



CDC MARKET BULLETIN



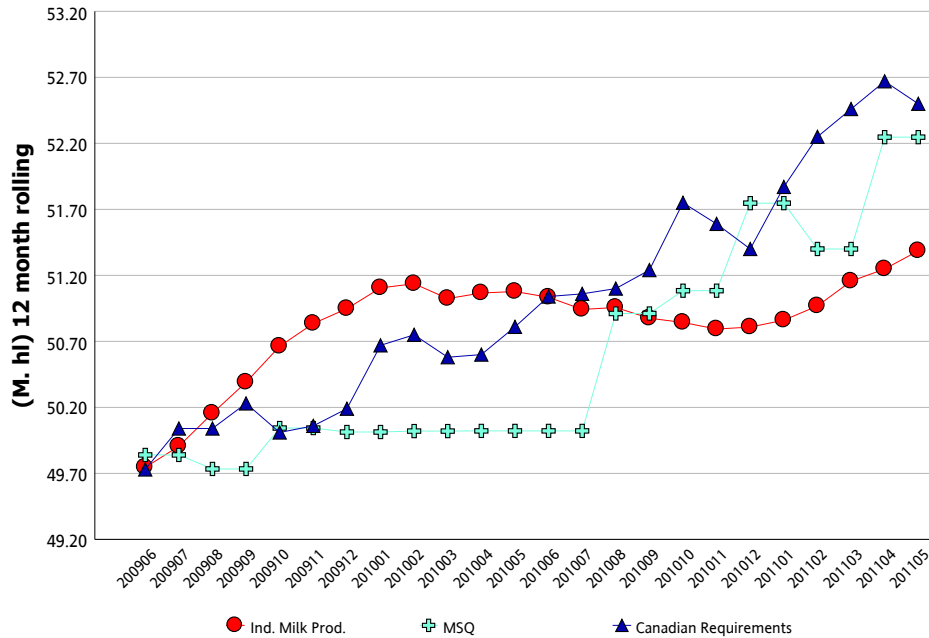
Market Comment

Canadian requirements for the twelve month period ending in May 2011 were 188.99 million kg of butterfat, down 0.33 % from the base of 189.65 million kg of butterfat of April 2011.

Because of a decrease in promotional activity, the average retail price of butter was about 7% higher in May in comparison to the same month last year. Consequently, butter consumption sharply decreased and brought down Canadian requirements by over one million kg of butterfat. Skim-off from the fluid milk market also deviated from its trend; it increased by 0.15 million kg of butterfat which decreased the requirement for industrial milk. An increase in demand was observed in certain sectors. The use of butterfat in confectionery increased by 78.1% in May in comparison to the same month last year, and cheese processors increased their stock levels.

In May 2011, total milk deliveries increased by 2.4% compared to the same month last year. Fluid milk deliveries grew by 1.3 %, and deliveries of industrial milk increased by 3.1 %.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/6 to 2010/5	2010/6 to 2011/5	% Change	2009/6 to 2010/5	2010/6 to 2011/5	% Change	2009/6 to 2010/5	2010/6 to 2011/5	% Change
NL	1,834,697	1,932,356	5.32%	1,377,430	1,473,098	6.95%	457,267	459,258	0.44%
P5	230,026,619	231,349,303	0.58%	80,442,256	80,762,645	0.40%	149,584,363	150,586,658	0.67%
WMP	69,976,183	70,419,583	0.63%	36,138,619	36,475,989	0.93%	33,837,564	33,943,594	0.31%
Canada	301,837,499	303,701,242	0.62%	117,958,305	118,711,732	0.64%	183,879,194	184,989,510	0.60%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/6 to 2010/5	2010/6 to 2011/5	% Change	2009/6 to 2010/5	2010/6 to 2011/5	% Change
1(a)	47,111	47,325	0.45%	248,029	248,106	0.03%
1(b)	41,731	43,253	3.65%	18,462	18,930	2.53%
2	22,153	23,774	7.32%	37,640	38,786	3.04%
3	103,860	104,478	0.59%	239,654	238,744	-0.38%
4(a)	57,110	53,875	-5.67%	13,256	11,599	-12.49%
4(b)	1,702	1,734	1.87%	6,580	6,270	-4.72%
4(m) 4(a1)	589	575	-2.39%	56,940	54,966	-3.47%
5(a,b,c)	23,305	25,627	9.96%	39,031	41,676	6.78%
5(d)	2,223	1,372	-38.29%	26,475	26,106	-1.39%
Other	1,351	804	-40.48%	3,560	6,916	94.27%
Total	301,135	302,817	0.56%	689,626	692,099	0.36%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
May 31, 2011

Province	kg of bf	% *
NL	-241,292	-12.24%
PE	-8,687	-0.22%
NS	-53,102	-0.79%
NB	26,315	0.50%
QC	-981,546	-0.84%
ON	-1,203,459	-1.21%
MB	-187,042	-1.52%
SK	-168,246	-1.91%
AB	-376,975	-1.49%
BC	-312,603	-1.23%

* 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:	June 4, 2011	Previous 12 Month	12 Month	Change
Butter	51,487	51,774		+ 0.6%
Total Cheese*	267,723	268,923		+ 0.4%
Cheddar	80,453	80,628		+ 0.2%
Specialty*	76,689	78,415		+ 2.3%
Processed	110,614	109,910		- 0.6%
Ice cream	206,857	199,593		- 3.5%
Yogurt	247,722	252,493		+ 1.9%

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

Butter Inventory ('000 kg)

	May 31, 2010	May 31, 2011
PLAN A BUTTER	2,358	289
PLAN B BUTTER	12,819	9,091
IMPORTED BUTTER	262	271
BUTTER FOR EXPORT	922	
TOTAL CDC BUTTER STOCKS	16,360	9,651
PRIVATE BUTTER STOCKS	6,332	6,848
TOTAL CDC AND PRIVATE BUTTER STOCKS	22,692	16,499

Other Private Stocks ('000 kg)	May 31, 2010	May 31, 2011
CHEDDAR	45,397	46,325
PROCESSED CHEESE	9,256	11,098
SPECIALTY CHEESE	21,844	24,320

Other Private Stocks ('000 kg)

Comments on Stocks

The overall CDC butter stocks have maintained their increasing trend over the month, which is normal for this time of year. However, Plan A butter stocks have decrease from 678 tonnes at the end of April to 289 tonnes at the end of May. It is expected that the CDC will sell the remaining Plan A stocks over the coming months to satisfy demand by certain manufacturers.

Plan B butter stocks have increased to 9,091 tonnes at the end of May compared to 7,306 tonnes at the end of April. Plan B stocks are significantly lower that they were in May 2010, however the 2010 levels were higher than normal for that time of year.

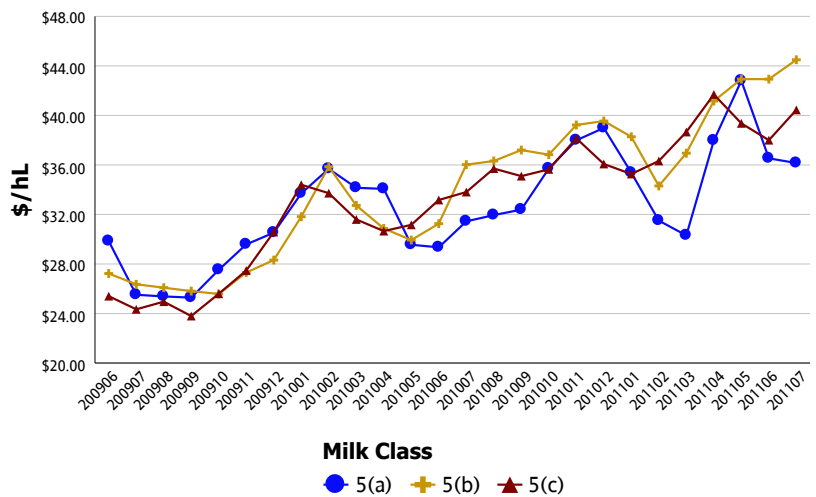
Imported butter stocks rose to 271 tonnes at the end of May compared to 132 tonnes at the end of April. The demand for this import butter in the further processing sector has remained strong and it is expected that the majority of this butter will be sold by the end of July. As for export butter, our stocks are expected to remain at zero for the remainder of the dairy year.

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2009/6 to 2010/5	2010/6 to 2011/5	
1	\$89.37	\$90.10	0.83%
2 to 4(d)	\$75.85	\$76.18	0.44%
4(m) 4(a1)*	\$9.74	\$13.14	34.92%
5(a) to (c)	\$28.48	\$35.39	24.26%
5(d)	\$22.00	\$30.54	38.84%
All Classes	\$73.59	\$75.09	2.04%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

