

CDC MARKET BULLETIN



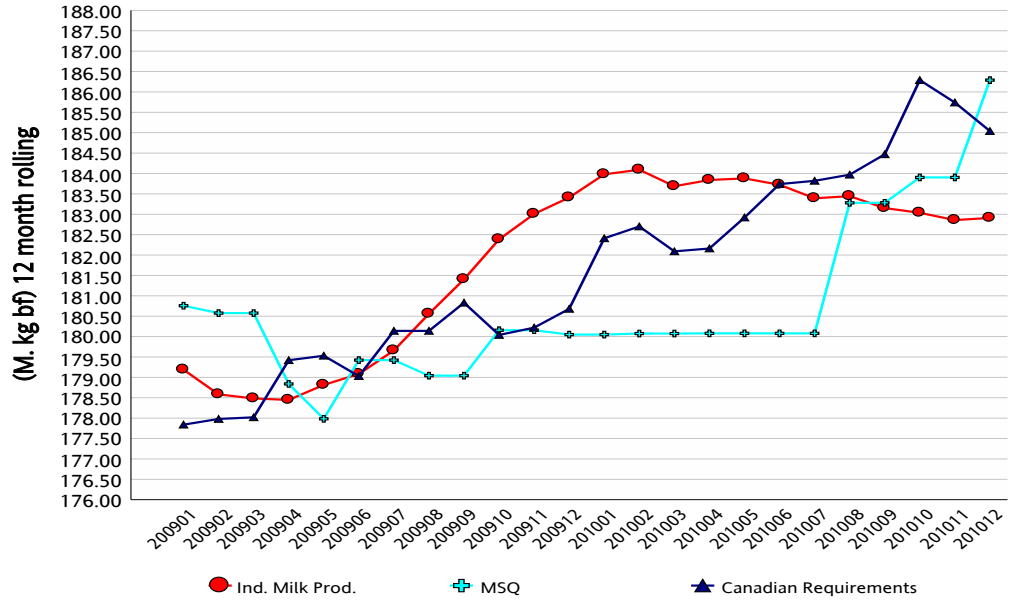
Market Comment

Canadian requirements for the twelve-month period ending in December 2010 were 185.04 million kg of butterfat, down 0.38 % from the requirements of 185.74 million kg of butterfat of November 2010.

A number of factors reduced Canadian requirements. In December 2010, for the first time in several months, the utilization of butterfat in ice cream decreased. Also, certain processors used a significant portion of the cheddar cheese they had accumulated in stock to supply their markets, and this reduced their need for fresh milk. Moreover, the further processing market shrank by over 270,000 kg of butterfat despite a 70% increase in butterfat utilization in the confectionery sector in December in comparison to the same month last year. However strong retail butter sales and a decrease in skim-off helped to mitigate the decrease in Canadian requirements.

In December 2010, total milk deliveries increased by 0.6% compared to the same month last year. Fluid milk deliveries grew by 1.0% and deliveries of industrial milk increased by 0.4%. We believe that industrial production will continue to grow for several months.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/1 to 2009/12	2010/1 to 2010/12	% Change	2009/1 to 2009/12	2010/1 to 2010/12	% Change	2009/1 to 2009/12	2010/1 to 2010/12	% Change
NL	1,834,568	1,894,510	3.27%	1,322,231	1,419,241	7.34%	512,337	475,269	-7.24%
P5	229,400,206	229,576,931	0.08%	80,685,903	80,597,154	-0.11%	148,714,303	148,979,777	0.18%
WMP	70,612,594	69,749,477	-1.22%	36,428,051	36,294,126	-0.37%	34,184,543	33,455,351	-2.13%
Canada	301,847,368	301,220,918	-0.21%	118,436,185	118,310,521	-0.11%	183,411,183	182,910,397	-0.27%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/1 to 2009/12	2010/1 to 2010/12	% Change	2009/1 to 2009/12	2010/1 to 2010/12	% Change
1(a)	47,232	47,216	-0.03%	248,460	248,332	-0.05%
1(b)	40,830	42,890	5.05%	18,102	18,873	4.26%
2	20,999	23,775	13.22%	36,527	38,557	5.56%
3	102,000	103,990	1.95%	235,837	239,227	1.44%
4(a)	60,542	53,042	-12.39%	13,054	13,113	0.45%
4(b)	1,978	1,482	-25.06%	7,246	5,788	-20.12%
4(m) 4(a1)	609	627	3.01%	56,017	59,299	5.86%
5(a,b,c)	23,335	24,434	4.71%	40,253	38,877	-3.42%
5(d)	1,839	2,283	24.19%	27,670	22,406	-19.02%
Other	1,735	676	-61.05%	3,784	5,339	41.09%
Total	301,096	300,415	-0.23%	686,950	689,812	0.42%

Continuous Quota

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

December 31, 2010

Province	kg of bf	% *
NL	-224,545	-11.65%
PE	-17,694	-0.45%
NS	-103,725	-1.55%
NB	-26,996	-0.52%
QC	-1,788,314	-1.55%
ON	-1,504,277	-1.53%
MB	-182,000	-1.50%
SK	-130,400	-1.50%
AB	-374,236	-1.50%
BC	-376,173	-1.50%

* 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
January 15, 2011			
Butter	50,864	51,793	+ 1.8%
Total Cheese*	265,994	270,258	+ 1.6%
Cheddar	79,657	81,232	+ 2.0%
Specialty*	75,403	79,045	+ 4.8%
Processed	110,949	110,112	- 0.8%
Ice cream	208,745	203,572	- 2.5%
Yogurt	243,004	252,698	+ 4.0%

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

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

Butter Inventory ('000 kg)

	Dec 31, 2009	Dec 31, 2010
PLAN A BUTTER	2,763	523
PLAN B BUTTER	4,933	3,127
IMPORTED BUTTER	53	1,267
BUTTER FOR EXPORT	785	
TOTAL CDC BUTTER STOCKS	8,534	4,918
PRIVATE BUTTER STOCKS	6,604	6,442
TOTAL CDC AND PRIVATE BUTTER STOCKS	15,139	11,360

Other Private Stocks ('000 kg)	Dec 31, 2009	Dec 31, 2010
CHEDDAR	43,348	40,473
PROCESSED CHEESE	9,141	9,056
SPECIALTY CHEESE	19,513	20,236

Comments on Stocks

As expected, sales of Plan A butter slowed down significantly in December. Plan A stocks decreased from 825 t at the end of November to 523 t by December 31st. Looking forward to the spring/summer of 2011, once processors have replenished their Plan B stocks, the CDC expects to be offered Plan A in order to rebuild to the desired 3,000 t level.

Plan B butter stocks decreased from 4,539 t at the end of November to 3,127 t as of December 31st. The overall decrease to more seasonally normal levels compared to 2009 has given the CDC the opportunity to sell older inventory which will be replaced by fresh stocks over the coming months.

In November and December, the CDC received 1,510 t of unsalted butter that was bought earlier this fall from New Zealand. Sales of the unsalted butter have been relatively slow in December, however, it is expected that the majority of this inventory will be sold within the first two months of 2011.

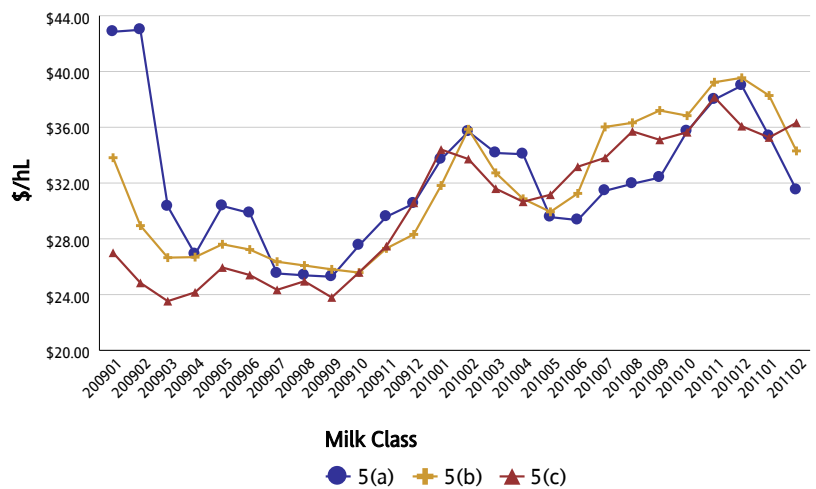
Average Return from Milk Sales

(\$/hl std)

Milk Class	2009/1 to 2009/12	2010/1 to 2010/12	% Change
1	\$89.03	\$89.42	0.44%
2 to 4(d)	\$75.73	\$75.85	0.16%
4(m) 4(a1)*	\$9.10	\$11.25	23.64%
5(a) to (c)	\$27.84	\$33.62	20.74%
5(d)	\$21.56	\$26.62	23.48%
All Classes	\$73.26	\$74.27	1.38%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

