



July 4, 2013

CDC MARKET BULLETIN



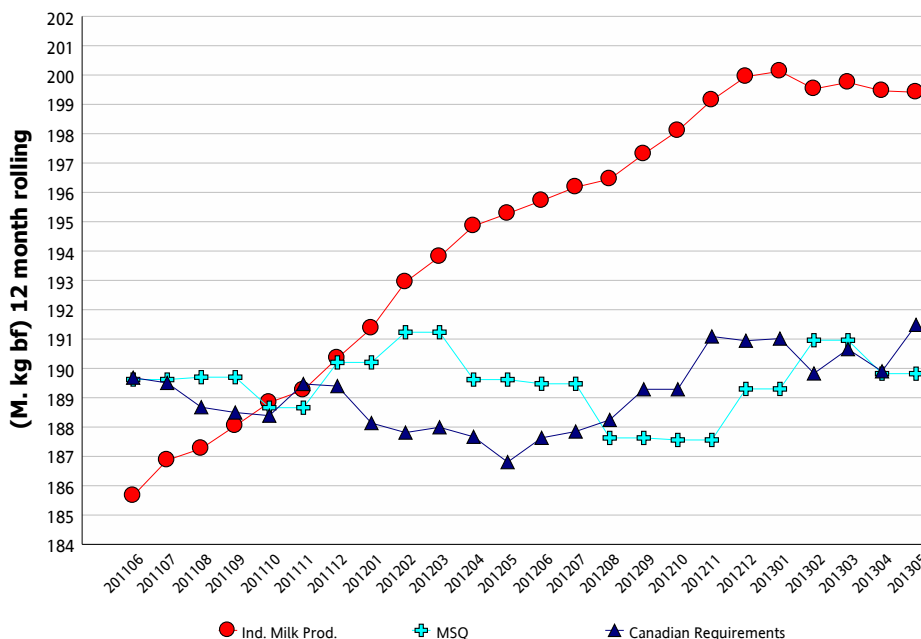
Market Comment

Canadian Requirements for the twelve-month period ending in May 2013 were 191.50 million kg BF, up 0.84 % from the base of April 2013.

Several factors had a positive effect on Canadian requirements in May. There was a sharp increase in butterfat utilization in further processing compared to the same month last year: a growth of 33.5 % in the confectionery sector (class 5(c)) and a growth of 17.2 % in the cheese market (class 5(a)). Retail sales of butter and cheese also increase by 240 t and 290 t, respectively. Note that for a second consecutive month, the skim-off from the fluid milk market increased. This increase in skim-off has offset the increase in Canadian requirements.

In May 2013, total milk deliveries decreased by 0.6 % compared to the same month last year. Fluid milk deliveries decreased by 1.2 % and deliveries of industrial milk decreased by 0.3 %.

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



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2011/6 to 2012/5	2012/6 to 2013/5	% Change	2011/6 to 2012/5	2012/6 to 2013/5	% Change	2011/6 to 2012/5	2012/6 to 2013/5	% Change
NL	1,856,555	1,856,081	-0.03%	1,513,615	1,450,556	-4.17%	342,940	405,525	18.25%
P5	237,196,504	240,437,825	1.37%	80,416,236	79,502,457	-1.14%	156,780,268	160,935,368	2.65%
WMP	74,579,988	73,835,840	-1.00%	36,425,712	35,763,659	-1.82%	38,154,276	38,072,181	-0.22%
Canada	313,633,047	316,129,746	0.80%	118,355,563	116,716,672	-1.38%	195,277,484	199,413,074	2.12%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2011/6 to 2012/5	2012/6 to 2013/5	% Change	2011/6 to 2012/5	2012/6 to 2013/5	% Change
1(a)	46,913	46,466	-0.95%	246,058	241,467	-1.87%
1(b)	45,192	45,721	1.17%	19,652	19,968	1.61%
2	24,204	25,229	4.24%	42,234	46,745	10.68%
3	104,626	109,334	4.50%	235,788	237,525	0.74%
4(a)	60,012	52,596	-12.36%	15,096	9,977	-33.91%
4(b)	1,928	1,890	-1.94%	7,306	6,972	-4.57%
4(m) 4(a1)	744	791	6.30%	68,521	71,283	4.03%
5(a,b,c)	25,636	28,080	9.53%	43,123	43,394	0.63%
5(d)	627	3,786	503.94%	30,127	35,554	18.01%
Other	2,938	1,354	-53.89%	5,665	3,246	-42.69%
Total	312,820	315,248	0.78%	713,572	716,132	0.36%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
May 31, 2013

Province	kg of bf	% *
NL	-75,545	-4.01%
PE	20,259	0.50%
NS	34,361	0.50%
NB	26,823	0.50%
QC	592,137	0.50%
ON	507,409	0.50%
MB	92,161	0.74%
SK	-59,263	-0.66%
AB	189,340	0.74%
BC	114,425	0.44%

* 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:	June 1, 2013		
	Previous 12 Month	12 Month	Change
Butter	52,338	53,578	+ 2.4%
Total Cheese	249,626	256,561	+ 2.7%
Cheddar	80,168	83,363	+ 4.0%
Fine Cheese*	50,437	50,950	+ 1.0%
Everyday Cheese*	49,812	52,059	+ 4.5%
Processed	66,681	67,373	+ 1.0%
Ice cream	189,390	184,300	- 2.7%
Yogurt	256,158	270,415	+ 5.6%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

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

Butter Inventory ('000 kg)

	May 31, 2012	May 31, 2013
PLAN A BUTTER	1,321	2,232
PLAN B BUTTER	15,076	15,037
IMPORTED BUTTER	161	28
BUTTER FOR EXPORT		930
TOTAL CDC BUTTER STOCKS	16,558	18,226
PRIVATE BUTTER STOCKS	8,985	9,955
TOTAL CDC AND PRIVATE BUTTER STOCKS	25,543	28,181

Other Private Stocks ('000 kg)

	May 31, 2012	May 31, 2013
CHEDDAR	44,260	45,175
PROCESSED CHEESE	11,783	12,629
SPECIALTY CHEESE	24,796	24,210

Comments on Stocks

Plan A purchases started in May in order to end the dairy year with desirable levels of inventory of Plan A butter. Our inventories therefore increased from 2,031 t to 2,232 t in May 2013. Further purchases are planned between now and July 31, 2013 to arrive as close as possible to our target of 3,000 t on July 31.

Plan B butter stocks increased only slightly in May, from 14,358 t to 15,037 t. This is historically very high and the stocks should start to decrease between now and the end of the dairy year.

At the end of May, we only had 28 t of imported butter in stock. However, the butter price has decreased on the American market in early May and we took this opportunity to complete our import program for 2012-2013. The CDC will therefore receive large quantities of American butter, both salted and unsalted, in June and July 2013.

We continued to buy butter for export in May but these purchases will gradually end in June as we have asked manufacturers to offer butter in Plan A in the next few weeks. As of May 31, we still have 930 t of butter for export and most of it has been committed.

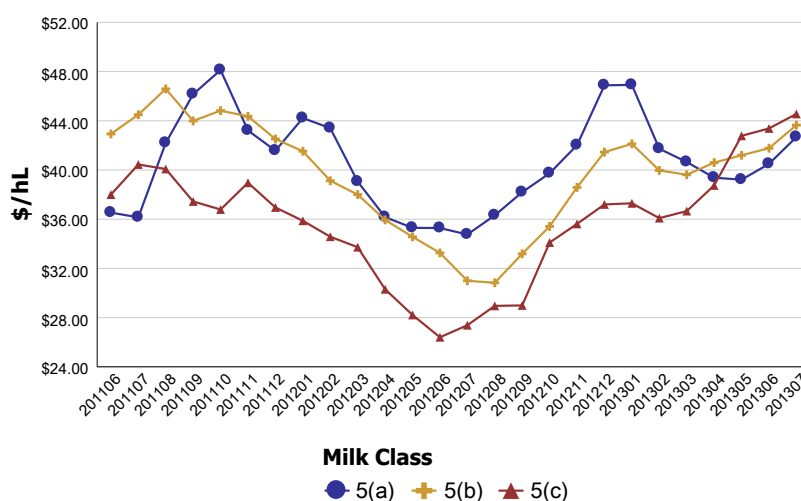
Average Return from Milk Sales

(\$/hl std)

Milk Class	2011/6 to 2012/5	2012/6 to 2013/5	% Change
1	\$93.93	\$94.27	0.36%
2 to 4(d)	\$77.32	\$78.35	1.33%
4(m) 4(a1)*	\$11.82	\$11.88	0.46%
5(a) to (c)	\$39.48	\$37.32	-5.48%
5(d)	\$31.15	\$28.42	-8.77%
All Classes	\$76.22	\$75.90	-0.43%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



Structural Surplus

(12 Month Rolling)

