

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
Consumer Price Index	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	118	110	110	110	112	110	108	105	104	104	104	104	100

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
Annual * Retail Price	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Price % Retail	39%	36%	37%	38%	38%	38%	40%	40%	40%	40%	41%	41%	42%

Source: CSO/NMA

* Excludes doorstep deliveries.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2006

Source: CSO

Retail Market

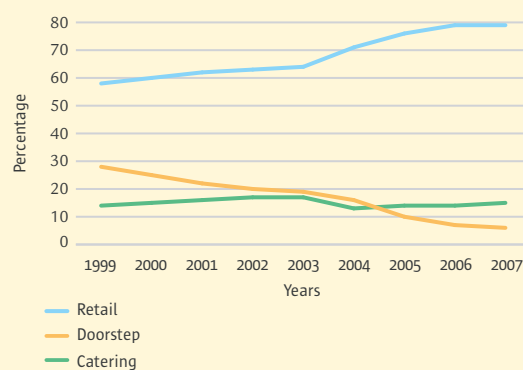
The process of retail consolidation continued in 2007 with the three largest multiple groups having a 70% share of the Irish grocery market.

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.