Canadian Dairy Commission | Commission canadienne du lait

December 9, 2011

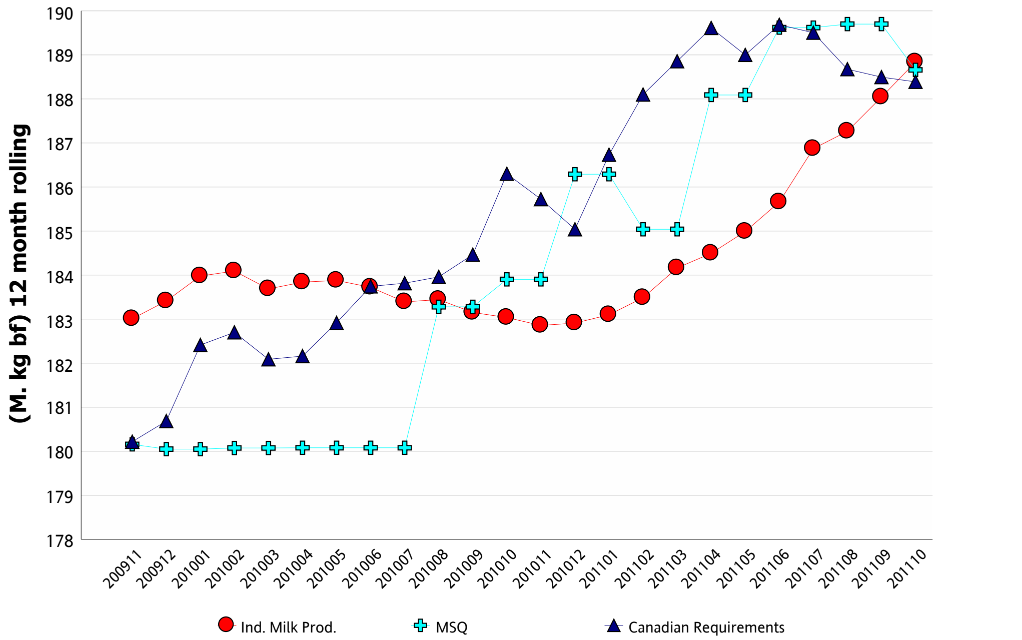
Market Comment

Canadian requirements for the twelve-month period ending in October 2011 were 188.39 million kg of butterfat, a slight reduction of 0.05 % from the requirements of 188.48 million kg of butterfat of September 2011.

In October, fluid milk skim-off was down in all provinces except Manitoba. Nationally, this decrease is equivalent to 0.27 million kg of b.f. which has increased requirements for industrial milk by as much. However, the effect of skim-off was cancelled out by a general decrease in retail sales. Indeed, only cheddar cheese sales increased slightly in October 2011 in comparison to October 2010. A decrease in promotional efforts explains a good part of the decrease in retail sales. There was also a decrease in butterfat utilization in the further processing sector.

In October 2011, total milk deliveries increased by 2.2 % compared to the same month last year. Fluid milk deliveries grew by 0.7% and deliveries of industrial milk increased by 3.2%. Production should continue to increase. A growth adjustment of 1% was added to the MSQ in December. This increase will remain in effect at least until March 31, 2012.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/11 to 2010/10	2010/11 to 2011/10	% Change	2009/11 to 2010/10	2010/11 to 2011/10	% Change	2009/11 to 2010/10	2010/11 to 2011/10	% Change
NL	1,889,933	1,876,847	-0.69%	1,391,790	1,523,414	9.46%	498,143	353,433	-29.05%
P5	229,179,518	233,704,683	1.97%	80,315,665	80,669,953	0.44%	148,863,853	153,034,730	2.80%
WMP	69,824,829	71,959,594	3.06%	36,150,830	36,510,689	1.00%	33,673,999	35,448,905	5.27%
Canada	**300,894,280**	**307,541,124**	**2.21%**	**117,858,285**	**118,704,056**	**0.72%**	**183,035,995**	**188,837,068**	**3.17%**

Milk Utilization ('000 kg)

Milk Class	Butterfat 2009/11 to 2010/10	Butterfat 2010/11 to 2011/10	Butterfat % Change	Solids Non Fat 2009/11 to 2010/10	Solids Non Fat 2010/11 to 2011/10	Solids Non Fat % Change
1(a)	47,071	47,170	0.21%	247,992	246,982	-0.41%
1(b)	42,246	44,075	4.33%	18,632	19,233	3.22%
2	23,460	23,526	0.28%	38,339	39,954	4.21%
3	103,688	104,590	0.87%	238,915	236,411	-1.05%
4(a)	53,190	57,021	7.20%	13,808	14,821	7.34%
4(b)	1,412	1,990	40.88%	5,668	7,237	27.67%
4(m) 4(a1)	605	552	-8.75%	57,842	56,109	-2.99%
5(a,b,c)	25,162	24,963	-0.79%	39,685	42,437	6.94%
5(d)	2,407	694	-71.18%	23,565	28,006	18.85%
Other	809	2,168	167.96%	4,965	7,389	48.82%
Total	**300,050**	**306,748**	**2.23%**	**689,412**	**698,580**	**1.33%**

Continuous Quota

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

October 31, 2011

Province	kg of bf	% *
NL	-74,625	-3.70%
PE	-36,537	-0.91%
NS	-136,257	-2.00%
NB	-42,030	-0.79%
QC	-1,733,530	-1.48%
ON	-1,463,179	-1.45%
MB	-187,390	-1.50%
SK	-134,262	-1.50%
AB	-385,252	-1.50%
BC	-387,587	-1.50%

* 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]

Average Return from Milk Sales

($/hl std)

Milk Class	2009/11 to 2010/10	2010/11 to 2011/10	% Change
1	$89.43	$91.85	2.70%
2 to 4(d)	$75.85	$76.59	0.97%
4(m) 4(a1)*	$11.21	$12.54	11.82%
5(a) to (c)	$32.06	$38.96	21.53%
5(d)	$26.31	$32.44	23.33%
All Classes	**$74.07**	**$76.05**	**2.67%**

* Price based on SNF components only

Class 5 Component Prices in $/hL

Butter Inventory ('000 kg)

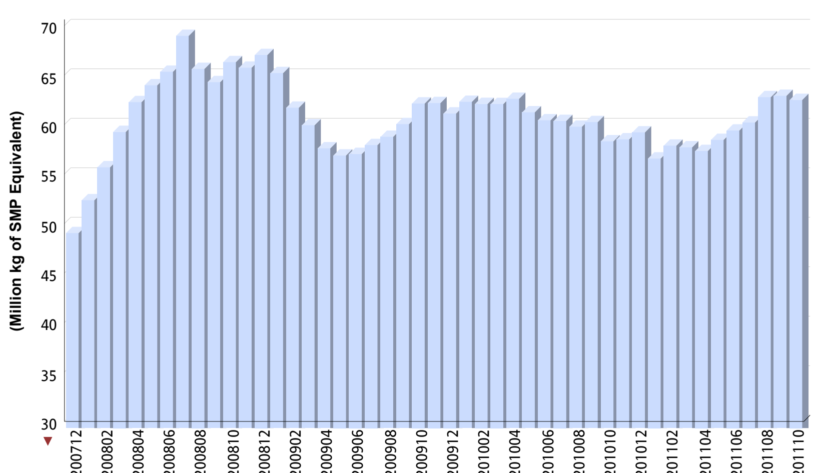
	Oct 31, 2010	Oct 31, 2011
PLAN A BUTTER	1,616	70
PLAN B BUTTER	6,068	6,663
IMPORTED BUTTER	67	1,125
TOTAL CDC BUTTER STOCKS	**7,751**	**7,858**
PRIVATE BUTTER STOCKS	5,535	7,167
TOTAL CDC AND PRIVATE BUTTER STOCKS	**13,286**	**15,025**

Other Private Stocks ('000 kg)

	Oct 31, 2010	Oct 31, 2011
CHEDDAR	44,790	45,120
PROCESSED CHEESE	9,164	11,342
SPECIALTY CHEESE	23,119	21,956

Structural Surplus

(12 Month Rolling)



Comments on Stocks

Plan A butter stocks decreased from 129 t at the end of September to 70 t at the end of October. It is expected that all of the Plan A butter will be sold by the end of 2011.

Plan B butter stocks decreased from 7,908 t at the end of September to 6,663 t at the end of October. These stocks will continue to decrease over the fall period as processors buy their butter back from the CDC in order to satisfy the higher seasonal market demand. Plan B stock levels are anticipated to be below 1,500 t by the end of December 2011.

Imported butter stocks decreased from 1,338 t at the end of September to 1,125 t at the end of October. Demand for imported butter is expected to be strong for the remainder of the calendar year. 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.

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

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