



Milk price takes modest rise

The blend price will increase about 40 cents per hectolitre Feb. 1 for P5 producers when adjustments are made to fluid and industrial milk prices.

The Canadian Dairy Commission mid-December announced increased support prices for butter and skim milk powder. They translate into an industrial milk price increase of 1.5 per cent or \$1.14 per hL for produc-

ers nationally on Feb. 1.

Fluid prices, meanwhile, will go down in the P5 pool by an average 67 cents per hL Feb. 1, or 0.7 per cent, as indicated by the new national fluid pricing formula. The P5 and Western Pools agreed to the new formula last October.

The new formula is based on a 50-50-weighting of the consumer price index and the national cost of production as defined for industrial

milk pricing purposes.

An advance price increase last August put the fluid price above the level indicated by the new formula.

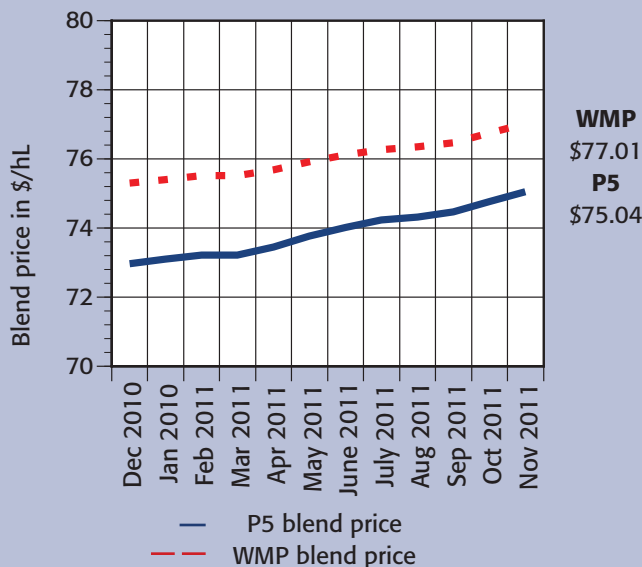
Production costs rise

“Our data show the cost of producing milk in Canada has increased by 2.2 per cent over the last 12 months” says Randy Williamson, CDC chairman. “In particular, the cost of feed

P5 and Western Milk Pool blend prices*

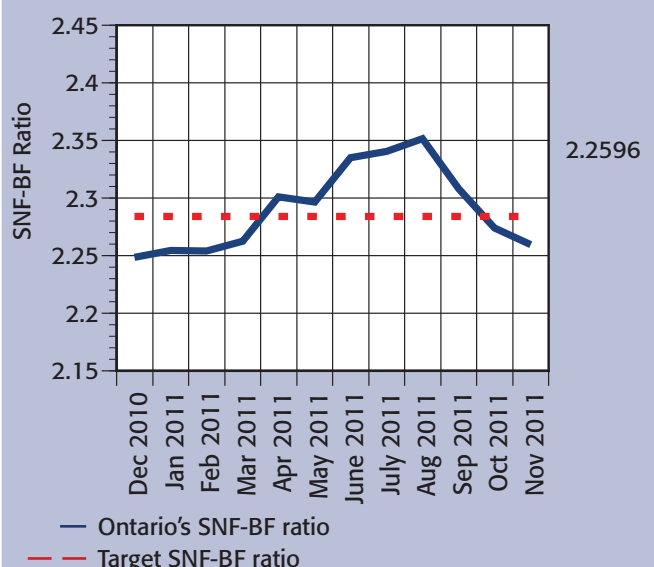
The graph below shows the 12-month blend price for the P5 provinces and the Western Milk Pool (WMP).

*There is a two-month lag reporting these figures.



Solids non-fat to butterfat (SNF-BF) ratio

This graph shows Ontario's SNF-BF ratio for the last 12 months in relation to Ontario's target SNF-BF ratio of 2.2840.





increased by almost 10 per cent and the cost of fuel by over 20 per cent. This 1.5 per cent increase in support prices is about half of the current inflation rate for food.”

The new support price of butter will also include a reduction of two cents per hL in carrying charges collected by the CDC to pay for the storage of normal butter stocks.

The CDC, in collaboration with provinces, does a yearly national cost-of-production survey, one of the factors used to determine industrial milk price adjustments. Commission members also evaluate processor margins,

consider various economic indicators, and use their own judgment, experience and knowledge of the industry.

As well, they consider arguments presented by various industry stakeholders. Each fall, the CDC holds consultations on milk prices with dairy producers, processors, further processors, retailers, restaurateurs and consumers.

SNF ratio harmonized

Ontario has agreed to implement a proposed harmonized solids-not-fat ratio cap policy, developed by the P5 Quota Committee, by Aug. 1, 2014.

The most significant change for Ontario producers will be the monthly administration of the ratio cap policy to begin Aug. 1, 2013. Any SNF above the monthly ratio cap will receive zero payment.

Also, producers will not be able to recapture lost SNF revenue in future months. Payment recapture is currently possible under Ontario’s cumulative dairy year SNF ratio cap policy.

The implementation and roll-out of the new policy will be reviewed and discussed further at DFO’s 2012 Spring Policy Conference.

This graph tracks U.S. Class III prices, widely used to show trends. Actual prices paid to producers vary by state.

The November 2011 Class III Price, \$19.07 US per hundredweight, is equivalent to \$44.07 Cdn per hectolitre. This equivalent is based on the exchange rate of \$1 US = \$1.018 Cdn, the exchange rate when the USDA announced the Class III Price.

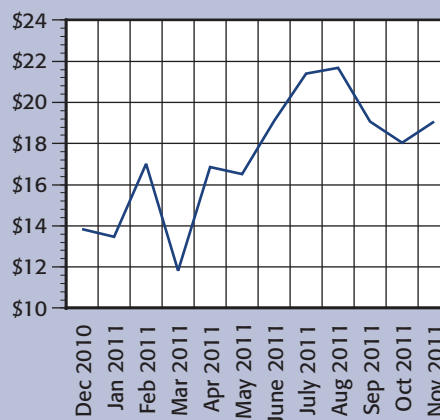
The Class III Price is in \$ US per hundredweight at 3.5 per cent butterfat. One hundredweight equals 0.44 hectolitres.

Canadian Class 5a and Class 5b prices track U.S. prices set by the U.S. Department of Agriculture.

Source: USDA



U.S. Class Prices



Monthly quota prices (\$/kg)

December prices

Province	Price/kg
British Columbia	\$40,500
Alberta	\$34,000
Manitoba	\$31,500
Saskatchewan	\$29,000
P.E.I.	\$26,125
Nova Scotia	\$25,972
New Brunswick	\$24,900

* Price cap in effect in P.E.I., New Brunswick and B.C.

** \$25,000 price cap in effect in Ontario and Quebec.

*** Newfoundland does not operate a monthly quota exchange. The price is about \$25,700 per kg of quota.



Ontario deductions For November 2011

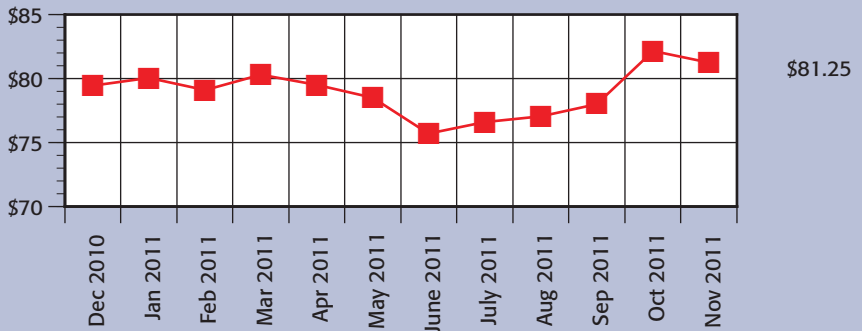
	Within quota	Over- quota
	*per hL	*per hL
Average gross	\$81.248	\$0.000
DFO Administration	\$0.580	\$0.580
CQM Administration	\$0.020	\$0.020
DFO Research	\$0.040	\$0.040
Canwest DHI	\$0.060	\$0.060
Transportation	\$2.530	\$2.530
Market Expansion	\$1.300	\$1.300
Total Deductions	\$4.530	\$4.530
Average total net	\$76.718	\$-4.530

*These kg per hL equivalents are based on Ontario's November 2011 average composition of 4.06 butterfat, 3.42 protein and 5.75 other solids, rounded to the nearest cent.

The actual transportation rate for November 2011 was \$2.53 per hL.

Ontario monthly producer blend price

Net after DFO deductions. Per hL based on yearly provincial kg-per-hL composition of 3.90 butterfat, 3.31 protein and 5.74 other solids for trend comparison only. May differ from returns based on actual monthly composition.



Producer prices for November 2011

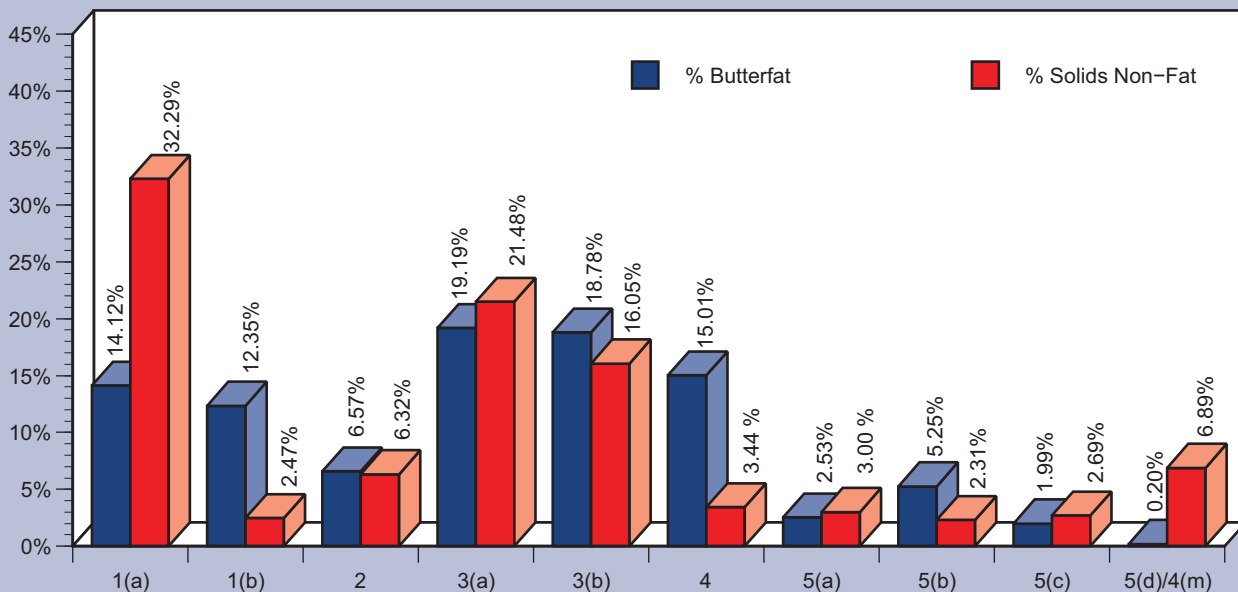
	Butterfat per kg	Protein per kg	Other Solids per kg	Return per kg/BF	Return *per hL
Within-quota	\$10.28	\$8.57	\$1.79	\$20.02	\$81.25
Overquota	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Milk marketings: During the month of November total DFO milk marketings were 2.3 per cent higher than the corresponding month a year ago. Total DFO milk marketings for the 12-month period Dec-

ember 2010 to November 2011 were 1.3 per cent higher compared to the same period a year earlier. 4,110 producers sold milk to DFO in November compared to 4,171 a year earlier.

P5 utilization by class*

For October 2011 (kg of butterfat/kg of solids non-fat)



Class 1a Homo, 2%, 1%, skim, chocolate milk flavoured milks, buttermilk

Class 1b Fluid creams

Class 2 Ice cream, yogurt, sour cream

Class 3a Fresh cheese, specialty cheese

Class 3b Cheddar cheese

Class 4a Butter and powders

Class 4b Condensed and evaporated milk for retail sale

Class 4c New products

Class 4d Inventory, animal feed

Class 4m Domestic surplus

Class 5a Cheese for further processing

Class 5b Non-cheese products for further processing

Class 5c Confectionery products

Class 5d Planned exports

Class 4m is grouped with 5d