

CDC MARKET BULLETIN



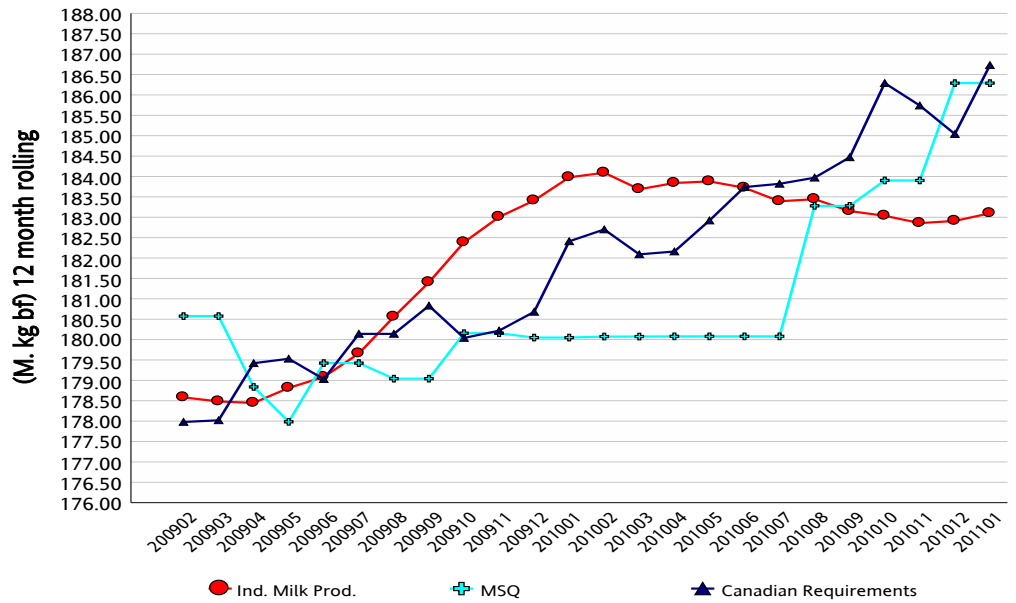
Market Comment

Canadian requirements for the 12-month period ending in January 2011 were 186,73 million kg of butterfat, a 0.92% increase from the requirements of 185,04 million kg of butterfat in December 2010.

Four important factors contributed to the increase in Canadian requirements in January 2011. Skim-off from the fluid milk market decreased by over 0.5 million kg of butterfat, thereby increasing demand for industrial milk. Utilization of Canadian dairy ingredients also increased in all further processing sectors, but mostly in confectionery where growth compared to January 2010 reached 42%. Even though globally the cheese market was rather weak in January, processors maintained their cheese production and increased their stocks. Finally, retailers and food services rebuilt their butter stocks after the high demand of the Holiday period.

In January 2011, total milk deliveries increased by 1.1% compared to the same month last year. Fluid milk deliveries grew by 1.1% and deliveries of industrial milk increased by 1.2%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2009/2 to 2010/1	2010/2 to 2011/1	% Change	2009/2 to 2010/1	2010/2 to 2011/1	% Change	2009/2 to 2010/1	2010/2 to 2011/1	% Change
NL	1,826,226	1,913,946	4.80%	1,314,218	1,439,755	9.55%	512,008	474,191	-7.39%
P5	229,667,539	229,878,223	0.09%	80,468,052	80,605,138	0.17%	149,199,487	149,273,085	0.05%
WMP	70,555,963	69,726,286	-1.18%	36,288,527	36,375,111	0.24%	34,267,436	33,351,175	-2.67%
Canada	302,049,728	301,518,455	-0.18%	118,070,797	118,420,004	0.30%	183,978,931	183,098,451	-0.48%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2009/2 to 2010/1	2010/2 to 2011/1	% Change	2009/2 to 2010/1	2010/2 to 2011/1	% Change
1(a)	47,113	47,297	0.39%	247,864	248,604	0.30%
1(b)	40,884	42,978	5.12%	18,126	18,896	4.25%
2	21,128	23,855	12.91%	36,717	38,514	4.90%
3	102,329	103,984	1.62%	236,120	239,104	1.26%
4(a)	59,985	53,101	-11.48%	12,710	14,635	15.15%
4(b)	1,980	1,501	-24.17%	7,276	5,843	-19.69%
4(m) 4(a1)	591	613	3.64%	54,997	58,418	6.22%
5(a,b,c)	23,411	24,626	5.19%	39,963	39,694	-0.67%
5(d)	1,843	2,342	27.04%	29,680	21,322	-28.16%
Other	2,030	368	-81.86%	4,353	4,850	11.41%
Total	301,295	300,666	-0.21%	687,805	689,880	0.30%

Continuous Quota

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

Province	kg of bf	% *
NL	-228,039	-11.71%
PE	-11,317	-0.29%
NS	-86,796	-1.30%
NB	-5,116	-0.10%
QC	-1,586,468	-1.38%
ON	-1,368,401	-1.39%
MB	-170,556	-1.40%
SK	-135,463	-1.55%
AB	-369,862	-1.48%
BC	-390,788	-1.55%

* 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: February 12, 2011

	Previous 12 Month	12 Month	Change
Butter	51,192	51,788	+ 1.2%
Total Cheese*	266,666	269,561	+ 1.1%
Cheddar	79,706	81,221	+ 1.9%
Specialty*	75,842	79,047	+ 4.2%
Processed	111,135	109,614	- 1.4%
Ice cream	208,431	203,456	- 2.4%
Yogurt	244,170	251,264	+ 2.9%

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

* Notes: Goat cheese has been removed as of January 2011

Butter Inventory ('000 kg)

	Jan 31, 2010	Jan 31, 2011
PLAN A BUTTER	2,761	1,210
PLAN B BUTTER	8,641	3,314
IMPORTED BUTTER	53	1,085
BUTTER FOR EXPORT	385	
TOTAL CDC BUTTER STOCKS	11,840	5,610
PRIVATE BUTTER STOCKS	6,613	7,550
TOTAL CDC AND PRIVATE BUTTER STOCKS	18,453	13,159

Other Private Stocks ('000 kg)	Jan 31, 2010	Jan 31, 2011
CHEDDAR	43,798	43,489
PROCESSED CHEESE	9,394	10,550
SPECIALTY CHEESE	20,771	21,974

Comments on Stocks

Following the strong demand of the holiday season, the CDC started to purchase Plan A butter in January. With the strong demand outlook for dairy products in 2011, it may take longer than expected this spring to rebuild the Plan A to the desired 3000 t level.

The rebuilding of CDC Plan B butter stocks started slowly in January with stocks at 3,314 t by the end of the month. The CDC purchases of Plan B will increase over the coming months as the seasonal supply of milk starts to rise. The outlook is for Plan B stocks to be over 9,000 t by the end of July 2011.

Import butter stocks were at 1,085 t at the end of the month and are expected to be sold in February 2011. With the world butter prices at relatively high levels the remaining 1,700 t will be imported later this spring. As for export butter, our stocks are expected to remain at zero for the remainder of the dairy year.

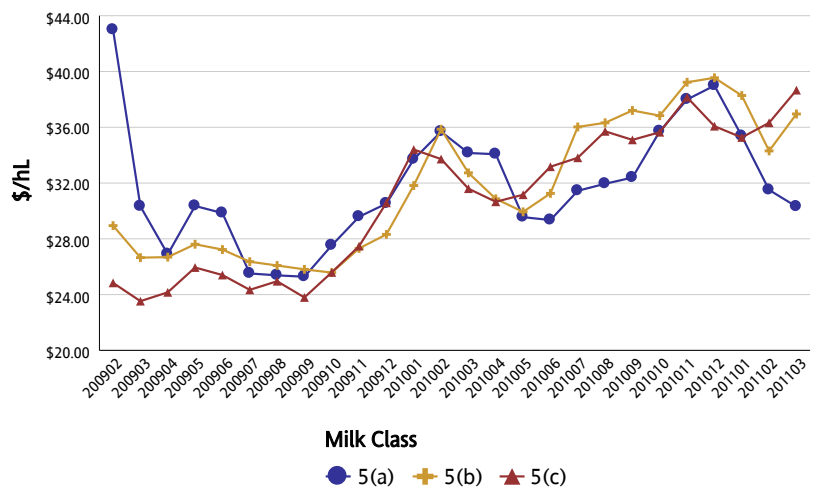
Average Return from Milk Sales

(\$/hl std)

Milk Class	2009/2 to 2010/1	2010/2 to 2011/1	% Change
1	\$89.25	\$89.42	0.19%
2 to 4(d)	\$75.85	\$75.84	0.00%
4(m) 4(a1)*	\$9.66	\$11.56	19.70%
5(a) to (c)	\$27.51	\$33.84	23.01%
5(d)	\$22.22	\$26.37	18.65%
All Classes	\$73.38	\$74.37	1.36%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

