

CDC MARKET BULLETIN



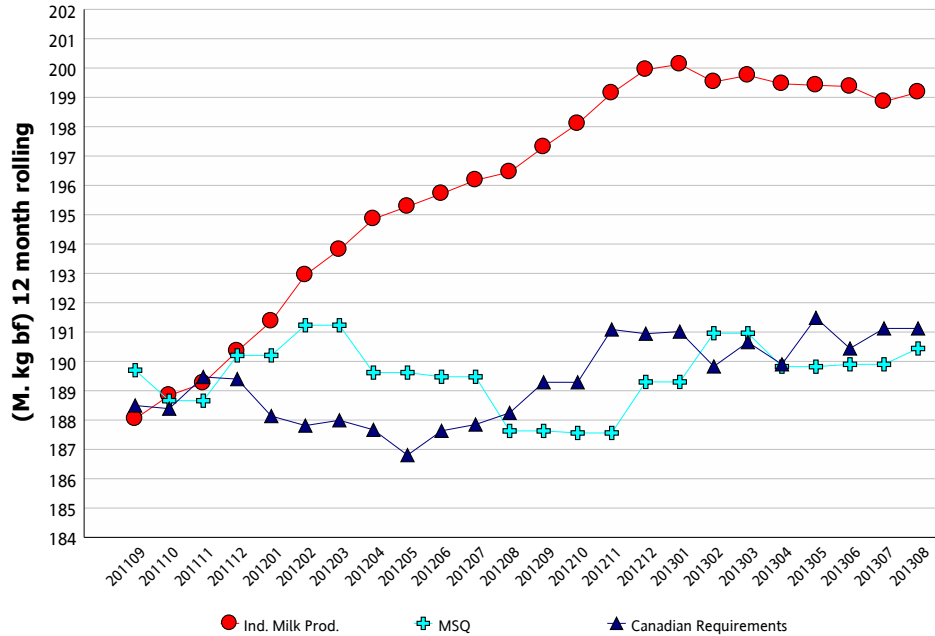
Market Comment

Canadian requirements for the twelve month period ending in August 2013 were 191.14 million kg of butterfat, which represents an increase of 0.37% in comparison to the base of June. There was no change, however, in relation to the month of July 2013.

Among the factors which contributed to Canadian requirements in August is, once again, the use of butterfat in cheese classes, especially for cheddar, where utilization increased by 5.1% in comparison to the same month last year. There has also been a slight 2.2% increase in butterfat utilization in Class 2, that is the market for yogurt and ice cream. Retail butter sales still show an increase which is not reflected in the reports of plants on butterfat utilization in Class 4(a) which indicate a decrease.

In August 2013, total milk deliveries did not change (0.4%) in comparison to the same month last year. Deliveries of fluid milk continued to drop (-1.2%) while deliveries of industrial milk increased by 1.4%.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/9 to 2012/8	2012/9 to 2013/8	% Change	2011/9 to 2012/8	2012/9 to 2013/8	% Change	2011/9 to 2012/8	2012/9 to 2013/8	% Change
NL	1,888,658	1,839,559	-2.60%	1,483,879	1,443,970	-2.69%	404,779	395,589	-2.27%
P5	237,586,882	240,580,829	1.26%	80,232,591	79,385,836	-1.06%	157,354,291	161,194,993	2.44%
WMP	74,950,149	73,302,391	-2.20%	36,256,813	35,718,729	-1.48%	38,693,336	37,583,662	-2.87%
Canada	314,425,689	315,722,779	0.41%	117,973,283	116,548,535	-1.21%	196,452,406	199,174,244	1.39%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/9 to 2012/8	2012/9 to 2013/8	% Change	2011/9 to 2012/8	2012/9 to 2013/8	% Change
1(a)	46,657	46,502	-0.33%	245,176	240,530	-1.89%
1(b)	45,356	45,987	1.39%	19,824	19,953	0.65%
2	24,572	25,105	2.17%	42,879	47,284	10.27%
3	105,435	110,892	5.18%	237,695	235,509	-0.92%
4(a)	58,703	50,238	-14.42%	13,317	11,496	-13.67%
4(b)	1,919	1,890	-1.50%	7,344	6,793	-7.50%
4(m) 4(a1)	775	748	-3.54%	72,027	67,397	-6.43%
5(a,b,c)	26,551	27,373	3.10%	43,042	42,700	-0.80%
5(d)	943	3,939	317.95%	30,031	36,156	20.40%
Other	2,670	2,200	-17.59%	4,812	4,615	-4.08%
Total	313,580	314,875	0.41%	716,147	712,435	-0.52%

Continuous Quota

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

August 31, 2013

Province	kg of bf	% *
NL	-42,211	-2.26%
PE	9,784	0.24%
NS	-3,431	-0.05%
NB	16,815	0.31%
QC	541,422	0.46%
ON	362,823	0.36%
MB	62,534	0.50%
SK	-39,138	-0.44%
AB	124,947	0.48%
BC	-16,780	-0.06%

* 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:	August 24, 2013		
	Previous 12 Month	12 Month	Change
Butter	51,993	54,276	+ 4.4%
Total Cheese	250,451	257,680	+ 2.6%
Cheddar	80,889	83,826	+ 3.6%
Fine Cheese*	50,387	50,775	+ 0.8%
Everyday Cheese*	50,243	52,361	+ 4.2%
Processed	66,360	67,385	+ 1.5%
Ice cream	186,463	182,084	- 2.3%
Yogurt	258,604	273,887	+ 5.9%

Source: The Nielsen Company, MarketTrack and Homescan panelists.
*Note: Everyday Cheese = 3(c), Fine Cheese = 3(a)

Butter Inventory ('000 kg)

	Aug 31, 2012	Aug 31, 2013
PLAN A BUTTER	2,863	2,742
PLAN B BUTTER	13,209	13,017
IMPORTED BUTTER	534	809
BUTTER FOR EXPORT		209
TOTAL CDC BUTTER STOCKS	16,606	16,778
PRIVATE BUTTER STOCKS	7,181	10,053
TOTAL CDC AND PRIVATE BUTTER STOCKS	23,787	26,830

Other Private Stocks ('000 kg)

	Aug 31, 2012	Aug 31, 2013
CHEDDAR	45,101	44,038
PROCESSED CHEESE	11,649	11,191
SPECIALTY CHEESE	23,998	24,240

Comments on Stocks

Plan A butter stocks started to diminish, dropping from 2,870 t at the end of July to 2,743 t at the end of August. Since we have clients that want unsalted butter that we don't have, we are buying some from a few manufacturers to meet these needs. Our inventory of this type of butter should therefore remain relatively stable during the coming months.

Plan B butter inventories diminished very little in August, dipping from 13,207 t to 13,017 t. Since milk production seems relatively strong right now, stocks are not expected to decrease significantly while butter is still being offered to us in Plan B.

The price of butter on the world market remains high. We were not able to reach an agreement about buying butter from New Zealand this fall. We have taken advantage of lower prices for American butter to purchase 650 t which we will receive in September. At the end of August, our stocks of imported butter were 809 t in comparison to 944 t at the end of July.

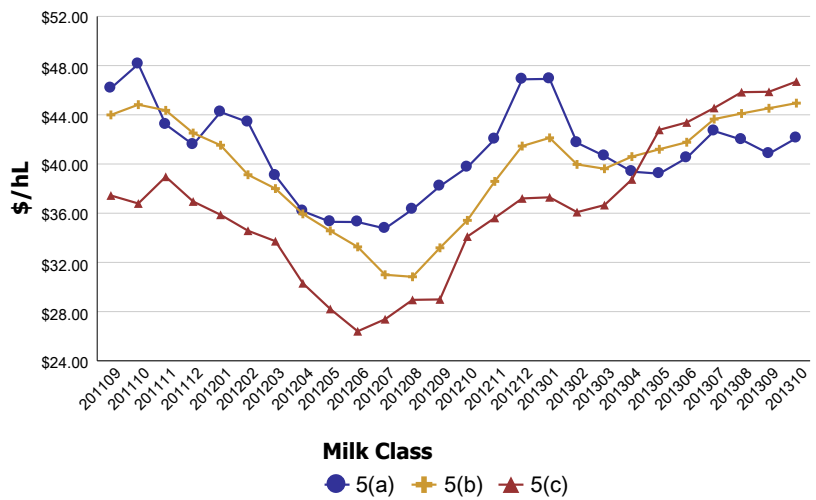
We had 209 t of butter for export in stock at the end of August vs. 284 t at the end of July. Of this, 200 t will be delivered to fulfill existing contracts. The remaining 9 t will be sold on the Canadian market. We don't currently plan to purchase butter in 5(d).

Average Return from Milk Sales

Milk Class	(\$/hl std)		% Change
	2011/9 to 2012/8	2012/9 to 2013/8	
1	\$94.21	\$94.51	0.32%
2 to 4(d)	\$77.65	\$78.47	1.05%
4(m) 4(a1)*	\$11.63	\$13.35	14.81%
5(a) to (c)	\$37.35	\$40.05	7.22%
5(d)	\$31.10	\$30.24	-2.77%
All Classes	\$76.01	\$76.68	0.88%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

