

CDC MARKET BULLETIN



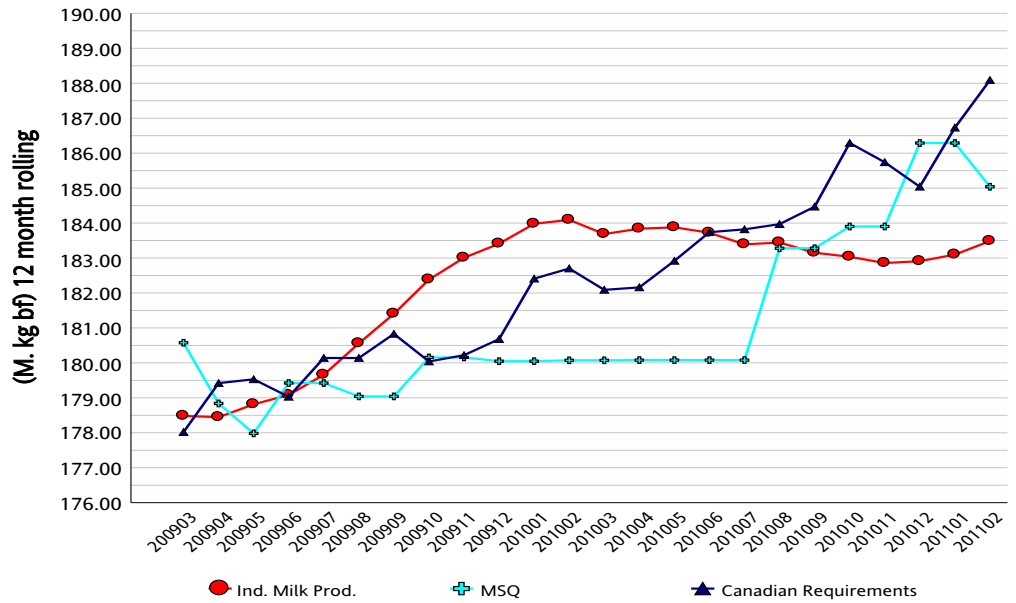
Market Comment

Canadian requirements for the 12-month period ending in February 2011 were 188.09 million kg butterfat, a 0.73% increase compared to Canadian requirements of 186.73 million kg of butterfat in January 2011.

An exceptional increase in the butterfat utilization in the further processing sector explains the February increase in Canadian requirements. That month, utilization increased by 19.3%, 79.3% and 111.4% respectively in special classes 5(a), (b) and (c), compared to the same month in 2010. Skim-off from the fluid milk market also played a minor part, decreasing by 0.13 million kg of butterfat. Note that there is still a weakening of the growth in the yogurt market, and a reduction in the cheese market in February. The CDC does not foresee other important jumps in Canadian requirements in the months to come.

In February 2010, total milk deliveries increased by 2.0% compared to the same month a year ago. Fluid milk deliveries increased by 0.8% and industrial milk deliveries increased by 2.7%. The increase in deliveries should continue in the next few months because provinces have implemented policies to stimulate production (increased producer quota and/or incentive days).

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/3 to 2010/2	2010/3 to 2011/2	% Change	2009/3 to 2010/2	2010/3 to 2011/2	% Change	2009/3 to 2010/2	2010/3 to 2011/2	% Change
NL	1,821,090	1,917,243	5.28%	1,312,793	1,448,268	10.32%	508,297	468,975	-7.74%
P5	229,817,924	230,272,809	0.20%	80,485,130	80,638,228	0.19%	149,332,794	149,634,581	0.20%
WMP	70,480,605	69,792,296	-0.98%	36,229,885	36,409,533	0.50%	34,250,720	33,382,763	-2.53%
Canada	302,119,619	301,982,348	-0.05%	118,027,808	118,496,029	0.40%	184,091,811	183,486,319	-0.33%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/3 to 2010/2	2010/3 to 2011/2	% Change	2009/3 to 2010/2	2010/3 to 2011/2	% Change
1(a)	47,133	47,266	0.28%	247,966	248,522	0.22%
1(b)	41,003	43,225	5.42%	18,165	18,970	4.43%
2	21,308	23,799	11.69%	36,951	38,672	4.66%
3	102,768	103,823	1.03%	236,753	238,742	0.84%
4(a)	59,693	52,493	-12.06%	13,546	12,369	-8.69%
4(b)	1,936	1,512	-21.91%	7,210	5,852	-18.84%
4(m) 4(a1)	568	612	7.66%	53,862	58,931	9.41%
5(a,b,c)	23,089	25,542	10.62%	39,273	40,485	3.09%
5(d)	1,833	2,370	29.28%	30,377	22,332	-26.49%
Other	2,057	487	-76.34%	4,280	5,436	27.02%
Total	301,388	301,128	-0.09%	688,384	690,311	0.28%

Continuous Quota

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

February 28, 2011

Province	kg of bf	% *
NL	-235,183	-12.04%
PE	-9,435	-0.24%
NS	-81,074	-1.21%
NB	6,884	0.13%
QC	-1,453,470	-1.26%
ON	-1,347,407	-1.36%
MB	-157,892	-1.29%
SK	-144,714	-1.65%
AB	-367,281	-1.46%
BC	-360,874	-1.43%

* 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:	March 12, 2011		
	Previous 12 Month	12 Month	Change
Butter	51,124	52,028	+ 1.8%
Total Cheese*	268,781	272,578	+ 0.8%
Cheddar	79,741	81,308	+ 2.0%
Specialty*	75,915	79,032	+ 4.1%
Processed	111,281	109,519	- 1.6%
Ice cream	208,768	202,167	- 3.2%
Yogurt	245,342	251,120	+ 2.4%

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

* Notes: Goat cheese has been removed as of January 2011

Average Return from Milk Sales


(\$/hl std)

Milk Class	2009/3 to 2010/2	2010/3 to 2011/2	% Change
1	\$89.29	\$89.57	0.31%
2 to 4(d)	\$75.84	\$75.93	0.11%
4(m) 4(a1)*	\$9.93	\$11.68	17.60%
5(a) to (c)	\$27.41	\$33.77	23.20%
5(d)	\$22.37	\$27.14	21.33%
All Classes	\$73.49	\$74.36	1.18%

* Price based on SNF components only

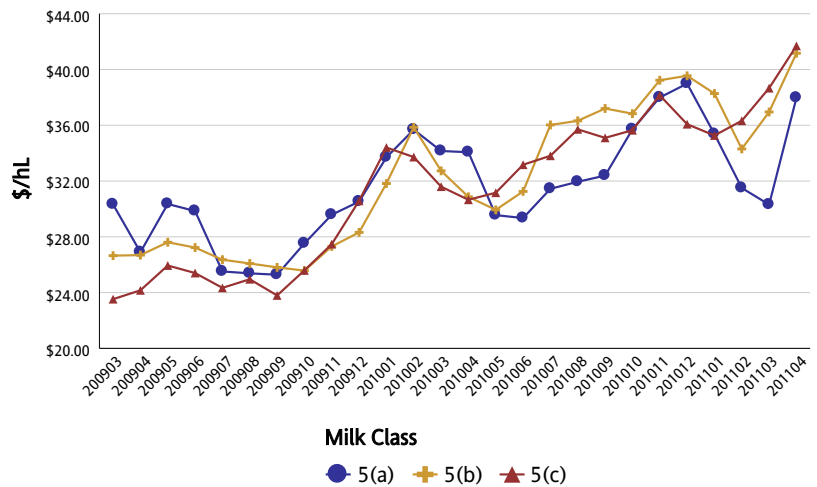
Butter Inventory ('000 kg)

	Feb 28, 2010	Feb 28, 2011
PLAN A BUTTER	2,517	1,056
PLAN B BUTTER	9,962	4,813
IMPORTED BUTTER	104	24
BUTTER FOR EXPORT	385	
TOTAL CDC BUTTER STOCKS	12,968	5,893
PRIVATE BUTTER STOCKS	6,929	7,261
TOTAL CDC AND PRIVATE BUTTER STOCKS	19,897	13,154



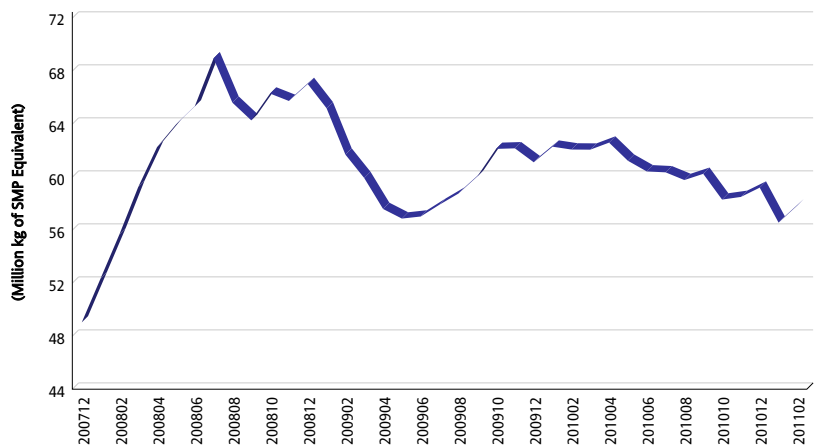
Other Private Stocks ('000 kg)		
	Feb 28, 2010	Feb 28, 2011
CHEDDAR	43,814	43,484
PROCESSED CHEESE	9,862	11,693
SPECIALTY CHEESE	21,284	22,491

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)



Comments on Stocks

While overall butter stocks are increasing, Plan A butter stocks are currently declining. This is abnormal for this time of year as the overall milk supply increases in the spring. The CDC is selling Plan A butter to satisfy demand by certain manufacturers. It seems that this demand will continue for the next few months. It will likely be difficult to reach the target of 3,000 t in plan A by the end of July, unless milk production increases more than expected.

Plan B butter stocks have increased to 4,813 t at the end of February compared to 3,314 t at the end of January. Plan B stocks are significantly lower than they were in February 2010, however the 2010 levels were higher than normal for that time of year.

Imported butter stocks fell to 25 t at the end of February compared to 1,085 at the end of January. The remaining 1,700 will be imported over the coming months, with the first shipment scheduled to arrive at the end of March. As for export butter, our stocks are expected to remain at zero for the remainder of the dairy year.