



Muiris Ó Céidigh
Chief Executive

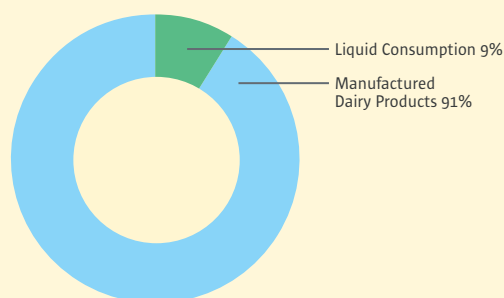
1. MILK SUPPLIES

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.

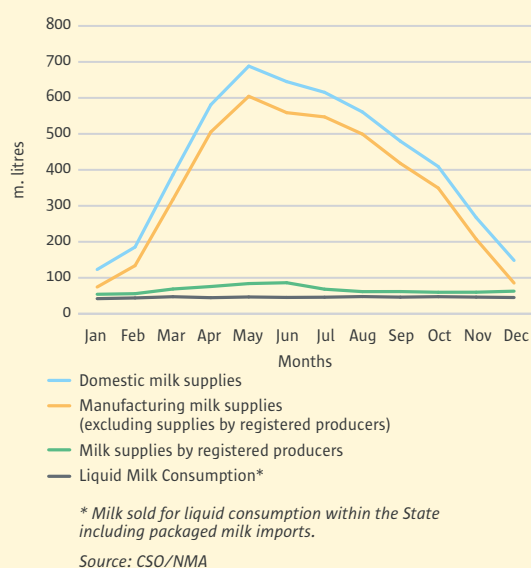
The domestic milk supply profile had a peak to trough month ratio of 5.6/1, which was comprised of a peak to trough month ratio of 8.2/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from liquid milk producers.

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

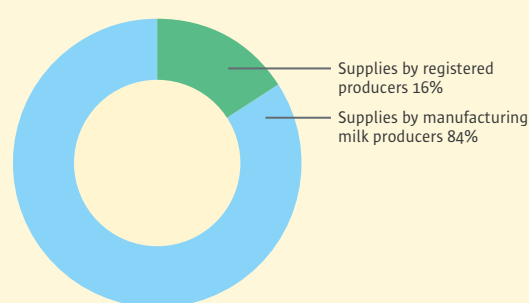


1.2 Milk Supplies by Registered Producers

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



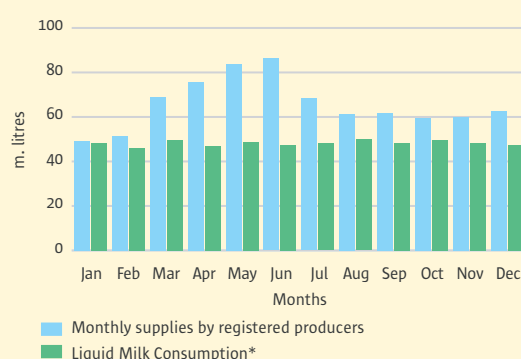
The average registered producer in 2006/07 had annual supplies of 366,000 litres compared with average supplies for all milk producers of 252,000 litres.

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												
Supplies	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	4,973	4,944	5,105	5,144
Imports (bulk)	473	566	550	377	349	278	209	304	361	282	16	–
Imports %	9	11	11	7	7	5	4	6	7	6	–	–

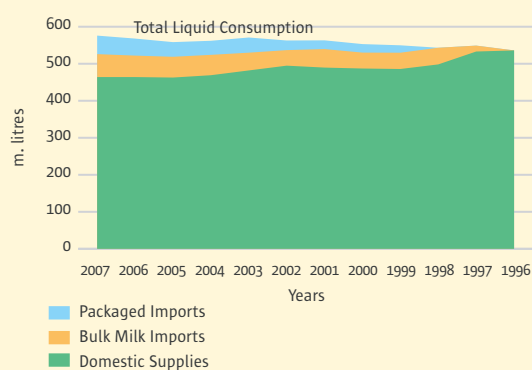
TABLE 1.6 BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2007

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

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											
Consumption	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	112	104	95	93	89	68	74	66	64	45*	16*	0
Domestic Supplies % Consumption	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	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
Total Supplies – m litres	5,090	1,918
Average Butterfat %	3.79	3.96
Average Protein %	3.32	3.24
Peak month/trough month ratio	5.6	1.5
Suppliers – number	20,197	3,619
Average supplies per supplier – litres	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

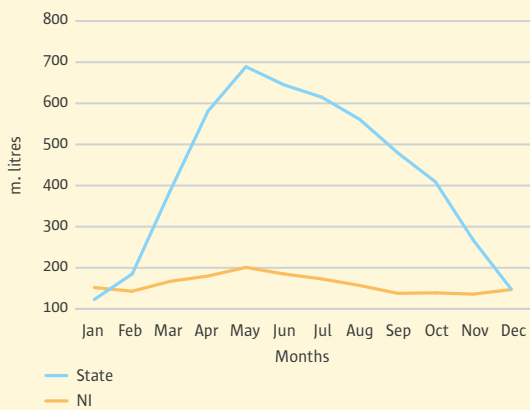


TABLE 1.11 NI MILK SUPPLIES 1993-2007

	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.

