Canadian Dairy Commission | Commission canadienne du lait
October 11, 2011

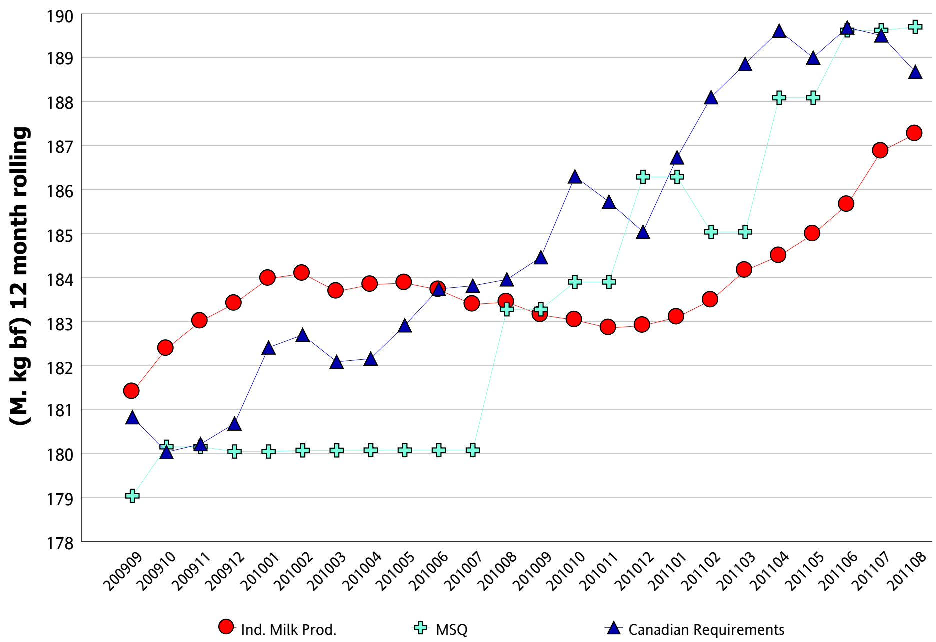
Market Comment

Canadian Requirements for the twelve month period ending in August 2011 were 188.66 million kg of butterfat, which represents a 0.44 % decrease from the requirements of July 2011, which were 189.49 million kg of butterfat.

This decrease can be attributed to the lower consumption of butter in restaurants and other establishements, and by decreased sales of cheese to the United Kingdom. A small drop in the use of butterfat by further processors was also observed. A slight decrease in skim-off from the fluid milk market supported Canadian requirements.

In August 2011, total milk deliveries increased by 2.8 % compared to the same month last year. Deliveries of fluid milk grew by 3.3% and deliveries of industrial milk increased by 2.6 %.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/9 to 2010/8	2010/9 to 2011/8	% Change	2009/9 to 2010/8	2010/9 to 2011/8	% Change	2009/9 to 2010/8	2010/9 to 2011/8	% Change
NL	1,873,154	1,893,776	1.10%	1,383,625	1,526,317	10.31%	489,529	367,459	-24.94%
P5	229,245,556	233,121,628	1.69%	79,968,464	81,048,650	1.35%	149,277,092	152,072,978	1.87%
WMP	69,802,861	71,353,652	2.22%	36,125,795	36,528,880	1.12%	33,677,066	34,824,772	3.41%
Canada	**300,921,571**	**306,369,056**	**1.81%**	**117,477,884**	**119,103,847**	**1.38%**	**183,443,687**	**187,265,209**	**2.08%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2009/9 to 2010/8	Butterfat 2010/9 to 2011/8	% Change	Solids Non Fat 2009/9 to 2010/8	Solids Non Fat 2010/9 to 2011/8	% Change
1(a)	47,031	47,343	0.66%	247,441	247,927	0.20%
1(b)	41,972	43,882	4.55%	18,515	19,138	3.37%
2	22,808	23,715	3.98%	38,017	39,731	4.51%
3	103,326	104,185	0.83%	238,275	235,736	-1.07%
4(a)	54,180	56,585	4.44%	13,875	12,582	-9.32%
4(b)	1,451	1,913	31.84%	5,832	6,918	18.63%
4(m) 4(a1)	561	577	3.01%	56,699	56,826	0.22%
5(a,b,c)	24,665	25,454	3.20%	39,889	42,836	7.39%
5(d)	2,565	836	-67.39%	25,700	27,671	7.67%
Other	1,653	1,049	-36.56%	4,879	7,059	44.68%
Total	**300,211**	**305,538**	**1.77%**	**689,123**	**696,425**	**1.06%**

Continuous Quota

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

August 31, 2011

Province	kg of bf	% *
NL	-49,142	-2.44%
PE	-16,778	-0.42%
NS	-85,200	-1.25%
NB	-625	-0.01%
QC	-1,136,222	-0.97%
ON	-1,312,884	-1.31%
MB	-248,905	-2.00%
SK	-178,337	-2.00%
AB	-351,110	-1.37%
BC	-290,328	-1.13%

* 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: August 27, 2011

	Previous 12 Month	12 Month	Change
Butter	51,160	52,134	**+ 1.9%**
Total Cheese*	268,267	271,678	+ 1.3%
Cheddar	80,715	80,401	- 0.4%
Specialty*	77,358	80,995	+ 4.7%
Processed	110,215	110,312	+ 0.1%
Ice cream	206,014	198,069	**- 3.0%**
Yogurt	249,917	253,461	**+ 1.4%**

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

Butter Inventory ('000 kg)

	Aug 31, 2010	Aug 31, 2011
PLAN A BUTTER	2,882	330
PLAN B BUTTER	10,123	9,124
IMPORTED BUTTER	0	2,141
BUTTER FOR EXPORT	82	
TOTAL CDC BUTTER STOCKS	13,086	11,595
PRIVATE BUTTER STOCKS	5,201	6,153
TOTAL CDC AND PRIVATE BUTTER STOCKS	18,287	17,748

Other Private Stocks ('000 kg)

	Aug 31, 2010	Aug 31, 2011
CHEDDAR	47,080	46,729
PROCESSED CHEESE	8,752	9,823
SPECIALTY CHEESE	22,539	21,758

Comments on Stocks

Plan A butter stocks increased from 55 t at the end of July to 330 t at the end of August. The CDC purchased 619 t of Plan A in August, however, approximately half of this butter was resold quickly to processors still looking for 25 kg blocks.

Plan B butter stocks decreased to 9,124 t at the end of August compared to 9,650 t at the end of July. These stocks will continue to decrease over the coming months in order to satisfy the higher demand in the fall.

Imported butter stocks increased to 2,141 t at the end of August compared to 49 t at the end of July. Demand for imported butter was relatively strong in August and is expected to increase over the fall period. The CDC has committed to importing 3,000 t of butter in August and September. 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)

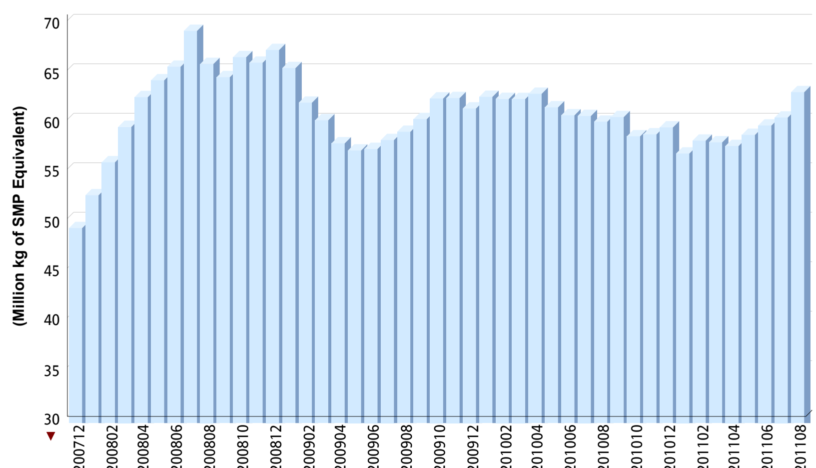
Milk Class	2009/9 to 2010/8	2010/9 to 2011/8	% Change
1	$89.42	$90.92	1.68%
2 to 4(d)	$75.85	$76.45	0.79%
4(m) 4(a1)*	$10.59	$12.64	19.33%
5(a) to (c)	$30.14	$37.49	24.37%
5(d)	$24.52	$31.59	28.83%
All Classes	**$73.77**	**$75.50**	**2.33%**

* Price based on SNF components only

Class 5 Component Prices in $/hL

Structural Surplus

(12 Month Rolling)



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