

2. THE LIQUID MILK MARKET

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated value of €466m in 2008.

National consumption of fresh liquid milk last year was 578 million litres (127 million gallons), an increase of 1 million litres or 0.2% on consumption in 2007. Per capita consumption in the State of 0.4 litres per day was the third highest in the EU.

The average annual retail price of milk increased by 22% in 2008 compared with the previous year. Fresh milk is a real 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 53%, the food price index by 50% and the average annual retail price of whole milk in 1 litre packs by 44%. In real terms the price of milk was 6% less in 2008 than it was in 1995.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	144	118	110	110	110	112	110	108	105	104	104	104	104	100

Source CSO/NMA

The producers' share of the annual retail price of milk fell to 34% in 2008 from 39% in 2007 and 42% in 1995.

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

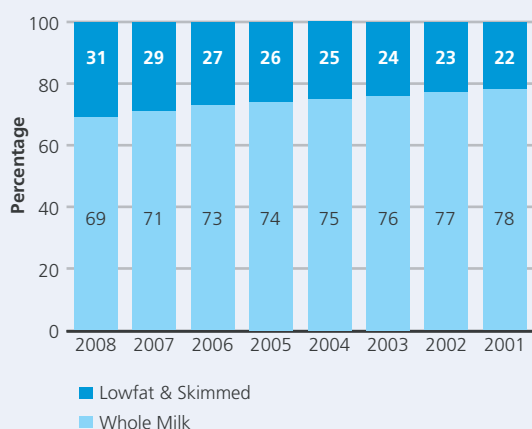
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Annual * Retail Price	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Price % Retail	34%	39%	36%	37%	38%	38%	38%	40%	40%	40%	40%	41%	41%	42%

Source CSO/NMA

* Excludes doorstep deliveries.

Last year sales of whole milk, which accounted for 69% of fresh milk sales, declined by 2.8% while sales of lowfat and skimmed milk increased to 31% of sales or by 6%.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2008



Source: CSO

Retail Market

The process of retail consolidation continued in 2008 with the three largest multiple groups having a 70% share of the Irish grocery market.

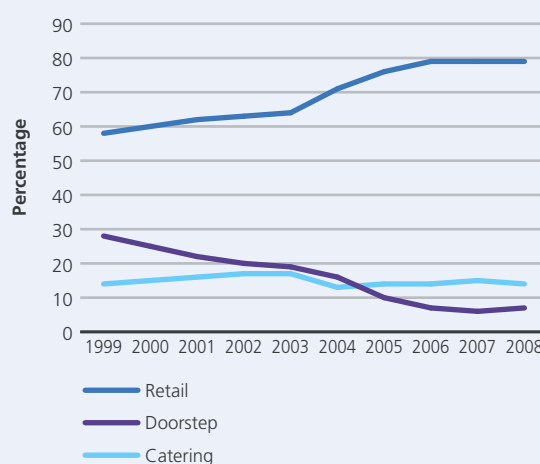
TABLE 2.3 GROCERY MARKET SHARES

	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%
Tesco	26	26	26	26	25	23	24
Dunnes	24	24	22	22	22	21	22
SuperValu	20	20	20	20	19	19	19
Superquinn	8	8	8	8	9	8	9
Lidl/Aldi	10	7	6	6	5	6	1
Centra	2	2	3	2	3	3	3
Spar	2	2	2	2	3	3	2
All others	8	11	13	14	14	17	20
TOTAL	100	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 have increased slightly in 2008, to 7% and catering represents 14%.

FIG. 2.4 MARKET SHARES 1999-2008



Source: Industry Estimate

In the Irish fresh milk market an estimated 50% of milk sales in retail multiples is now sold as own label.

Approximately 60% of retail sales is now estimated by industry sources as being sold in 2 litre packs. Own label milk in 2 litres packs in December 2008 was being retailed at a discount of 23% on processors' branded milk.

Discount retailers whose grocery market share grew to 10% from 7% are the main outlets for packaged fresh milk imports.