

CDC MARKET BULLETIN

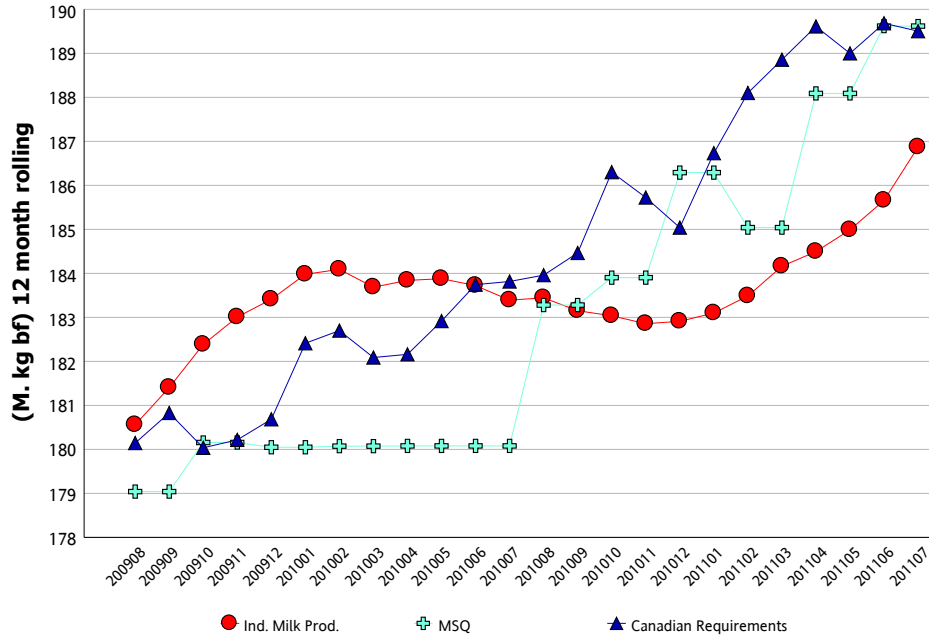
Market Comment

Canadian requirements for butterfat for the twelve-month period ending in July 2011 were 189.49 million kg, down 0.11 % from the requirements of 189.70 million kg of June 2011.

One of the positive factors was a decrease in skim-off from the fluid milk market which increased the requirements for industrial milk by about 220,000 kg. Butter consumption increased again, this time by 210,000 kg in comparison to July 2010. The most important negative factor was a decrease of 630,000 kg BF in the cheddar cheese and processed cheese markets. Despite hot temperatures, ice cream production decreased by about 170,000 kg BF.

In July 2011, total milk deliveries increased by 4.5 % compared to the same month last year. Deliveries of fluid milk decreased by 1.2 % and deliveries of industrial milk increased by 8.0 %. The growth of production is therefore gaining momentum, as most producers responded well to the various incentives put in place by provinces. Because of this growth, the likelihood that of a butter shortage in the fall decreased considerably, even if demand remains strong.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/8 to 2010/7	2010/8 to 2011/7	% Change	2009/8 to 2010/7	2010/8 to 2011/7	% Change	2009/8 to 2010/7	2010/8 to 2011/7	% Change
NL	1,862,094	1,901,341	2.11%	1,372,938	1,521,463	10.82%	489,156	379,878	-22.34%
P5	229,128,078	232,736,243	1.57%	79,914,386	80,806,441	1.12%	149,213,692	151,929,802	1.82%
WMP	69,832,407	71,030,769	1.72%	36,143,587	36,469,691	0.90%	33,688,820	34,561,078	2.59%
Canada	300,822,579	305,668,353	1.61%	117,430,911	118,797,595	1.16%	183,391,668	186,870,758	1.90%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/8 to 2010/7	2010/8 to 2011/7	% Change	2009/8 to 2010/7	2010/8 to 2011/7	% Change
1(a)	46,925	47,221	0.63%	247,315	247,472	0.06%
1(b)	41,740	43,641	4.56%	18,457	19,068	3.31%
2	22,503	23,737	5.48%	37,931	38,997	2.81%
3	103,508	103,990	0.47%	238,041	236,019	-0.85%
4(a)	54,891	55,738	1.54%	14,309	14,325	0.11%
4(b)	1,469	1,879	27.87%	5,924	6,775	14.37%
4(m) 4(a1)	563	565	0.41%	56,735	53,390	-5.90%
5(a,b,c)	24,173	25,619	5.98%	39,772	42,505	6.87%
5(d)	2,581	984	-61.88%	24,897	28,930	16.20%
Other	1,778	1,407	-20.88%	5,129	7,659	49.33%
Total	300,132	304,781	1.55%	688,510	695,140	0.96%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
July 31, 2011

Province	kg of bf	% *
NL	-296,048	-14.71%
PE	-6,102	-0.15%
NS	-54,612	-0.81%
NB	18,169	0.34%
QC	-853,601	-0.73%
ON	-1,175,338	-1.17%
MB	-248,130	-2.00%
SK	-177,781	-2.00%
AB	-354,973	-1.39%
BC	-278,346	-1.09%

* 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:	July 30, 2011	Previous 12 Month	12 Month	Change
Butter	51,283	51,938		+ 1.3%
Total Cheese*	267,630	273,390		+ 1.4%
Cheddar	80,401	80,462		+ 0.1%
Specialty*	77,047	80,834		+ 4.9%
Processed	110,202	110,110		- 0.1%
Ice cream	135,466	128,985		- 4.5%
Yogurt	249,333	252,941		+ 1.4%

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

Butter Inventory ('000 kg)

	Jul 31, 2010	Jul 31, 2011
PLAN A BUTTER	3,068	55
PLAN B BUTTER	10,905	9,650
IMPORTED BUTTER	680	49
BUTTER FOR EXPORT	513	
TOTAL CDC BUTTER STOCKS	15,166	9,754
PRIVATE BUTTER STOCKS	5,158	6,486
TOTAL CDC AND PRIVATE BUTTER STOCKS	20,324	16,240

Other Private Stocks ('000 kg)	Jul 31, 2010	Jul 31, 2011
CHEDDAR	46,264	47,383
PROCESSED CHEESE	9,059	10,156
SPECIALTY CHEESE	22,463	23,270

Comments on Stocks

Plan A butter stocks decrease from 76 tonnes at the end of June to 55 tonnes at the end of July. The CDC expects to start purchasing Plan A butter throughout August and early September 2011. However, this butter will likely be resold quickly to processors still looking for 25 kg blocks.

Plan B butter stocks increased slightly to 9,650 tonnes at the end of July compared to 9,421 tonnes at the end of June. These stocks have likely reached their peak for 2011 and will start to decrease over the coming months in order to satisfy the higher demand in the fall.

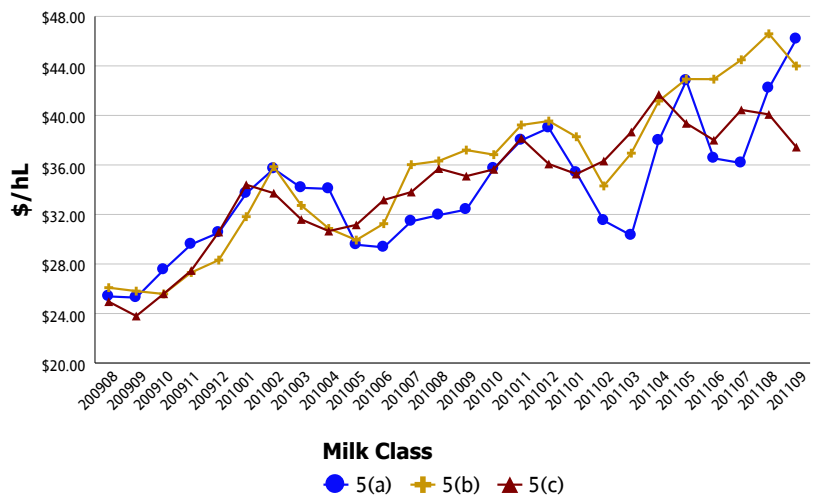
Imported butter stocks fell to 49 tonnes at the end of July compared to 209 tonnes at the end of June. Demand for imported butter remained relatively strong in July and is expected to remain strong in the fall. As a result, the CDC committed to import 3,000 tonnes of butter in August and September. This amount represents the majority of the import requirements of 3,274 tonnes for the 2011-2012 dairy year. As for export butter, our stocks will remain at zero over the coming months.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2009/8 to 2010/7	2010/8 to 2011/7	
1	\$89.40	\$90.47	1.20%
2 to 4(d)	\$75.85	\$76.35	0.66%
4(m) 4(a1)*	\$10.23	\$13.26	29.56%
5(a) to (c)	\$29.36	\$36.74	25.13%
5(d)	\$24.09	\$30.91	28.30%
All Classes	\$73.74	\$75.37	2.22%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

