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Chief Executive

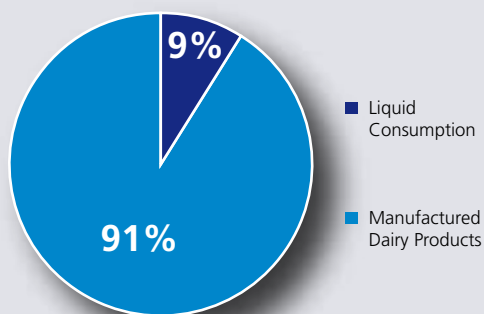
1. MILK SUPPLIES

1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2009 were 4,801 million litres, a decrease of 158 million litres or 3% from supplies in 2008. The number of active milk producers fell by 4% to 18,930 while average annual milk supplies per producer were 254,000 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 2009



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.

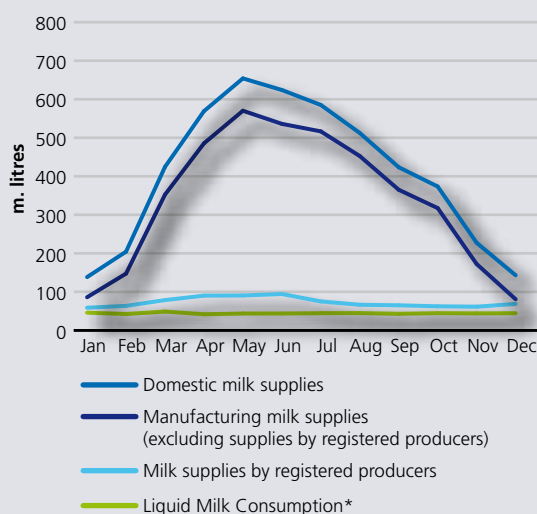
The domestic milk supply profile had a peak to trough month ratio of 4.9/1, which was comprised of a peak to trough month ratio of 8.1/1 for milk supplies from manufacturing milk producers and of 1.7/1 for milk supplies from liquid milk producers.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

YEAR	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios							
Manufacturing	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
ALL	4.9	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) 2009



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

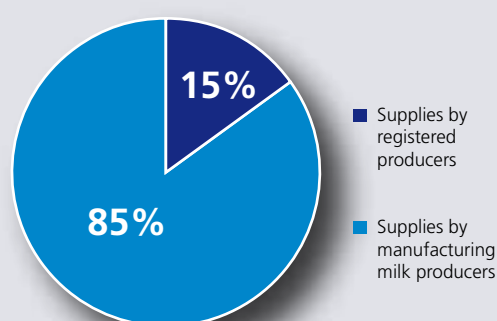
Source: CSO/NMA

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,028 active registered producers, (including producers without registered contracts) in 2008/09 amounted to 804 million litres (Appendix 4 – Table A), an increase of 8 million litres or 1% on supplies in 2007/08. Supplies for processing for liquid consumption amounted to 456 million litres or 57% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 348 million litres or 43% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 11% of all milk producers and supplying 15% of domestic milk supplies. They supply not only the all year round domestic milk requirements for liquid milk consumption but also 7% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2009



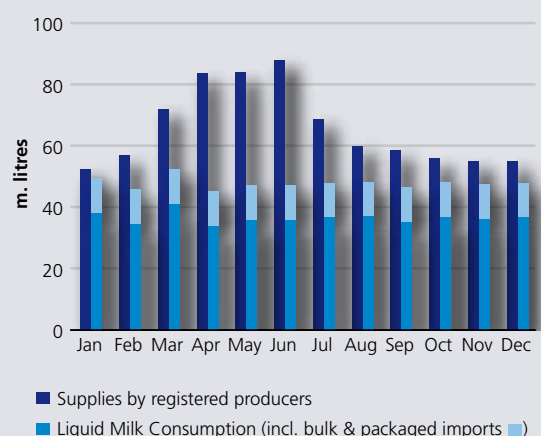
The average registered producer in 2008/09 had annual supplies of 397,000 litres compared with 388,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2009 to February 2010, total milk supplies by active registered producers amounted to an estimated 279 million litres, a decrease of 4 million litres on 2008/09, and provided a supply cover of 118% for liquid milk consumption (including imports) of an estimated 236 million litres.

In the months of December 2009 and January 2010, total supplies by active registered producers amounted to an estimated 113 million litres and were 17 million litres in excess of liquid milk consumption (including imports) of an estimated 96 million litres in those months, a supply cover of 118%.

FIG. 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2009



*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 427 million litres, a decrease of 37 million litres, or 8% on 2008.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres													
Supplies	4,801	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)	427	464	473	566	550	377	349	278	209	304	361	282	-	-
IMPORTS %	9	9	9	11	11	7	7	5	4	6	7	6	0	0



Bulk milk imports of 427 million litres in 2009 do not include liquid milk imports in consumer packs and were 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 87% of these imports while bulk imports for processing for liquid consumption in the State, namely 57 million litres, represented 13%.

Total milk imports for liquid consumption, both bulk and in consumer packs, amounted to 135 million litres, an increase of 13 million litres or 11%, on the import volumes in the previous year.

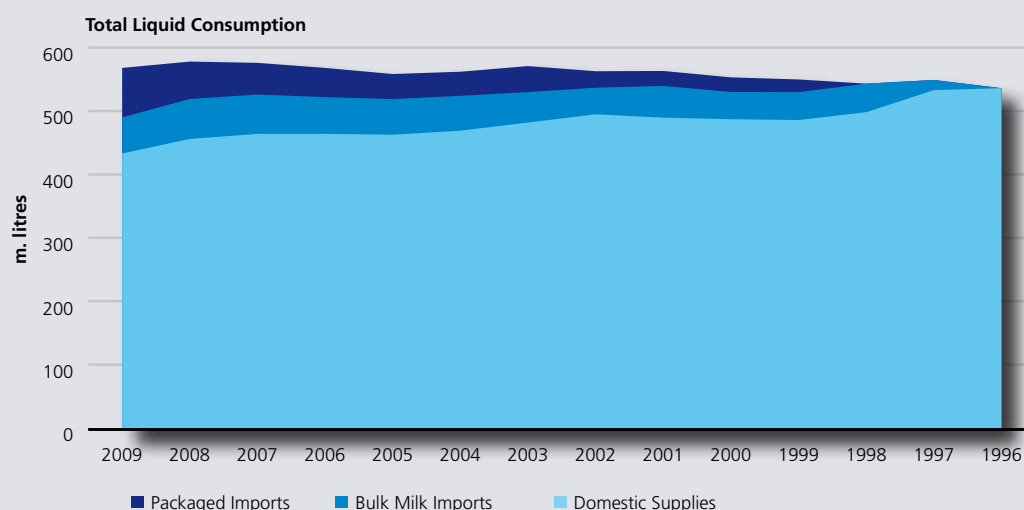
Bulk milk imports of 57 million litres represented 42% of imports for processing for liquid consumption, a decrease of 6 million litres or 10% on the previous year.

Imports of fresh milk in consumer packs, were estimated at 78 million litres and represented 58% of imports for liquid consumption, an increase of 19 million litres or 32% on the previous year.

TABLE 1.6 BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres													
Bulk	57	63	62	58	55	55	48	42	50	43	44	45	16	0
Consumer Packs	78	59	50	46	40	38	41	26	24	23	20	-	-	0
TOTAL IMPORTS	135	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 1996-2009



The market share of domestic supplies in the State's fresh milk market fell to 76% in 2009 from 79% in 2008 while the market share of imports grew to 24% from 21% in 2008.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres													
Consumption	568	578	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	433	456	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	135	122	112	104	95	93	89	68	74	66	64	45*	16*	0
Domestic Supplies % Consumption	76	79	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	24	21	19	18	17	17	16	12	13	12	12	9	3	0

* Packaged imports not included and not available

Source: CSO/NMA

Since 1996 imports of fresh milk for liquid consumption have grown to 135 million litres absorbing all the increase of 32 million litres in consumption and displacing 103 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 76% in 2009 while the market share of imports has grown from zero to 24%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 505 million litres in 2009 and were equivalent to 10% of domestic milk supplies and 28% of Northern Ireland's annual milk supply.

Exports of skim milk, whole milk and cream from processors in the State to Northern Ireland amounted to 75 million litres in 2009, an increase of 26 million litres or 54% on the previous year.

1.5 Northern Ireland–Milk Supplies/ Milk Prices

Domestic milk supplies in Northern Ireland in 2009 amounted to 1,772 million litres, a decrease of 130 million litres or 7% on the previous year, and were supplied by 3,363 dairy farmers. Milk supplies in Northern Ireland in 2009 were equivalent to 37% of domestic milk supplies.

**TABLE 1.9 MILK SUPPLIES IN THE STATE &
NORTHERN IRELAND 2009**

	REPUBLIC OF IRELAND	NORTHERN IRELAND
Total Supplies – m. litres	4,801	1,772
Average Butterfat %	3.83	4.04
Average Protein %	3.39	3.26
Peak month/trough month ratio	4.9	1.5
Suppliers – number	18,930	3,363
Average supplies per supplier – litres	254,000	527,000

Average annual milk supplies per supplier in Northern Ireland in 2009 were 527,000 litres, which is more than double the average milk supplies per supplier of 254,000 litres in the State. Average annual milk supplies by registered milk producers in the State were 397,000 litres in 2008/09.

The annual milk supply pattern in Northern Ireland 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 2009, of 1.5/1 compared with 4.9/1 in the State.



FIG. 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2009

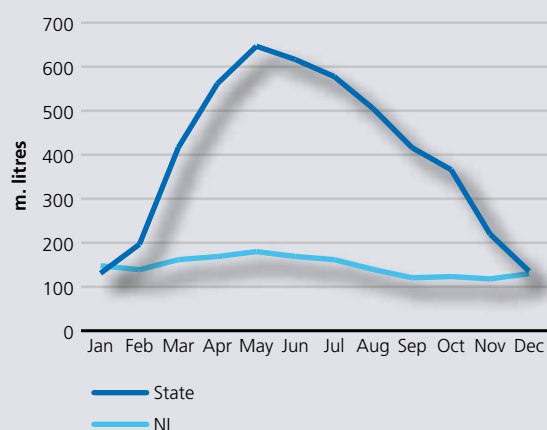


TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993 – 2009

	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
2009	1,772	135

Source: DARDNI

Since 1993, annual milk supplies in Northern Ireland have increased by 463 million litres or 35% due to the purchase and transfer of additional milk quotas from Great Britain.

In 2009, 427 million litres or 24% of the annual milk supply were exported to the State as raw milk compared with 29% in 2008.

Last year 17% of domestic 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 2009 was 21.51 p/l (24.09 c/l), a decrease of 1.22 p/l on the previous year.

The average annual net price to producers for all year round milk supplies in 2009 was 19.46 p/l (21.83 c/l), a decrease of 3.46 p/l on the previous year.

The Northern Ireland average annual milk price for producers of 21.83 c/l in 2009 was 1% less than the average annual milk price for manufacturing milk supplies in the State.