



CDC MARKET BULLETIN



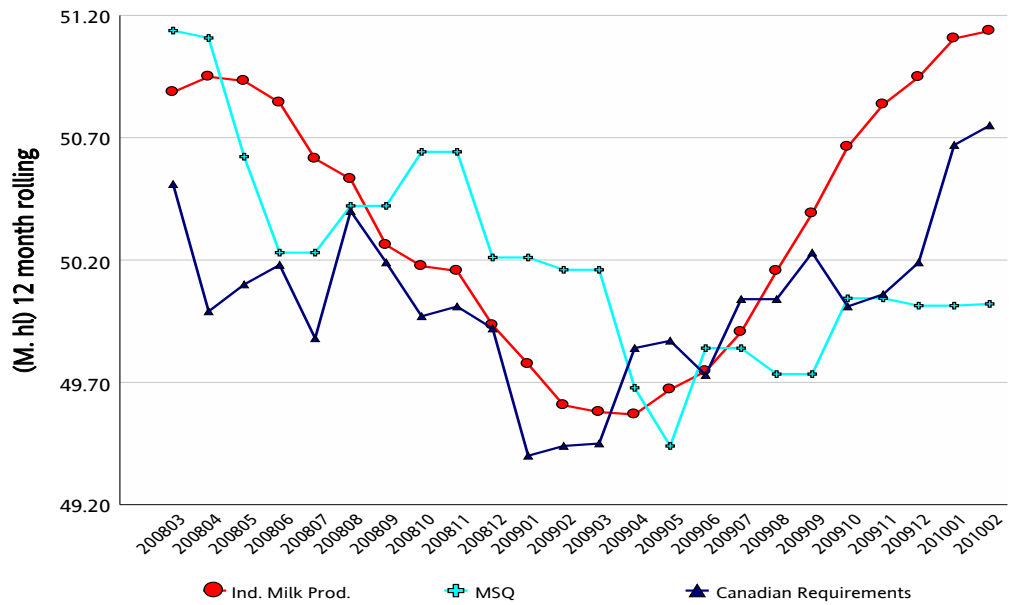
Market Comment

Canadian requirements for the twelve month period ending in February 2010 were 50.75 million hl, up 0.16 % from the base of 50.67 million hl of January 2010.

This increase in Canadian requirements is due to several factors. Yogourt, ice cream and cheese markets have grown as illustrated by an increase of 12.2% and 5.6% in the use of butterfat in classes 2 and 3 respectively. Skim-off has also decreased by 0.04 million hl in February 2010 in comparison to February 2009. Since the beginning of the dairy year, the downward trend in skim-off has had a cumulative impact of nearly 0.35 million hl on Canadian requirements.

In February 2010, total milk deliveries increased by 0.3 % compared to the same month last year. Deliveries of fluid milk decreased by 0.5 % and deliveries of industrial milk increased by 0.8%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2008/3 to 2009/2	2009/3 to 2010/2	% Change	2008/3 to 2009/2	2009/3 to 2010/2	% Change	2008/3 to 2009/2	2009/3 to 2010/2	% Change
NL	1,899,789	1,821,090	-4.14%	1,334,027	1,312,793	-1.59%	565,762	508,297	-10.16%
P5	223,496,457	229,817,924	2.83%	80,424,270	80,485,130	0.08%	143,072,187	149,332,794	4.38%
WMP	71,305,710	70,480,605	-1.16%	36,360,611	36,229,885	-0.36%	34,945,099	34,250,720	-1.99%
Canada	296,701,956	302,119,619	1.83%	118,118,908	118,027,808	-0.08%	178,583,048	184,091,811	3.08%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/3 to 2009/2	2009/3 to 2010/2	% Change	2008/3 to 2009/2	2009/3 to 2010/2	% Change
1(a)	47,121	47,133	0.03%	248,212	247,966	-0.10%
1(b)	39,915	41,003	2.72%	17,649	18,165	2.93%
2	19,305	21,308	10.38%	35,718	36,951	3.45%
3	100,765	102,768	1.99%	231,168	236,753	2.42%
4(a)	58,392	59,693	2.23%	12,015	13,546	12.75%
4(b)	1,978	1,936	-2.15%	7,325	7,210	-1.57%
4(m) 4(a1)	636	568	-10.72%	54,110	53,862	-0.46%
5(a,b,c)	23,884	23,089	-3.33%	36,707	39,273	6.99%
5(d)	1,915	1,833	-4.30%	29,662	30,377	2.41%
Other	2,166	2,057	-5.05%	5,074	4,280	-15.65%
Total	296,078	301,388	1.79%	677,638	688,384	1.59%

Continuous Quota

Cumulative Over/Under Production (with limits) as of: February 28, 2010

Province	kg of bf	% *
NL	-198,574	-10.45%
PE	9,896	0.25%
NS	-55,480	-0.84%
NB	21,169	0.41%
QC	-2,378,148	-2.08%
ON	-857,071	-0.88%
MB	33,185	0.28%
SK	-72,654	-0.84%
AB	-396,895	-1.60%
BC	173,799	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: February 13, 2010

	Previous 12 Month	12 Month	Change
Butter	50,867	51,330	+ 0.9%
Total Cheese	261,515	270,442	+ 3.4%
Cheddar	76,969	80,061	+ 4.0%
Specialty	74,857	78,268	+ 4.6%
Processed	109,690	112,113	+ 2.2%
Ice cream	213,537	208,767	- 2.2%
Yogurt	234,414	244,884	+ 4.5%

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

Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/3 to 2009/2	2009/3 to 2010/2	% Change
1	\$85.74	\$89.29	4.15%
2 to 4(d)	\$74.40	\$75.84	1.94%
4(m) 4(a1)*	\$10.77	\$9.93	-7.83%
5(a) to (c)	\$37.70	\$27.41	-27.30%
5(d)	\$31.58	\$22.37	-29.17%
All Classes	\$72.44	\$73.49	1.45%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Feb 28, 2009	Feb 28, 2010
PLAN A BUTTER	2,373	2,517
PLAN B BUTTER	7,523	9,962
IMPORTED BUTTER	879	104
BUTTER FOR EXPORT		385
TOTAL CDC BUTTER STOCKS	10,776	12,968
PRIVATE BUTTER STOCKS	7,833	6,929
TOTAL CDC AND PRIVATE BUTTER STOCKS	18,609	19,897

Other Private Stocks ('000 kg)

	Feb 28, 2009	Feb 28, 2010
CHEDDAR	45,784	43,814
PROCESSED CHEESE	8,992	9,862
SPECIALTY CHEESE	19,246	21,284

Comments on Stocks

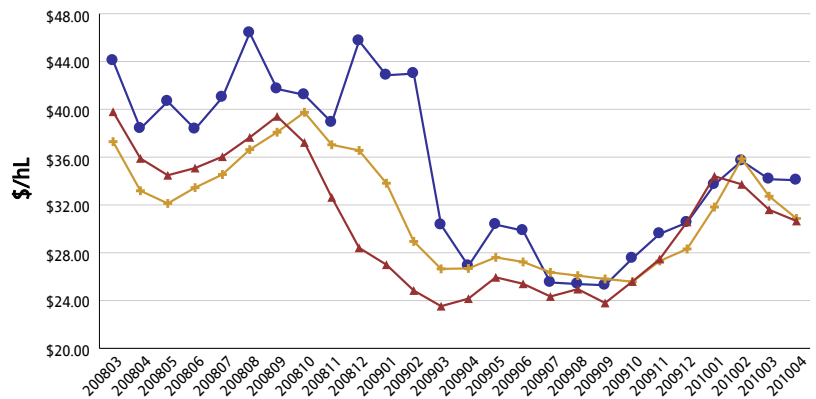
While overall butter stocks are increasing, Plan A butter stocks are currently declining. This is an unusual situation for this time of the year. The CDC is selling important volumes of Plan A butter to satisfy demand by certain manufacturers. It seems that this demand will continue for the next few months. The objective is to have approximately 3000 t of Plan A butter at year-end.

As expected, Plan B butter stocks have increased significantly in the past two months. At 9,962 t for the end of February 2010, this level is 32% higher than at the same time last year. A certain number of processors are ahead of their program and will need to reduce or even stop their Plan B sales to the CDC. When that point is reached, we can assume that manufacturers will offer their surplus butter in the form of Plan A butter which will allow the CDC to replenish its Plan A stocks.

In terms of exports, over and above the quantities of Plan A and B butter, the CDC expects to buy further quantities of unsalted butter at 82% butterfat in the month to come but at this time it is not known how much. This depends on a number of different factors such as milk production and cream demand in general.

Imported butter stocks are relatively small but more than 1000 t still need to be imported before the end of the year. These stocks will likely be purchased during the spring for delivery before the end of the dairy year.

Class 5 Component Prices in \$/hL



Milk Class

● 5(a) + 5(b) ▲ 5(c)

Structural Surplus

(12 Month Rolling)

