

# CDC MARKET BULLETIN

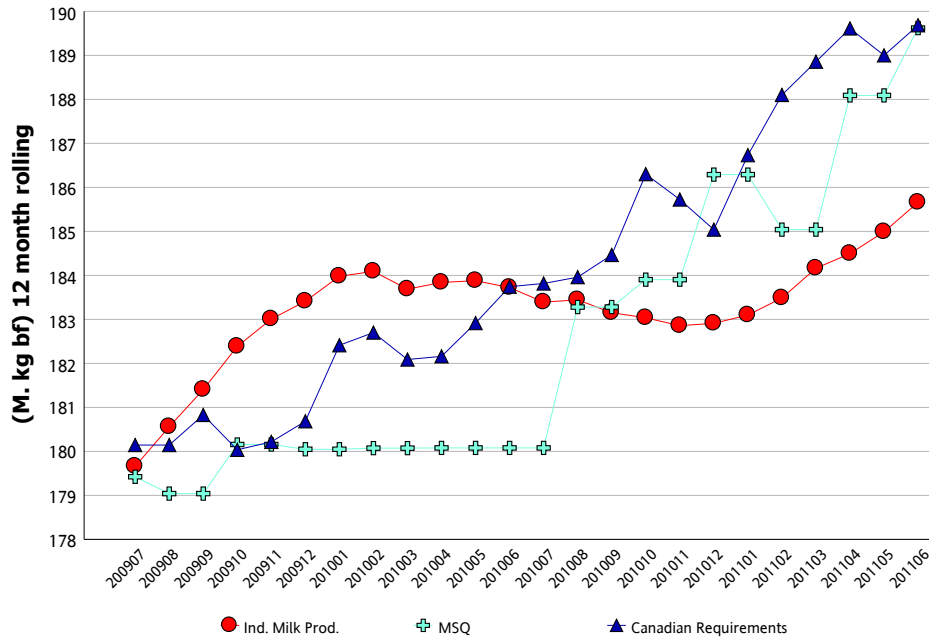
## Market Comment

Canadian requirements for the twelve-month period ending in June 2011 were 189.70 million kg of butterfat, a slight increase of 0.37% compared to Canadian requirements of 188.99 million kg of butterfat in May of 2011.

Several factors played a part in the growth of Canadian requirements in June. Butterfat utilization in yogurt and ice cream increased by 5.8% compared to the same month last year. Despite a slight decrease in specialty cheese production, the cheese market as a whole experienced growth as the production of cheddar cheese increased by 4.1%. Domestic butter consumption increased by approximately 2.7% and most of the 930 t of butter imported in June have already been bought and sold on the market. Skim-off remained relatively stable with the very high butterfat test of raw milk offsetting the increase in cream sales. This high butterfat test should remain stable in the coming months. It is therefore reasonable to expect that the decreasing trend in skim-off that pushed up Canadian requirements since August 2009 will end.

In June 2011, total milk deliveries increased by 3.5 % compared to the same month last year. Deliveries of fluid milk grew by 2.1 % and deliveries of industrial milk increased by 4.4 %.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/7 to 2010/6	2010/7 to 2011/6	% Change	2009/7 to 2010/6	2010/7 to 2011/6	% Change	2009/7 to 2010/6	2010/7 to 2011/6	% Change
NL	1,854,711	1,917,256	3.37%	1,368,652	1,486,594	8.62%	486,059	430,662	-11.40%
P5	229,703,418	231,954,566	0.98%	80,194,667	80,950,057	0.94%	149,508,751	151,004,509	1.00%
WMP	69,896,994	70,694,234	1.14%	36,168,831	36,471,201	0.84%	33,728,163	34,223,033	1.47%
<b>Canada</b>	<b>301,455,123</b>	<b>304,566,056</b>	<b>1.03%</b>	<b>117,732,150</b>	<b>118,907,852</b>	<b>1.00%</b>	<b>183,722,973</b>	<b>185,658,204</b>	<b>1.05%</b>

## Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/7 to 2010/6	2010/7 to 2011/6	% Change	2009/7 to 2010/6	2010/7 to 2011/6	% Change
1(a)	47,039	47,330	0.62%	247,753	248,116	0.15%
1(b)	41,734	43,423	4.05%	18,463	19,001	2.91%
2	22,206	23,904	7.65%	37,606	38,909	3.46%
3	103,523	104,580	1.02%	238,702	237,892	-0.34%
4(a)	56,374	54,175	-3.90%	13,566	12,742	-6.07%
4(b)	1,592	1,807	13.51%	6,264	6,498	3.74%
4(m) 4(a1)	569	572	0.49%	57,001	54,019	-5.23%
5(a,b,c)	23,847	25,560	7.18%	39,793	41,906	5.31%
5(d)	2,444	1,181	-51.68%	26,280	27,331	4.00%
Other	1,481	1,106	-25.31%	3,950	6,869	73.90%
<b>Total</b>	<b>300,810</b>	<b>303,638</b>	<b>0.94%</b>	<b>689,378</b>	<b>693,283</b>	<b>0.57%</b>

## Continuous Quota

Cumulative Over/Under Production (with limits) as of:  
June 30, 2011

Province	kg of bf	% *
NL	-252,095	-12.72%
PE	-6,257	-0.16%
NS	-56,361	-0.83%
NB	26,270	0.50%
QC	-902,677	-0.77%
ON	-1,222,511	-1.22%
MB	-215,154	-1.74%
SK	-170,872	-1.93%
AB	-375,957	-1.48%
BC	-316,510	-1.24%

\* 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 2, 2011	Previous 12 Month	12 Month	Change
<b>Butter</b>	51,491	51,934	51,934	<b>+ 0.9%</b>
<b>Total Cheese*</b>	267,770	269,322	269,322	+ 0.6%
Cheddar	80,211	80,718	80,718	+ 0.6%
Specialty*	76,841	78,234	78,234	+ 1.8%
Processed	110,737	110,397	110,397	- 0.3%
<b>Ice cream</b>	206,575	199,650	199,650	<b>- 3.4%</b>
<b>Yogurt</b>	248,238	253,016	253,016	<b>+ 1.9%</b>

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

### Butter Inventory ('000 kg)

	Jun 30, 2010	Jun 30, 2011
<b>PLAN A BUTTER</b>	3,027	76
<b>PLAN B BUTTER</b>	12,049	9,421
<b>IMPORTED BUTTER</b>	412	209
<b>BUTTER FOR EXPORT</b>	564	
<b>TOTAL CDC BUTTER STOCKS</b>	<b>16,053</b>	<b>9,705</b>
<b>PRIVATE BUTTER STOCKS</b>	5,557	6,604
<b>TOTAL CDC AND PRIVATE BUTTER STOCKS</b>	<b>21,610</b>	<b>16,310</b>

Other Private Stocks ('000 kg)	Jun 30, 2010	Jun 30, 2011
<b>CHEDDAR</b>	45,330	46,843
<b>PROCESSED CHEESE</b>	9,279	10,553
<b>SPECIALTY CHEESE</b>	22,945	23,399

### Comments on Stocks

Plan A butter stocks decreased from 289 tonnes at the end of May to 76 tonnes at the end of June. However, it is expected that the CDC will start to purchase Plan A stocks by the end of August 2011.

Plan B butter stocks have increased to 9,421 tonnes at the end of June compared to 9,091 tonnes at the end of May. Plan B stocks have likely reached their peak for 2011 and will start to decrease over the coming months in order to satisfy the higher seasonal demand in the fall.

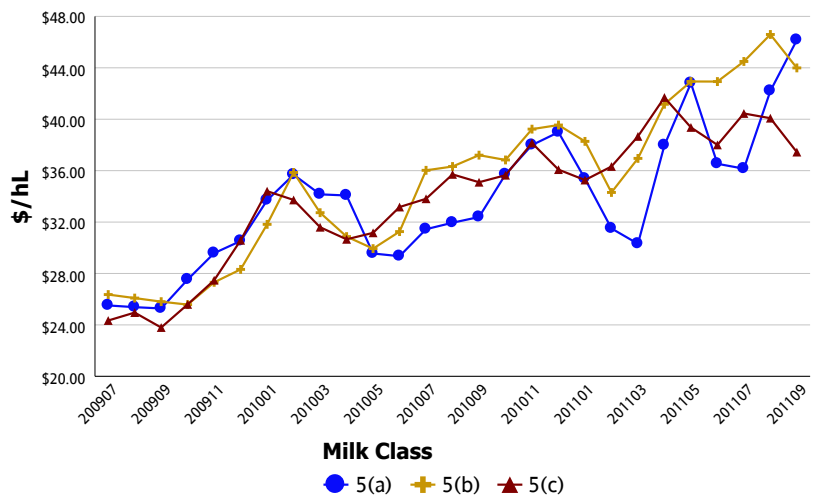
Imported butter stocks fell to 209 tonnes at the end of June compared to 271 tonnes at the end of May. The demand for imported butter has remained relatively strong in the month of June. As a result, the import butter stock levels are expected to be close to zero by the end of July. As for export butter, our stocks will remain at zero for the remainder of the dairy year.

### Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2009/7 to 2010/6	2010/7 to 2011/6	
1	\$89.38	\$90.29	1.01%
2 to 4(d)	\$75.85	\$76.27	0.54%
4(m) 4(a1)*	\$10.08	\$13.36	32.53%
5(a) to (c)	\$28.75	\$36.17	25.81%
5(d)	\$22.91	\$30.72	34.07%
<b>All Classes</b>	<b>\$73.60</b>	<b>\$75.28</b>	<b>2.29%</b>

\* Price based on SNF components only

### Class 5 Component Prices in \$/hL



### Structural Surplus

(12 Month Rolling)

