

# NATIONAL MILK AGENCY

ANNUAL REPORT AND ACCOUNTS 2007



NATIONAL MILK AGENCY





*Bhunaidh an tOireachtas an Gníomhaireacht Náisiúnta Bainne le soláthar bainne chun óil sa stát seo a rialú mar a leagtar amach é san Acht (um Rialachán Soláthair) Bainne, 1994.*

*The National Milk Agency was established by the Oireachtas to regulate the supply of milk for liquid consumption throughout the State in accordance with the provisions of the Milk (Regulation of Supply) Act, 1994.*



## CHAIRMAN'S STATEMENT



**Denis Murphy**  
*Chairman*

### To: Mr. Brendan Smith, T.D. Minister for Agriculture, Fisheries and Food.

I am pleased to present the Annual Report of the National Milk Agency for 2007, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

Last year was a defining year in the Irish dairy industry. Increased global demand for dairy products accompanied by constrained milk supplies internationally and low inventory levels gave rise to unprecedented increases in export product prices. As a consequence, monthly manufacturing milk prices to producers in the State increased by over 50% between April and September.

A time lag occurred, however, in the reflection of these higher export prices in the prices of dairy products, including fresh liquid milk, sold on the domestic market and in the milk prices paid to most liquid milk producers. Liquid milk producers with prices linked to manufacturing milk prices benefited earlier than producers paid under flat milk price systems.

In the calendar year 2007, which includes the first three months of the 2007/08 milk year, the annual average producer price for milk for liquid consumption under all contracts increased to a record 35.28 c/litre, an increase of 4.77 c/litre or 16% on the previous year.

Timing lags, however, resulted in the differential between the average annual producer price for milk for liquid consumption and the estimated annual average producer price for manufacturing milk falling to 3.15 c/litre, which was the lowest on record.

Producers, processors and distributors all experienced substantial increases in their cost levels in 2007 due to higher energy and commodity prices.

While consumption of fresh liquid milk increased by 2% to 577 million litres, the market share of domestic

milk supplies in the fresh milk market fell to 81%, as imported milk supplies, both bulk and packaged, increased their share to 19%.

In 2008, the reduction in international dairy product prices, which had emerged in the last quarter of 2007, continued and eroded all the commodity product price increases experienced in 2007.

The escalation in energy and other costs has continued into 2008 and will adversely impact margins of producers, processors and distributors.

Producer prices for manufacturing milk, which had been maintained since October, commenced to fall in April 2008.

The increase of 2% in Ireland's EU milk quota from the beginning of April is a welcome policy adjustment to address a changed market environment.

The medium term outlook for dairy markets continues to be positive with increasing global demand and a constrained global milk supply.

### Registers

In the milk year 2006/07 there were 2,079 milk supply contracts registered with the Agency for milk supplies of 432 million litres for processing for liquid consumption, a reduction of 203 contracts and 6 million litres on the previous year.

### Contracts

All Year Round (AYR) milk supply contracts, which numbered 1,908 contracts for purchases of 423 million litres of milk, represented 92% of all contracts and 98% of milk supplies purchased under all contracts. The number of AYR contracts reduced by 196 or 9%.

Winter contracts comprised 171 contracts and represented 8% of contracts and 2% of milk supplies. The number of winter contracts decreased by 7 or 4%.

Under the AYR contracts the Flat Price System continued as the main pricing system for registered milk supplies and was applied in 76% of the contracts and to 68% of the milk supplies. The Manufacturing Milk Price plus Bonus System was applied in 24% of the contracts and to 32% of milk supplies.

## Milk Prices

In the milk year 2006/07 the average milk price paid, excluding value added tax, under the 1,908 AYR contracts was 32.11 c/litre, an increase of 1.55 c/litre or 5% on the previous year.

In the AYR contracts the differential between the average price of 32.25 c/litre paid under the Flat Price System and the average price of 31.85 c/litre paid under the Manufacturing Milk Price plus Bonus System narrowed to 0.4 c/litre from 2 c/litre in the previous year reflecting the underlying increase in monthly manufacturing milk prices between April and September.

## Consumption and Retailing

Consumption of fresh milk on the domestic market in 2007 increased by almost 2% to 577 million litres. Per capita consumption of fresh liquid milk in the State continued to rank as the third highest in the EU.

Sales of low fat and skimmed milks continued to displace whole milk sales with their market shares growing to 29% last year.

The Irish grocery market continued to consolidate with three major multiples controlling almost 70% of the market.

Doorstep sales continued to decline and represented less than 6% of fresh milk sales compared with over 30%, a decade ago.

Fresh milk continued to be a real value for money product for consumers, notwithstanding an increase of 7% in the average annual retail price of milk in 2007. Since 1995 the average annual retail price of whole milk in one litre packs has fallen by 20% in real terms and by 17% relative to other food products.

Own label milk in discounted two litre packs was retailing in 2007 at prices which were 16% less in nominal terms and 43% less in real terms than in 1995.

## Milk Imports

Last year raw milk imports by creameries and pasteurisers for processing in the State were 473 million litres, a decrease of 93 million litres or 16% on the previous year.

These milk imports were mainly from Northern Ireland and represented 9% of annual domestic milk supplies and 25% of Northern Ireland's annual milk supplies compared with 11% and 30% respectively in the previous year.

Imports for processing into manufactured dairy products represented 87% of these imports while imports for processing and packing for liquid consumption in the State represented 13%.

Milk imports for liquid consumption (including packaged liquid milk imports) amounted to 112 million litres, of which 55% were milk imports for processing and 45% were liquid milk imports in packaged form, representing an increase of 8 million litres or 8% on the import volumes in the previous year.

The market share of milk imports for liquid consumption, both bulk and packaged, increased to 19% of the domestic market for fresh milk compared with 18% in the previous year.

## Dairy Sector

While domestic milk supplies of 5,090 million litres in 2007 were approximately the same as in 2006 the number of active milk producers fell by almost 8% to 20,192 and the average annual milk supplies per producer increased to 252,000 litres.

Producer prices for manufacturing milk supplies increased by average monthly increments of approximately 2 c/litre between April and September to approximately 37 c/litre and remained at that level until year end. The average producer price for manufacturing milk in 2007 is estimated to have increased by 6.8 c/litre or 27% to 32.1 c/litre.

Higher producer milk prices offset the adverse impact of substantially higher input costs for feed, fertiliser, energy and labour, resulting in one of the best years ever for Irish dairy farmers.

Due to the higher costs of all year round milk production and the timing of milk price increases, most registered milk producers have experienced lower relative margins.

The fourth phase of the EU dairy premium payment to compensate for the reduction in intervention support prices, amounting to 3.65 c/litre, was incorporated in the Single Farm Payment, which was paid to all eligible recipients in October and December.

## Financial

The Agency's total income last year amounted to €633,339, an increase of €19,191 or 3% on the previous year. Income from milk levies of €584,881, which represented 92% of total income, increased by €1,517 or less than 1% while other income increased by €17,674 or 57%.

Operating costs of €626,311 increased by €17,546 or 3%. Personnel and related costs, representing 72% of total costs, increased by €17,606 or 4% while other cash costs decreased by €766.

The excess of income of €633,339 over costs of €626,311 resulted in an operating surplus of €7,028, which increased the Accumulated Fund to €720,906 at year end.

The Accumulated Fund of €720,906 at year end was comprised of cash and deposits (net of creditors and superannuation liabilities) of €610,263, debtors of €105,762 and fixed assets of €4,881.

## Agency Membership/Meetings

During the year the Agency held seven meetings and the attendance ratio was 87%.

The Audit Committee held three meetings during the year.

## Compliance

The Agency has complied fully with the requirements of the Code of Practice for the Governance of State Bodies.

The Agency has complied with the requirements of the Prompt Payment of Accounts Act, 1997 to pay all invoices within 30 days of receipt of invoice.

## Conclusion

The Agency appreciates the assistance and cooperation received during the year from liquid milk processors and the representative bodies of producers, processors, consumers, retailers and distributors.

The support and advice received from officials of the Department of Agriculture, Fisheries & Food and from State Agencies are also very much appreciated

On my own behalf, I thank the members of the Agency, for their contributions and wise counsel and Muiris and the Agency's staff for their work and commitment.

**Denis Murphy**  
*Chairman*

### Chairman



*Denis Murphy\**

### Producers' Representatives



*Eamonn Bray\**



*Cormac Guinan*



*Donal Kelleher*



*Padraig Mulligan*



*Donal Murphy*

### Processors' Representatives



*George Kearns\**



*John O'Callaghan*



*Tony O'Driscoll*



*Frank Tobin*

### Consumers' Representatives



*Richard Donohue\**



*Michael Kilcoyne*

### Distributors' Representative



*Walter Maloney*

### Retailers' Representative



*John Foster*



<b>Chairman:</b>	Denis Murphy*
<b>Producers' Representatives:</b>	Eamonn Bray* Cormac Guinan Donal Kelleher Padraig Mulligan Donal Murphy
<b>Processors' Representatives:</b>	George Kearns* John O'Callaghan Tony O'Driscoll Frank Tobin
<b>Consumers' Representatives:</b>	Richard Donohue* Michael Kilcoyne
<b>Distributors' Representative:</b>	Walter Maloney
<b>Retailers' Representative:</b>	John Foster
	<i>* Members of the Audit Committee</i>

<b>Chief Executive:</b>	Muiris Ó Céidigh
<b>Secretary:</b>	Joan Shannon
<b>Office:</b>	IPC House, 35/39 Shelbourne Road, Ballsbridge, Dublin 4.
<b>Email:</b>	natmilk@eircom.net
<b>Solicitor:</b>	Frank Mulvey Frank Mulvey Solicitors, Morrison Chambers, 32 Nassau Street, Dublin 2.
<b>Bankers:</b>	<b>Allied Irish Banks plc</b> Bankcentre Branch, Ballsbridge, Dublin 4.  <b>Bank of Scotland (Ireland) Ltd</b> Bank of Scotland House, 124-127 St. Stephen's Green, Dublin 2.
<b>Auditor:</b>	<b>Deloitte &amp; Touche</b> Deloitte & Touche House, Earlsfort Terrace, Dublin 2.



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**Muiris Ó Céidigh**  
Chief Executive

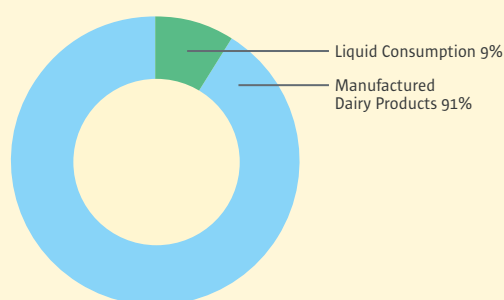
## 1. MILK SUPPLIES

### 1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers of 5,090 million litres in 2007 were approximately the same as in 2006. The number of active milk producers fell by 8% to 20,197. Average annual milk supplies per producer increased by 9% to 252,000 litres.

91% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 9% of supplies were processed for liquid consumption on the domestic market.

**FIG. 1.0** UTILISATION OF DOMESTIC MILK SUPPLIES 2007



Domestic milk supplies continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 78% of milk supplies being supplied in the seven months of March to September and 22% in the five months of October to February inclusive.

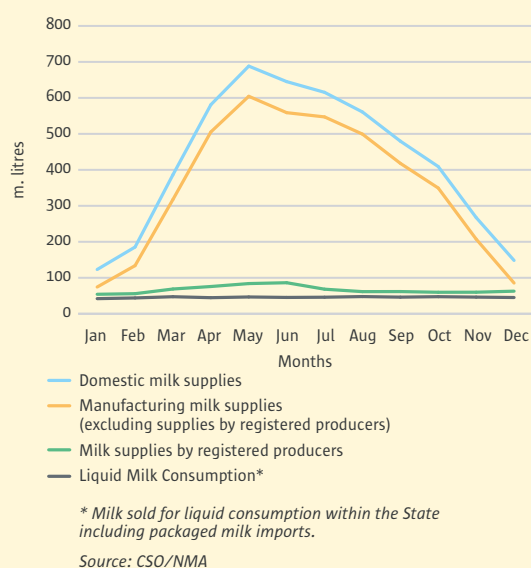
The domestic milk supply profile had a peak to trough month ratio of 5.6/1, which was comprised of a peak to trough month ratio of 8.2/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from liquid milk producers.

**TABLE 1.1** SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2007	2006	2005	2004	2003	2002
Peak to trough months' ratios						
Manufacturing	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.8	1.8	1.8	1.8	1.9	2.0
Total	5.6	5.7	5.5	5.5	5.6	6.1

Source: DAF/CSO

**FIG. 1.2** DOMESTIC MILK SUPPLIES, MANUFACTURING MILK SUPPLIES, MILK SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2007

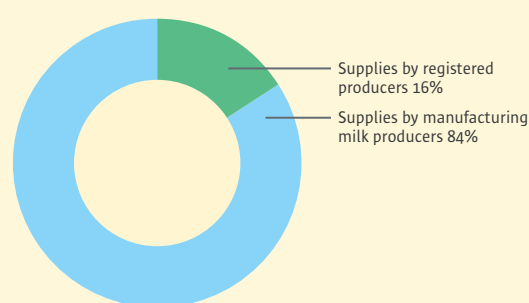


### 1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,169 active, registered, producers (including producers without registered contracts in 2006/07) amounted to 794 million litres (Appendix 4 – Table A), a decrease of 22 million litres or 3% on supplies in 2005/06. Supplies for processing for liquid consumption amounted to 462 million litres (58% of total supplies by liquid milk producers) while supplies for processing into manufactured dairy products amounted to 331 million litres (42% of total supplies).

Registered milk producers are a significant grouping in the domestic milk supply sector representing 11% of all producers and supplying 16% of domestic milk supplies. They supply not only the all year round milk requirements for liquid milk consumption but also 7% of domestic manufacturing milk supplies.

**FIG. 1.3 DOMESTIC MILK SUPPLIES 2007**



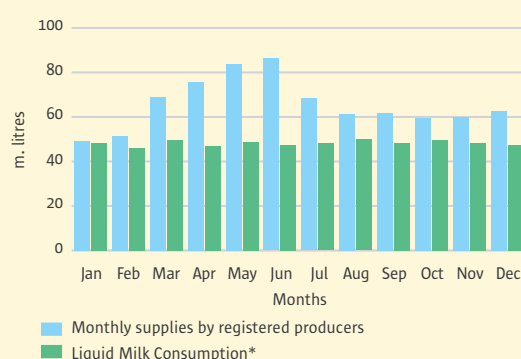
The average registered producer in 2006/07 had annual supplies of 366,000 litres compared with average supplies for all milk producers of 252,000 litres.

### 1.3 Winter Milk Supplies

In the five prescribed winter months of October 2006 to February 2007 total milk supplies by active, registered, producers amounted to 273 million litres the same as in 2005/06, which, compared with liquid milk consumption (including imports) of 238 million litres, provided a supply cover of 115%.

In the months of December 2006 and January 2007, total supplies by active registered producers amounted to 109 million litres and were 13 million litres in excess of liquid milk consumption (including imports) of 96 million litres in those months, a supply cover of 114%.

**FIG. 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS V LIQUID MILK CONSUMPTION 2007**



\* Milk sold for liquid consumption within the State, including packaged milk imports.

Source: CSO/NMA

### 1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 473 million litres, a decrease of 93 million litres or 16% on 2006.

**TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2007**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
millions of litres												
<b>Supplies</b>	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	4,973	4,944	5,105	5,144
<b>Imports (bulk)</b>	473	566	550	377	349	278	209	304	361	282	16	–
<b>Imports %</b>	9	11	11	7	7	5	4	6	7	6	–	–

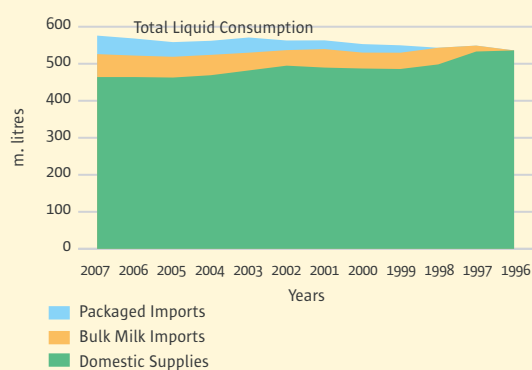
**TABLE 1.6** BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2007

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres											
<b>Bulk</b>	62	58	55	55	48	42	50	43	44	45	16	–
<b>Packaged</b>	50	46	40	38	41	26	24	23	20	–	–	–
<b>Total Imports</b>	<b>112</b>	<b>104</b>	<b>95</b>	<b>93</b>	<b>89</b>	<b>68</b>	<b>74</b>	<b>66</b>	<b>64</b>	<b>45</b>	<b>16</b>	–

Bulk milk imports, which do not include packaged liquid milk imports of 50 million litres, were mainly cross border movements of milk into the State from Northern Ireland and in 2007 were equivalent to 9% of domestic supplies and to 25% of Northern Ireland's annual milk supplies.

Imports for processing into manufactured dairy products represented 87% of these imports while bulk milk imports for processing for liquid consumption represented 13% compared with 90% and 10% respectively in the previous year.

Total milk imports for liquid consumption both bulk and packaged amounted to 112 million litres, an increase of 8 million litres or 8%, on the import volumes in the previous year.

**FIG 1.7** MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2007**TABLE 1.8** LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres											
<b>Consumption</b>	577	568	559	556	571	563	564	553	549	543	533	536
<b>Domestic supplies</b>	465	464	464	463	482	495	490	487	485	498	517	536
<b>Total Imports</b>	112	104	95	93	89	68	74	66	64	45*	16*	0
<b>Domestic Supplies % Consumption</b>	81	82	83	83	84	88	87	88	88	91	97	100
<b>Imports % Consumption</b>	19	18	17	17	16	12	13	12	12	9	3	0

Source: CSO/NMA

\* Packaged imports not included and not available.

Bulk milk imports of 62 million litres represented 55% of imports for processing for liquid consumption, an increase of 7% on the previous year.

Imports of packaged liquid milk from Northern Ireland, mainly for discount retailers, represented 45% of imports for liquid consumption and were estimated at 50 million litres. Imports supplied almost all the increase in domestic fresh milk consumption in 2007 and the market share of domestic supplies fell to 81% from 82% in 2006.

Since 1996 domestic milk supplies to the liquid milk market have reduced by 71 million litres or 13%. The market share of domestic supplies in the liquid milk market has fallen from 100% to 81% while the market share of imports has grown from zero to 19%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 523 million litres in 2007, a decrease of 89 million litres or 15%.

Exports of skim milk, whole milk and cream from processors in the State to Northern Ireland amounted to 57 million litres in 2007, an increase of 15 million litres or 36% on the previous year.



## 1.5 Northern Ireland – Milk Supplies/ Milk Prices

Domestic milk supplies in Northern Ireland in 2007 amounted to 1,918 million litres an increase of 16 million litres or 0.6% on the previous year and were supplied by 3,619 dairy farmers. Milk supplies in Northern Ireland in 2007 were equivalent to 38% of domestic milk supplies in the State.

**TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2007**

	Republic of Ireland	Northern Ireland
<b>Total Supplies – m litres</b>	5,090	1,918
<b>Average Butterfat %</b>	3.79	3.96
<b>Average Protein %</b>	3.32	3.24
<b>Peak month/trough month ratio</b>	5.6	1.5
<b>Suppliers – number</b>	20,197	3,619
<b>Average supplies per supplier – litres</b>	252,000	530,000

Average annual milk supplies per supplier in NI in 2007 were 530,000 litres, which were more than double the average milk supplies per supplier of 252,000 litres in the State. Average milk supplies by registered milk producers in the State were 366,000 litres in 2006/07.

The annual milk supply pattern in NI continues to differ significantly from the State. Milk supplies are available on an all year round basis with a peak to trough month ratio of 1.5/1 in 2007 compared with 5.6/1 in the State.

FIG 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2007

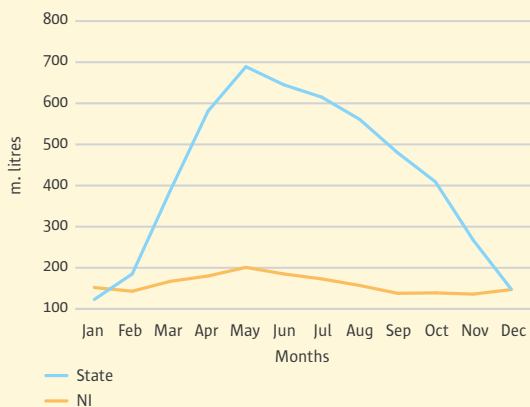


TABLE 1.11 NI MILK SUPPLIES 1993-2007

	MILK SUPPLIES	
	m. litres	Index
1993	1,309	100
2002	1,764	135
2003	1,772	135
2004	1,776	136
2005	1,865	142
2006	1,902	145
2007	1,918	147

Source: DARDNI

Since 1993, annual milk supplies in NI have increased by 609 million litres or 47% due to the purchase and transfer of additional milk quotas from other parts of the UK.

In 2007, 526 ml or 27% of the annual milk supply were exported as raw milk compared with 31% in 2006. 90% of these raw milk exports were to the State.

Last year 15% of annual milk supplies in NI were utilised for processing for liquid consumption compared with 9% in the State.

30% of milk supplies in Northern Ireland are traded by auction and an estimated additional 30% of milk supplies are traded at prices based on auction prices.

The average annual auction price in 2007 was 24.31 p/l (35 c/l), an increase of 6.4 p/l (9.2 c/l) or 39% on the previous year.

The average annual net price to producers in NI for all year round milk supplies in 2007 was 21.8 p/l (31.9 c/l), an increase of 5 p/l (7.3 c/l) or 30% on the previous year.

The Northern Ireland average annual net milk price for producers of 31.9 c/l (net of collection charges) in 2007 was slightly lower than the estimated average annual milk price for manufacturing milk supplies of 32.13 c/l in the State.





## 2. THE LIQUID MILK MARKET

National consumption of fresh liquid milk in 2007 was 577 million litres (127 million gallons), an increase of 9 million litres or 1.6% on consumption in 2006. Per capita consumption in the State of 0.4 litres per day was the third highest in the EU.

The fresh milk market is the largest consumer market for milk and milk products in the State.

Fresh milk is a value for money product and is recognised as such by consumers. The price of milk has fallen in real terms and in comparison with other food products. Since 1995 the consumer price index has increased by 47% and the food price index by 42% while the average annual retail price of whole milk in 1 litre packs has increased by 18%. In real terms the average annual retail price of 1 litre of milk has fallen by 20% since 1995.

Discounted own label milk in 2 litre packs in multiples in 2007 was selling at an equivalent price per litre, which was 16% less in nominal terms and 43% less in real terms, than the retail price of fresh milk in 1995.

The producers' share of the annual retail price of milk has fallen from 42% in 1995 to 39% in 2007.

Last year sales of whole milk, which accounted for 71% of fresh milk sales, declined by 2% while sales of low fat and skimmed milks increased by 9% to 29% of sales. In the UK the fresh milk product profile is different as in excess of 77% of milk sales are comprised of lowfat and skimmed milks.

**TABLE 2.0 CONSUMER PRICE INDEX/FOOD PRICE INDEX/RETAIL MILK PRICE INDEX**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Consumer Price Index</b>	147	140	135	132	129	124	119	113	107	106	103	102	100
<b>Food Price Index</b>	142	134	132	133	133	129	123	116	112	108	104	102	100
<b>Retail Milk Price Index</b>	<b>118</b>	<b>110</b>	<b>110</b>	<b>110</b>	<b>112</b>	<b>110</b>	<b>108</b>	<b>105</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>100</b>

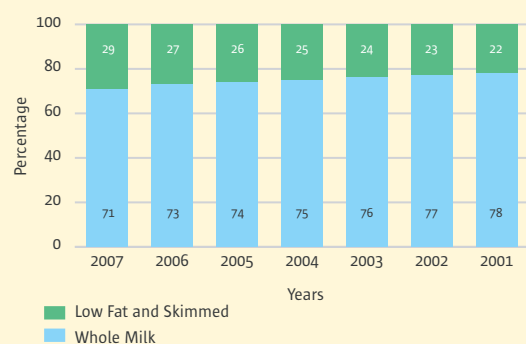
Source: CSO/NMA

**TABLE 2.1 RETAIL MILK PRICES – 1 LITRE PACK/PRODUCERS SHARE OF RETAIL MILK PRICE**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
<b>Annual * Retail Price</b>	91	85	85	85	86	85	83	81	80	80	80	80	77
<b>Producer Price % Retail</b>	<b>39%</b>	<b>36%</b>	<b>37%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>	<b>41%</b>	<b>41%</b>	<b>42%</b>

Source: CSO/NMA

\* Excludes doorstep deliveries.

**FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2006**

Source: CSO

### Retail Market

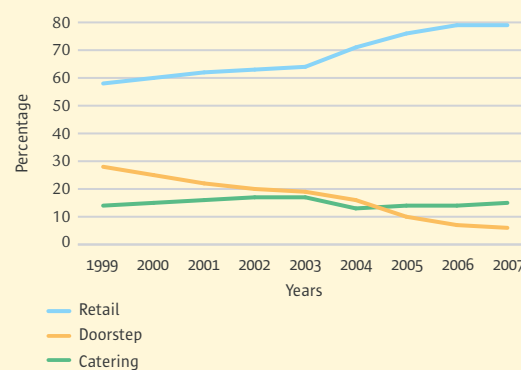
The process of retail consolidation continued in 2007 with the three largest multiple groups having a 70% share of the Irish grocery market.

**TABLE 2.3 GROCERY MARKET SHARES**

	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%
Tesco	26	26	26	25	23	24
Dunnes	24	22	22	22	21	22
SuperValu	20	21	20	19	19	19
Superquinn	8	8	8	9	8	9
Lidl/Aldi	7	6	6	5	6	2
Centra	2	2	2	3	3	3
Spar	2	2	2	3	3	2
All others	11	13	14	14	17	19
Total	100	100	100	100	100	100

Source: RGDATA

Retailers and particularly the larger multiples continued to grow in importance as distribution channels for liquid milk with retailers now distributing 79% of liquid milk, while doorstep deliveries has fallen to 6% and catering has increased to 15%.

**FIG. 2.4 MARKET SHARES 1999-2007**

Source: Industry Estimate

In the Irish fresh milk market an estimated 50% of milk sales in retail multiples is now sold as own label. Own label whole milk in 2 litre packs in December 2007 was being retailed at a discount of 30% on processors' branded milk. In the UK 95% of fresh milk is now retailed as own label.

## 3. REGISTERED CONTRACTS/PRICES

### 3.0 Contract Types

**Table 3.0** CONTRACT TYPES

Milk Years	Total Contracts	All Year Round	Winter
1995/96	3,344	3,206	138
1996/97	3,284	3,151	133
1997/98	2,908	2,783	125
1998/99	2,833	2,709	124
1999/00	2,762	2,642	120
2000/01	2,837	2,725	112
2001/02	2,720	2,620	100
2002/03	2,736	2,583	153
2003/04	2,656	2,510	146
2004/05	2,336	2,199	137
2005/06	2,282	2,104	178
2006/07	2,079	1,908	171

Register of Contracts at 31 December in each year. The Register of Contracts is maintained as an open register. Processors and Producers can register contracts in respect of individual milk years. Contracts continue to be registered throughout the year. For Register of Producers see Appendix 2.

- The number of registered milk supply contracts decreased to 2,079, a reduction of 203 contracts or 2% on the previous year.
- 286 contracts were not renewed and 83 new contracts were entered into with 8 processors.

- All Year Round (AYR) contracts continued to be the main contract type representing 92% of contracts and 98% of milk supplies.
- Winter contract represented 8% of all contracts and 2% of milk supplies.
- The number of All Year Round (AYR) contracts decreased by 196 to 1,908 or 9% while the number of Winter contracts decreased by 7 contracts to 171.

### 3.1 Contract Pricing Systems

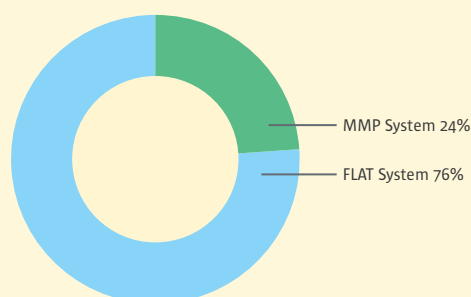
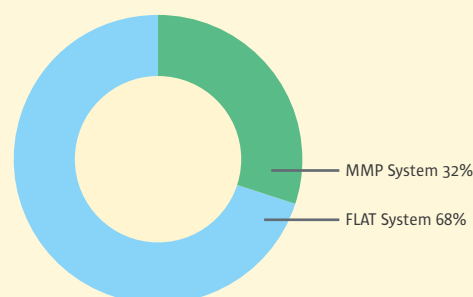
- Two systems of milk pricing are used by processors when purchasing milk from producers for processing for liquid consumption namely the FLAT Price System (FLAT System) and the Manufacturing Milk Price plus Bonus System (MMP System).
- Under the FLAT System, milk is paid for at a flat price per litre with no price differentiation for milk constituents.
- Under the MMP System, a milk price linked to monthly manufacturing milk prices, usually with price differentials for constituents, is paid with the addition of variable or fixed winter bonus payments.
- In the AYR contracts the FLAT System was applied in 76% of the contracts and to 68% of the milk supplies while the MMP+ System was applied in 24% of the contracts and to 32% of the milk supplies.

**Table 3.1** CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE

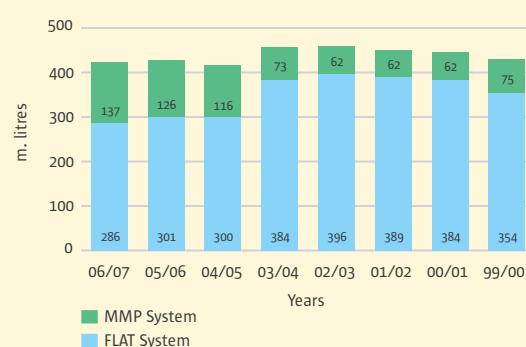
	Contracts				Supplies			
	2006/07		2005/06		2006/07		2005/06	
	number	%	number	%	m. litres	%	m. litres	%
All Year Round	1,908	92	2,104	92	423.1	98	427.4	97
Winter	171	8	178	8	9.2	2	11.3	3
Total	2,079	100	2,282	100	432.3	100	438.7	100

**Table 3.2** ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2006/07		2005/06		2006/07		2005/06	
FLAT SYSTEM	number	%	number	%	m. litres	%	m. litres	%
Primary	1,160	61	1,283	61	235.5	56	250.3	58
Non Primary	288	15	306	15	50.8	12	50.7	12
<b>TOTAL FLAT</b>	<b>1,448</b>	<b>76</b>	<b>1,589</b>	<b>76</b>	<b>286.2</b>	<b>68</b>	<b>301.0</b>	<b>70</b>
<b>MMP SYSTEM</b>	460	24	515	24	136.8	32	126.4	30
<b>TOTAL</b>	<b>1,908</b>	<b>100</b>	<b>2,104</b>	<b>100</b>	<b>423.0</b>	<b>100</b>	<b>427.4</b>	<b>100</b>

**Fig. 3.3** PRICING SYSTEMS/CONTRACTS**FIG. 3.4** PRICING SYSTEMS/MILK SUPPLIES

- Under the AYR contracts the 1,160 Primary Contracts, which operated a FLAT System with seven winter premium months, were the main contract type and represented 61% of AYR contracts and 56% of milk purchased.
- Non Primary AYR contracts, which operated a FLAT System with varying premium months, numbered 288 and represented 15% of AYR contracts and 12% of milk purchased.
- Increasing volumes of milk are being purchased under the MMP System. In 2006/07 the MMP System was applied in 24% of the AYR contracts and 32% of milk supplies compared with 15% of AYR contracts and 9% of milk supplies in 1995/96 (Appendix 2, Tables C and D).

**FIG. 3.5** AYR CONTRACTS – PRICING SYSTEMS/SUPPLIES 1999/00 - 2006/07

**TABLE 3.6** ALL YEAR ROUND CONTRACTS – AVERAGE ANNUAL PRICES PAID

Year	2006/07	2005/06
<b>FLAT SYSTEM</b>	<b>1,448 contracts</b> <b>286.2 m. litres</b>	<b>1,589 contracts</b> <b>301 m. litres</b>
	<b>c/litre</b>	<b>c/litre</b>
Winter months, September-March (7)	34.57	34.38
Summer months, April-August (5)	28.81	26.46
<b>Annual Average</b>	<b>32.25</b>	<b>31.12</b>
<b>MMP SYSTEM</b>	<b>460 contracts</b> <b>136.8 m. litres</b>	<b>515 contracts</b> <b>126.4 m. litres</b>
Winter months, September-March (7)	32.77	31.78
Summer months, April-August (5)	30.75	25.26
<b>Annual Average</b>	<b>31.85</b>	<b>29.12</b>
<b>COMBINED</b>	<b>1,908 contracts</b> <b>423.0 m. litres</b>	<b>2,104 contracts</b> <b>427.4 m. litres</b>
Winter months, September-March (7)	34.03	33.61
Summer months, April-August (5)	29.49	26.11
<b>Annual Average</b>	<b>32.11</b>	<b>30.56</b>

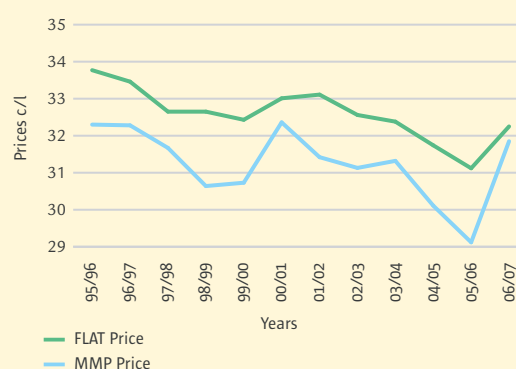
Prices are in respect of AYR contracts which apply the FLAT System and the MMP System and are ex farm attainable prices, exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties, statutory levies and collection charges. Prices are weighted by monthly volumes purchased. In the case of contracts applying the MMP System, prices are based on fixed and variable manufacturing prices with winter bonuses added. Payment periods have been standardised to a seven winter months premium period and a five summer months period.

- Nine processors purchased supplies under AYR FLAT System contracts.
- The average price paid under the AYR FLAT System contracts in 2006/07 was 32.25 c/l (146 c/g) an increase of 1.13 c/l (5 c/g) on the previous year.
- The average price paid under the All Year Round MMP System contracts in 2006/07 was 31.85 c/l (145 c/g), an increase of 2.73 c/l (12.4 c/g) on the previous year.
- The average annual price paid under all AYR contracts in 2006/07 was 32.11 c/l (146 c/g), an increase of 1.55 c/l (7 c/g) or 5% on the previous year.
- The price paid during the seven winter months was 34.03 c/l (155 c/g), an increase of 0.42 c/l (2 c/g) on the previous year. The price paid during the five summer months was 29.49 c/l (134 c/g), an increase of 3.38 c/l (1.54 c/g) on the previous year.

### 3.2 Prices Paid – AYR Contracts

- The sequence of monthly increases in the prices for manufacturing milk supplies from April to October 2007 and the time lag in the adjustment of prices under the FLAT System, resulted in the differential between prices paid under the FLAT System and prices paid under the MMP System reducing to 0.4 c/l (1.8 c/g) in 2006/07 compared with 2 c/l (9 c/g) in 2005/06.
- A table of the average annual milk prices paid under the ten highest volume AYR contracts representing 91% of the AYR contracts and 91% of AYR milk supplies is set out hereunder.

**Fig. 3.7 AYR CONTRACTS – AVERAGE ANNUAL FLAT AND MMP PRICES**



See Appendix 3, Table A.

**Table 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 10 HIGHEST VOLUME CONTRACTS**

FLAT SYSTEM CONTRACTS	Annual Average Prices		Winter Prices		Summer Prices		Change in Annual Average Prices
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	Increases
PRIMARY TYPE	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	32.35	30.80	34.04	32.90	30.14	28.02	1.55
D	32.32	30.88	34.26	34.53	28.11	25.78	1.44
F	32.06	31.34	34.63	34.83	28.20	26.29	0.72
NON PRIMARY TYPE							
D	35.15	32.01	37.20	34.83	30.72	26.24	3.14
J	33.13	31.38	34.73	33.43	30.70	28.16	1.75

MMP SYSTEM CONTRACTS	Annual Average Plus Bonus		Annual Average – Monthly Bonus		Base Prices		Annual Changes
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	30.76	28.93	2.46	3.74	28.30	25.19	1.83
B1	32.98	29.35	4.24	4.25	28.74	25.10	3.63
B2	32.64	30.41	4.87	3.24	27.77	27.17	2.23
C2	32.58	30.32	4.57	4.93	28.01	25.39	2.26
C3	31.61	28.42	2.65	2.76	28.96	25.66	3.19

Contract reference codes relate to Tables 5.6, 5.7 and 5.8 in 2005 Annual Report.

### 3.3 Winter Contracts – Prices Paid

**Table 3.9** WINTER CONTRACTS/PRICES

	Contracts		Milk Supplies		2006/07	2005/06
Pricing System	numbers	%	numbers	%	Average Price – Winter Months	Average Price – Winter Months
					c/litre	c/litre
MMP System	115	67	7.2	78	36.35	34.83
FLAT System	56	33	2.0	22	34.83	33.87
<b>Average</b>	<b>171</b>	<b>100</b>	<b>9.2</b>	<b>100</b>	<b>36.02</b>	<b>34.54</b>

Under the Winter contracts, a producer undertakes to supply milk for processing for liquid consumption during some or all of the prescribed winter months (October to February). The 171 winter contracts applied to 9.2 m/l and represented 8% of all contracts and 2% of milk supplies.

### 3.4 All Registered Contracts – Annual Average Prices Paid

The average price paid under all contracts, both All Year Round and Winter Months Only was 32.20 c/l (146 c/g), an increase of 1.57 c/l (7 c/g) or 5% on the previous year.

**Table 3.10** PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

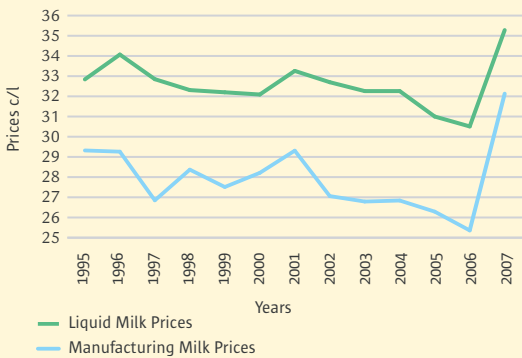
Period	2006/07	2005/06
	<b>2,079 Contracts</b> <b>432.3 m litres</b>	<b>2,282 Contracts</b> <b>438.7 m litres</b>
	c/litre	c/litre
<b>Winter Months, September-March (7)</b>	34.09	33.65
<b>Summer Months, April-August (5)</b>	29.49	26.11
<b>Average</b>	<b>32.20</b>	<b>30.63</b>
<b>c/g</b>	146	139

*Prices are in respect of both AYR and Winter contracts utilising the FLAT System and the MMP System and are ex farm attainable prices exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties, statutory levies and collection charges. Prices are weighted by monthly volumes purchased. Payment periods on all contracts are standardised to a seven winter months premium period and a five summer months period.*

### 3.5 Annual Liquid Milk Prices and Manufacturing Prices

- In the calendar year 2007 which includes the first three months of the milk year 2007/08, the annual average price paid under all contracts was 35.28 c/l (160 c/g), an increase of 4.77 c/l (22 c/g) or 16% on the price of 30.51 c/l (139 c/g) paid in 2006.
- The differential between the annual producer price for milk supplies for liquid consumption and the average producer price for manufacturing milk supplies, after collection charges, was 3.15 c/l (14 c/g) in 2007
- A schedule showing the changes in the annual differential between average annual milk prices for supplies for liquid consumption and for manufacturing supplies since 1995 is set out in the Appendix 3 (Table B).

FIG. 3.11 AVERAGE ANNUAL PRODUCER MILK PRICES – LIQUID MILK/MANUFACTURING MILK 1995-2007





## 4. PROCESSORS

**Table 4.0** STRUCTURE OF ACTIVE REGISTERED PRODUCERS BY PROCESSORS' SUPPLY BANDS 2006/07

Milk Supply Bands	Number of Processors	Active Registered Producers		Annual Supplies	
m. litres		number	%	m. litres	%
<b>0-20</b>	11	363	17	63	14
<b>20-60</b>	2	227	10	48	10
<b>Over 60</b>	2	1,579	73	352	76
<b>TOTAL</b>	<b>15</b>	<b>2,169</b>	<b>100</b>	<b>463</b>	<b>100</b>

As at 31st December 2007.

\* Includes supplies from all registered producers supplying milk for heat treatment for liquid consumption.

- The industry structure is highly concentrated. Two processors with annual milk supplies in excess of 60 million litres account for 73% of all active producers and 76% of domestic milk supplies for liquid consumption.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State was 21, including one plant which processes UHT milk and of which 19 plants were operated by the 15 processors registered with the Agency while two plants were operated by processors, who were not registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) are not registered with the Agency. These processors import all their supplies of milk for processing for liquid consumption.
- Average annual milk supplies (excluding UHT milk) processed per plant, were 26 million litres in 2007.

## APPENDIX 1

### MEETINGS OF THE AGENCY

Members	Meetings Attended 2007
Denis Murphy – Chairman	7
Eamonn Bray	6
Cormac Guinan	7
Donal Kelleher	4
Padraig Mulligan	7
Donal Murphy	6
George Kearns <sup>1</sup>	7
John O'Callaghan <sup>1</sup>	5
Tony O'Driscoll <sup>1</sup>	7
Frank Tobin <sup>2</sup>	3/5
Walter Maloney <sup>1</sup>	7
John Foster <sup>1</sup>	7
Richard Donohue <sup>1</sup>	7
Michael Kilcoyne <sup>1</sup>	5

<sup>1</sup> Re-appointed 8th May 2007.

<sup>2</sup> Appointed 8th May 2007.

The Agency held seven meetings during the year and the attendance ratio was 88%

The Chairman and Chief Executive held four meetings with Department of Agriculture, Fisheries and Food officials, and provided updates on developments in the liquid milk sector and on the regulation of the supply of milk for processing for liquid consumption.

The Agency, through its executive, has regular contact with representatives of Teagasc, the National Dairy Council, the National Dairies Association, the Irish Farmers Association, the Irish Creamery Milk Suppliers Association and other groups and organisations.

The Agency sought the advices of expert economists on different aspects of the liquid milk sector during the year.

The Agency has nominated Mr Eamonn Bray as its representative on the Board of the National Dairy Council.

The Audit Committee consisting of four members, Eamonn Bray (Chairman), George Kearns, Richard Donohue and Denis Murphy held three meetings during the year.

## APPENDIX 2

## REGISTER OF PRODUCERS/MILK SUPPLIES

TABLE A REGISTER OF PRODUCERS

Year	Registered Producers	De-registered Producers	New Producers
1995/96	3,360	2	2,472
1996/97	3,344	57	41
1997/98	3,300	142	98
1998/99	3,181	129	10
1999/00	3,209	66	94
2000/01	3,359	25	175
2001/02	3,093	282	16
2002/03	3,133	58	98
2003/04	2,716	486	69
2004/05	2,575	194	53
2005/06	2,492	141	58
2006/07	2,520	12	40

Register of Producers as at 31 December in each year. Producers remain on the Register until the Agency is notified that producers have permanently ceased to supply milk for the processing for liquid consumption. Some producers, who do not have registered contracts, remain on the Register until such notifications are received.

TABLE B REGISTERED MILK SUPPLIES BY CONTRACT TYPES

Milk Year	Total	All Year Round	Winter Months Only
	m. litres	m. litres	m. litres
1995/96	497.3	488.4	8.9
1996/97	474.6	467.3	7.3
1997/98	434.6	427.3	7.3
1998/99	433.2	426.4	6.8
1999/00	436.9	428.7	8.2
2000/01	452.6	446.1	6.5
2001/02	458.7	451.6	7.1
2002/03	468.1	458.0	10.1
2003/04	465.5	457.4	8.1
2004/05	425.7	416.3	9.4
2005/06	438.7	427.4	11.3
2006/07	432.3	423.1	9.2

TABLE C ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

Pricing Systems – Contracts

Milk Year	Total Contracts	FLAT	MMP	% FLAT	% MMP
1995/96	3,206	2,735	471	85	15
1996/97	3,151	2,696	455	86	14
1997/98	2,783	2,410	373	87	13
1998/99	2,708	2,291	418	85	15
1999/00	2,642	2,269	373	86	14
2000/01	2,725	2,375	350	87	13
2001/02	2,620	2,282	338	87	13
2002/03	2,583	2,239	344	87	13
2003/04	2,510	2,075	435	83	17
2004/05	2,199	1,686	513	77	23
2005/06	2,104	1,589	515	76	24
2006/07	1,908	1,448	460	76	24

TABLE D ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

Pricing Systems – Milk Supplies

Milk Year	Total Supplies	FLAT	MMP	% FLAT	% MMP
1995/96	488.4	443.6	44.8	91	9
1996/97	467.3	395.5	72.7	85	16
1997/98	427.3	364.6	62.3	85	15
1998/99	426.4	350.0	76.4	82	18
1999/00	428.7	353.7	75.0	83	17
2000/01	446.1	383.6	62.5	86	14
2001/02	451.6	389.5	62.1	86	14
2002/03	458.0	396.4	61.6	87	13
2003/04	457.4	384.3	73.1	84	16
2004/05	416.3	300.0	116.3	72	28
2005/06	427.4	301.0	126.4	70	30
2006/07	423.1	286.2	136.8	68	32

## APPENDIX 3

### PRICE DIFFERENTIALS

**TABLE A ALL YEAR ROUND CONTRACTS – 1995/96 TO 2006/07 –  
PRICE DIFFERENTIALS BETWEEN FLAT SYSTEM AND MMP SYSTEM**

	AYR Contracts				Price Differential	
Year	Average FLAT Prices		Average MMP Prices		FLAT Price v MMP Price	
	c/l	c/g	c/l	c/g	c/l	c/g
1995/96	33.77	153.5	32.30	146.8	1.47	6.7
1996/97	33.46	152.1	32.28	146.8	1.18	5.4
1997/98	32.65	148.4	31.67	143.9	0.98	4.5
1998/99	32.65	148.4	30.64	139.3	2.01	9.1
1999/00	32.43	147.4	30.73	139.7	1.70	7.7
2000/01	33.01	150.0	32.36	147.1	0.65	2.9
2001/02	33.11	150.5	31.42	142.8	1.69	7.7
2002/03	32.56	148.0	31.13	141.5	1.43	6.5
2003/04	32.38	147.2	31.32	142.4	1.06	4.8
2004/05	31.74	144.3	30.11	136.9	1.63	7.4
2005/06	31.12	141.5	29.12	132.4	2.00	9.1
2006/07	32.25	146.6	31.85	144.8	0.40	1.8

**TABLE B AVERAGE ANNUAL PRODUCER MILK PRICES – 1995-2007  
LIQUID/MANUFACTURING PRICE DIFFERENTIALS**

Calendar Year	Prices – Liquid		Prices – Manufacturing*		Price Differential	
	c/l	c/g	c/l	c/g	c/l	c/g
1995	32.84	149.3	29.32	133.3	3.52	16.0
1996	34.07	154.9	29.26	133.0	4.81	21.9
1997	32.85	149.3	26.85	122.1	6.00	27.3
1998	32.31	146.9	28.37	129.0	3.94	17.9
1999	32.20	146.4	27.51	125.1	4.69	21.3
2000	32.09	145.9	28.21	128.2	3.88	17.6
2001	33.26	151.2	29.31	133.2	3.95	18.0
2002	32.70	148.7	27.06	123.0	5.64	25.6
2003	32.26	146.7	26.79	121.8	5.47	24.9
2004	32.26	146.7	26.84	122.0	5.42	24.6
2005	31.00	140.9	26.29	119.5	4.71	21.4
2006	30.51	138.7	25.36	115.3	5.15	23.4
2007	35.28	160.4	32.13	146.0	3.15	14.3

\* net of collection charges.

## APPENDIX 4

### STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A

Annual Supply Bands	Active Registered Producers*	Total Supplies		Supplies for Liquid Consumption		Supplies for Manufacturing		Average Supplies for Liquid		% of Active Registered Producers		% of Total Supplies		% of Liquid Supplies		Liquid Supplies % Total Supplies	
		m. litres		m. litres		m. litres		'000s litres									
litres	number	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06
<49,999	161	166	3.3	3.5	2.2	2.4	1.1	1.0	14	15	7	7	-	-	1	67	70
50,000-99,999	144	166	10.9	12.3	6.7	8.7	4.2	3.6	47	52	7	7	1	2	2	62	71
100,000-149,999	136	161	17.0	20.1	9.4	11.9	7.6	8.2	69	74	6	7	2	2	3	55	59
150,000-199,999	173	206	30.4	36.3	17.0	18.7	13.4	17.5	98	91	8	9	4	4	4	56	52
200,000-249,999	195	262	44.0	59.1	23.6	33.4	20.4	25.7	121	127	9	11	6	7	7	54	56
250,000-299,999	209	265	57.4	73.6	32.5	39.8	24.9	33.9	156	150	10	11	7	9	8	57	54
300,000-349,999	214	219	69.3	71.2	38.3	36.9	31.1	34.4	179	168	10	9	9	8	8	55	52
350,000-399,999	176	193	65.9	72.0	34.9	36.8	31.0	35.2	198	191	8	8	8	9	8	53	51
400,000-449,999	162	172	68.4	73.0	37.7	40.0	30.7	32.9	233	233	7	7	9	9	9	55	55
450,000-499,999	129	113	60.9	53.4	34.5	31.7	26.4	21.7	268	281	6	5	8	7	7	57	59
500,000-599,999	161	161	87.9	88.2	53.0	52.1	34.9	36.0	329	324	7	7	11	11	11	60	59
600,000-699,999	104	74	67.1	47.8	38.8	31.2	28.3	16.7	373	421	5	3	8	6	7	58	65
Over 700,000	205	202	211.1	205.8	133.8	127.1	77.3	78.7	653	629	9	9	27	25	27	63	62
<b>Total</b>	<b>2,169</b>	<b>2,360</b>	<b>793.6</b>	<b>816.0</b>	<b>462.4</b>	<b>471.0</b>	<b>331.2</b>	<b>345.0</b>	<b>213</b>	<b>200</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>58</b>	<b>58</b>

Source: NMA

Figures adjusted for rounding.

\* All active registered producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2006/2007 and 2005/06.

APPENDIX 4  
STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE B

	Producers										Supplies									
Annual Supply Bands	Active All Producers		Active Registered Producers*		All Producers		Active Registered Producers*		Registered Producers % All Producers		Domestic Supplies		Supplies of Registered Producers		% of Domestic Supplies All Producers		% of Registered Producers' Supplies		% of Domestic Supplies of Registered Producers	
	06/07	05/06	No.	No.	06/07	05/06	%	%	06/07	05/06	%	ml	06/07	05/06	ml	ml	%	%	06/07	05/06
Litres																				
<50,000	911	1,091	161	166	5	5	7	7	18	15	26	32	3.2	3.5	1	1	0.4	0.4	12	11
50,000-100,000	2,022	2,529	144	166	10	11	7	7	7	65	155	195	10.9	12.3	3	4	1.4	1.5	7	6
100,001-200,000	5,698	6,712	309	367	28	30	14	17	5	54	483	1,021	47.4	56.4	17	20	6.0	6.9	5	6
200,001-250,000	3,119	3,727	195	262	16	17	9	11	6	7	693	835	44.0	59.1	14	16	5.5	7.2	6	7
250,001-300,000	2,306	2,815	209	265	11	13	10	11	9	9	627	769	57.4	73.6	12	15	7.2	9.0	9	10
300,001-350,000	2,113	1,762	214	219	10	8	10	9	10	12	674	569	69.3	71.2	13	11	8.7	8.7	10	13
350,001-400,000	1,391	1,241	176	193	7	6	8	8	13	15	515	460	65.9	72.0	10	9	8.3	8.8	13	16
400,001-450,000	798	657	162	172	4	3	7	7	20	26	336	277	68.4	73.0	7	5	8.6	8.9	20	26
Over 450,000	1,839	1,508	599	550	9	7	28	23	33	36	1,169	949	427	395.2	23	19	53.8	48.4	37	42
Total	20,197	22,042	2,169	2,360	100	100	100	100	11	11	5,059	5,106	793.6	816	100	100	100	100	16	16

Sources: Department of Agriculture and Food – EU milk years 2005/06 and 2006/07 ended 31 March 2006 and 2007 respectively.  
NMA – Milk years 2005/06 and 2006/07 ended 30 September 2006 and 2007 respectively.  
\* All registered active producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2006/07 and 2005/06.

## APPENDIX 5

### REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2007

## STATEMENT OF MEMBERS' RESPONSIBILITIES

The Milk (Regulation of Supply) Act, 1994 requires the members to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the National Milk Agency and of the surplus or deficit of the Agency for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Agency will continue in business.

In accordance with the Act, the members are responsible for keeping proper books of account and other books and records as are necessary to give a true and fair view of the Agency's business and affairs. The members are also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps to provide adequate protection in this regard.



## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Agency's members, as a body, in accordance with Section 18(1) of the Milk (Regulation of Supply) Act, 1994. Our audit work has been undertaken so that we might state to the Agency's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and the Agency's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of members and auditors

The members are responsible for preparing the Annual Report, including as set out in the Statement of Members' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with General Accepted Accounting Practice in Ireland.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of affairs of the Agency as at 31 December 2007 and of the surplus for the year then ended.

### DELOITTE & TOUCHE

*Chartered Accountants and Registered Auditors*

*Dublin*

27 March 2008

## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007	2006
	Notes	€	€
<b>Income</b>			
Milk levy – continuing operations	2	<b>584,881</b>	583,364
Other income	3	<b>48,458</b>	30,784
		<b>633,339</b>	614,148
<b>Expenditure</b>			
Salaries and superannuation		<b>396,955</b>	371,039
Administration costs	4	<b>225,246</b>	234,322
Depreciation		<b>4,110</b>	3,404
		<b>626,311</b>	608,765
Surplus for the year	10	<b>7,028</b>	5,383

Approved by the Members on: 27 March 2008

**Denis Murphy**  
Chairman

**Eamonn Bray**  
Member

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 €	2006 €
<b>Fixed Assets</b>			
Tangible assets	6	4,881	6,590
<b>Current Assets</b>			
Debtors	7	105,762	97,159
Cash at bank and in hand	8	1,256,351	1,197,417
		1,362,113	1,294,576
<b>CREDITORS</b> (Amounts falling due within one year)	9	(646,088)	(587,288)
<b>Net Current Assets</b>		716,025	707,288
<b>Net Assets</b>		720,906	713,878
<b>Financed By:</b>			
Accumulated fund	10	720,906	713,878

Approved by the Members on: 27 March 2008

**Denis Murphy**  
Chairman

**Eamonn Bray**  
Member

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	€	€
<b>Operating Activities</b>		
Net cash inflow from operating activities (Note (a))	<b>12,877</b>	92,380
<b>Returns on investments and servicing of finance</b>		
Interest received	<b>48,458</b>	30,784
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	<b>(2,401)</b>	(3,155)
Increase in cash at bank and in hand (Note (b))	<b>58,934</b>	120,009

## RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2007	2006
	€	€
Increase in cash at bank and in hand	<b>58,934</b>	120,009
Movement in net funds for the year	<b>58,934</b>	120,009
Net funds at beginning of year	<b>1,197,417</b>	1,077,408
Net funds at end of year (see Note (b))	<b>1,256,351</b>	1,197,417

## RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2007

### Note (a)

#### Reconciliation of operating surplus to Net cash inflow from operating activities

	2007	2006
	€	€
Surplus for year	7,028	5,383
Depreciation	4,110	3,404
(Increase)/decrease in debtors	(8,603)	11,356
Increase in creditors	58,800	103,021
Interest received	(48,458)	(30,784)
	<b>12,877</b>	<b>92,380</b>

### Note (b)

	At 1 January 2007 €	Cash flows €	At 31 December 2007 €
<b>Analysis of changes in net funds</b>			
Cash at bank and in hand	57,737	(28,247)	<b>29,490</b>
Cash deposits	1,139,680	87,181	<b>1,226,861</b>
	<b>1,197,417</b>	<b>58,934</b>	<b>1,256,351</b>
<b>Net funds</b>	<b>1,197,417</b>	<b>58,934</b>	<b>1,256,351</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

### 1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(a) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives as follows:

Furniture	10 years
Office equipment	5 years
Computer equipment	3 years

(c) Superannuation scheme

The final draft of the superannuation scheme for the staff of the Agency referred to in paragraph 14 of the Schedule of the Milk (Regulation of Supply) Act, 1994, has been submitted for approval to the Department of Agriculture and Food and the Department of Finance by the Agency's pension advisor.

The Department of Finance has confirmed to the Agency that the Exchequer will bear the cost of paying all superannuation benefits to and in respect of the pensionable employees of the Agency, subject to the payment by the Agency to the Department of Agriculture and Food of all employer and employee contributions collected to date and for the future (see note 11).

The Agency's annual contributions for staff superannuation benefits are based on actuarial advice and are charged to the Income and Expenditure Account in the year to which they relate.

Superannuation contributions paid by the Agency and its staff are held in a separate bank account (see note 8).

### 2. MILK LEVY

A levy of 0.127 cent per litre of milk purchased for processing for liquid consumption is payable by milk processors under Section 8 of the Milk (Regulation of Supply) Act, 1994.

The milk levy receivable included in the financial statements is based on returns received from processors or their estimated milk supplies where returns have not been received.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 3. OTHER INCOME

	2007	2006
	€	€
Deposit interest	<b>48,458</b>	30,784

### 4. ADMINISTRATION COSTS

	2007	2006
	€	€
Staff expenses	<b>48,990</b>	53,800
Training and education	<b>3,500</b>	7,000
Members' expenses	<b>27,785</b>	24,283
Chairman's remuneration (including 2006 arrears of €2,882)	<b>13,382</b>	7,618
Stationery	<b>6,345</b>	6,082
Annual report	<b>22,057</b>	29,075
Telephone	<b>9,820</b>	7,794
Postage	<b>3,193</b>	5,500
Publications	<b>790</b>	1,516
Legal fees	<b>2,490</b>	5,681
Computer consultancy	<b>4,919</b>	8,313
Audit fees	<b>5,138</b>	4,421
Rent	<b>44,852</b>	44,858
Insurance	<b>3,432</b>	3,721
Accounting and professional fees	<b>6,884</b>	3,300
Repairs and renewals	<b>5,900</b>	3,971
Miscellaneous	<b>15,769</b>	17,389
	<b>225,246</b>	234,322

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 5. TAXATION

The Agency has been included as an exempt body under the Taxes Consolidation Act, 1997 (Amendment of Schedule 4) Order, 2002, effective from 30 December 1994.

### 6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
<b>Cost:</b>				
At 1 January 2007	12,658	20,126	62,641	95,425
Additions	–	–	2,401	2,401
At 31 December 2007	12,658	20,126	65,042	97,826

#### Depreciation:

At 1 January 2007	10,411	18,548	59,876	88,835
Charged in year	367	1,132	2,611	4,110
At 31 December 2007	10,778	19,680	62,487	92,945

#### Net book amounts:

At 31 December 2007	1,880	446	2,555	4,881
At 31 December 2006	2,247	1,578	2,765	6,590

### 7. DEBTORS (Amounts falling due within one year)

	2007	2006
	€	€
Milk levy receivable	83,461	82,416
Prepayments	10,507	10,726
Other debtors	11,794	4,017
	<b>105,762</b>	<b>97,159</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 8. CASH AT BANK AND IN HAND

As at 31 December 2007 an amount of €577,589 (2006: €515,216) was being held in a separate bank account to meet the obligations in relation to the superannuation scheme for the staff of the Agency which is awaiting the approval of the Department of Agriculture and Food and the Department of Finance (see notes 1 (c) and 11).

### 9. CREDITORS (Amounts falling due within one year)

	2007	2006
	€	€
Pension contributions	577,589	515,216
Accruals and other creditors	59,659	66,830
PAYE/PRSI	8,840	5,242
	<b>646,088</b>	<b>587,288</b>

### 10. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2007	2006
	€	€
Accumulated surplus brought forward	713,878	708,495
Surplus for the year	7,028	5,383
Accumulated fund carried forward	<b>720,906</b>	<b>713,878</b>

### 11. SUPERANNUATION COMMITMENTS

The National Milk Agency, in accordance with the provisions of the Milk (Regulation of Supply) Act, 1994, is required to establish a superannuation scheme for the staff of the Agency to be operated as a defined benefit scheme. The final draft of the superannuation scheme has been submitted to the Department of Agriculture and Food and the Department of Finance by the Agency's pension advisor and is awaiting approval. During 2007 the Department of Agriculture and Food advised the Agency that the Department of Finance had given sanction to operate the pension scheme on an administrative basis including the Spouses' and Children's Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 11. SUPERANNUATION COMMITMENTS (continued)

The Agency's annual contributions have been assessed by a professionally qualified actuary and are charged to the Income and Expenditure Account in the year to which they relate. The charge for the current year amounted to €45,596 (2006: €44,826). The Agency's superannuation contributions and the superannuation contributions collected from employees are held in a separate bank account and will be paid over to the Department of Agriculture and Food on the final approval of the superannuation scheme. At 31 December 2007 the amount held in the separate bank account was €577,589 (2006: €515,216) (see note 8).

Full implementation of Financial Reporting Standard 17 ("FRS 17") is required for accounting periods beginning on or after 1 January 2005. In certain circumstances FRS 17 permits defined benefit schemes to be accounted for as if they were defined contribution schemes with no requirement to account for the fair value of the assets and liabilities of the scheme or to disclose the scheme liabilities.

The Department of Finance has confirmed to the National Milk Agency that, subject to the payment by the Agency to the Department of Agriculture and Food of all employer and employee contributions collected to date and for the future, the Exchequer will bear the cost of paying all superannuation benefits to and in respect of the pensionable employees of the Agency. The Department of Agriculture and Food has confirmed that the annual rate of employer's contribution will not exceed 16.67% of salaries.

The Department of Agriculture and Food has also confirmed to the National Milk Agency that, subject to the National Milk Agency making the payments as detailed in the paragraph above, it will accept responsibility for meeting the superannuation entitlements of the members of the proposed scheme in respect of their membership of that scheme and of the former Dublin District Milk Board pension scheme.

Accordingly, the National Milk Agency considers that since this arrangement will have the same financial effect as a defined contribution scheme, no FRS 17 disclosures are required.

## APPENDIX 6

### STATUTES AND STATUTORY INSTRUMENTS RELATING TO THE AGENCY

#### Statutes

Milk (Regulation of Supply) Act, 1994

Milk (Regulation of Supply) (Amendment) Act, 1995

Milk (Regulation of Supply) (Amendment) Act, 1996

Freedom of Information Act, 1997 (Prescribed Bodies) (No. 2) Regulations 2002

#### Statutory Instruments

S.I. No. 409 of 1994 – Milk (Regulation of Supply) (Establishment of National Milk Agency) Order, 1994

S.I. No. 460 of 1994 – National Milk Agency (Election Day) Order, 1994

S.I. No. 234 of 1995 – National Milk Agency (Members) Regulation, 1995

S.I. No. 252 of 1995 – Milk (Regulation of Supply) Act 1994 (Section 5) (Commencement) Order 1995

S.I. No. 253 of 1995 – Milk (Regulation of Supply) (Levy) Order, 1995

S.I. No. 254 of 1995 – National Milk Agency (Winter Months) Regulations, 1995

S.I. No. 309 of 1995 – National Milk Agency (Revocation of Election Day) Regulations 1995

S.I. No. 347 of 1995 – Milk (Regulation of Supply) (Levy Returns) Regulations, 1995

S.I. No. 348 of 1995 – Milk (Regulation of Supply) (Application for Registration) Regulations, 1995

S.I. No. 265 of 1996 – National Milk Agency (Fees) Regulations, 1996

S.I. No. 184 of 1997 – National Milk Agency (Election Day) Regulations, 1997

S.I. No. 185 of 1997 – National Milk Agency (Conduct of Elections) Regulations, 1997

S.I. No. 271 of 2000 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2000

S.I. No. 272 of 2000 – National Milk Agency (Election Day) Regulations, 2000

S.I. No. 368 of 2003 – National Milk Agency (Election Day) Regulations, 2003

S.I. No. 369 of 2003 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2003

S.I. No. 471 of 2006 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2006

S.I. No. 472 of 2006 – National Milk Agency (Election Day) Regulations, 2006



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