

# CDC MARKET BULLETIN



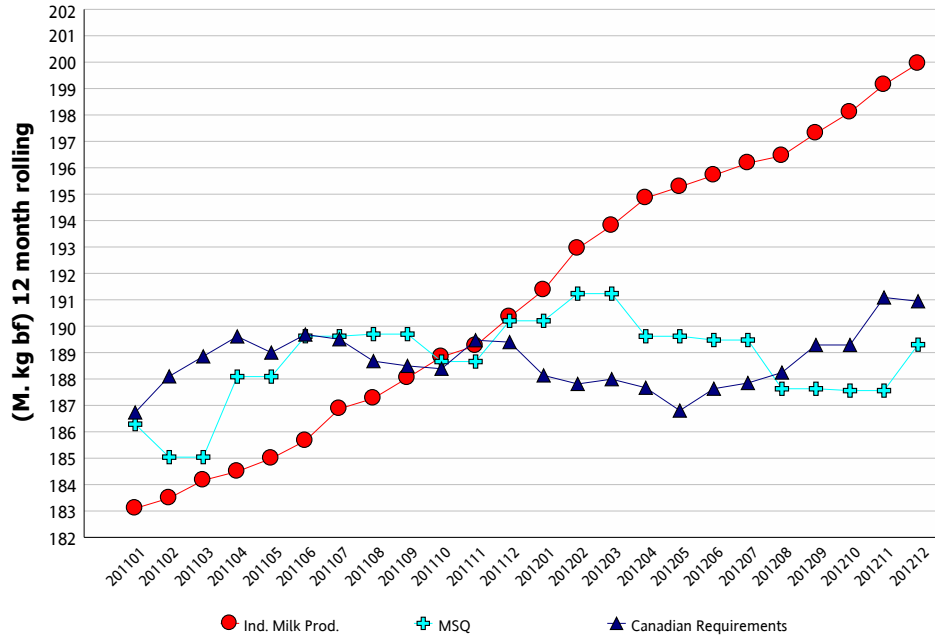
## Market Comment

Canadian requirements for the twelve month period ended in December 2012 are 190.96 million kg of butterfat, which represents an insignificant decrease in comparison to November requirements, but a significant increase of 0.85 % in comparison to the base of October 2012.

Among the factors which contributed to Canadian requirements of December is the use of butterfat in domestic cheese classes which increased by the equivalent of 450,000 kg of butterfat in comparison to the same month last year. There was also a notable 5% increase in the use of butterfat in class 2 (yogurt and ice cream). It should also be noted that skim-off from the fluid milk market has come down again, thereby increasing raw milk requirements. The positive effect of all these factors was however countered by a significant decrease in the user of butterfat by further processors in December.

In December 2012, total milk deliveries increased by 1.8% when compared to the same month last year. Deliveries of fluid milk decreased by 2.9% while deliveries of industrial milk increased by 4.9%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/1 to 2011/12	2012/1 to 2012/12	% Change	2011/1 to 2011/12	2012/1 to 2012/12	% Change	2011/1 to 2011/12	2012/1 to 2012/12	% Change
NL	1,868,897	1,863,241	-0.30%	1,513,384	1,453,612	-3.95%	355,513	409,629	15.22%
P5	234,424,893	240,298,813	2.51%	80,643,060	79,697,919	-1.17%	153,781,833	160,600,894	4.43%
WMP	72,648,275	75,011,184	3.25%	36,436,856	36,076,847	-0.99%	36,211,419	38,934,337	7.52%
<b>Canada</b>	<b>308,942,065</b>	<b>317,173,238</b>	<b>2.66%</b>	<b>118,593,300</b>	<b>117,228,378</b>	<b>-1.15%</b>	<b>190,348,765</b>	<b>199,944,860</b>	<b>5.04%</b>

## Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/1 to 2011/12	2012/1 to 2012/12	% Change	2011/1 to 2011/12	2012/1 to 2012/12	% Change
1(a)	47,104	46,614	-1.04%	246,781	243,404	-1.37%
1(b)	44,206	45,717	3.42%	19,293	19,923	3.27%
2	23,509	25,069	6.64%	40,291	44,808	11.21%
3	104,742	107,323	2.46%	236,725	238,689	0.83%
4(a)	57,405	57,469	0.11%	15,244	11,159	-26.80%
4(b)	1,882	2,018	7.22%	6,977	7,581	8.65%
4(m) 4(a1)	552	757	37.24%	56,696	71,960	26.92%
5(a,b,c)	25,436	26,852	5.57%	43,240	43,184	-0.13%
5(d)	662	2,029	206.52%	28,779	36,871	28.12%
Other	2,607	2,478	-4.93%	7,707	3,886	-49.57%
<b>Total</b>	<b>308,105</b>	<b>316,327</b>	<b>2.67%</b>	<b>701,732</b>	<b>721,464</b>	<b>2.81%</b>

## Continuous Quota

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

December 31, 2012

Province	kg of bf	% *
NL	-70,040	-3.63%
PE	19,654	0.48%
NS	76,644	1.11%
NB	86,705	1.62%
QC	-161,670	-0.14%
ON	529,150	0.52%
MB	155,095	1.24%
SK	-122,033	-1.36%
AB	155,020	0.60%
BC	-21,932	-0.08%

\* 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:	Previous 12 Month	12 Month	Change
January 12, 2013			
<b>Butter</b>	52,437	53,121	<b>+ 1.3%</b>
<b>Total Cheese</b>	249,406	253,208	<b>+ 0.7%</b>
Cheddar	79,728	80,485	+ 1.0%
Specialty	80,506	81,670	+ 1.4%
Processed	86,842	86,708	- 0.2%
<b>Ice cream</b>	193,409	184,772	<b>- 4.5%</b>
<b>Yogurt</b>	254,173	262,559	<b>+ 3.3%</b>

Source: The Nielsen Company, MarketTrack and Homescan panelists.

### Butter Inventory ('000 kg)

	Dec 31, 2011	Dec 31, 2012
PLAN A BUTTER	112	2,439
PLAN B BUTTER	197	3,055
IMPORTED BUTTER	477	630
BUTTER FOR EXPORT		1,088
<b>TOTAL CDC BUTTER STOCKS</b>	<b>786</b>	<b>7,213</b>
PRIVATE BUTTER STOCKS	11,427	10,842
<b>TOTAL CDC AND PRIVATE BUTTER STOCKS</b>	<b>12,213</b>	<b>18,054</b>

### Other Private Stocks ('000 kg)

	Dec 31, 2011	Dec 31, 2012
CHEDDAR	43,906	41,960
PROCESSED CHEESE	9,686	12,194
SPECIALTY CHEESE	21,998	22,610

### Comments on Stocks

The CDC is still not purchasing Plan A butter and, since production is currently strong, it has not been selling much over the past few months. We had 2,439 t in stock on December 31, 2012, and will have no trouble bringing stocks up to 3,000 t at the chosen time.

As for Plan B butter, all manufacturers have bought back the required butter before December 21, which explains why stocks have come down to 3,055 t. We are currently rebuilding stocks which will increase significantly during the first months of 2013, that is from 11,000 to 13,000 t.

The increase in the price of imported butter has somewhat slowed sales in December which explains why stocks of this type of butter had increased to 630 t as of December 31. We have about 1,000 t more to import before July 31, 2013, and we are waiting for a good time to do so because the world price has been high since last November.

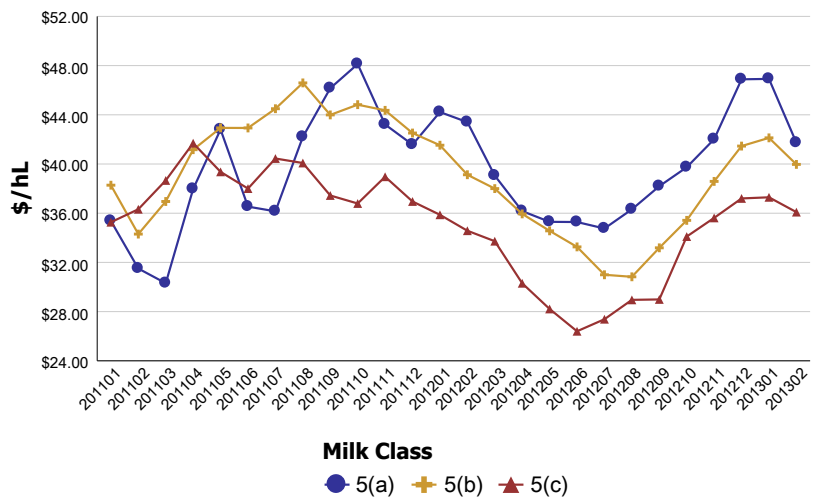
Since it has stopped purchasing Plan A butter, the CDC is purchasing unsalted butter for export under 5(d) permits. Our stocks stood at 1,088 t on December 31. Everything suggests that this type of butter will continue to be offered to the CDC at the beginning of 2013. We have started selling some, we have currently signed contract for 825 t to be delivered in January and February, and other contracts are under consideration.

### Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2011/1 to 2011/12	2012/1 to 2012/12	
1	\$92.79	\$93.98	1.28%
2 to 4(d)	\$76.78	\$78.08	1.69%
4(m) 4(a1)*	\$13.06	\$11.69	-10.44%
5(a) to (c)	\$39.43	\$35.87	-9.02%
5(d)	\$32.95	\$28.46	-13.63%
<b>All Classes</b>	<b>\$76.45</b>	<b>\$75.63</b>	<b>-1.07%</b>

\* Price based on SNF components only

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



### Structural Surplus

(12 Month Rolling)

