

CDC MARKET BULLETIN



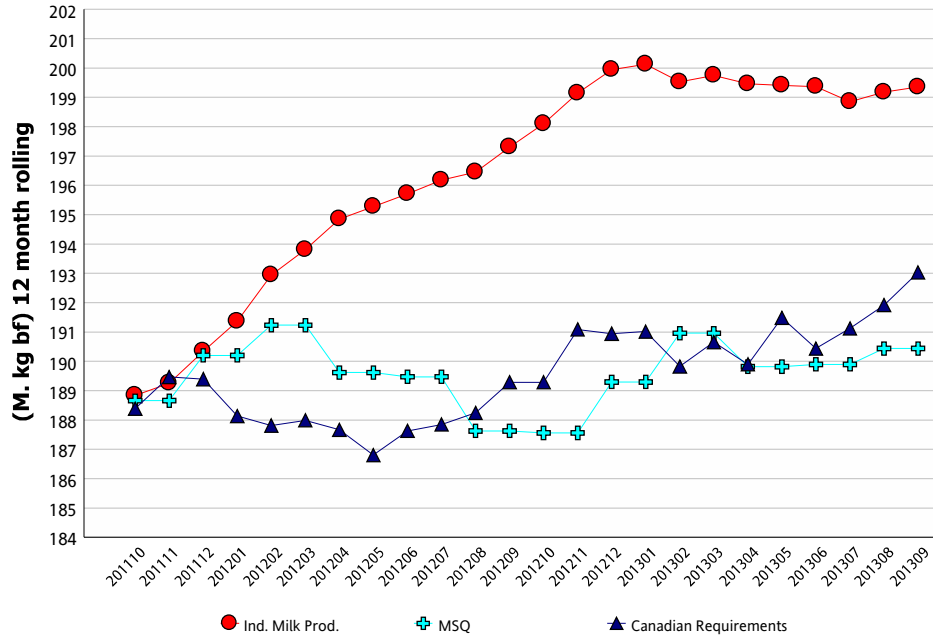
Market Comment

Canadian requirements for the twelve month period ending in September 2013 were 191.82 million kg of butterfat, which represents a slight decrease of 0.05 % in relation to the base of August 2013.

The strength of the further processing sector supported Canadian requirements in September. Growth was particularly strong in the confectionery sector where butterfat utilization increased by 31.5% in comparison to the same month last year. Other markets did not perform as well. Butterfat utilization in Class 2 (ice cream and yogurt) displayed a significant decrease of nearly 7%. We also estimate that butter sales contracted slightly in September. While butter production remained stable this month in relation to September 2012, we used less stocks to supply the market. As for butterfat utilization in cheese classes, we observed an increase of only 1.3%.

Total milk deliveries remained stable in September when compared to the same month last year. Deliveries of fluid milk decreased by 2% and deliveries of industrial milk increased by 1.1%. Production remains higher than anticipated at the beginning of this dairy year. This observation indicates that fall incentives are effective and that the quality of forage is good in most of the country's regions.

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



| | Total Production (kg bf) | | | Fluid Production (kg bf) | | | Industrial Production (kg bf) | | |
|---------------|-----------------------------|--------------------|--------------|-----------------------------|--------------------|---------------|----------------------------------|--------------------|--------------|
| | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change |
| NL | 1,892,786 | 1,841,789 | -2.69% | 1,472,088 | 1,458,896 | -0.90% | 420,698 | 382,893 | -8.99% |
| P5 | 238,024,500 | 240,684,922 | 1.12% | 79,949,760 | 79,237,005 | -0.89% | 158,074,740 | 161,447,917 | 2.13% |
| WMP | 75,000,686 | 73,184,888 | -2.42% | 36,190,179 | 35,664,689 | -1.45% | 38,810,507 | 37,520,199 | -3.32% |
| Canada | 314,917,972 | 315,711,599 | 0.25% | 117,612,027 | 116,360,590 | -1.06% | 197,305,945 | 199,351,009 | 1.04% |

Milk Utilization ('000 kg)

| Milk Class | Butterfat | | | Solids Non Fat | | |
|--------------|-------------------|-------------------|--------------|-------------------|-------------------|---------------|
| | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change |
| 1(a) | 46,578 | 46,498 | -0.17% | 244,413 | 239,940 | -1.83% |
| 1(b) | 45,407 | 45,825 | 0.92% | 19,851 | 19,846 | -0.02% |
| 2 | 24,718 | 24,971 | 1.02% | 43,355 | 47,255 | 8.99% |
| 3 | 105,540 | 111,012 | 5.19% | 237,110 | 235,039 | -0.87% |
| 4(a) | 57,889 | 50,327 | -13.06% | 12,351 | 11,298 | -8.53% |
| 4(b) | 1,915 | 1,905 | -0.50% | 7,318 | 6,866 | -6.17% |
| 4(m) 4(a1) | 766 | 783 | 2.33% | 71,033 | 68,511 | -3.55% |
| 5(a,b,c) | 26,669 | 27,739 | 4.01% | 43,732 | 42,746 | -2.25% |
| 5(d) | 973 | 4,096 | 320.85% | 32,184 | 36,150 | 12.32% |
| Other | 3,568 | 1,747 | -51.05% | 5,933 | 3,893 | -34.38% |
| Total | 314,023 | 314,904 | 0.28% | 717,280 | 711,546 | -0.80% |

Continuous Quota

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

September 30, 2013

| Province | kg of bf | % * |
|----------|----------|--------|
| NL | -49,621 | -2.63% |
| PE | 9,703 | 0.24% |
| NS | -10,068 | -0.15% |
| NB | 26,128 | 0.49% |
| QC | 622,892 | 0.53% |
| ON | 534,488 | 0.53% |
| MB | 17,970 | 0.14% |
| SK | -34,205 | -0.38% |
| AB | 47,466 | 0.18% |
| BC | -86,366 | -0.33% |

* Cumulative Over / Under Production (with limits) expressed as a % of the most recent 12 months total quota



CDC MARKET BULLETIN



Retail Product Sales*

Current period vs previous period ('000 kg)

Up to: September 21, 2013

| | Previous 12 Month | 12 Month | Change |
|---------------------|-------------------|----------|--------|
| Butter | 52,289 | 54,521 | + 4.3% |
| Total Cheese | 251,409 | 258,109 | + 2.4% |
| Cheddar | 80,954 | 84,530 | + 4.4% |
| Fine Cheese* | 50,838 | 50,708 | - 0.3% |
| Everyday Cheese* | 54,045 | 56,466 | + 4.5% |
| Processed | 63,212 | 63,451 | + 0.4% |
| Ice cream | 186,751 | 182,426 | - 2.3% |
| Yogurt | 259,063 | 274,280 | + 5.9% |

Source: The Nielsen Company, MarketTrack and Homescan panelists.

*Note: Everyday Cheese = 3(c), Fine Cheese = 3(a)

Butter Inventory ('000 kg)

| | Sep 30, 2012 | Sep 30, 2013 |
|--|---------------|---------------|
| PLAN A BUTTER | 3,217 | 2,853 |
| PLAN B BUTTER | 10,432 | 11,030 |
| IMPORTED BUTTER | 245 | 903 |
| BUTTER FOR EXPORT | 87 | 9 |
| TOTAL CDC BUTTER STOCKS | 13,980 | 14,795 |
| PRIVATE BUTTER STOCKS | 7,096 | 8,592 |
| TOTAL CDC AND PRIVATE BUTTER STOCKS | 21,076 | 23,386 |

Other Private Stocks ('000 kg)

| | Sep 30, 2012 | Sep 30, 2013 |
|-------------------------|--------------|--------------|
| CHEDDAR | 43,121 | 43,432 |
| PROCESSED CHEESE | 1,099 | 10,053 |
| SPECIALTY CHEESE | 23,673 | 23,172 |

Comments on Stocks

Our Plan A butter inventory contained only salted butter. Since we have clients requesting unsalted butter, we purchase some from a few manufacturers to meet this demand. We are currently selling very little, and our unsalted butter purchases have made our Plan A stocks increase from 2,742 to 2,853 t during the month.

Plan B butter stocks have decreased by nearly 2,000 t in September, falling from 13,017 t to 11,030 t. Since milk production seems relatively strong right now, it is expected that stocks will remain above 5,000 t between now and the end of December, and that they will reach their highest level at the end of the calendar year since 1998.

The price of butter on the world market remains high. We were unable to agree about purchasing butter from New Zealand this fall. We did however take advantage of the lower prices of American butter to import 640 t. On September 30th, our stocks of imported butter stood at 903 t in comparison to 809 t at the end of the previous month.

As for butter for export, we had 9 t in stock at the end of September versus 209 t at the end of August. These 9 t will be sold on the Canadian market. We don't currently plan to purchase butter in Class 5(d).

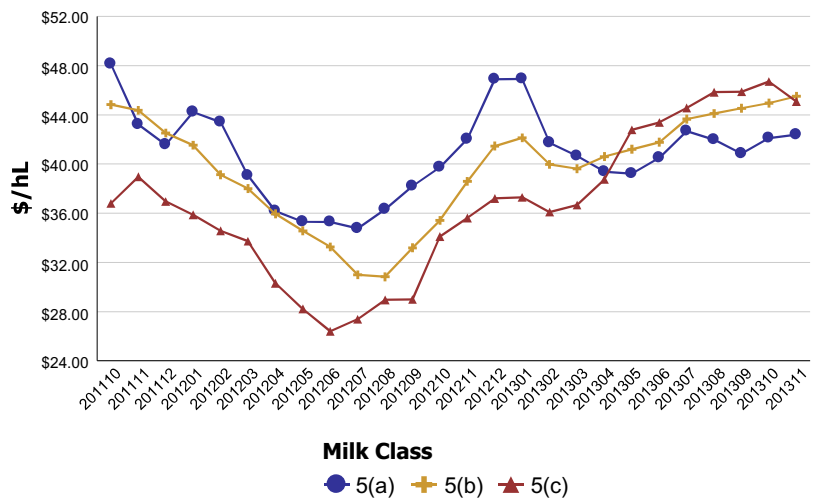
Average Return from Milk Sales

(\$/hl std)

| Milk Class | 2011/10 to 2012/9 | 2012/10 to 2013/9 | % Change |
|--------------------|-------------------|-------------------|--------------|
| 1 | \$94.15 | \$94.58 | 0.45% |
| 2 to 4(d) | \$77.76 | \$78.49 | 0.95% |
| 4(m) 4(a1)* | \$11.70 | \$13.79 | 17.81% |
| 5(a) to (c) | \$36.55 | \$40.97 | 12.07% |
| 5(d) | \$31.08 | \$31.02 | -0.20% |
| All Classes | \$75.90 | \$76.75 | 1.12% |

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

