

CDC MARKET BULLETIN



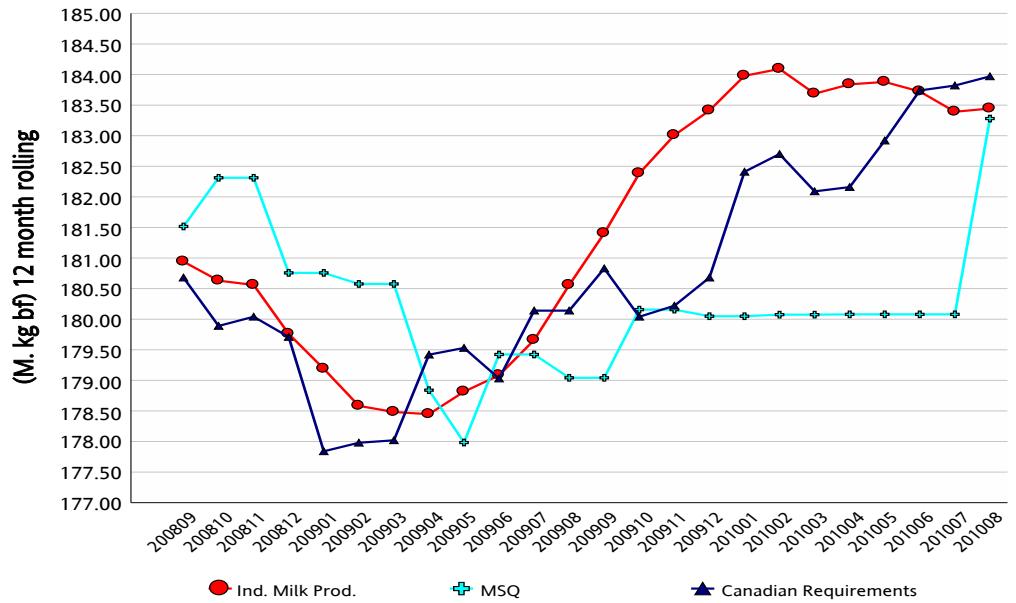
Market Comment

Canadian requirements for the twelve month period ending in August 2010 were 183.97 million kg of butterfat, up 0.08 % from the base of 183.82 million kg of butterfat of July 2010.

Once again, skim-off has diminished, which has increased demand for industrial milk by 0.29 million kg of butterfat. Skim-off has been on a downward trend for 13 consecutive months. The greater utilization of Canadian dairy ingredients by further processors and an increase in the use of butterfat in class 2 in August 2010 in relation to August 2009 have also boosted Canadian requirements. This being said, decreased cheese production in August attenuated growth. Canadian requirements have probably not reached their peak which is expected in October 2010.

In August 2010, total milk deliveries increased by 0.4 % compared to the same month last year. Fluid milk deliveries grew by 0.5 % and deliveries of industrial milk increased by 0.3%.

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



Total Production (kg bf)

Fluid Production (kg bf)

Industrial Production (kg bf)

	2008/9 to 2009/8	2009/9 to 2010/8	% Change	2008/9 to 2009/8	2009/9 to 2010/8	% Change	2008/9 to 2009/8	2009/9 to 2010/8	% Change
NL	1,839,924	1,873,154	1.81%	1,306,274	1,383,625	5.92%	533,650	489,529	-8.27%
P5	226,413,296	229,245,556	1.25%	80,767,416	79,968,464	-0.99%	145,645,880	149,277,092	2.49%
WMP	70,897,142	69,802,861	-1.54%	36,518,144	36,125,795	-1.07%	34,378,998	33,677,066	-2.04%
Canada	299,150,362	300,921,571	0.59%	118,591,834	117,477,884	-0.94%	180,558,528	183,443,687	1.60%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/9 to 2009/8	2009/9 to 2010/8	% Change	2008/9 to 2009/8	2009/9 to 2010/8	% Change
1(a)	47,188	47,031	-0.33%	248,684	247,441	-0.50%
1(b)	40,476	41,972	3.69%	17,950	18,515	3.14%
2	20,534	22,808	11.08%	36,289	38,017	4.76%
3	101,889	103,326	1.41%	234,746	238,275	1.50%
4(a)	58,921	54,180	-8.05%	13,846	13,875	0.21%
4(b)	2,059	1,451	-29.54%	7,258	5,832	-19.65%
4(m) 4(a1)	639	561	-12.26%	55,589	56,699	2.00%
5(a,b,c)	22,894	24,665	7.73%	37,444	39,889	6.53%
5(d)	2,110	2,565	21.56%	25,145	25,700	2.21%
Other	1,698	1,653	-2.67%	4,135	4,879	17.98%
Total	298,408	300,211	0.60%	681,086	689,123	1.18%

Continuous Quota

Cumulative Over/Under Production (with limits) as of: August 31, 2010

Province	kg of bf	% *
NL	-186,087	-9.82%
PE	8,224	0.21%
NS	-41,744	-0.63%
NB	4,666	0.09%
QC	-1,249,930	-1.09%
ON	-943,349	-0.96%
MB	-25,041	-0.21%
SK	-172,194	-2.00%
AB	-341,560	-1.38%
BC	-35,574	-0.14%

* 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
August 28, 2010			
Butter	51,092	51,138	+ 0.1%
Total Cheese	265,535	270,640	+ 1.9%
Cheddar	78,595	80,642	+ 2.6%
Specialty	76,074	79,634	+ 4.7%
Processed	110,866	110,363	- 0.5%
Ice cream	211,404	205,825	- 2.6%
Yogurt	238,308	249,260	+ 4.6%

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

Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/9 to 2009/8	2009/9 to 2010/8	% Change
1	\$88.09	\$89.42	1.51%
2 to 4(d)	\$75.46	\$75.85	0.51%
4(m) 4(a1)*	\$8.81	\$10.59	20.20%
5(a) to (c)	\$31.96	\$30.14	-5.69%
5(d)	\$25.23	\$24.52	-2.81%
All Classes	\$73.39	\$73.77	0.53%

* Price based on SNF components only

Butter Inventory ('000 kg)

	Aug 31, 2009	Aug 31, 2010
PLAN A BUTTER	3,117	2,882
PLAN B BUTTER	10,387	10,123
IMPORTED BUTTER	773	0
BUTTER FOR EXPORT	545	82
TOTAL CDC BUTTER STOCKS	14,821	13,086
PRIVATE BUTTER STOCKS	5,175	5,201
TOTAL CDC AND PRIVATE BUTTER STOCKS	19,996	18,287

Other Private Stocks ('000 kg)

	Aug 31, 2009	Aug 31, 2010
CHEDDAR	46,879	47,080
PROCESSED CHEESE	10,014	8,752
SPECIALTY CHEESE	21,942	22,539

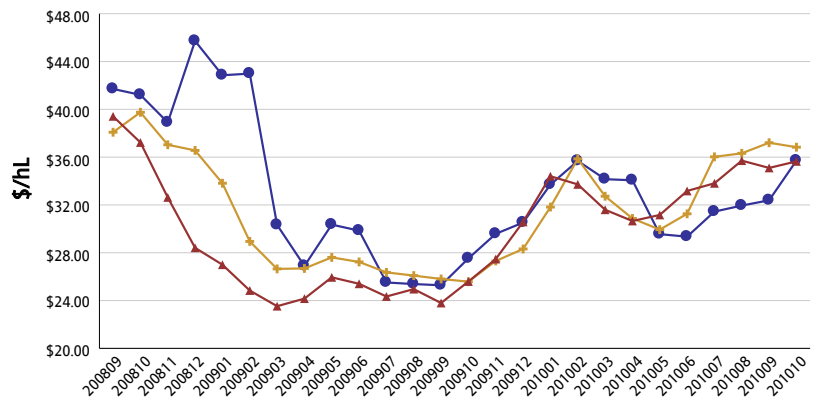
Comments on Stocks

Plan A butter sales started to increase in August, as is always the case at this time of year, reducing CDC stocks to 2,882 t. In August 2010, the CDC sold all of the unsalted butter in stock on the domestic market (more than 400 t) and the users wishing to buy this type of butter will have to go directly to Canadian manufacturers. Until the end of December, no Plan A butter purchases will be accepted by the CDC because there is no surplus at this time of year. Sales of salted butter should continue during the next few months which will reduce our inventories to approximately 1,500 t between now and mid-December.

Plan B butter stocks have also decreased significantly to close the month at 10,123 t. Inventories are at a level similar to the past few years for the end of August and should continue to go down to about 4,000 to 5,000 between now and early December.

The CDC will be importing 1,500 t of unsalted butter to be able to supply the strong demand for this type of butter before the holiday season. Given high world prices and the abundance of Canadian stocks, the CDC could wait a few months before buying the rest of the 3,274 t that we must import in 2010-2011.

Class 5 Component Prices in \$/hL



Milk Class

● 5(a) + 5(b) ▲ 5(c)

Structural Surplus

(12 Month Rolling)

