

CDC MARKET BULLETIN

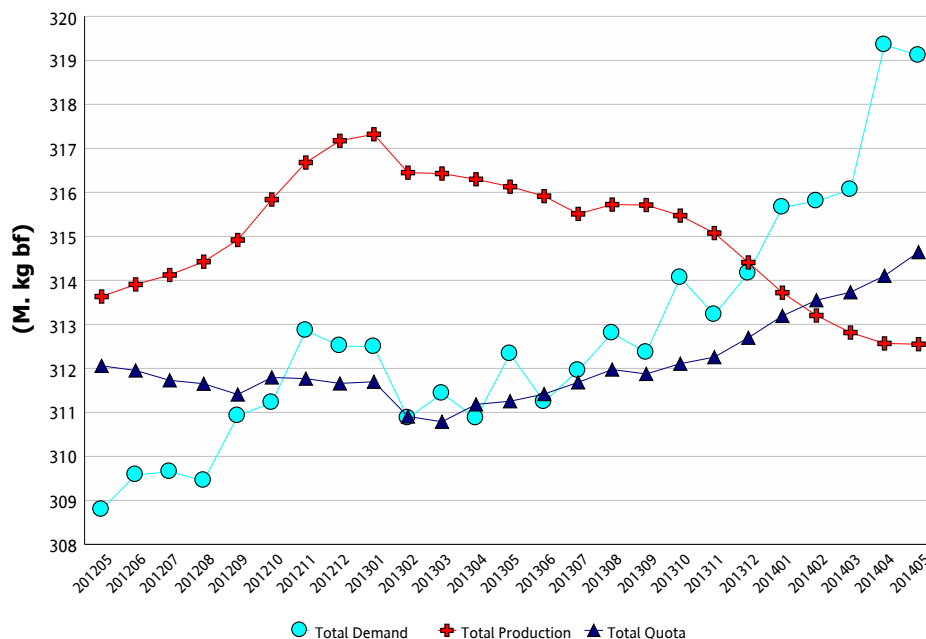
Market Comment

Canadian requirements for the twelve month period ended in April 2014 are 198.70 million kg of butterfat, which represents an increase of 1.72% in comparison to March 2014 and an increase of 1.88% in comparison to the base of February 2014.

Many factors contributed to the increase of Canadian requirements in April. The market for butter remains at record levels and retail sales have grown by 6.2% on an annual basis. The use of butterfat in yogurt has also increased significantly in April in comparison to the same month last year. Skim-off has diminished again, thereby boosting requirements for raw milk. An important downward revision of the private stocks of a butter manufacturer has also pushed up Canadian requirements.

Total milk deliveries decreased by 0.9% in April in comparison to the same month last year. More specifically, fluid milk deliveries fell by 0.2% while deliveries of industrial milk decreased by 1.4%. The growth of production is expected to resume in June or July.

Total Demand, Total Quota and Total Production (12 Month Rolling)



	Total Production (kg bf)			Fluid Production (kg bf)			Industrial Production (kg bf)		
	2012/6 to 2013/5	2013/6 to 2014/5	% Change	2012/6 to 2013/5	2013/6 to 2014/5	% Change	2012/6 to 2013/5	2013/6 to 2014/5	% Change
NL	1,858,109	1,889,093	1.67%	1,451,807	1,510,358	4.03%	406,302	378,735	-6.78%
P5	240,325,120	237,624,918	-1.12%	79,574,344	79,496,086	-0.10%	160,750,776	158,128,832	-1.63%
WMP	74,114,082	73,053,115	-1.43%	35,809,936	35,636,056	-0.49%	38,304,146	37,417,059	-2.32%
Canada	316,297,311	312,567,126	-1.18%	116,836,087	116,642,500	-0.17%	199,461,224	195,924,626	-1.77%

Milk Utilization ('000 kg)

Milk Class	Butterfat			Solids Non Fat		
	2012/6 to 2013/5	2013/6 to 2014/5	% Change	2012/6 to 2013/5	2013/6 to 2014/5	% Change
1(a)	46,745	46,329	-0.89%	241,799	238,832	-1.23%
1(b)	45,848	46,866	2.22%	20,010	20,102	0.46%
2	25,097	24,457	-2.55%	46,326	47,093	1.66%
3	109,305	106,692	-2.39%	238,145	230,338	-3.28%
4(a)	53,487	49,787	-6.92%	7,343	13,534	84.32%
4(b)	1,877	1,767	-5.87%	7,078	6,070	-14.23%
4(m) 4(a1)	829	562	-32.24%	75,826	59,883	-21.02%
5(a,b,c)	27,870	30,676	10.07%	43,127	44,998	4.34%
5(d)	3,252	3,071	-5.58%	34,106	35,276	3.43%
Other	1,111	1,506	35.51%	3,264	3,863	18.34%
Total	315,421	311,713	-1.18%	717,023	699,991	-2.38%

Continuous Quota

Cumulative Over/Under Production (with limits) as of:
May 31, 2014

Province	kg of bf	% *
NL	-98,983	-5.07%
PE	-30,314	-0.74%
NS	-49,690	-0.72%
NB	-23,770	-0.44%
QC	342,697	0.29%
ON	159,574	0.16%
MB	-234,819	-1.85%
SK	-70,828	-0.78%
AB	-312,422	-1.20%
BC	-181,571	-0.69%

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



July 4, 2014

CDC MARKET BULLETIN

Retail Product Sales*

Current period vs previous period
('000 kg)

Up to:	May 3, 2014		
	Previous 12 Month	12 Month	Change
Butter	53,066	56,351	+ 6.2%
Total Cheese	255,281	257,560	+ 0.9%
Cheddar	82,762	85,655	+ 3.5%
Fine Cheese*	50,846	50,107	- 1.5%
Everyday Cheese*	55,594	56,221	+ 1.1%
Processed	63,425	62,217	- 1.9%
Ice cream	120,513	119,565	- 0.8%
Yogurt	310,877	314,228	+ 1.1%

Source: The Nielsen Company, MarketTrack and Homescan panelists.

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

Butter Inventory ('000 kg)

	May 31, 2013	May 31, 2014	
PLAN A BUTTER	2,232	2,097	
PLAN B BUTTER	15,037	9,011	
IMPORTED BUTTER	28	458	
BUTTER FOR EXPORT	930	180	
TOTAL CDC BUTTER STOCKS	17,537	9,830	
PRIVATE BUTTER STOCKS		9,955	
TOTAL CDC AND PRIVATE BUTTER STOCKS	17,537	9,955	9,830

Other Private Stocks ('000 kg)

	Apr 30, 2013	Apr 30, 2014
CHEDDAR	46,397	44,992
PROCESSED CHEESE	12,647	12,664
SPECIALTY CHEESE	24,791	24,449

Comments on Stocks

There are 464 t of unsalted butter (for export) and 2,389 t of butter (mostly salted) currently in our Plan A stocks. In recent months, surplus butter has been purchased in the form of unsalted butter in order to have this type of butter available for the domestic market and to have the option of exporting it later if appropriate. As expected, inventories of Plan A and Plan B butter have remained fairly stable since the month of March 2014. Butter purchased for export will in fact be converted to Plan A in the coming months when required for domestic customers.

The CDC concluded the purchase of 456 t of USA butter and 1,700 t approx. of New Zealand butter which represents the balance of our import obligations for the 2013-2014 dairy year. All the butter will be imported into Canada between the months May through July. CDC took advantage of a sudden drop in world market prices to finalize the purchase prices which averaged USD 4,350/t.

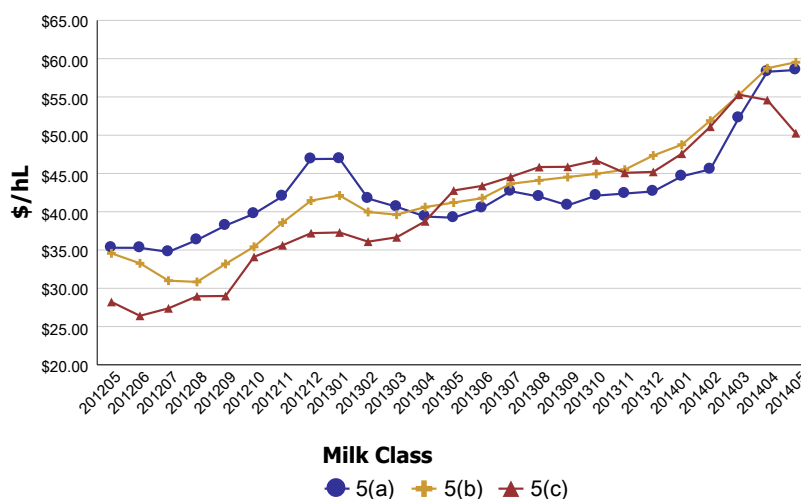
Average Return from Milk Sales

(\$/hl std)

Milk Class	2012/6 to 2013/5	2013/6 to 2014/5	% Change
1	\$94.24	\$95.31	1.14%
2 to 4(d)	\$78.35	\$78.63	0.35%
4(m) 4(a1)*	\$11.64	\$18.67	60.38%
5(a) to (c)	\$36.95	\$46.20	25.06%
5(d)	\$28.35	\$39.73	40.13%
All Classes	\$75.75	\$78.53	3.67%

* Price based on SNF components only

Class 5 Component Prices in \$/hL



SNF Surplus

(12 Month Rolling)

