

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 retail value of €560m in 2009.

National consumption of fresh liquid milk last year was 568 million litres (125 million gallons), a decrease of 10 million litres or 1.7% on consumption in 2008. Per capita consumption in the State of 0.34 litres per day, was the third highest in the EU.

The average annual retail price of milk in one litre packs in 2009 increased by 1 c/l to 112 c/l compared with the previous year. In constant money terms the retail price of fresh milk in one litre packs in 2009 is the same as it was in 1995.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	145	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 in one litre packs fell to 26% in 2009 from 34% in 2008 and 43% in 1995. The average annual retail price for milk sold in 2 litre packs in 2009 was 191 c/2 litre (equivalent to 95.5 c/l), a reduction of 9 c/2 litres or 4% on the previous year. The producers' share of the annual retail price based on a 33/67 mix of 1 litre and 2 litres packs for 2009 would amount to 29% compared with 36% in 2008.

TABLE 2.1 ANNUAL RETAIL MILK PRICES – ANNUAL PRODUCER MILK PRICES/PRODUCERS' SHARE OF RETAIL MILK PRICE

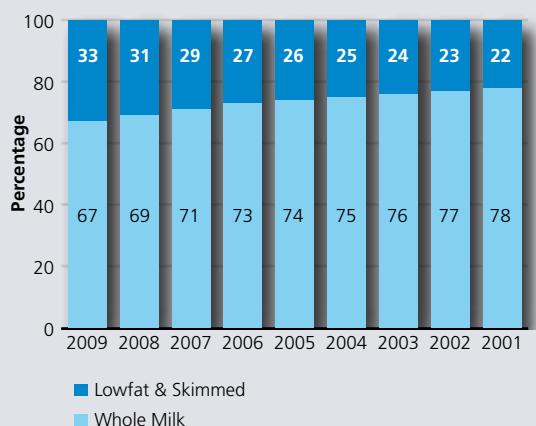
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Retail Prices ¹	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices ²	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1	32.2	32.3	32.8	34.1	32.8
Producer Price % Retail	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

¹ CSO – National average price of 1 litre pack whole milk at retail.

² Source NMA – National average producer price for milk for liquid consumption.

Last year sales of whole milk, which accounted for 67% of fresh milk sales, declined by 7% while sales of lowfat and skimmed milk increased to 33% of sales.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2009



Source: CSO

Retail Market

The process of retail consolidation continued in 2009 with the three largest multiple groups having a 71% share of the Irish grocery market.

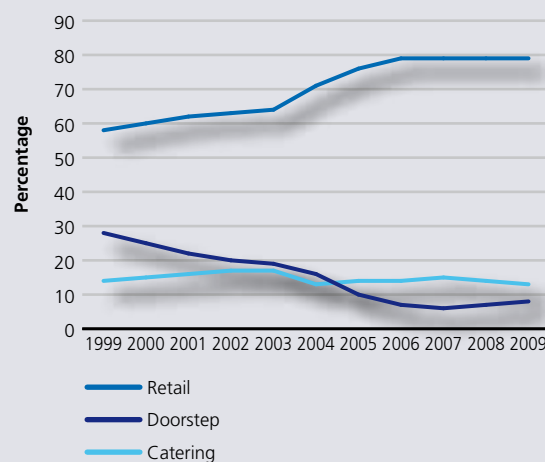
TABLE 2.3 GROCERY MARKET SHARES

	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%
Tesco	26	26	26	26	26	25	23	24
Dunnes	25	24	24	22	22	22	21	22
SuperValu	20	20	20	20	20	19	19	19
Superquinn	7	8	8	8	8	9	8	9
Lidl/Aldi	11	10	7	6	6	5	6	1
Centra	2	2	2	3	2	3	3	3
Spar	2	2	2	2	2	3	3	2
All others	7	8	11	13	14	14	17	20
TOTAL	100	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 to 8% and catering has decreased to 13%.

FIG. 2.4 MARKET SHARES 1999-2009



Source: Industry Estimate

Discount retailers whose grocery market share grew to 11% from 10% are the main outlets for packaged fresh milk imports.

In the Irish fresh milk market an estimated 40% of milk sales in retail outlets is now sold as own label.

Own label milk in 2 litre packs was being retailed, in December 2009, at a discount of 17% on processors' branded milk.