



CDC MARKET BULLETIN



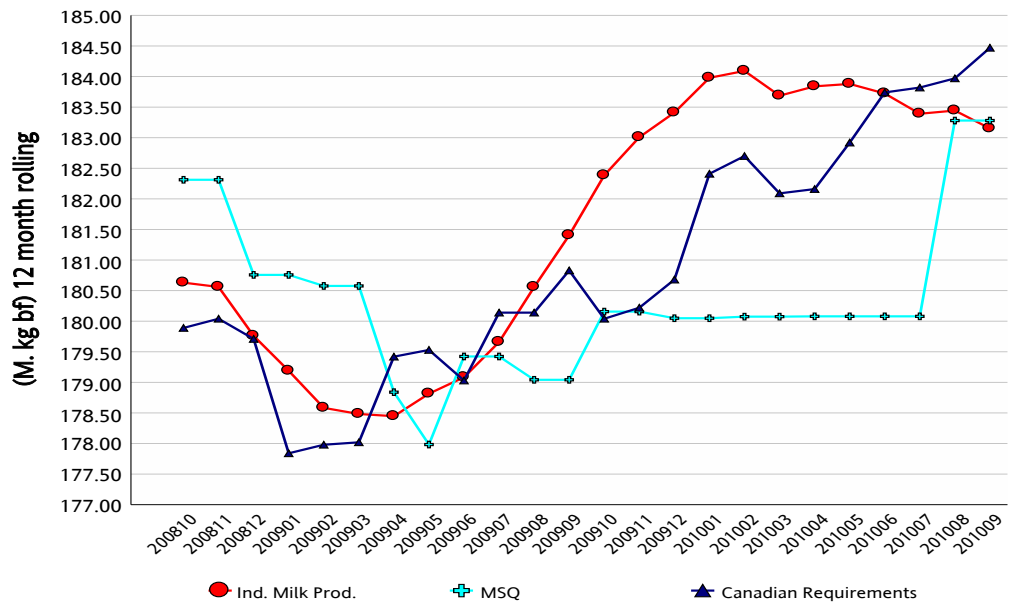
Market Comment

Canadian requirements for the twelve month period ending in September 2010 were 184.47 million kg of butterfat, up 0.27 % from the base of 183.97 million kg of butterfat of August 2010.

Skim-off, which had been decreasing for 13 consecutive months, finally increased in September. However this modest increase was of only 0.03 million kg of butterfat and was not sufficient to counterbalance factors which stimulated Canadian requirements. There was a strong increase in the use of butterfat in ice cream in September 2010 in comparison to last year. One will recall that in September 2009, an important ice cream making facility in Ontario burned down. There was also an increased use of butterfat in cheese markets caused by an increase in retail sales and a reduction of the share of markets filled by private cheese stocks. An important increase of Canadian requirements is expected in October 2010 since butter consumption was weak at this period last year.

In September 2010, total milk deliveries decreased by 0.1 % compared to the same month last year. Deliveries of fluid milk grew sharply by 2.8 % and deliveries of industrial milk decreased by 2.0 %.

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



| | Total Production (kg bf) | | | Fluid Production (kg bf) | | | Industrial Production (kg bf) | | |
|---------------|--------------------------|--------------------|--------------|--------------------------|--------------------|---------------|-------------------------------|--------------------|--------------|
| | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change |
| NL | 1,840,174 | 1,879,667 | 2.15% | 1,314,830 | 1,387,036 | 5.49% | 525,344 | 492,631 | -6.23% |
| P5 | 227,367,074 | 229,147,195 | 0.78% | 80,790,992 | 80,155,032 | -0.79% | 146,576,082 | 148,992,163 | 1.65% |
| WMP | 70,801,588 | 69,871,301 | -1.31% | 36,498,005 | 36,204,487 | -0.80% | 34,303,583 | 33,666,814 | -1.86% |
| Canada | 300,008,836 | 300,898,163 | 0.30% | 118,603,827 | 117,746,555 | -0.72% | 181,405,009 | 183,151,608 | 0.96% |

Milk Utilization ('000 kg)

| Milk Class | Butterfat | | | Solids Non Fat | | |
|--------------|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
| | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change |
| 1(a) | 47,201 | 47,135 | -0.14% | 248,713 | 247,736 | -0.39% |
| 1(b) | 40,573 | 42,116 | 3.80% | 17,983 | 18,557 | 3.19% |
| 2 | 20,498 | 23,180 | 13.08% | 36,358 | 38,026 | 4.59% |
| 3 | 101,733 | 103,514 | 1.75% | 234,394 | 238,815 | 1.89% |
| 4(a) | 59,398 | 53,848 | -9.34% | 13,245 | 12,255 | -7.47% |
| 4(b) | 2,073 | 1,417 | -31.64% | 7,308 | 5,697 | -22.04% |
| 4(m) 4(a1) | 616 | 612 | -0.62% | 57,042 | 58,213 | 2.05% |
| 5(a,b,c) | 22,941 | 24,812 | 8.16% | 38,249 | 39,966 | 4.49% |
| 5(d) | 2,345 | 2,383 | 1.65% | 25,424 | 24,773 | -2.56% |
| Other | 1,907 | 1,109 | -41.83% | 4,153 | 5,225 | 25.81% |
| Total | 299,286 | 300,127 | 0.28% | 682,869 | 689,264 | 0.94% |

Continuous Quota

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

September 30, 2010

| Province | kg of bf | % * |
|----------|------------|---------|
| NL | -193,585 | -10.20% |
| PE | -3,492 | -0.09% |
| NS | -73,689 | -1.11% |
| NB | -14,457 | -0.28% |
| QC | -1,539,232 | -1.35% |
| ON | -1,175,573 | -1.20% |
| MB | -104,695 | -0.87% |
| SK | -172,699 | -2.00% |
| AB | -420,733 | -1.70% |
| BC | -102,422 | -0.41% |

* 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: September 25, 2010

| | Previous 12 Month | 12 Month | Change |
|---------------------|-------------------|----------|--------|
| Butter | 51,089 | 51,135 | + 0.1% |
| Total Cheese | 266,288 | 271,483 | + 2.0% |
| Cheddar | 78,878 | 81,349 | + 3.1% |
| Specialty | 76,489 | 80,110 | + 4.7% |
| Processed | 110,921 | 110,024 | - 0.8% |
| Ice cream | 211,362 | 205,675 | - 2.7% |
| Yogurt | 239,474 | 250,690 | + 4.7% |

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

Average Return from Milk Sales

(\$/hl std)

| Milk Class | 2008/10 to 2009/9 | 2009/10 to 2010/9 | % Change |
|--------------------|-------------------|-------------------|--------------|
| 1 | \$88.34 | \$89.42 | 1.22% |
| 2 to 4(d) | \$75.52 | \$75.86 | 0.44% |
| 4(m) 4(a1)* | \$8.51 | \$10.69 | 25.60% |
| 5(a) to (c) | \$30.53 | \$31.08 | 1.79% |
| 5(d) | \$24.05 | \$25.31 | 5.22% |
| All Classes | \$73.23 | \$73.84 | 0.82% |

* Price based on SNF components only

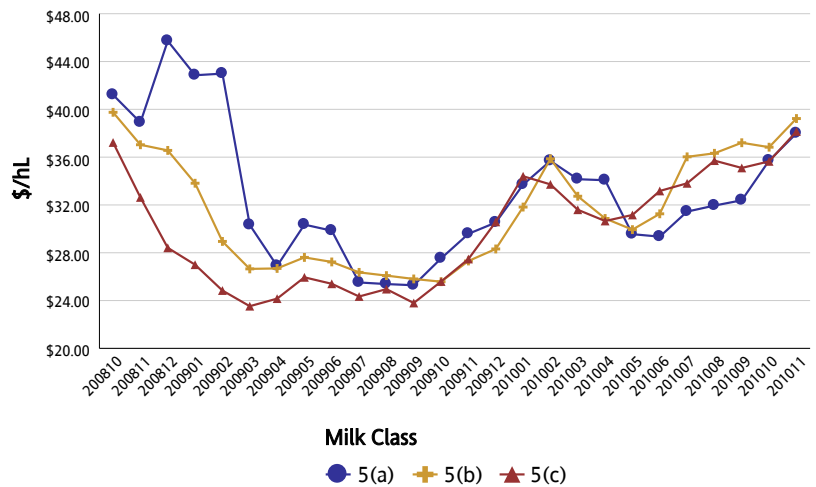
Butter Inventory ('000 kg)

| | Sep 30, 2009 | Sep 30, 2010 |
|--|---------------|---------------|
| PLAN A BUTTER | 3,038 | 2,412 |
| PLAN B BUTTER | 8,668 | 7,857 |
| IMPORTED BUTTER | 532 | 0 |
| BUTTER FOR EXPORT | 761 | |
| TOTAL CDC BUTTER STOCKS | 12,999 | 10,269 |
| PRIVATE BUTTER STOCKS | 5,418 | 5,289 |
| TOTAL CDC AND PRIVATE BUTTER STOCKS | 18,417 | 15,558 |

Other Private Stocks ('000 kg)

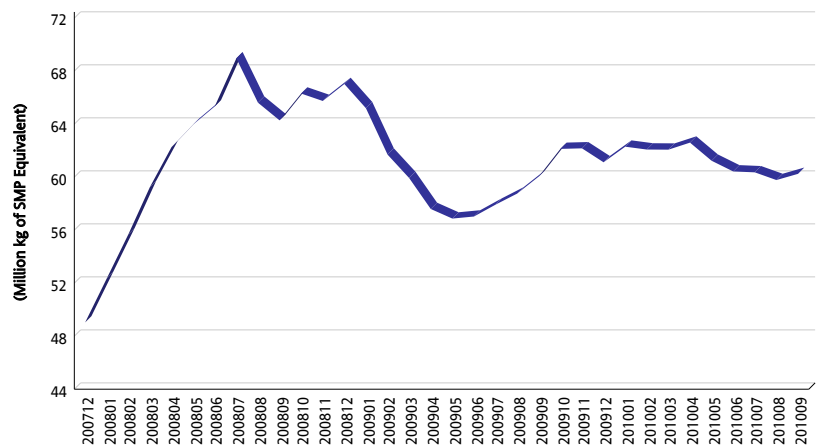
| | Sep 30, 2009 | Sep 30, 2010 |
|-------------------------|--------------|--------------|
| CHEDDAR | 43,147 | 45,354 |
| PROCESSED CHEESE | 9,004 | 8,753 |
| SPECIALTY CHEESE | 20,524 | 21,874 |

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)



Comments on Stocks

Plan A butter sales remained strong in September, allowing the CDC to reduce its inventories to 2,412 tonnes. It is expected that this stronger than usual demand will continue in October and November, which would reduce the Plan A inventories to below 1,000 tonnes by December.

Plan B butter stocks also decreased significantly during the last month, from 10,123 at the end of August to 7,857 tonnes as of September 30, 2010. The sales will continue to increase between now and the beginning of December in order to satisfy the normal seasonal demand. The Plan B butter currently in stock was manufactured in 2010 and does not need to be repurchased before January 2011.

Concerning imported butter, we have currently no inventory because users quickly bought the 680 tonnes that we had at the beginning of August in anticipation of a price increase in the fall. In November, the CDC will be importing 1,500 tonnes of unsalted butter as part of the 3,274 tonnes that we must import for the 2010-2011 dairy year. With high world butter prices this fall, the remainder of the requirement will likely be imported later in the dairy year.