

CDC MARKET BULLETIN



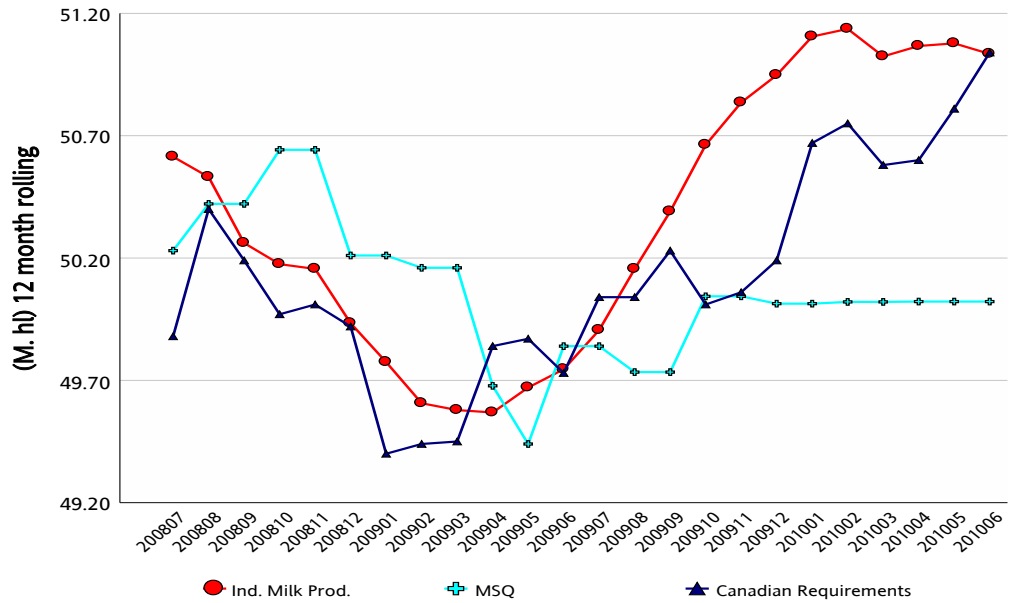
Market Comment

Canadian requirements for the twelve month period ending in June 2010 were 51.04 million hl, up 0.45 % from 50.81 million hl in May 2010.

This growth came mainly from activity in the food processing sector. This month, there was a strong increase in the utilization of butter in the manufacturing of cookies and an increase in the utilization of whole milk powder and condensed whole milk in confectionery. Total special class sales exceeded those of June 2009 by more than 540,000 kg of butterfat. Among the factors that increased Canadian requirements, a 0.04 million hl decrease in skim-off should be noted. It is the 11th consecutive decrease in skim-off. Yogurt sales continued to grow.

In June 2010, total milk deliveries decreased by 1.5% compared to the same month last year. Deliveries of fluid milk diminished by 2.4 % and deliveries of industrial milk decreased by 1.0%. In July, production is expected to be lower than last year because of the heat wave in Quebec and Ontario.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2008/7 to 2009/6	2009/7 to 2010/6	% Change	2008/7 to 2009/6	2009/7 to 2010/6	% Change	2008/7 to 2009/6	2009/7 to 2010/6	% Change
NL	1,848,970	1,854,711	0.31%	1,318,158	1,368,652	3.83%	530,812	486,059	-8.43%
P5	224,493,527	229,703,418	2.32%	80,699,901	80,194,667	-0.63%	143,793,626	149,508,751	3.97%
WMP	71,198,761	69,896,994	-1.83%	36,439,863	36,168,831	-0.74%	34,758,898	33,728,163	-2.97%
Canada	297,541,258	301,455,123	1.32%	118,457,922	117,732,150	-0.61%	179,083,336	183,722,973	2.59%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/7 to 2009/6	2009/7 to 2010/6	% Change	2008/7 to 2009/6	2009/7 to 2010/6	% Change
1(a)	47,227	47,039	-0.40%	248,657	247,753	-0.36%
1(b)	40,354	41,734	3.42%	17,845	18,463	3.47%
2	19,958	22,206	11.26%	36,103	37,606	4.16%
3	101,279	103,523	2.22%	233,239	238,702	2.34%
4(a)	58,470	56,374	-3.58%	13,219	13,566	2.62%
4(b)	2,030	1,592	-21.61%	7,322	6,264	-14.45%
4(m) 4(a1)	567	569	0.40%	50,639	57,001	12.56%
5(a,b,c)	23,221	23,847	2.70%	37,351	39,793	6.54%
5(d)	1,910	2,444	27.97%	29,607	26,280	-11.24%
Other	1,848	1,481	-19.85%	4,168	3,950	-5.24%
Total	296,863	300,810	1.33%	678,151	689,378	1.66%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
June 30, 2010

Province	kg of bf	% *
NL	-187,935	-9.91%
PE	19,521	0.50%
NS	-1,098	-0.02%
NB	25,833	0.50%
QC	-1,278,568	-1.12%
ON	-636,266	-0.65%
MB	49,975	0.42%
SK	-131,334	-1.53%
AB	-327,899	-1.33%
BC	42,723	0.17%

* 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:	Previous 12 Month	12 Month	Change
July 3, 2010			
Butter	50,900	51,468	+ 1.1%
Total Cheese	264,830	270,434	+ 2.1%
Cheddar	78,248	80,103	+ 2.4%
Specialty	75,816	79,161	+ 4.4%
Processed	110,766	111,171	+ 0.4%
Ice cream	210,516	206,352	- 2.0%
Yogurt	237,670	247,666	+ 4.2%

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

Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/7 to 2009/6	2009/7 to 2010/6	% Change
1	\$87.40	\$89.38	2.27%
2 to 4(d)	\$75.09	\$75.85	1.02%
4(m) 4(a1)*	\$10.18	\$10.08	-0.94%
5(a) to (c)	\$34.30	\$28.75	-16.20%
5(d)	\$28.39	\$22.91	-19.29%
All Classes	\$73.32	\$73.60	0.38%

* Price based on SNF components only

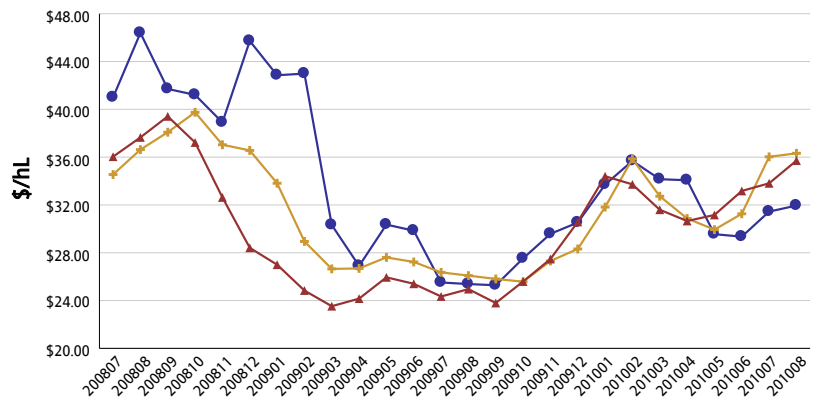
Butter Inventory ('000 kg)

	Jun 30, 2009	Jun 30, 2010
PLAN A BUTTER	2,980	3,027
PLAN B BUTTER	12,262	12,101
IMPORTED BUTTER	448	412
BUTTER FOR EXPORT		564
TOTAL CDC BUTTER STOCKS	15,690	16,105
PRIVATE BUTTER STOCKS	6,307	5,557
TOTAL CDC AND PRIVATE BUTTER STOCKS	21,997	21,662

Other Private Stocks ('000 kg)

	Jun 30, 2009	Jun 30, 2010
CHEDDAR	45,174	45,330
PROCESSED CHEESE	11,873	9,279
SPECIALTY CHEESE	20,608	22,945

Class 5 Component Prices in \$/hL

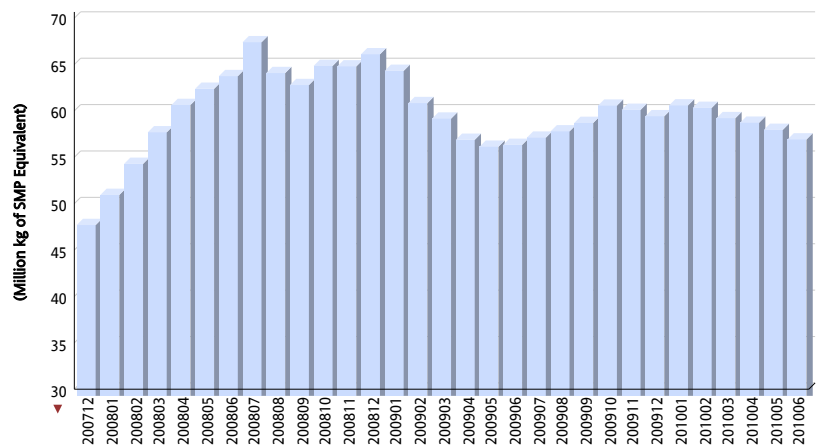


Milk Class

● 5(a) + 5(b) ▲ 5(c)

Structural Surplus

(12 Month Rolling)



Comments on Stocks

Plan A butter purchases continued throughout the month of June in order to rebuild the stocks to the desired level of 3,000 t for this time of year. With the inventories at 3,027 t at the end of the month, plan A butter purchases are now closed for the rest of 2010.

Plan B butter stocks decreased from their peak level of 12,871 t, which is normally the case at this time of year, to close the month of June at 12,101 t. Inventories are slightly above those of the same period last year but well within the average of the last few years. They will continue to decrease in the next few months as seasonal demand increases.

As far as export butter is concerned, the CDC has bought 1,322 t of unsalted butter. Only a portion of this butter has been exported as some processors have indicated that they could need that product on the domestic market.

As for imported butter, the CDC has completed its purchases for the dairy year. The last shipments totalling 437 t will be delivered in July. Given the high world prices for butter and more than sufficient inventories of Canadian butter at this time, the CDC might wait a few months before starting the purchases for the next dairy year.