	11,840
PRIVATE BUTTER STOCKS	8,932	6,613
TOTAL CDC AND PRIVATE BUTTER STOCKS	17,106	18,453

Other Private Stocks ('000 kg)

	Jan 31, 2009	Jan 31, 2010
CHEDDAR	45,783	43,798
PROCESSED CHEESE	8,968	9,394
SPECIALTY CHEESE	19,670	20,771

Comments on Stocks

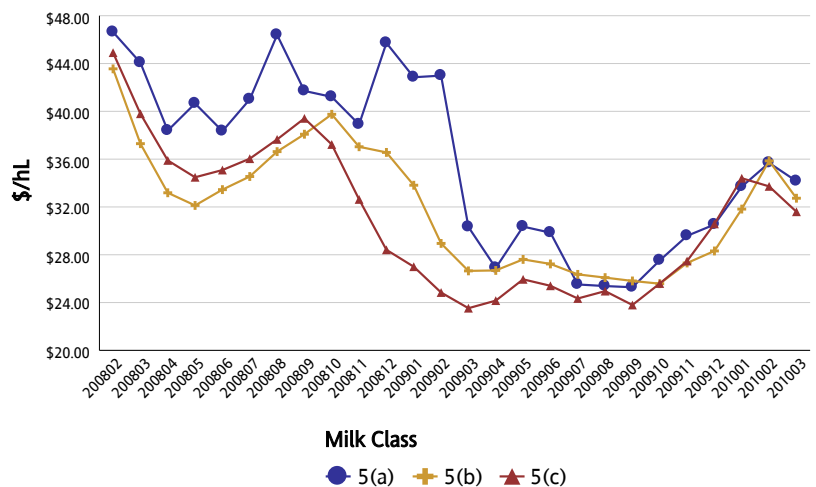
There was no activity in Plan A butter during the month of January therefore the inventory remains at 2,761 t. Presently the CDC holds butter purchased in class 5(d) that will not be exported. This butter will likely be converted into Plan A, which means that we reached our goal of replenishing our inventories of Plan A butter to 3,000 t for the current year. For this reason, we do not plan to purchase any Plan A butter in 2010 because we have enough butter in 25 kg blocks to meet the demand this year.

Plan B butter stocks have started to increase which is normal at this time of year. At the end of January 2010, Plan B butter stocks were at 8,641 t, which is twice as much as last year. Some processors have mentioned that they are ahead of schedule and that they will have to slow down and even stop sales of Plan B to the CDC. Plan A purchases being presently closed, we believe that some manufacturers will have to quickly offer their surplus to the CDC through the export class 5(d).

Imported butter stocks are stable at 53 t and there have been no sales or purchases in January. There will still be approximately 1,400 t to import between now and July 31, 2010. Because of high world prices for butter, the rest of the butter TRQ will be imported later in 2010.

There was no transaction for export butter in January; therefore our stocks are still at 385 t.

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

