



Muiris Ó Céidigh
Chief Executive

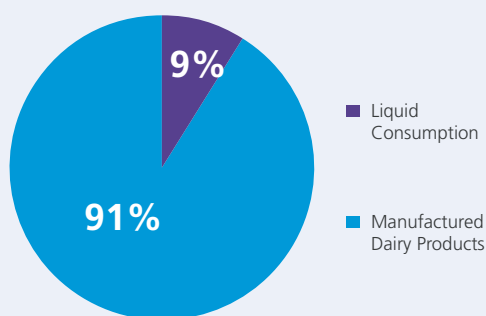
1. MILK SUPPLIES

1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2008 were 4,959 million litres, a decrease of 131 million litres or 3% from supplies in 2007. The number of active milk producers fell by 2.5% to 19,686 while average annual milk supplies per producer were unchanged at 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 2008



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.

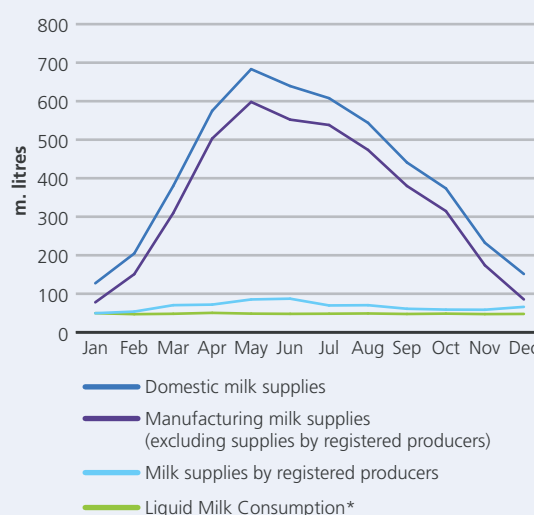
The domestic milk supply profile had a peak to trough month ratio of 5.4/1, which was comprised of a peak to trough month ratio of 7.1/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from liquid milk producers.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES
(BY SECTOR)

YEAR	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios						
Manufacturing	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.8	1.8	1.8	1.8	1.8	1.9	2.0
TOTAL	5.4	5.6	5.7	5.5	5.5	5.6	6.1

Source: DAFF/CSO

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2008



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

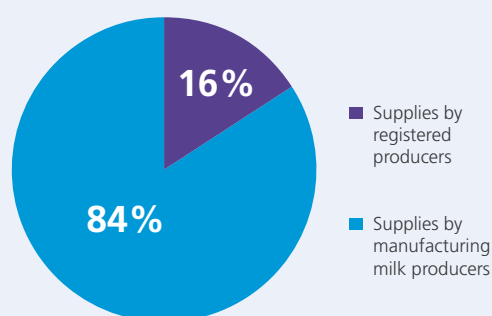
Source: CSO/NMA

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,051 active registered producers, (including producers without registered contracts) in 2007/08, amounted to 796 million litres (Appendix 4 – Table A), an increase of 2.6 million litres or 0.2% on supplies in 2006/07. Supplies for processing for liquid consumption amounted to 465 million litres or 58% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 331 million litres or 42% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 10% of all milk 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 2008



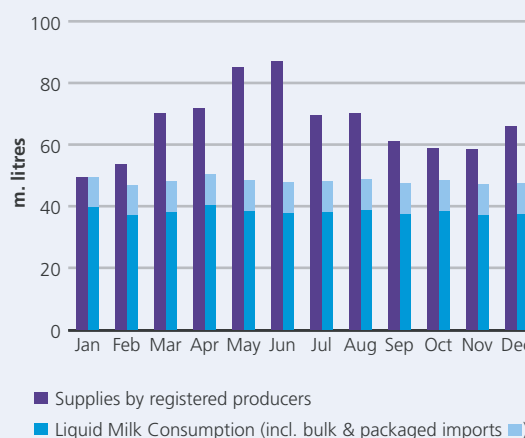
The average registered producer in 2007/08 had annual supplies of 388,000 litres compared with 366,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2007 to February 2008 total milk supplies by active, registered producers amounted to 275 million litres, an increase of 2 million litres on 2006/07, which, compared with liquid milk consumption (including imports) of 242 million litres, provided a supply cover of 114%.

In the months of December 2007 and January 2008, total supplies by active registered producers amounted to 109 million litres and were 12 million litres in excess of liquid milk consumption (including imports) of 97 million litres in those months, a supply cover of 112%.

FIG. 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2008



Source: CSO/NMA

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 464 million litres, a decrease of 9 million litres or 2% on 2007.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2008

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
millions of litres													
Supplies	4,959	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)	464	473	566	550	377	349	278	209	304	361	282	-	-
Imports %	9	9	11	11	7	7	5	4	6	7	6	0	0



Bulk milk imports of 464 million litres in 2008 do not include liquid milk imports in consumer packs and were mainly cross border movements of milk into the State from Northern Ireland.

Bulk milk imports were equivalent to 9% of domestic supplies and to 24% of Northern Ireland's annual milk supplies.

Bulk milk imports for processing into manufactured dairy products represented 86% of these imports while bulk imports for processing for liquid consumption in the State, namely 63 million litres, represented 14% compared with 87% and 13% respectively in the previous year.

Total milk imports for liquid consumption both bulk and in consumer packs amounted to 122 million litres, an increase of 10 million litres or 9%, on the import volumes in the previous year.

Bulk milk imports of 63 million litres represented 52% of imports for processing for liquid consumption, an increase of 1 million litres or 2% on the previous year.

Imports of fresh milk in consumer packs, were estimated at 59 million litres and represented 48% of imports for liquid consumption, an increase of 9 million litres or 18% on the previous year.

TABLE 1.6 BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2008

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres												
Bulk	63	62	58	55	55	48	42	50	43	44	45	16	0
Consumer Packs	59	50	46	40	38	41	26	24	23	20	-	-	0
TOTAL IMPORTS	122	112	104	95	93	89	68	74	66	64	45	16	0

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2008

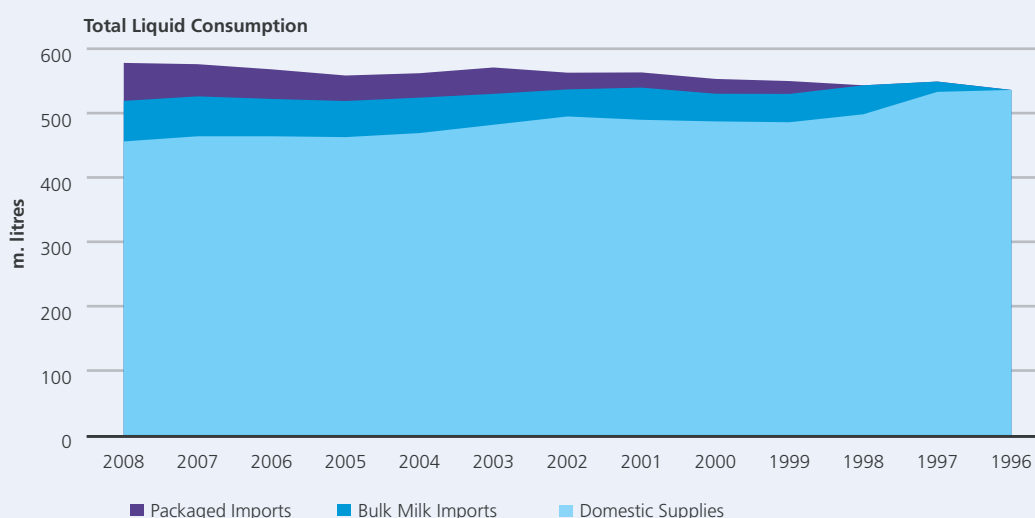


TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres												
Consumption	578	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	456	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	122	112	104	95	93	89	68	74	66	64	45*	16*	0
Domestic Supplies % Consumption	79	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	21	19	18	17	17	16	12	13	12	12	9	3	0

* Packaged imports not included and not available

Source: CSO/NMA

The market share of domestic supplies in the State's fresh milk market fell to 79% from 81% in 2007 while the market share of imports grew to 21% from 19% in 2007.

Since 1996 imports of fresh milk from liquid consumption have grown by 122 million litres absorbing all the increase of 42 million litres in consumption and displacing 80 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 79% in 2008, while the market share of imports has grown from zero to 21%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 523 million litres in 2008 and were equivalent to 11% of domestic milk supplies.

Exports of skim milk, whole milk and cream from processors in the State to Northern Ireland amounted to 45 million litres in 2008, a decrease of 12 million litres or 12% on the previous year.

1.5 Northern Ireland – Milk Supplies/ Milk Prices

Domestic milk supplies in Northern Ireland in 2008 amounted to 1,902 million litres, a decrease of 16

million litres or 0.8% on the previous year, and were supplied by 3,457 dairy farmers. Milk supplies in Northern Ireland in 2008 were equivalent to 38% of domestic milk supplies.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2008

	REPUBLIC OF IRELAND	NORTHERN IRELAND
Total Supplies – m litres	4,959	1,902
Average Butterfat %	3.82	3.98
Average Protein %	3.34	3.26
Peak month/trough month ratio	5.4	1.5
Suppliers – number	19,686	3,457
Average supplies per supplier – litres	252,000	550,000

Average annual milk supplies per supplier in NI in 2008 were 550,000 litres, which is more than double the average milk supplies per supplier of 252,000 litres in the State. Average annual milk supplies by registered milk producers in the State were 388,000 litres in 2007/08.

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 in 2008, of 1.5/1 compared with 5.4/1 in the State.

FIG. 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2008

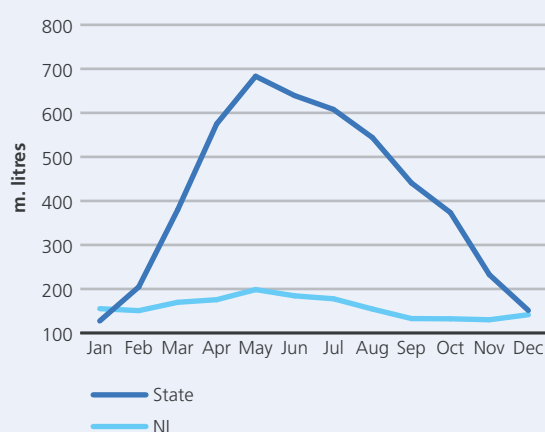


TABLE 1.11 N.I. MILK SUPPLIES 1993 – 2008

	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	146
2008	1,902	145

Source: DARDNI

Since 1993, annual milk supplies in NI have increased by 593 million litres or 45% due to the purchase and transfer of additional milk quotas from other parts of the UK.

In 2008, 551 million litres or 29% of the annual milk supply were exported as raw milk compared with 27% in 2007. 84% 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% of domestic supplies 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 2008 was 22.73 p/l (29 c/l), a decrease of 1.58 p/l on the previous year.

The average annual net price to producers for all year round milk supplies in 2008 was 22.92 p/l (29 c/l), an increase of 1.14 p/l on the previous year.

The Northern Ireland average annual milk price for producers of 29 c/l in 2006 was 10% lower than the estimated average annual milk price for manufacturing milk supplies of 32.24 c/l in the State.