



CDC MARKET BULLETIN



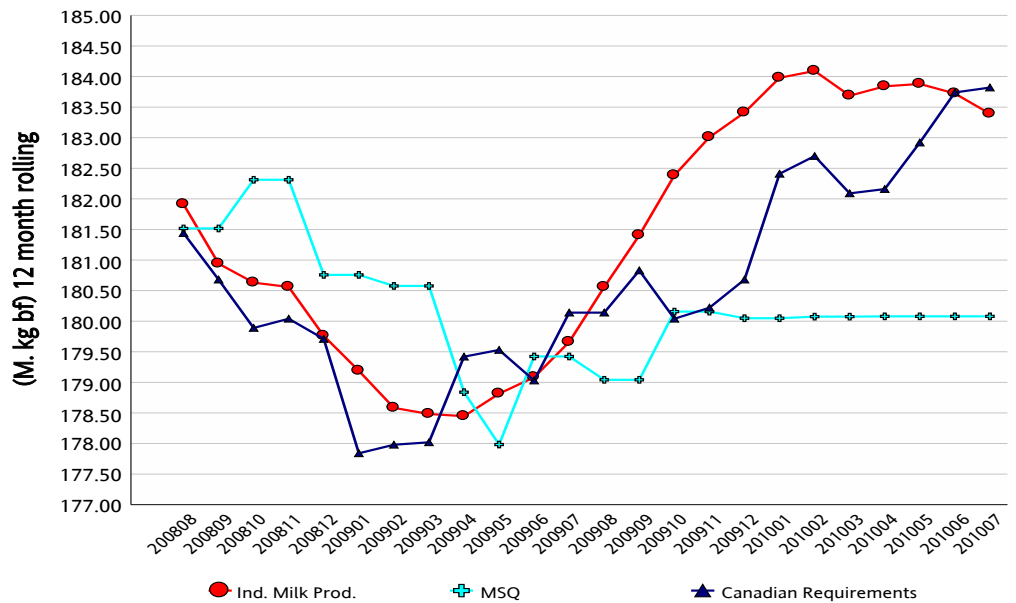
Market Comment

Canadian requirements for the twelve month period ending in July 2010 were 183.8 million bf kg, up 0.04 % from the base of June 2010.

In July, retail butter sales were 200 t lower than in July 2009, which represents a decrease of about 6%. However lower demand in this market was not enough to reduce Canadian requirements. Canadian requirements were buoyed by the increased use of dairy ingredients by further processors. In comparison to last year, sales in class 5(b) and class 5(c) were up by 22.3% and 57.9% respectively in July. A further decrease in skim-off and an increase in the use of dairy components in class 2 were among the other factors that stimulated Canadian requirements. Exceptionally, retail sales of ice cream and similar products increased in July 2010 in relation to July 2009, boosted by a heat wave in Eastern Canada.

In July 2010, total milk deliveries decreased by 2.5 % compared to the same month last year. Deliveries of fluid milk diminished by 3.2 % while deliveries of industrial milk decreased by 2.1%. Now that the heat wave is over, that most regions have quality feed and that certain provinces have adopted production incentives, production is expected to grow in Eastern Canada.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2008/8 to 2009/7	2009/8 to 2010/7	% Change	2008/8 to 2009/7	2009/8 to 2010/7	% Change	2008/8 to 2009/7	2009/8 to 2010/7	% Change
NL	1,844,166	1,862,094	0.97%	1,321,955	1,372,938	3.86%	522,211	489,156	-6.33%
P5	225,545,876	229,128,078	1.59%	80,911,481	79,914,386	-1.23%	144,634,395	149,213,692	3.17%
WMP	71,021,318	69,832,407	-1.67%	36,518,175	36,143,587	-1.03%	34,503,143	33,688,820	-2.36%
Canada	298,411,360	300,822,579	0.81%	118,751,611	117,430,911	-1.11%	179,659,749	183,391,668	2.08%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2008/8 to 2009/7	2009/8 to 2010/7	% Change	2008/8 to 2009/7	2009/8 to 2010/7	% Change
1(a)	47,317	46,925	-0.83%	249,144	247,315	-0.73%
1(b)	40,408	41,740	3.30%	17,904	18,457	3.09%
2	20,222	22,503	11.28%	36,121	37,931	5.01%
3	101,736	103,508	1.74%	234,349	238,041	1.58%
4(a)	58,721	54,891	-6.52%	13,009	14,309	10.00%
4(b)	2,027	1,469	-27.53%	7,229	5,924	-18.05%
4(m) 4(a1)	603	563	-6.58%	54,206	56,735	4.67%
5(a,b,c)	22,867	24,173	5.71%	36,979	39,772	7.55%
5(d)	1,963	2,581	31.46%	27,084	24,897	-8.07%
Other	1,872	1,778	-5.01%	3,636	5,129	41.06%
Total	297,736	300,132	0.80%	679,663	688,510	1.30%

Continuous Quota

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

Province	kg of bf	% *
NL	-184,506	-9.79%
PE	14,149	0.36%
NS	-22,632	-0.34%
NB	12,197	0.24%
QC	-1,279,137	-1.12%
ON	-790,530	-0.81%
MB	31,046	0.26%
SK	-138,054	-1.61%
AB	-313,669	-1.27%
BC	-3,811	-0.02%

* 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:	July 31, 2010		
	Previous 12 Month	12 Month	Change
Butter	51,309	51,259	- 0.1%
Total Cheese	265,820	270,297	+ 1.7%
Cheddar	78,620	80,311	+ 2.2%
Specialty	76,036	79,358	+ 4.4%
Processed	111,165	110,629	- 0.5%
Ice cream	209,941	207,109	- 1.3%
Yogurt	237,828	248,730	+ 4.6%

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

Average Return from Milk Sales

(\$/hl std)

Milk Class	2008/8 to 2009/7	2009/8 to 2010/7	% Change
1	\$87.75	\$89.40	1.88%
2 to 4(d)	\$75.27	\$75.85	0.77%
4(m) 4(a1)*	\$9.41	\$10.23	8.79%
5(a) to (c)	\$33.24	\$29.36	-11.66%
5(d)	\$26.44	\$24.09	-8.87%
All Classes	\$73.34	\$73.74	0.54%

* Price based on SNF components only

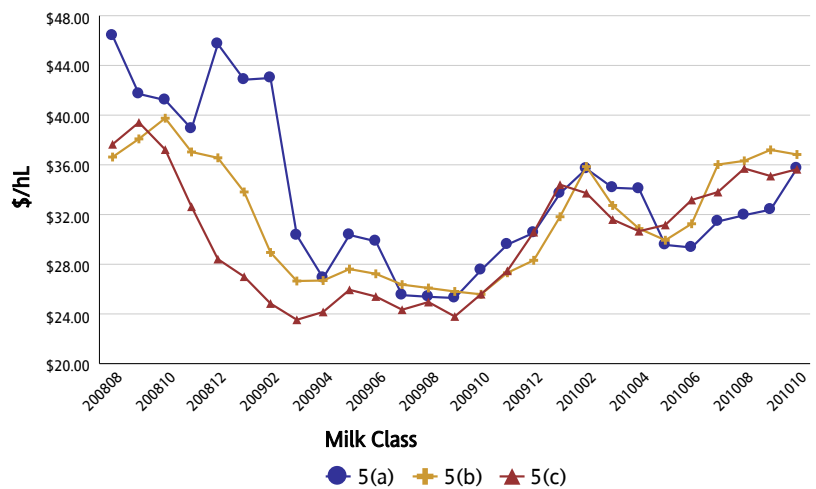
Butter Inventory ('000 kg)

	Jul 31, 2009	Jul 31, 2010
PLAN A BUTTER	3,167	3,068
PLAN B BUTTER	11,818	10,905
IMPORTED BUTTER	470	680
BUTTER FOR EXPORT	233	513
TOTAL CDC BUTTER STOCKS	15,688	15,166
PRIVATE BUTTER STOCKS	5,496	5,158
TOTAL CDC AND PRIVATE BUTTER STOCKS	21,184	20,324

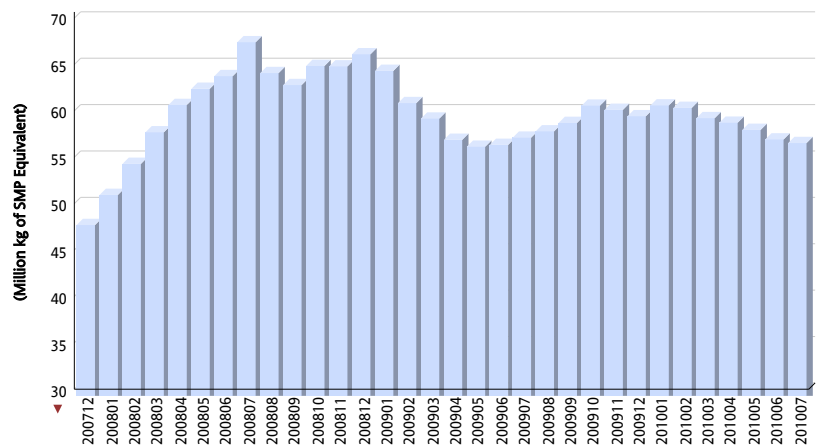
Other Private Stocks ('000 kg)

	Jul 31, 2009	Jul 31, 2010
CHEDDAR	46,326	46,264
PROCESSED CHEESE	11,450	9,059
SPECIALTY CHEESE	21,158	22,463

Class 5 Component Prices in \$/hL



Structural Surplus (12 Month Rolling)



Comments on Stocks

Plan A butter stocks were at 3,068 tonnes at the end of July which is slightly above their desired level of 3,000 t for this time of year. As a result, purchases of Plan A are closed for the remainder of 2010.

Plan B butter stocks peaked at 12,860 t in June and continue to decrease which is normal for the month of July. With Plan B stocks at 10,905 tonnes at the end of July, inventories are slightly above normal levels but well within the average of the last few years. Plan B inventories are expected to decrease over the coming months as the seasonal demand increases.

As far as export butter concerned, a total of 684 t was shipped over the course of the 2009-2010 dairy year. Processors have indicated that there is a need for unsalted butter domestically. As a result, out the 513 t of export butter in stock at the end of July, 125 t will be exported in August 2010 and the remainder will be reintroduced into the domestic market. As for imported butter, the CDC has completed its purchases for the dairy year and all of the butter was received before the end of July 2010.