National Milk Agency

Annual Report & Accounts 2012

NATIONAL MILK AGENCY

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Bhunaigh an tOireachtas an Gníomhaireacht Náisiúnta Bainne le soláthar bainne chun óil sa Stát a rialáil mar a leagtar amach san Acht Bainne (Soláthar a Rialáil), 1994.

The National Milk Agency was established by the Oireachtas to regulate the supply of milk for liquid consumption throughout the State in accordance with the provisions of the Milk (Regulation of Supply) Act, 1994.

CHAIRMAN'S STATEMENT

Denis Murphy
Chairman

To: Mr. Simon Coveney TD, Minister for Agriculture, Food and the Marine

I am pleased to present the Annual Report of the National Milk Agency for 2012, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Output in the national economy increased in 2012 but at a slower rate than in the previous year due to a weakening of external demand in Ireland's main trading partner countries, which slowed down Irish export growth. Domestic demand declined due to falling disposable incomes and high levels of unemployment and of personal indebtedness.

The public finances continued to improve with the Government meeting all its commitments under the EU/IMF Programme. The Government's focus is now on its exit strategy from the Programme, its re-entry into the financial markets, employment creation and on making the State's debt burden more sustainable.

Farming/Dairy Sectors

National farm income fell by 14% compared with 2011, as falling prices for some farm commodities combined with adverse weather conditions to reduce farm outputs and increase farm input costs.

For dairy farmers an oversupply of dairy products on international markets at the commencement of the year led to falling producer milk prices, which impacted particularly in the peak supply months, leading to an average fall of 9% in manufacturing milk prices for the year. Domestic milk supplies declined by 3% to 5,225 million litres due to the poor mid year production conditions.

Last year the average producer milk price, excluding vat, for manufacturing milk supplies fell by 2.95 c/litre to 31.15 c/litre while the annual average producer price for milk for processing for liquid consumption fell by 1.41 c/litre to 34.10 c/litre. The price differential for all year round milk supplies over the annual average manufacturing price rose to 2.95 c/litre compared with 1.41 c/litre in 2011.

Most registered producers experienced a changeover from the traditional Flat Price System for their milk supplies for processing for liquid consumption on the domestic market to a pricing system based on monthly prices derived from manufactured dairy products for export markets (which utilise over 90% of domestic milk supplies) with the valorisation of compositional elements and with price incentives for contracted supplies during the winter months.

Given that 52% of the total supplies of registered producers in 2012 were supplied for processing into manufactured dairy products for export markets, registered producers are already familiar with compositional pricing and the volatility of prices for manufacturing milk supplies.

Adverse weather dominated the farming environment in 2012 with heavy rainfall and below average sunshine and temperatures during the summer months resulting in reduced pasture growth, difficult grazing conditions and impaired silage harvesting. Annual forage production as well as silage quality were impaired resulting in increased concentrate feed usage in grassland enterprises, particularly on dairy farms.

While feed, fertiliser and fuel prices all increased in 2012 the greatest impact on costs for dairy enterprises was the increase of 50% in concentrate feed usage in the second half of 2012 compared with the same period in the previous year. Prices for protein inputs also increased and sharply impacted margins on dairy farms and even more so on dairy farms producing milk on an all year round basis for processing for liquid consumption.

Lower milk prices, lower milk supplies and increased input costs led to an estimated 24% decline in dairy farm incomes.

The ninth phase of the EU dairy premium payment of 3.65 c/litre to compensate for the reduction in intervention support prices was incorporated in the Single Farm Payment, which was paid to all eligible recipients in October.

Patton Report

All year round suppliers of milk for processing for liquid consumption rely on excellent quality conserved silage to minimise the cost of winter feeding of milking cows and to reduce the requirement for quality supplementary protein during the winter months.

The production of high quality silage is only possible during a relatively short time frame in mid to late May.

In 2012 forage production as well as silage quality were significantly impaired due to the adverse weather conditions.

The Agency, which was concerned by these developments, commissioned a Report in September 2012 from Dr. Joe Patton, Liquid Milk Specialist in Teagasc, to investigate and report to the members on the increases in the economic cost of milk production in the current EU milk year particularly in the forthcoming winter months.

Dr. Patton's Report concluded that, while all milk producers would incur increased feed costs in 2012, specialist producers of milk for processing for liquid consumption on the domestic market would incur additional feed costs in excess of 4 cents per litre on their milk supplies during the winter months of October 2012 to February 2013.

The Agency issued a Press Release and wrote to producers' and processors' organisations and to the major retailers, expressing its concern that the exceptional increases in the production costs of fresh, drinking milk in 2012 were making the production of winter milk supplies for the domestic fresh milk market, unviable and unsustainable.

There was no market response to the Agency's warning. Nor was there any response to street protests by some liquid milk producers aimed at bringing public attention to the crisis on liquid milk farms.

National Fodder Crisis

The prolonged winter conditions in 2012/13 depleted winter fodder stocks, emptied silage pits and created an increased reliance on purchased feedstuffs. The cold, wet Spring of 2013, which was one of the coldest and wettest on record, constrained normal grass growth for the grazing of cows until the end of May 2013 and resulted in a national fodder crisis. In April as the crisis heightened, the Government intervened to subsidise the transport costs of the unprecedented importation of fodder supplies from the UK and France by processors, farming organisations and other businesses. The forces of nature had trapped most Irish dairy farmers into a "zero-grazing" business model at the commencement of the main milk production season. Serious cash flow problems emerged on all grassland enterprises but particularly on dairy farms.

A Tipping Point for Liquid Milk Producers

The future of an all year round milk supply for the domestic liquid milk market is now at a tipping point as liquid milk producers review their outturn for 2012/13, relative to seasonal milk production for manufacturing and in the context of the opportunities to increase milk output for export markets, following the abolition of EU milk quotas in April 2015.

The confidence of registered producers in the all year round supply model for liquid milk for the domestic market has been shattered by the costs incurred in winter milk production in 2012/13 and by the absence of any market response to these costs at that time.

In the absence of adequate price incentives and encouragement for winter milk production for the future, many liquid milk producers are likely to switch their business models from all year round supplies for the domestic fresh milk market to seasonal milk supplies for export.

Fresh Milk Market

The Irish fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €524 million in 2012.

Irish consumers have traditionally preferred to drink milk rather than to eat it with the result that Ireland has one of the highest per capita consumptions of fresh milk in the EU, almost double the EU average, while it also has one of the lowest per capita consumptions of cheese in the EU at less than half the EU average.

Consumers' preference for low fat and skimmed milks continued to grow with these products now comprising 38% of total fresh milk sales.

Fresh milk continues to be an excellent value for money product. While general consumer prices increased by 2% compared with the previous year, the national average retail price for fresh milk is estimated to have fallen by 3% compared with 2011.

Consumption of fresh milk on the domestic market in 2012 fell by 3% to 563 million litres.

Imports of fresh milk from Northern Ireland, in consumer packs and as bulk milk for processing for liquid consumption, fell by 4% last year but continue to represent more than one in every four litres of fresh milk being consumed in the State.

Fair Trade in the Fresh Milk Supply Chain

In May 2013, the Agency made a presentation to the Joint Oireachtas Committee on Agriculture, Food and the Marine on the proposed Code of Conduct for the grocery goods sector, on pricing and the impact on primary and secondary suppliers, support for local produce and labelling.

The Agency recommended that the Code of Practice for Grocery Goods undertakings should be on a statutory basis and that a statutory Regulator of the Code should be appointed with robust enforcement powers both civil and criminal.

Future Outlook

The export market outlook for 2013 is very positive with producer prices for manufacturing milk supplies rising by approximately 6 c/litre to end May, driven by rising commodity prices as global milk supplies reduced, due mainly to drought in the Southern Hemisphere and adverse weather conditions in the EU, and fell short of strong Asian demand. The cost outlook, however, is very challenging. Adverse weather conditions at the start of the year, the fodder crisis, the late commencement of the grazing and silage conservation seasons due to poor growth and waterlogged ground, combined with rising feed prices are likely to impact sharply on dairy costs and margins in 2013.

Registers

In the milk year 2011/12 the number of milk supply contracts registered with the Agency was 1,936 contracts and related to 435 million litres of milk for processing for liquid consumption. This represented a decrease of 14 contracts from the number registered in the previous year and a decrease of 9.2 million litres in registered milk supplies.

The number of registered processors remained at 15 with one new producer/processor being registered and one being deregistered.

Contracts

All Year Round (AYR) milk supply contracts numbered 1,824 contracts for supplies of 428.5 million litres of milk and represented 94% of contracts and 98% of milk supplies. The number of AYR contracts increased by 34.

Winter contracts comprised 112 contracts and represented 6% of contracts and 2% of milk supplies. The number of winter contracts decreased by 48 contracts.

Under the AYR contracts the Manufacturing Milk Price plus Bonus System replaced the traditional Flat Price System as the main pricing system for supplies of milk for the fresh milk market.

The Manufacturing Milk Price plus Bonus System was applied in 82% of the contracts and to 81% of the milk supplies compared with 29% of the contracts and 30% of the milk supplies in the previous milk year.

The Flat Price System was applied in 18% of the contracts and to 19% of the milk supplies compared with 71% of the contracts and 70% of the milk supplies in the previous milk year.

Milk Prices 2011/12

In the milk year 2011/12 the average milk price paid, excluding vat, under the 1,824 AYR contracts was 33.94 c/litre, a decrease of 0.74 c/litre or 2% on the previous year.

Under the Manufacturing Milk Price plus Bonus System the average price paid was 34.25 c/litre, a decrease of 1.10 c/litre or 3% on the previous year while under the Flat Price System the average price paid was 32.66 c/litre, a decrease of 1.71 c/litre or 5% on the previous year.

Public Service Reform Plan 2011

The Agency was included under the Public Service Reform Plan 2011 in the list of State Agencies for Critical Review by end June 2012. All stakeholders, including

the Agency, made submissions to the Review Group, which concluded that it was best for both the Exchequer and the stakeholders that the Agency should continue for now in its current role.

Financial

The Agency's total income increased to €626,033 from €607,511 in 2011. The reversal of the Pension Related Deductions of €36,598, which had reduced total income in 2011, was non-recurring.

Milk levy income decreased by €14,728 or 2% to €605,182 and interest income decreased by €3,348 or 14% to €20,851.

Operating costs of €551,904 increased by €42,045 or 8% mainly due to the provision of €84,222 for employer's contributions to the Staff Superannuation Scheme for 2012 and 2011. Personnel and related costs, which include the foregoing provision for employer's pension contributions represented 73% of operating costs and increased by €86,085 or 31%. Other operating costs decreased by €41,814 or 22%.

The excess of income of €626,033 over costs of €551,904 resulted in an operating surplus for the year of €74,129 which was added to the Accumulated Fund.

At year end, the Accumulated Fund amounted to €1,074,083 and was comprised of cash and deposits (net of creditors) of €935,524, debtors of €134,265 and fixed assets of €4,294.

Reduction of 20% in Milk Levy

In December, the Agency received Ministerial consent to the recommendation of the Agency's members, that the rate of milk levy payable to the Agency should be reduced by over 20% to 0.115 c/litre from 0.145 c/litre with effect from 1 April 2013.

Agency Membership/Meetings

The triennial election of producer members to the seventh Board of the Agency took place on the 19th of December.

As five producer candidates were nominated for the five producer members' seats, the five nominated producers were deemed to be elected and to hold office from the day following their election. In Constituency 1, Eamonn McEnteggart and Padraig Mulligan were re-elected and Denis Fagan was elected to fill the vacancy arising from the retirement of Eamonn Bray, who did not seek re-election. In Constituency 2 Jerome Crowley was re-elected and Timothy Cashman was elected to fill the vacancy arising from the retirement of Donal Kelleher, who did not seek re-election.

In January, Eoghan Sweeney was appointed as the new processor member to fill the vacancy arising from the retirement of John O' Callaghan. Also in January the following Ministerial re-appointments were made – Richard Donohue and Michael Kilcoyne to fill the two consumer representative seats, John Foster to fill the retailers' representative seat and Walter Moloney to fill the distributors' representative seat.

I wish to thank Eamonn Bray, who served for two terms on the Agency and who also served as Chairman of the Audit Committee for two terms, Donal Kelleher, who served for four terms and John O'Callaghan, who served for three terms, for their support and contributions to the effective working of the Agency during their terms of office.

During the year the Agency held six meetings and the Audit Committee held two meetings.

Conclusion

The Agency appreciates the cooperation received during the year from liquid milk processors and the representative bodies of producers, processors, consumers, retailers and distributors.

The Agency is thankful for the support and advice received from the officials of the Department of Agriculture, Food and the Marine and from other State Agencies consulted during the year.

On my own behalf, I thank the members of the Agency, for their helpful counsel, guidance and support and to Muiris and his team for their work and commitment.

Denis Murphy
Chairman

Chairman

*Denis Murphy**

Producers' Representatives

Jerome Crowley

Eamonn McEnteggart

Padraig Mulligan

Timothy Cashman

Denis Fagan

Processors' Representatives

*George Kearns**

Tony O'Driscoll

Frank Tobin

Eoghan Sweeney

Distributors' Representative

Walter Maloney

Retailers' Representative

John Foster

Consumers' Representatives

*Richard Donohue**

Michael Kilcoyne

* Members of the Audit Committee.

Chairman:	Denis Murphy*
Producers' Representatives:	Eamonn Bray *(ceased office 20 December 2012)* Jerome Crowley Donal Kelleher *(ceased office 20 December 2012)* Eamonn McEnteggart Padraig Mulligan Timothy Cashman *(elected 19 December 2012)* Denis Fagan *(elected 19 December 2012)*
Processors' Representatives:	George Kearns * John O'Callaghan (ceased office 5 February 2013) Tony O'Driscoll Frank Tobin Eoghan Sweeney (appointed 5 February 2013)
Distributors' Representative:	Walter Maloney
Retailers' Representative:	John Foster
Consumers' Representatives:	Richard Donohue* Michael Kilcoyne
	*Members of the Audit Committee (2012)
Chief Executive:	Muiris Ó Céidigh
Secretary:	Joan Shannon
Office:	IPC House, 35/39 Shelbourne Road, Ballsbridge, Dublin 4.
Email:	natmilk@eircom.net
Website:	www.nationalmilkagency.ie
Solicitor:	Frank Mulvey, Frank Mulvey Solicitors, Morrison Chambers, 32 Nassau Street, Dublin 2.
Bankers:	Allied Irish Banks plc., Bankcentre Branch, Ballsbridge, Dublin 4. Bank of Ireland, 39 St. Stephen's Green, Dublin 2.
Auditor:	Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

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1. MILK SUPPLIES

Dr Muiris Ó Céidigh
Chief Executive

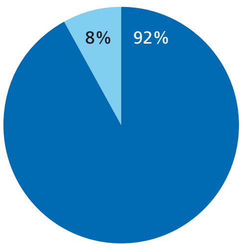
1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2012 were 5,225 million litres, a decrease of 152 million litres or 3% on supplies of 5,377 million litres in 2011.

The number of active milk producers was 18,138 while the average annual milk supplies per producer were 288,000 litres. (Appendix 4 Table B).

92% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 8% of supplies were processed for liquid consumption on the domestic market.

FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2012

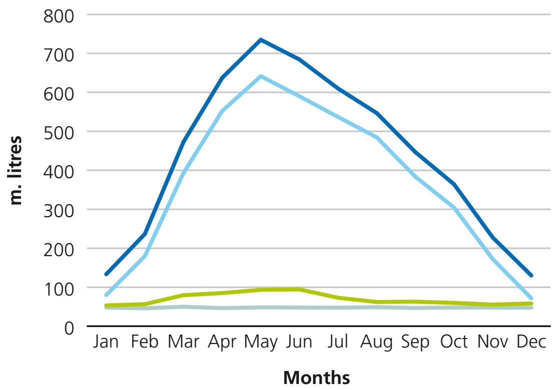


Manufactured Dairy Products
Liquid Consumption

Domestic milk supplies in 2012 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 79% of milk supplies being supplied in the seven months of March to September and 21% in the five months of October to February inclusive, the same pattern as in 2011.

The domestic milk supply profile had a peak to trough month ratio of 5.6/1 which was comprised of a peak to trough month ratio of 9.1/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies for processing for liquid consumption from registered milk producers.

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2012



Domestic milk supplies
Manufacturing milk supplies
(excluding supplies by registered producers)
Milk supplies by registered producers
Liquid Milk Consumption*

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

Sources: CSO/NMA

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios										
Manufacturing	9.1	6.8	8.7	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.8	1.8	1.9	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
ALL	**5.6**	**5.1**	**5.8**	**4.9**	**5.4**	**5.6**	**5.7**	**5.5**	**5.5**	**5.6**	**6.1**

Source: DAFF/CSO.

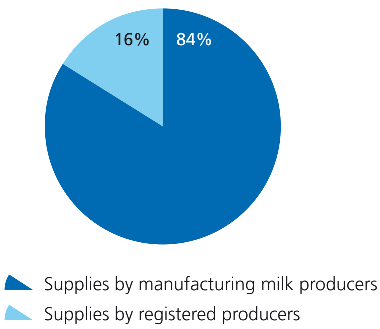
1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 1,936 registered producers in 2011/12 amounted to 829 million litres (Appendix 4 – Table A), a decrease of 38 million litres or 4% on supplies in 2010/11. Supplies for processing for liquid consumption amounted to 435 million litres or 52% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 394 million litres or 48% 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 8% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2012



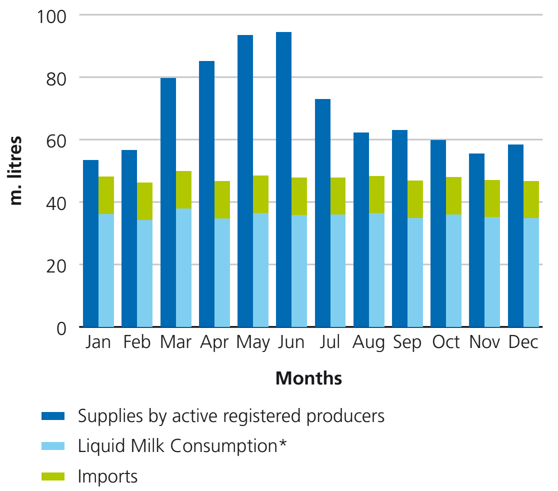
The average registered producer in 2011/12 had annual supplies of 428,000 litres compared with 445,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2012 to February 2013 total milk supplies by registered producers amounted to an estimated 287 million litres, a decrease of 16 million litres on 2011/12 and provided a supply cover of 122% for liquid milk consumption (including imports) of an estimated 236 million litres.

In the months of December 2012 and January 2013, total supplies by registered producers amounted to an estimated 113 million litres and were 18 million litres in excess of liquid milk consumption (including imports) of an estimated 95 million litres in those months, a supply cover of 119%.

FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2012



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

Sources: CSO/NMA

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 406 million litres, an increase of 50 million litres or 14% on 2011 and were mainly cross border movements of milk from Northern Ireland.

These bulk milk imports were equivalent to 8% of domestic supplies and to 21% of Northern Ireland's annual milk supplies.

Bulk milk imports for processing into manufactured dairy products in the State represented 85% of these imports, while bulk milk imports for processing for liquid consumption in the State, namely 59 million litres, represented 15%, a reduction of 6 million litres or 9% on the previous year.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres																
Supplies	5,225	5,377	5,173	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)	406	356	388	427	464	473	566	550	377	349	278	209	304	361	282	–	–
Imports %	8	7	8	9	9	9	11	11	7	7	5	4	6	7	6	–	–

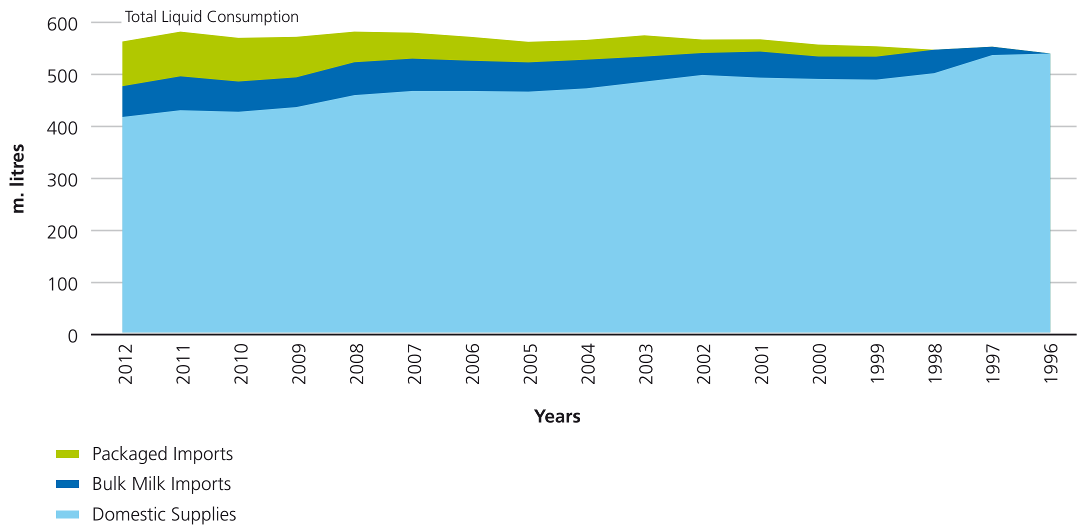
Imports of fresh milk in consumer packs, were estimated at 86 million litres, the same as the previous year.

Total milk imports for liquid consumption in consumer packs and in bulk for processing in the State amounted to 145 million litres, a decrease of 6 million litres or 4%, on the import volumes in the previous year.

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres																
Consumer Packs	86	86	84	78	59	50	46	40	38	41	26	24	23	20	–	–	0
Bulk	59	65	58	57	63	62	58	55	55	48	42	50	43	44	45	16	0
Total Imports	**145**	**151**	**142**	**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 1996-2012



The market share of domestic supplies in the State's fresh milk market at 74% was unchanged compared with 2011 as was the market share of imports at 26%.

Since 1996 imports of fresh milk for liquid consumption have grown to 145 million litres absorbing all the increase of 27 million litres in consumption and displacing 118 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 74% in 2012 while the market share of imports has grown from zero to 26%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 492 million litres in 2012 and were equivalent to 9% of domestic milk supplies and to 25% of Northern Ireland's annual milk supplies.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres																
Consumption	563	578	567	568	578	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	418	427	425	433	456	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	145	151	142	135	122	112	104	95	93	89	68	74	66	64	45	16	0
Domestic Supplies % Consumption	74	74	75	76	79	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	26	26	25	24	21	19	18	17	17	16	12	13	12	12	9	3	0

Source: CSO/NMA.

1.5 Northern Ireland – Milk Supplies/Milk Prices

Milk supplies in Northern Ireland in 2012 amounted to 1,980 million litres, an increase of 16 million litres or 0.8% on the previous year and were supplied by 2,662 dairy farmers. Northern Ireland's milk supplies were equivalent to 38% of the State's domestic milk supplies. Over 80% of Northern Ireland's annual milk supplies are exported as finished product or as raw milk.

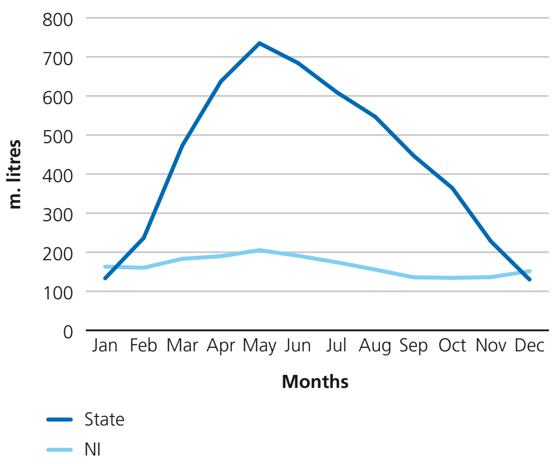
Average annual milk supplies per supplier in Northern Ireland in 2012 were 744,000 litres, which were considerably more than double the average milk supplies per supplier of 288,000 litres in the State.

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 2012 of 1.6/1 compared with 5.6/1 in the State.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2012

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	**5,225**	**1,980**
Average Butterfat %	3.94	4.02
Average Protein %	3.36	3.25
Peak month/trough month ratio	5.6/1	1.6/1
Suppliers – number	18,138	2,662
Average supplies per supplier – litres	288,000	744,000

FIG. 1.10 MONTHLY MILK SUPPLIES – STATE & NORTHERN IRELAND 2012



Since 1993, annual milk supplies in Northern Ireland have increased by 671 million litres or 51% facilitated by the purchase and transfer of additional EU milk quotas from Great Britain. Over 70% of this increase is being exported to the State.

In 2012, 406 million litres or 21% of annual milk supplies in Northern Ireland were exported to the State as bulk raw milk compared with 18% in 2011.

Last year 26% of milk supplies in Northern Ireland were traded by auction and an estimated additional 30% of milk supplies were traded at prices based on auction prices. The annual average auction price in 2012 was 26.28 p/l (32.44 c/l), a decrease of 2.04 p/l (11 c/l) or 7% on the previous year.

The auction system for milk in Northern Ireland was discontinued in January 2013 due to concerns that it was not delivering a competitive price in the market place, especially during the spring and early summer peak production period.

TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993-2012

	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
2010	1,850	141
2011	1,964	150
2012	1,980	151

Source: DARDNI.

The annual average net price to producers for all year round milk supplies in 2012 was 25.78 p/l (31.83 c/l), a decrease of 1.49 p/l (0.49 c/l) or 5% on the previous year.

The Northern Ireland annual average, milk price for producers in 2012 was over 0.68 c/l or 2% higher than the annual average milk price for manufacturing milk supplies in the State.

2. THE LIQUID MILK MARKET

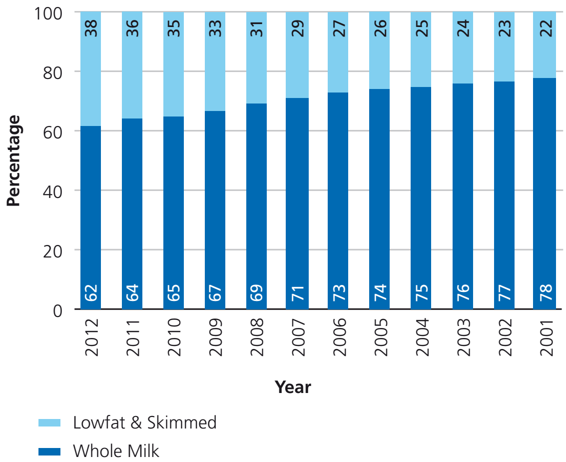
The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €524m in 2012.

National consumption of fresh liquid milk last year was 563 million litres, a decrease of 15 million litres or 3% on consumption in 2011. Per capita consumption in the State of 0.34 litres per day was the second highest in the EU.

Last year sales of whole milk, which accounted for 62% of fresh milk sales, declined by 1% while sales of lowfat and skimmed milk increased by 6% to 38% of sales.

The annual national average price of milk (lowfat) in l litre packs, reported by the CSO, in 2012 was 105 c/l. This price was 6 c/l or 5% lower than the annual average price of whole milk in 1 litre packs in 2011.

FIG. 2.0 FRESH MILK SALES PRODUCT PROFILE 2001-2012



Source: CSO.

TABLE 2.1 – INDICES OF CONSUMER PRICES/FOOD PRICES/RETAIL MILK PRICES/PRODUCER MILK PRICES

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	150	148	144	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	142	139	140	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index																		
- lowfat milk[1]	136	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- whole milk[2]	-	144	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Producer Milk Price Index[3]	104	108	99	89	115	108	93	94	98	98	100	102	98	98	98	100	104	100

Sources CSO/NMA

[1] CSO – National average retail price of lowfat milk in 1 litre packs (CSO reports of low fat milk in 1 litre packs since January 2012).

[2] CSO – National average retail price of whole milk in 1 litre packs.

[3] EU dairy premium payments payable to eligible recipients since 2004 are not included.

From 1995 to 2011 the CSO reported on the monthly national average price of whole milk in 1 litre packs over which time the price increased by 34 c/l or 44%. From January 2012 the CSO ceased to report on the monthly average price of whole milk in 1 litre packs and commenced to report on the price of low fat milk in 1 litre packs. In Table 2.1 the Agency has used the average price of low fat milk in 1 litre packs to calculate the retail milk price index in 2012. Generally the prices of own label whole milk and own label low fat milk in 1 litre packs in retail multiples are the same. It should be noted, however, that in some instances the retail prices of processors' brands of low fat milk in 1 litre packs may be higher than the prices of processor's brands of whole milk in 1 litre packs.

Since 1995, while consumer prices increased by 50% and the retail price of milk in one litre packs increased by 36%, the producer milk price per litre for supplies of milk for processing for liquid consumption increased by only 4%, if the EU dairy premium payment of 3.65 c/l in 2012 for eligible recipients is excluded or by 15% if the EU dairy premium payment is included.

TABLE 2.2 ANNUAL AVERAGE RETAIL MILK PRICES – ANNUAL PRODUCER MILK PRICES/PRODUCERS' SHARE OF RETAIL MILK PRICE

	2012	2011	2010	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	c/l	c/l	c/l
Retail Prices																		
- lowfat milk[1]	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- whole milk[2]	-	111	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices[3]	34.1	35.5	32.4	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	32%	32%	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

[1] CSO – National average retail price of lowfat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk in one litre packs only since January 2012).

[2] CSO – National average retail price of whole milk in 1 litre packs.

[3] NMA – National average producer price of milk for processing for liquid consumption.

In 2012, an estimated 30% of sales of fresh milk were sold in one litre packs and an estimated 70% of sales were sold in 2 litre packs.

The national average retail price of whole milk sold in two litre packs in 2012 was 177 c/2 litres, a decrease of 6 c/2 litres or 3% on the previous year. Based on a mix of 30% of sales in one litre packs and 70% in 2 litre packs the national average retail milk price in 2012 was 93 c/l, a decrease of 5 c/l or 5% on 2011. Based on this estimate of the national average retail price of milk in 2012, the producers' share was 37%, compared with 36% in 2011.

Retail Market

Retailers are the main distribution channel for fresh milk distributing 79% of all fresh milk. According to industry sources the catering channel decreased to 11% while the doorstep channel increased to 10%.

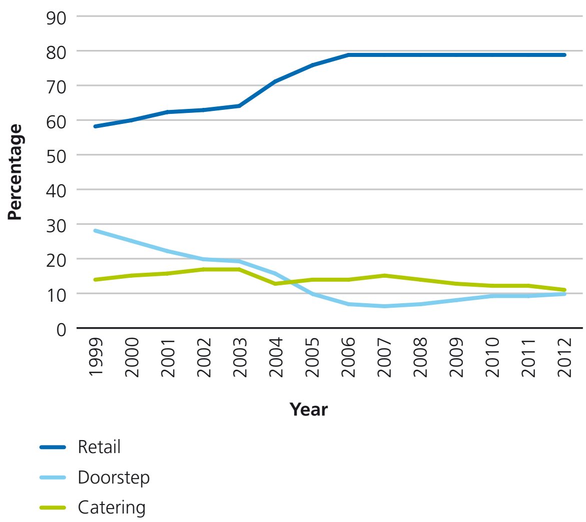
The three largest multiple groupings had an 80% share of the Irish grocery market in 2012 and the five largest multiple groupings had a market share of 92%.

Discount retailers, whose grocery market share remained static at 12% in 2012 are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market it is estimated that over 50% of milk sales in retail outlets is now sold as "own label" according to industry sources.

Own label sales in 2 litre packs were retailed at an average discount of 25% on processors' brands.

FIG. 2.4 MARKET SHARES 1999-2012



Source: Industry Estimate.

TABLE 2.3 GROCERY MARKET SHARES

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%	%
Tesco	27	28	27	26	26	26	26	26	25	23	24
Dunnes	23	23	23	25	24	24	22	22	22	21	22
SuperValu	20	20	20	20	20	20	20	20	19	19	19
Superquinn	6	5	7	7	8	8	8	8	9	8	9
Lidl/Aldi	12	12	12	11	10	7	6	6	5	6	1
Centra	4	4	2	2	2	2	3	2	3	3	3
Spar	4	4	2	2	2	2	2	2	3	3	2
All others	4	4	7	7	8	11	13	14	14	17	20
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: RGDATA.

3. REGISTERED CONTRACTS/PRICES

3.0 Contract Types

TABLE 3.0 CONTRACT TYPES

Milk Year	Total	All Year Round	Winter Months
1995/96	3,344	3,206	138
1996/97	3,284	3,151	133
1997/98	2,908	2,783	125
1998/99	2,833	2,709	124
1999/00	2,762	2,642	120
2000/01	2,837	2,725	112
2001/02	2,720	2,620	100
2002/03	2,736	2,583	153
2003/04	2,656	2,510	146
2004/05	2,336	2,199	137
2005/06	2,282	2,104	178
2006/07	2,079	1,908	171
2007/08	2,008	1,861	147
2008/09	1,992	1,849	143
2009/10	1,995	1,862	133
2010/11	1,950	1,790	160
2011/12	1,936	1,824	112

Register of Contracts as at 31 December in each year. The Register of Contracts is maintained as an open register. Processors and Producers can register contracts in respect of individual milk years. Contracts continue to be registered throughout the year. For Register of Producers see Appendix 2.

- The number of registered milk supply contracts decreased to 1,936, a net decrease of 14 contracts on the previous year.
- All Year Round (AYR) contracts continued to be the main contract type representing 94% of contracts and 98% of milk supplies.
- Winter contracts represented 6% of contracts and 2% of milk supplies.
- The number of All Year Round (AYR) contracts increased by 34 to 1,824 while the number of Winter contracts decreased by 48 contracts to 112.

3.1 Contract Pricing Systems

- Two systems of milk pricing are used by processors when purchasing milk from producers for processing for liquid consumption namely the Manufacturing Milk Price plus Bonus System (MMP System) and the FLAT Price System (FLAT System).
- Under the MMP System, a milk price equal to the monthly manufacturing milk price, with price differentials for constituents, is paid with the addition of fixed or variable winter bonus payments.
- Under the FLAT System, milk is paid for at a monthly flat price per litre with higher prices paid in the winter months and no price differentiation for milk constituents.
- In 2011/12, with effect from 1 January 2012, one of the largest processors changed its main pricing system from a FLAT Price System to an MMP System with phased changeover options for its suppliers.
- Suppliers could opt to move to a constituent based payment system gradually over the 2012-2014 period or change fully to a constituent based payment from 1 January in each of the years 2012, 2013 or 2014.
- Where the Pricing System in a contract changed during the milk year, the contract has been classified in accordance with the main Pricing System applied.
- In 2011/12 the MMP System was applied in 82% of AYR contracts compared with 29% in 2010/11 and to 81% of milk supplies compared with 30% of milk supplies in 2010/11.
- The FLAT System was applied in 18% of the AYR contracts compared with 71% in 2010/11 and to 19% of the milk supplies compared with 70% in 2010/11.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	Contracts				Supplies			
	2011/12		2010/11		2011/12		2010/11	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,824	94	1,790	92	428.5	98	433.8	98
Winter	112	6	160	8	6.5	2	10.4	2
Total	**1,936**	**100**	**1,950**	**100**	**435.0**	**100**	**444.2**	**100**

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2011/12		2010/11		2011/12		2010/11	
	Number	%	Number	%	m litres	%	m litres	%
MMP SYSTEM	1,499	82	526	29	346.0	81	130.8	30
FLAT SYSTEM	325	18	1,264	71	82.5	19	303.0	70
TOTAL AYR	**1,824**	**100**	**1,790**	**100**	**428.5**	**100**	**433.8**	**100**

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2011/12

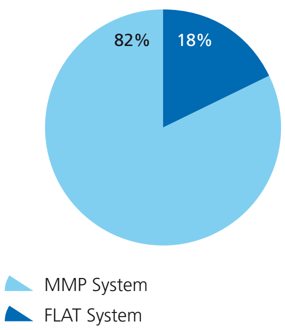


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2011/12

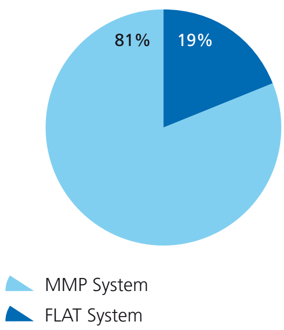


FIG 3.5 AYR CONTRACTS – PRICING SYSTEMS/ SUPPLIES 1999/00-2011/12

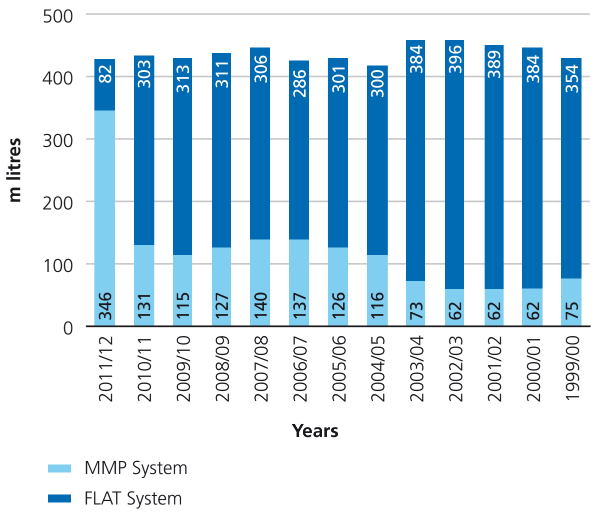


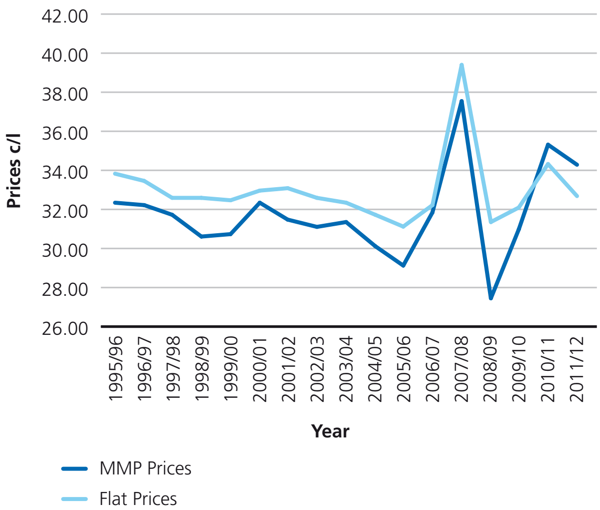
TABLE 3.6 ANNUAL AVERAGE MILK PRICES PAID UNDER ALL YEAR ROUND CONTRACTS – 2011/12 & 2010/11

Pricing Systems	Prices		Contracts	Milk Supplies	Price (Decreases)/ Increases
	2011/12	2010/11	2011/12	2011/12	
	c/litre	c/litre	number	m. litres	c/litre
MMP	34.25	35.35	1,499	346.0	(1.10)
FLAT	32.66	34.37	325	82.5	(1.71)
AYR Contracts	**33.94**	**34.68**	**1,824**	**428.5**	**(0.74)**

Prices are in respect of AYR contracts which apply the MMP System and the FLAT System and are ex farm attainable prices, exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties and statutory levies. Prices are weighted by monthly volumes purchased. In the case of contracts applying the MMP System, prices are based on fixed and variable manufacturing prices with winter bonuses added. Where the Pricing System in a contract changed during the milk year the contract has been classified in accordance with the main Pricing System applied.

- The annual average price paid under the AYR MMP System contracts in 2011/12 was 34.25 c/l, a decrease of 1.10 c/l or 3% on the previous year.
- The annual average price paid under the AYR FLAT System contracts in 2011/12 was 32.66 c/l, a decrease of 1.71 c/l or 5% on the previous year.
- The annual average price paid under all AYR contracts in 2011/12 was 33.94 c/l, a decrease of 0.74 c/l or 2% on the previous year.
- The annual average price of 34.25 c/l under the MMP System contracts was 1.59 c/l more than the annual average price of 32.66 c/l under the FLAT System contracts.
- Nine processors purchased supplies using the MMP System in their contracts.
- Five processors purchased supplies using the FLAT System in their contracts.
- Two processors purchased supplies using both FLAT and MMP Systems.

FIG. 3.7 AYR CONTRACTS – ANNUAL AVERAGE FLAT AND MMP PRICES



See Appendix 3.

3.2 Prices Paid 2012 – Main AYR Contracts

- A table of the annual average milk prices paid under the twelve highest volume AYR contracts representing 87% of the AYR contracts and 92% of AYR milk supplies is set out below.

TABLE 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 12 HIGHEST VOLUME CONTRACTS

MMP SYSTEM CONTRACTS

Contract Types	Annual Average Plus Bonus*		Annual Average Monthly Bonus		Base Prices		Change in Annual Average Prices
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	(Decreases)/ Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	33.90	35.97	2.48	3.25	31.42	32.72	(2.07)
B1	31.81	32.90	1.80	1.89	30.01	31.01	(1.09)
B2	35.19	35.68	4.88	4.84	30.31	30.84	(0.49)
C2	35.88	35.57	4.23	4.24	31.65	31.33	0.31
C3	37.16	35.75	4.12	4.14	33.04	31.61	1.41
D	34.19	34.46	3.34	3.45	30.85	31.01	(0.27)
F	33.82	34.14	3.34	3.45	30.48	30.69	(0.32)

FLAT SYSTEM CONTRACTS

Contract Types	Annual Average Prices*		Winter Prices		Summer Prices		Change in Annual Average Prices
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	(Decreases)/ Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	32.94	34.12	36.86	35.67	28.86	32.04	(1.18)
G	30.93	32.05	33.92	34.53	26.17	29.50	(1.12)
D1	31.12	36.64	33.52	38.83	28.04	32.32	(5.52)
J	35.22	34.13	36.30	35.50	27.52	32.57	1.09
H	32.13	35.15	39.29	37.00	29.11	32.29	(3.02)

* Excluding VAT.

3.3 Prices Paid – Winter Contracts

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

	Contracts		Milk Supplies		2011/12	2010/11
Pricing Systems	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	91	81	5.1	78	44.09	40.03
FLAT System	21	19	1.4	22	38.84	36.40
Total	**112**	**100**	**6.5**	**100**	**42.96**	**39.47**

Under the Winter contracts, a producer undertakes to supply milk for processing for liquid consumption during some or all of the prescribed winter months (October to February). The 112 winter contracts related to 6.5 million litres of milk (a decrease of 3.9 million litres on the previous year) and represented 6% of all contracts and 2% of milk supplies.

3.4 Prices Paid – All Contracts – Milk Years

The average price paid under all contracts, both All Year Round and Winter Months Only in 2011/12 was 34.08 c/l a decrease of 0.70 c/l or 2% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

Period	2011/12 1,936 contracts 435.0 ml	2010/11 1,950 contracts 444.2 ml
	c/litre	c/litre
Winter months, September-March (7)	37.96	36.47
Summer months, April-August (5)	28.52	32.25
Annual Average	**34.08**	**34.78**

Prices are in respect of both AYR and Winter contracts utilising the MMP System and the FLAT System and are ex farm attainable prices exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties and statutory levies. Prices are weighted by monthly volumes purchased. Payment periods on all contracts are standardised to a seven winter months premium period and a five summer months period.

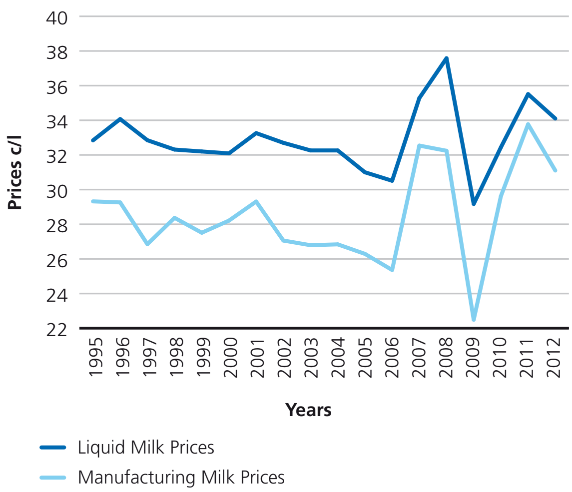
A Schedule showing the annual average prices since 1995/96 is set out in Appendix 3 (Table A).

3.5 Milk Prices 2012

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

- In calendar year 2012, which includes the first three months of the 2012/13 milk year, the annual average price paid under all registered contracts was 34.10 c/l which was 0.02 c/l higher than the annual average price of 34.08 c/l paid during the 2011/12 milk year.
- In calendar year 2012 the annual average price of 34.10 c/l paid under all registered contracts was 1.41 c/l or 4% less than the annual average price of 35.51 c/l paid in 2011.
- In 2012 the annual average price for manufacturing milk supplies, excluding vat and after collection charges, was 31.15 c/l, a decrease of 2.95 c/l or 9% on the annual average manufacturing price of 34.10 c/l (revised) in 2011.
- The differential in 2012 between the annual average producer price for milk supplies for liquid consumption of 34.10 c/l and the annual average producer price for manufacturing milk supplies of 31.15 c/l, was 2.95 c/l, an increase of 1.54 c/l on the differential of 1.41 c/l (revised) in 2011.
- A Schedule showing the annual average producer milk prices for supplies for liquid consumption and supplies for manufacturing since 1995 is set out in Appendix 3 (Table B).

FIG. 3.11 PRODUCER MILK PRICES – ANNUAL AVERAGES – LIQUID MILK/MANUFACTURING MILK 1995-2012



4. PROCESSORS

TABLE 4.0 STRUCTURE OF REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2011/12

MILK SUPPLY BANDS	NUMBER OF PROCESSORS	REGISTERED PRODUCERS		ANNUAL SUPPLIES*	
m. litres		**number**	**%**	**m. litres**	**%**
0 - 20	10	319	17	46	11
20 - 40	3	388	20	101	23
Over 40	2	1,229	63	288	66
TOTAL	**15**	**1,936**	**100**	**435**	**100**

As at 31st December 2012

* Includes supplies from all registered producers supplying milk for heat treatment for liquid consumption.

- The industry structure is highly concentrated. Two processors with annual supplies in excess of 40 million litres of milk for processing for liquid consumption accounted for 63% of active registered producers and 66% of annual milk supplies.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2012 was 18, of which 16 plants were operated by the 15 processors registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency. These processors imported all their supplies of milk for processing for liquid consumption in the State.
- Average annual milk supplies processed per plant operated by registered processors were 26 million litres.

APPENDICES

APPENDIX 1 MEETINGS OF THE AGENCY

Members	Meetings Attended 2012
Denis Murphy – Chairman	6
Eamonn Bray	5
Jerome Crowley	6
Donal Kelleher	4
Padraig Mulligan	6
Eamonn McEnteggart	5
George Kearns	6
John O'Callaghan	3
Tony O'Driscoll	5
Frank Tobin	6
Walter Maloney	6
John Foster	6
Richard Donohue	6
Michael Kilcoyne	6

The Agency held six meetings during the year and the attendance ratio was 90%.

The Chairman and Chief Executive held two meetings with officials of the Department of Agriculture, Food and the Marine, and provided updates on the regulation of the supply of milk for processing for liquid consumption and on developments in the liquid milk sector.

The Agency, through its executive, has regular contact with representatives of Teagasc, the National Dairy Council, the National Dairies Association, the Irish Farmers Association, the Irish Creamery Milk Suppliers Association and other groups and organisations.

The Agency sought the advices of expert economists on different aspects of the liquid milk sector during the year.

Mr Eamonn Bray was the Agency's representative on the Board of the National Dairy Council in 2012.

In 2012 the members of the Audit Committee Eamonn Bray (Chairman), George Kearns, Richard Donohue and Denis Murphy held two meetings during the year.

APPENDIX 2 REGISTER OF PRODUCERS/MILK SUPPLIES/ PRICING SYSTEMS

A. REGISTER OF PRODUCERS

Milk Years	Registered Producers	De-registered Producers	New Producers
1995/96	3,360	2	2,472
1996/97	3,344	57	41
1997/98	3,300	142	98
1998/99	3,181	129	10
1999/00	3,209	66	94
2000/01	3,359	25	175
2001/02	3,093	282	16
2002/03	3,133	58	98
2003/04	2,716	486	69
2004/05	2,575	194	53
2005/06	2,492	141	58
2006/07	2,520	12	40
2007/08	2,371	161	12
2008/09	2,357	69	55
2009/10	2,367	84	94
2010/11	2,352	87	72
2011/12	2,028	339	15

Register of Producers as at 31 December in each year.

Producers remain on the Register until the Agency is notified that producers have permanently ceased to supply milk for processing for liquid consumption. Some producers, who do not have registered contracts, remain on the Register until such notifications are received.

B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

Milk Years	Total	All Year Round	Winter Months Only
	m.litres	m.litres	m.litres
1995/96	497.3	488.4	8.9
1996/97	474.6	467.3	7.3
1997/98	434.6	427.3	7.3
1998/99	433.2	426.4	6.8
1999/00	436.9	428.7	8.2
2000/01	452.6	446.1	6.5
2001/02	458.7	451.6	7.1
2002/03	468.1	458.0	10.1
2003/04	465.5	457.4	8.1
2004/05	425.7	416.3	9.4
2005/06	438.7	427.4	11.3
2006/07	432.3	423.1	9.2
2007/08	454.8	446.3	8.5
2008/09	447.8	438.2	9.6
2009/10	435.6	427.5	8.1
2010/11	444.2	433.8	10.4
2011/12	435.0	428.5	6.5

C. ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

Milk Years	Contracts	Pricing Systems		% FLAT	% MMP
		FLAT	MMP		
1995/96	3,206	2,735	471	85	15
1996/97	3,151	2,696	455	86	14
1997/98	2,783	2,410	373	87	13
1998/99	2,708	2,291	418	85	15
1999/00	2,642	2,269	373	86	14
2000/01	2,725	2,375	350	87	13
2001/02	2,620	2,282	338	87	13
2002/03	2,583	2,239	344	87	13
2003/04	2,510	2,075	435	83	17
2004/05	2,199	1,686	513	77	23
2005/06	2,104	1,589	515	76	24
2006/07	1,908	1,448	460	76	24
2007/08	1,861	1,386	475	75	25
2008/09	1,849	1,370	479	74	26
2009/10	1,862	1,313	549	70	30
2010/11	1,790	1,264	526	71	29
2011/12	1,824	325	1,499	18	82

D. ALL YEAR ROUND CONTRACTS/ SUPPLIES AND PRICING SYSTEMS

Milk Years	Supplies	Pricing Systems			
		FLAT	MMP	FLAT	MMP
	m. litres	m. litres	m. litres	%	%
1995/96	488.4	443.6	44.8	91	9
1996/97	467.3	395.5	72.7	85	15
1997/98	427.3	364.6	62.3	85	15
1998/99	426.4	350.0	76.4	82	18
1999/00	428.7	353.7	75.0	83	17
2000/01	446.1	383.6	62.5	86	14
2001/02	451.6	389.5	62.1	86	14
2002/03	458.0	396.4	61.6	87	13
2003/04	457.4	384.3	73.1	84	16
2004/05	416.3	300.0	116.3	72	28
2005/06	427.4	301.0	126.4	70	30
2006/07	423.1	286.2	136.8	68	32
2007/08	446.3	306.4	139.9	69	31
2008/09	438.2	311.3	126.9	71	29
2009/10	427.5	312.6	114.9	73	27
2010/11	433.8	303.0	130.8	70	30
2011/12	428.5	82.5	346.0	19	81

APPENDIX 3 ANNUAL AVERAGE MILK PRICES/DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS MILK YEARS – 1995/96 TO 2011/12 – ANNUAL AVERAGE PRICES / FLAT SYSTEM/MMP SYSTEM / DIFFERENTIALS

Milk Years	Average Prices	Average FLAT Prices	Average MMP Prices	Price Differentials FLAT Prices v MMP Prices
	c/l	c/l	c/l	c/l
1995/96	N/A	33.77	32.30	1.47
1996/97	N/A	33.46	32.28	1.18
1997/98	32.50	32.65	31.67	0.98
1998/99	32.19	32.65	30.64	2.01
1999/00	32.15	32.43	30.73	1.70
2000/01	32.93	33.01	32.36	0.65
2001/02	32.92	33.11	31.42	1.69
2002/03	32.28	32.56	31.13	1.43
2003/04	32.25	32.38	31.32	1.06
2004/05	31.30	31.74	30.11	1.63
2005/06	30.56	31.12	29.12	2.00
2006/07	32.11	32.25	31.85	0.40
2007/08	38.84	39.38	37.60	1.78
2008/09	30.24	31.35	27.45	3.90
2009/10	31.84	32.15	30.96	1.19
2010/11	34.68	34.37	35.35	(0.98)
2011/12	33.94	32.66	34.25	(1.59)

TABLE B. PRODUCER MILK PRICES ANNUAL AVERAGES – 1995-2012 LIQUID PRICES/MANUFACTURING PRICES/ANNUAL PRICE DIFFERENTIALS

Calendar Years	Prices – Liquid[1]	Prices – Manufacturing[1]	Price Differentials
	c/l	c/l	c/l
1995	32.84	29.32	3.52
1996	34.07	29.26	4.81
1997	32.85	26.85	6.00
1998	32.31	28.37	3.94
1999	32.20	27.51	4.69
2000	32.09	28.21	3.88
2001	33.26	29.31	3.95
2002	32.70	27.06	5.64
2003	32.26	26.79	5.47
2004	32.26	26.84	5.42
2005	31.00	26.29	4.71
2006	30.51	25.36	5.15
2007	35.28	32.54	2.74
2008	37.58	32.24	5.34
2009	29.17	22.49	6.68
2010	32.44	29.62	2.82
2011	35.51	34.10[2]	1.41
2012	34.10[3]	31.15[3]	2.95[3]

[1] Prices excluding vat, before levies and after collection charges

[2] Revised to CSO Annual Average Price

[3] Assumes similar constituent levels in liquid and manufacturing milk supplies

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A – STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2011/12 AND 2010/11

Annual Supply Bands	Registered Producers		Total Supplies		Supplies for Liquid Consumption		Supplies for Manufacturing		Average Supplies for Liquid		% of Registered Producers		% of Total Supplies		% of Liquid Supplies		Liquid Supplies % Total Supplies	
Litres	number		m litres		m litres		m litres		'000s litres									
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<50,000	83	85	1.3	1.4	0.8	0.8	0.5	0.6	9	9	4	4	0	0	0	0	62	55
50,000-99,999	87	80	6.3	6.2	3.4	3.4	2.9	2.8	39	43	4	4	1	1	1	1	54	55
100,000-149,999	99	107	12.0	13.5	5.9	6.7	6.1	6.8	59	63	5	5	2	2	2	2	49	50
150,000-199,999	124	118	21.7	20.8	11.4	10.7	10.3	10.0	92	91	6	6	3	2	3	2	53	52
200,000-249,999	156	145	35.2	32.9	17.8	15.7	17.4	17.1	114	108	8	7	4	4	4	3	51	48
250,000-299,999	167	175	46.0	48.3	20.9	21.9	25.1	26.3	125	125	9	9	6	6	5	5	45	45
300,000-349,999	210	170	67.9	55.1	32.1	26.8	35.8	28.3	153	158	11	9	8	6	7	6	47	49
350,000-399,999	190	167	71.4	62.9	35.0	26.7	36.4	36.1	184	160	10	9	8	7	8	6	49	43
400,000-449,999	126	157	53.4	66.5	25.2	32.6	28.2	34.0	200	208	7	8	6	8	6	7	47	49
450,000-499,999	115	117	54.5	55.4	27.6	25.4	26.9	30.0	240	217	6	6	7	6	6	6	51	46
500,000-599,999	171	194	93.0	105.6	46.7	51.2	46.3	54.4	273	264	9	10	11	12	11	12	50	48
600,000-699,999	132	127	85.4	82.2	41.1	38.0	44.3	44.3	311	299	7	7	10	10	9	8	48	46
Over 700,000	276	308	281.3	316.0	167.1	184.4	114.2	131.7	605	599	14	16	34	36	38	42	59	58
Total	**1,936**	**1,950**	**829.4**	**866.8**	**435.0**	**444.3**	**394.4**	**422.4**	**225**	**228**	**100**	**100**	**100**	**100**	**100**	**100**	**52**	**51**

Source: NMA.

Figures adjusted for rounding.

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE B – STRUCTURE OF DOMESTIC MILK SUPPLIES AND LIQUID MILK SUPPLIES CLASSIFIED BY ANNUAL QUOTA SUPPLY BANDS 2011/12 AND 2010/11

	Producers										Milk Quotas/Supplies									
Annual Supply Bands	All Active Producers		Registered Producers		All Producers		Registered Producers		Registered Producers % All Producers		Domestic Milk Quotas		Supplies of Registered Producers		% of Domestic Quotas All Producers		% of Registered Producers' Supplies		Supplies of Registered Producers'% of Domestic Supplies	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	Number		Number		%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	438	446	83	85	2	2	4	4	19	19	15	15	1.3	1.2	1	1	0	0	9	9
50,000-100,000	1,344	1,369	87	80	7	7	4	4	6	6	108	107	6.23	6.2	2	2	1	1	6	6
100,001-200,000	4,343	4,483	223	225	25	25	12	12	5	5	683	694	33.7	34.3	13	13	4	4	5	5
200,001-250,000	2,742	2,764	156	145	15	15	8	7	6	5	624	625	35.2	32.9	12	12	4	4	6	5
250,001-300,000	2,388	2,412	167	175	13	13	9	9	7	7	658	662	46.0	48.3	12	12	6	6	7	7
300,001-350,000	1,864	1,838	210	170	10	10	10	9	11	9	606	596	67.9	55.1	11	11	8	6	11	9
350,001-400,000	1,442	1,437	190	167	8	8	10	9	13	12	539	536	71.4	62.9	10	10	9	7	13	12
400,001-450,000	944	937	126	157	5	5	7	8	13	17	401	397	53.4	66.6	7	7	6	8	13	17
Over 450,000	2,633	2,611	694	746	15	15	36	38	26	29	1,728	1,696	513.8	559.3	32	32	62	64	30	33
Total	**18,138**	**18,297**	**1,936**	**1,950**	**100**	**100**	**100**	**100**	**11**	**11**	**5,362**	**5,328**	**829.0**	**866.8**	**100**	**100**	**100**	**100**	**15**	**16**

Sources: Department of Agriculture Food and the Marine – EU milk years 2010/11 and 2011/12 ended 31 March 2011 and 2012 respectively.

NMA – Milk years 2010/11 and 2011/12 ended 30 September 2011 and 2012 respectively.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2012

STATEMENT OF MEMBERS' RESPONSIBILITIES

The Milk (Regulation of Supply) Act, 1994 requires the members to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the National Milk Agency and of the surplus or deficit of the Agency for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Agency will continue in business.

In accordance with the Act, the members are responsible for keeping proper books of account and other books and records as are necessary to give a true and fair view of the Agency's business and affairs. The members are also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps to provide adequate protection in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Agency's members, as a body, in accordance with Section 18 (1) of the Milk (Regulation of Supply) Act, 1994. Our audit work has been undertaken so that we might state to the Agency's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and the Agency's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 31 December 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the Agency as at 31 December 2012 and of the surplus for the year then ended.

Deloitte & Touche

Chartered Accountants and Statutory Audit Firm
Dublin

12 March 2013

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €	2011 €
INCOME			
Milk levy – continuing operations	*2*	**605,182**	619,910
Deposit interest		**20,851**	24,199
Pension related deduction	*3*	**–**	(36,598)
		626,033	607,511
EXPENDITURE			
Salaries and superannuation	*10*	**367,289**	281,204
Administration costs	*4*	**182,681**	226,374
Depreciation		**1,934**	2,281
		551,904	509,859
Surplus for the year	*9*	**74,129**	97,652

The surplus for the year derives solely from continuing operations. There are no recognised gains or losses other than as disclosed in the income and expenditure account.

The financial statements were approved by the Members on 12 March 2013

Denis Murphy
Chairman

John Foster
Member

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 €	2011 €
FIXED ASSETS			
Tangible assets	6	**4,294**	2,816
CURRENT ASSETS			
Debtors	7	**134,265**	112,407
Cash at bank and in hand		**1,053,797**	931,751
		1,188,062	1,044,158
CREDITORS (Amounts falling due within one year)	8	**(118,273)**	(47,020)
		1,069,789	
NET CURRENT ASSETS			997,138
NET ASSETS		**1,074,083**	999,954
FINANCED BY:			
Accumulated fund	9	**1,074,083**	999,954

The financial statements were approved by the Members on 12 March 2013

Denis Murphy
Chairman

John Foster
Member

CASH FLOW STATEMENT AND RELATED NOTES

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	€	€
OPERATING ACTIVITIES		
Net cash inflow/(outflow) from operating activities (Note (a))	**104,607**	(660,452)
Returns on investments and servicing of finance		
Interest received	**20,851**	24,199
Capital expenditure		
Payments to acquire tangible fixed assets	**(3,412)**	(1,597)
Increase/(decrease) in cash at bank and in hand (Note (b))	**122,046**	(637,850)

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2012	2011
	€	€
Increase/(decrease) in cash at bank and in hand	**122,046**	(637,850)
Movement in net funds for the year	**122,046**	(637,850)
Net funds at beginning of year	**931,751**	1,569,601
Net funds at end of year (see Note (b))	**1,053,797**	931,751

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

Note (a)

Reconciliation of operating surplus to Net cash inflow from operating activities

	2012	2011
	€	€
Surplus for year	**74,129**	97,652
Depreciation	**1,934**	2,281
(Increase)/decrease in debtors	**(21,858)**	28,577
Increase/(decrease) in creditors	**71,253**	(764,763)
Net interest received	**(20,851)**	(24,199)
	104,607	(660,452)

Note (b)

	At 1 January 2012	Cash flows	**At 31 December 2012**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	77,394	3,038	**80,432**
Cash deposits	854,357	119,008	**973,365**
Net funds	931,751	122,046	**1,053,797**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives as follows:

Furniture	10 years
Office equipment	5 years
Computer equipment	3 years

2. MILK LEVY

A levy of 0.145 cent per litre of milk purchased for processing for liquid consumption is payable by milk processors under Section 8 of the Milk (Regulation of Supply) Act, 1994. This levy was increased by 0.018 cent per litre, on the previous levy of 0.127 cent per litre on 1 June 2008.

The milk levy receivable included in the financial statements is based on returns received from processors or their estimated milk supplies where returns have not been received.

3. PENSION RELATED DEDUCTION (PRD)

	2012	2011
	€	€
PRD – 2010	–	(17,997)
PRD – 2009	–	(18,601)
	–	(36,598)

In November 2011, the Agency was advised by the Department of Agriculture, Food and the Marine that the Department of Finance had decided that the PRD, which had been collected by the Agency since January 2009, under the Financial Emergency Measures in the Public Interest Act 2009 and credited to the Agency's Income and Expenditure Account in 2010, should be paid to the Department of Agriculture, Food and the Marine. An amount of €54,363 was then paid by the Agency in respect of all PRD collected being €18,601 (2009), €17,997 (2010) and €17,765 (2011).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. ADMINISTRATION COSTS

	2012	2011
	€	€
Staff expenses	**33,514**	35,393
Members' expenses	**21,220**	23,592
Chairman's remuneration	**8,980**	8,978
Stationery	**2,746**	3,212
Annual report	**17,922**	18,220
Telephone	**8,719**	9,639
Postage	**3,451**	3,644
Producers' election	**5,903**	–
Publications	**1,536**	2,271
Legal fees	**12,840**	10,963
IT review	**–**	30,177
Consultancy fees	**7,653**	3,504
Audit fees	**4,031**	3,975
Rent	**27,346**	45,216
Insurance	**4,140**	3,700
Accounting and professional fees	**5,344**	5,388
Repairs and renewals	**3,401**	4,240
Miscellaneous	**13,935**	14,262
	182,681	226,374

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. TAXATION

The Agency is included as an exempt body under the Taxes Consolidation Act, 1997 (Amendment of Schedule 4) Order, 2002, effective from 30 December 1994. Under Section 227 of the Taxes Consolidation Act, 1997, however, deposit interest arising to specified non-commercial state sponsored bodies, including the National Milk Agency is not entitled to exemption from deposit interest retention tax. Deposit interest is presented net of deposit interest retention tax of €9,054 (2011: €8,950).

6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
Cost:				
At 1 January 2012	12,658	21,303	71,159	105,120
Additions	–	2,408	1,004	3,412
At 31 December 2012	**12,658**	**23,711**	**72,163**	**108,532**
Depreciation:				
At 1 January 2012	12,246	20,660	69,398	102,304
Charged in year	412	610	912	1,934
At 31 December 2012	**12,658**	**21,270**	**70,310**	**104,238**
Net book amounts:				
At 31 December 2012	**–**	**2,441**	**1,853**	**4,294**
At 31 December 2011	412	643	1,761	2,816

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7. DEBTORS (Amounts falling due within one year)

	2012	2011
	€	€
Milk levy receivable	**125,077**	105,328
Prepayments	**1,934**	1,310
Other debtors	**7,254**	5,769
	134,265	112,407

8. CREDITORS (Amounts falling due within one year)

	2012	2011
	€	€
Employer superannuation contributions	**84,222**	–
Accruals and other creditors	**27,524**	40,566
PAYE/PRSI	**6,527**	6,454
	118,273	47,020

9. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2012	2011
	€	€
Accumulated surplus brought forward	**999,954**	902,302
Surplus for the year	**74,129**	97,652
Accumulated fund carried forward	**1,074,083**	999,954

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

10. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

	2012	2011
	€	€
Salaries	**283,067**	281,204
Employer superannuation contributions	**84,222**	–
	367,289	281,204

The National Milk Agency Staff Superannuation Scheme 2010 was approved by the Minister for Agriculture, Fisheries and Food with the consent of the Minister for Finance on 30 November 2010. The Scheme is set out in S.I. No. 588 of 2010.

The Agency paid an amount of €782,158 on 22 March 2011, to the Department of Agriculture, Food and the Marine, in respect of the National Milk Agency Staff Superannuation Scheme 2010 being all employer contributions up to 30 November 2010 and all employee contributions up to 31 December 2010.

The Agency, the Department of Agriculture, Food and the Marine and the Department of Finance are considering whether any further employer contributions are to be made by the Agency to the National Milk Agency Staff Superannuation Scheme 2010.

The Agency has provided an amount of €84,222 for employer contributions to the National Milk Agency Staff Superannuation Scheme 2010 for the period from 30 November 2010 to 31 December 2012, which amount is included in salaries and superannuation in the Income and Expenditure Account and in creditors (Note 8).

Full implementation of Financial Reporting Standard 17 ("FRS 17") is required for accounting periods beginning on or after 1 January 2005. In certain circumstances FRS 17 permits defined benefit schemes to be accounted for as if they were defined contribution schemes with no requirement to account for the fair value of the assets and liabilities of the scheme or to disclose the scheme liabilities.

Accordingly, the National Milk Agency considers that since this arrangement will have the same financial effect as a defined contribution scheme, no FRS 17 disclosures are required.

APPENDIX 6 COMPLIANCE/ENFORCEMENT

Compliance

The Agency has complied fully with the requirements of the Code of Practice for the Governance of State Bodies.

The Agency has complied with the requirements of the Prompt Payment of Accounts Act, 1997 to pay all invoices within 30 days of receipt of invoice. During 2012, 152 payments were made by the Agency of which 150 were paid within 15 days and 2 were paid between 16 to 30 days.

The Agency is reporting annually on its actions taken to reduce energy consumption as required under S.I. 542 of 2009.

The National Milk Agency is committed to making every possible effort to improve energy efficiency. In 2012 the Agency's usage of electricity was included in its rental cost and was not separately metered from the usage of the main office block in which the Agency office is located. This usage was associated with heating, air conditioning, lighting and office equipment. There were no other fuel supplies to the premises, and no onsite renewable sources of energy.

The Agency will work with the Sustainable Energy Authority of Ireland (SEAI) in 2013 to identify opportunities for energy saving on the premises.

APPENDIX 7 STATUTES AND STATUTORY INSTRUMENTS RELATING TO THE AGENCY

Statutes

Milk (Regulation of Supply) Act, 1994

Milk (Regulation of Supply) (Amendment) Act, 1995

Milk (Regulation of Supply) (Amendment) Act, 1996

Freedom of Information Act, 1997 (Prescribed Bodies) (No. 2) Regulations, 2002

Statutory Instruments

S.I. No. 409 of 1994 – Milk (Regulation of Supply) (Establishment of National Milk Agency) Order, 1994

S.I. No. 460 of 1994 – National Milk Agency (Election Day) Order, 1994

S.I. No. 234 of 1995 – National Milk Agency (Members) Regulation, 1995

S.I. No. 252 of 1995 – Milk (Regulation of Supply) Act, 1994 (Section 5) (Commencement) Order, 1995

S.I. No. 253 of 1995 – Milk (Regulation of Supply) (Levy) Order, 1995

S.I. No. 254 of 1995 – National Milk Agency (Winter Months) Regulations, 1995

S.I. No. 309 of 1995 – National Milk Agency (Revocation of Election Day) Regulations, 1995

S.I. No. 347 of 1995 – Milk (Regulation of Supply) (Levy Returns) Regulations, 1995

S.I. No. 348 of 1995 – Milk (Regulation of Supply) (Application for Registration) Regulations, 1995

S.I. No. 265 of 1996 – National Milk Agency (Fees) Regulations, 1996

S.I. No. 184 of 1997 – National Milk Agency (Election Day) Regulations, 1997

S.I. No. 185 of 1997 – National Milk Agency (Conduct of Elections) Regulations, 1997

S.I. No. 271 of 2000 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2000

S.I. No. 272 of 2000 – National Milk Agency (Election Day) Regulations, 2000

S.I. No. 368 of 2003 – National Milk Agency (Election Day) Regulations, 2003

S.I. No. 369 of 2003 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2003

S.I. No. 471 of 2006 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2006

S.I. No. 472 of 2006 – National Milk Agency (Election Day) Regulations, 2006

S.I. No. 371 of 2009 – National Milk Agency (Election Day) Regulations, 2009

S.I. No. 372 of 2009 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2009

S.I. No. 588 of 2010 – National Milk Agency Staff Superannuation Scheme, 2010

S.I. No. 450 of 2012 – National Milk Agency (Election Day) Regulations, 2012

S.I. No. 451 of 2012 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2012

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