Canadian Dairy Commission | Commission canadienne du lait

November 3, 2011

CDC Market Bulletin

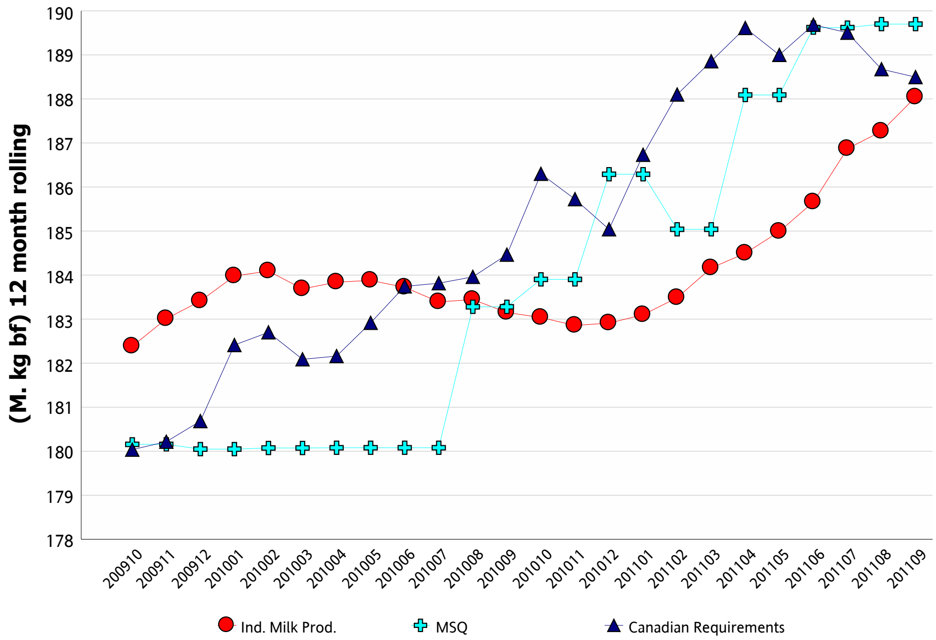
Market Comment

Canadian Requirements for the twelve month period ending in September 2011 were 188.48 million kg of b.f., which represents a slight 0.1 % decrease from the requirements of 188.66 million kg of b.f. in August 2011.

Butter consumption diminished by about 900,000 million kg of b.f. in September 2001 in comparison to the same month last year. Ice cream production also decreased considerably, so that utilization in that market was down by about 170,000 kg of b.f. Certain factors had a positive effect on Canadian requirements. The utilization of butterfat in specialty cheeses increased sharply by 6.6%. Also, skim-off from the fluid milk market was down by 165,045 kg of b.f., which increased requirements for industrial milk by as much.

In September 2011, total milk deliveries increased by 2.8 % compared to the same month last year. Deliveries of fluid milk fell by 1.0% and deliveries of industrial milk increased by 5.4 %. Although production has improved significantly, the CDC has issued a 1% MSQ adjustment for the period between December 1, 2011 and March 31, 2012 in response to strong demand, and to rebuild low butter stocks.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/10 to 2010/9	2010/10 to 2011/9	% Change	2009/10 to 2010/9	2010/10 to 2011/9	% Change	2009/10 to 2010/9	2010/10 to 2011/9	% Change
NL	1,879,667	1,885,577	0.31%	1,387,036	1,526,662	10.07%	492,631	358,915	-27.14%
P5	229,147,195	233,554,829	1.92%	80,155,032	80,971,708	1.02%	148,992,163	152,583,121	2.41%
WMP	69,871,301	71,601,831	2.48%	36,204,487	36,502,772	0.82%	33,666,814	35,099,059	4.25%
Canada	**300,898,163**	**307,042,237**	**2.04%**	**117,746,555**	**119,001,142**	**1.07%**	**183,151,608**	**188,041,095**	**2.67%**

Milk Utilization ('000 kg)

	Butterfat			Solids Non Fat		
Milk Class	**2009/10 to 2010/9**	**2010/10 to 2011/9**	**% Change**	**2009/10 to 2010/9**	**2010/10 to 2011/9**	**% Change**
1(a)	47,135	47,203	0.14%	247,736	247,624	-0.05%
1(b)	42,116	44,072	4.64%	18,557	19,245	3.71%
2	23,180	23,541	1.56%	38,026	39,789	4.64%
3	103,514	104,594	1.04%	238,815	236,282	-1.06%
4(a)	53,848	56,691	5.28%	12,255	13,654	11.42%
4(b)	1,417	1,953	37.79%	5,697	7,113	24.85%
4(m) 4(a1)	612	579	-5.43%	58,213	56,860	-2.32%
5(a,b,c)	24,812	25,432	2.50%	39,966	42,425	6.15%
5(d)	2,383	790	-66.83%	24,773	27,696	11.80%
Other	1,109	1,376	24.04%	5,225	6,827	30.66%
Total	**300,127**	**306,231**	**2.03%**	**689,264**	**697,516**	**1.20%**

Continuous Quota

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

September 30, 2011

Province	kg of bf	% *
NL	-65,549	-3.25%
PE	-25,280	-0.63%
NS	-118,354	-1.74%
NB	-23,680	-0.45%
QC	-1,467,184	-1.25%
ON	-1,449,196	-1.44%
MB	-198,262	-1.59%
SK	-142,052	-1.59%
AB	-394,534	-1.54%
BC	-357,448	-1.39%

* Cumulative Over / Under Production (with limits) expressed as a % of the most recent 12 months total quota

For additional information, please contact: benoit.basillais@cdc-ccl.gc.ca

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Retail Product Sales

Current period vs previous period
('000 kg)

Up to: September 24, 2011

	Previous 12 Month	12 Month	Change
Butter	51,157	52,163	**+ 2.0%**
Total Cheese*	270,932	293,411	+ 0.8%
Cheddar	81,384	80,122	- 1.5%
Specialty*	77,838	80,818	+ 3.8%
Processed	109,860	110,399	+ 0.5%
Ice cream	205,853	196,161	**- 4.7%**
Yogurt	250,400	254,392	**+ 1.6%**

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

Butter Inventory ('000 kg)

	Sep 30, 2010	Sep 30, 2011
PLAN A BUTTER	2,417	129
PLAN B BUTTER	7,857	7,908
IMPORTED BUTTER	0	1,338
TOTAL CDC BUTTER STOCKS	**10,274**	**9,375**
PRIVATE BUTTER STOCKS	5,289	6,992
TOTAL CDC AND PRIVATE BUTTER STOCKS	**15,563**	**16,367**

Other Private Stocks ('000 kg)

	Sep 30, 2010	Sep 30, 2011
CHEDDAR	45,354	44,817
PROCESSED CHEESE	8,753	10,652
SPECIALTY CHEESE	21,874	21,977

Comments on Stocks

Plan A butter stocks decreased from 330 t at the end of August to 129 t at the end of September. It is expected that the remaining Plan A butter will be sold by the end of October.

Plan B butter stocks decreased to 7,908 t at the end of September compared to 9,124 t at the end of August. These stocks will continue to decrease over the coming months in order to satisfy the normal seasonal demand in the fall. Plan B stock levels are anticipated to be below 1,500 t by the end of December 2011.

Imported butter stocks decrease to 1,338 t at the end of September compared to 2,141 t at the end of August. Demand for imported butter remained strong in September and is expected continue over the fall period. The CDC has committed to importing 3,000 t of butter this fall. This amount represents the majority of the import requirements of 3,274 t for the 2011-2012 dairy year. As for export butter, our stocks will remain at zero over the coming months.

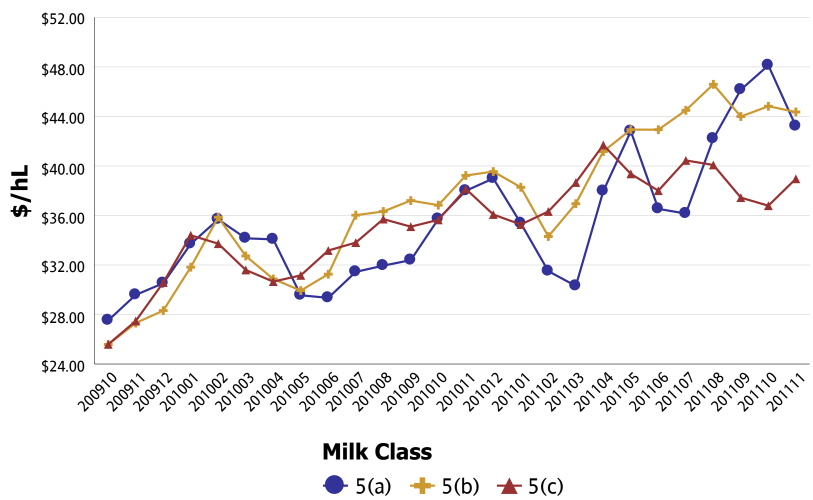
Average Return from Milk Sales

($/hl std)

Milk Class	2009/10 to 2010/9	2010/10 to 2011/9	% Change
1	$89.42	$91.38	2.19%
2 to 4(d)	$75.86	$76.52	0.88%
4(m) 4(a1)*	$10.69	$12.67	18.56%
5(a) to (c)	$31.08	$38.29	23.22%
5(d)	$25.31	$31.93	26.17%
All Classes	**$73.84**	**$75.77**	**2.62%**

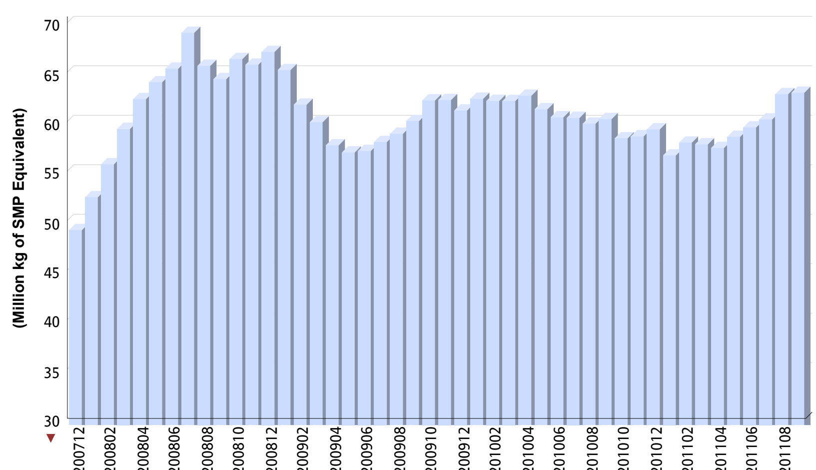
* Price based on SNF components only

Class 5 Component Prices in $/hL



Structural Surplus

(12 Month Rolling)



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