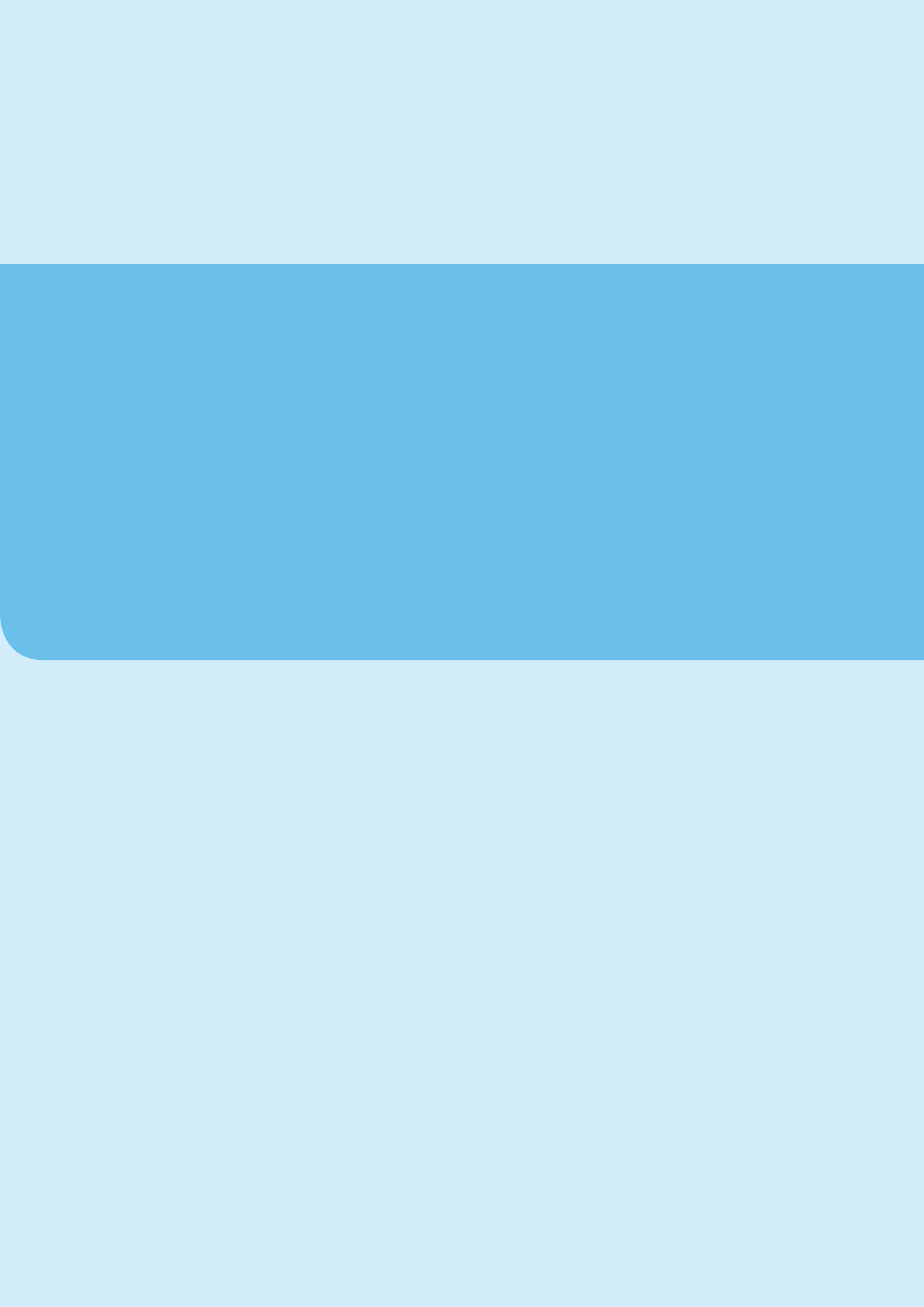




NATIONAL MILK AGENCY



National Milk Agency
Annual Report & Accounts
2018





NATIONAL MILK AGENCY

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 2018

To: Mr. Michael Creed TD, Minister for Agriculture, Food and the Marine.



I am pleased to present the Annual Report of the National Milk Agency for 2018, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the Irish economy grew by 6% driven by record levels of exports and imports, strong domestic demand, low inflation and rising employment. The Public Finances continued to improve with a small Exchequer surplus for a second year in succession.

Agriculture

2018 was a challenging year for Irish farmers. Abnormal and extreme weather events including storms, snow blizzards, a heat wave and drought, reduced fodder stocks, curtailed grass growth and resulted in substantially higher production costs in all grassland enterprises. A good Autumn rescued the year but its benefits were too late to offset the adverse cost impact of weather conditions on farm incomes.

Gross agricultural output of €8 billion at producer prices decreased by 1% mainly due to lower milk and beef outputs. Higher production costs led to a 17% fall in farm incomes.

Dairy sector

Milk continued as the leading agricultural product in 2018. The value of gross milk output of €2.5bn, which represented 32% of gross agricultural output, fell by almost 2%.

Domestic milk supplies increased to a record 7.6 billion litres or by over 4% on 2017 while the average milk price fell by almost 6%. Dairy cow numbers increased by over 3%.

Given the unusual weather conditions in 2018, milk supplies, which were virtually unchanged to end August, surged by 15% in the last four months of the year compared with the same period in the previous year. Average milk solids increased with higher butterfat levels and maintained protein levels.

Lower milk prices from April onwards, an almost 50% increase in purchased feed costs, higher pasture/forage costs and higher energy costs resulted in an estimated drop of 34% in dairy net margins.

Dairy Markets & Milk Prices

Export markets are the destination for almost 90% of Irish milk supplies with 10% of milk supplies being consumed as fresh milk and manufactured dairy products on the domestic market.

Exports of dairy products exceeded €4 billion for the second year in succession and represented 33% of all food and drink exports. Butter exports, which exceeded €1 billion for the first time, grew by 22% in value. Exports of specialised nutritional powders increased to €1.1 billion, of which 50% went to the Chinese market. Cheese exports, including the 50% of Irish cheddar cheese exports to the UK market, fell slightly to €0.8 billion.

Dairy export sales of €1 billion to the UK market increased by 6% and represented 26% of all dairy export sales. Dairy export sales of €1.4 billion to the EU-26 market increased by 6% and represented 34% of the value of all dairy export sales. Sales of dairy and specialised ingredient products to non-EU markets amounted to €1.6 billion, and represented 40% of dairy export sales.



The annual average producer price for manufacturing milk supplies decreased to 33.4 cent per litre, excluding vat, for milk containing 3.48% protein and 4.14% butterfat, a decrease of 2 cent per litre or 6% on 2017.

Many producers participated in fixed forward milk price contracts for part of their annual milk supplies, which arrangements may have partially cushioned their incomes against the impact of falling milk prices.

The pricing framework for almost 80% of the supplies of milk for processing for liquid consumption was based on monthly manufacturing milk prices, adjusted for constituents, with the addition of flat rate premia during the winter months. Flat milk pricing systems, which are not adjusted for constituents, were applied to almost 20% of supplies.

The Agency has expressed its concern to processors, who use the Flat milk pricing system of the disincentive effect for registered producers whose prices for manufacturing milk supplies in some winter months can exceed their prices for liquid milk supplies.

For registered milk producers the annual average milk price for contracted milk supplies in 2018 was 36.2 cent per litre, a decrease of 1.8 cent per litre or 5% on 2017.

The annual differential between the national, average, liquid milk price under all payment systems and the national, average, manufacturing milk price increased to 2.75 cent per litre compared with 2.61 cent per litre in 2017. Based on an equal solids content for both liquid and manufacturing milk supplies, given that liquid supplies had lower average solids than manufacturing supplies, the annual liquid premium was an estimated 3.2 cent per litre compared with 3.4 cent per litre in 2017.

Milk Imports

Bulk milk imports from Northern Ireland for processing in the State increased by 1% to 811 million litres, of which 92% were processed into manufactured dairy products and 8% processed for liquid consumption. This was the second highest volume of bulk milk imports on record and was equivalent to 11% of domestic annual milk supplies and to 35% of Northern Ireland's annual milk supplies in 2018.

Domestic fresh milk market

Fresh milk is a nutritious, healthy liquid food, which is consumed daily in most Irish households. Milk contains a combination of nutrients that contribute to general health and to the normal functioning of the human body across all its life stages.

Consumption of fresh milk decreased by over 1% to 579 million litres while the national average retail price of fresh milk in all pack sizes increased by 1%.

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €521 million in 2018. Last year the domestic, fresh milk market utilised 6% of domestic milk supplies of 7.6 billion litres.

Irish consumers have the highest per capita consumption of fresh drinking milk in the world with an annual per capita consumption of 121 litres.

Domestic supplies had a 76% share of the domestic fresh milk market and imports had a market share of 24%.

Price competition between retailers and own label sales continued to exert strong downward pressure on market returns for fresh milk.

The integrity and transparency of Ireland's fresh milk supply chain is underpinned by the participation of all registered producers in Bord Bia's *Sustainable Dairy Assurance Scheme* and of all registered processors in Bord Bia's *Origin Green Scheme*.

Environmental sustainability has also become an increasingly important factor in the production, processing, packaging and distribution stages of the fresh milk supply chain.

Registered Producers

Registered producers are a specialist dedicated group in Ireland's milk production structure, who are contracted to supply milk for processing for liquid consumption on an all year round basis or for the winter months only. They represent 10% of all milk producers and had annual milk supplies of 1,045 million litres in 2018, which were equivalent to 14% of domestic annual milk supplies.



The total number of registered producers with contracts decreased by 3% to 1,749 producers.

The pattern and scale of the milk supply model of registered producers is changing with growing annual supplies and increased seasonal supplies from Spring calving.

Since 2014 the annual supplies of registered producers increased by 238 million litres or 30%. While their supplies for liquid consumption fell by 1% to 461 million litres, their supplies for manufacturing increased by over 70% from 338 million litres to 584 million litres.

Last year was the second year, since the establishment of the Agency, in which the annual supplies of registered producers for manufactured products exceeded their annual supplies for liquid consumption.

The annual supplies of registered producers increased by 3% to 1,045 million litres, of which 56% were for manufacturing and 44% for processing for liquid consumption. Supplies for manufacturing increased by 9% while supplies for processing for liquid consumption fell by 4%.

In the five prescribed winter months (October 2018 to February 2019) the total milk supplies of registered producers provided a margin of safety of 93% over consumption from fresh milk sourced from domestic supplies only and a margin of safety of 47% over the consumption of fresh milk sourced both from domestic supplies and imports.

Registered producers will require from their registered processors, greater transparency and declared, forward, liquid premia over manufacturing prices if they are to continue with their commitment to providing all year round supplies of quality fresh milk for liquid consumption.

One of the largest registered processors has announced a five-year supply agreement for its registered producers, who are committed to all year round milk supplies with a dedicated proportion of autumn calving cows. The agreement contains declared winter premia for liquid supplies and manufacturing supplies together with restructuring levies, which will facilitate producers who wish to expand supplies and compensate suppliers, who wish to exit liquid milk production and transition to spring calving.

The fresh milk sector is highly concentrated with 30% of registered producers supplying 56% of all year round supplies of milk for processing for liquid consumption.

Registers & Contracts 2017/18

In the 2017/18 milk year the number of milk supply contracts registered with the Agency was 1,749 contracts for supplies of 464 million litres of milk for processing for liquid consumption, representing a decrease of 59 contracts or 3% in contracts and 4% in milk supplies.

All Year Round (AYR) contracts comprised 94% of contracts and 99% of supplies while Winter Months Only contracts represented 6% of contracts and 1% of supplies.

In the AYR contracts the Manufacturing Milk Price plus Bonus System (MMP System) was the main pricing system and was applied in 83% of contracts and to 78% of supplies. The Flat Price System (FLAT System) was applied in 17% of contracts and to 22% of supplies.

Milk supplies purchased under registered contracts were 5% higher than domestic fresh milk sales mainly due to transitional purchasing arrangements arising from industry consolidation.

In the Register of Processors, 12 processors were registered, including one processor who was also a registered producer. Three processors account for almost 80% of registered contracts and over 80% of registered supplies.

Brexit

During the year the process of the United Kingdom's withdrawal from the European Union continued to evolve with the possibility of a disorderly no-deal Brexit casting a shadow over the economic outlook for agriculture and the national economy.

A no-deal Brexit would result in the UK leaving the EU Customs Union and Single Market with disruptive adverse consequences for the UK, the EU and particularly for Ireland and Irish agriculture. The impact would vary between sectors and regions.

In December 2018, the UK government deferred the vote by the UK Parliament on the ratification of the Withdrawal Agreement. In January and March 2019 the Withdrawal Agreement failed by large majorities to receive approval. The possibility of a disorderly Brexit on the 29 March deadline loomed large.



In mid March 2019 the UK government announced the tariff levels, which would apply to food imports in the event of a no-deal Brexit. While trade between the State and Northern Ireland would be tariff free, punitive tariffs would apply to the 50% of Irish beef and the 25% of Irish dairy products which are exported to Britain.

In mid March the Dail enacted the *Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Act 2019* setting out the arrangements in the event of the UK withdrawing without an agreement with the EU or with an agreement.

Subsequently, before the 29 March deadline the UK received extensions of the Article 50 period in which to ratify the Withdrawal Agreement to 31 October at the latest.

If and when the Withdrawal Agreement is ratified by the UK and the EU, the withdrawal will take place on the first day of the following month and the 21 month transition period will come into effect. During the transition period the UK will continue to participate in the EU Single Market and Customs Union and be bound by EU rules and will negotiate a Future Relationship Treaty with the EU-27 and future trading relationships with third countries.

The volatile state of UK politics arising from the resignation of the UK Prime Minister, the outcomes of the local and EU Parliamentary elections and the hardening of political attitudes in the UK is again leading to a concern that a no-deal Brexit could be the eventual outcome to the detriment of the UK itself, the EU, the Irish economy and in particular Irish agriculture.

EU solidarity and financial support will be critical to enable the State, its agricultural and food sectors, its economy and society to cope with adverse consequences of a possible disruptive no-deal exit of its largest trading customer from the EU, the Customs Union and the Single Market.

In order to de-risk their dependencies on cheddar cheese exports to the UK market, three of the State's largest milk processors have announced major investment plans to construct four large scale non cheddar cheese manufacturing plants.

Future Outlook

Geo-political tensions, protectionism, trade wars and retaliatory tariffs are creating great uncertainty and volatility in the global economic and trading environment and pose grave risks for small open economies like Ireland.

At the commencement of 2019, global dairy markets have weakened despite a decrease in global milk supplies. Product and producer prices have fallen but are now expected to stabilise to year-end

The possibility of a no-deal Brexit before year end continues to overhang the outlook for the national economy and the Irish food sector.

Finance

In 2018 the total income of the Agency was €506,526, a reduction of €8,639 or 1.7% on its income in 2017. Income from milk levies, amounting to €506,084 reduced by €7,611 while interest income fell by €1,028 to €442.

Operating costs of €535,599 decreased by €6,320 or 1.2%. Personnel and staff related costs, representing 68% of total costs amounted to €366,420 and increased by €8,857 or 2.5%. Other administration costs and depreciation amounted to €169,179 decreased by €15,177 or 8.2%.

The excess of costs of €535,599 over income of €506,526 resulted in an operating deficit for the year of €29,073 compared with €26,754 in 2017.

At year-end, the Accumulated Fund amounted to €1,020,203 and was comprised of cash and deposits of €945,646, debtors less creditors of €63,721 and fixed assets of €10,836.

Code of Practice for the Governance of State Bodies 2016

The Agency considers that it is in compliance with the governance practices and procedures of the above Code, subject to some minor derogations and to the provisions of the Milk (Regulation of Supply) Acts, 1994 and 1996.



Membership of Agency

The triennial election of producer members was held on 30 October 2018. In Constituency 1, William Lennon and Pdraig Mulligan were re-elected, and Larry Hannon was elected. In Constituency 2, Aidan Casey was re-elected and Dan Buckley was elected.

In November 2018, the following Ministerial appointments of members of the Agency were made: Stephen Blewitt, John Fitzgerald, T.J. Flanagan and Tony Driscoll to represent processors' interests; Richard Donohue and Michael Kilcoyne to represent consumers' interests; John Foster to represent retailers' interests, and Walter Moloney to represent distributors' interests.

The members have noted your concerns regarding gender balance in the membership of the Agency, where despite your encouragement and mine, the nominating bodies remained unable to nominate any women for consideration for appointment to the Board. Going forward, the members will consider how this matter can be addressed.

I wish to thank Frank Tobin, Timothy Cashman, Denis Fagan and Eoghan Sweeney for their positive commitment and constructive contributions to the effective working of the Agency during their terms of office as members of the Agency from 2007, 2012, 2012 and 2015 respectively.

Meetings

During the year the Agency held six meetings and the Audit & Risk Committee held two meetings. The average attendance ratio of members at meetings of the Agency was 83%.

Conclusion

The Agency appreciates the cooperation that it has received during the year from registered processors, the representative bodies of producers, processors, consumers, retailers and distributors and from the officials of the Department of Agriculture, Food and the Marine and other State Agencies consulted during the year.

My thanks are due to the members of the Agency for their wise counsel, contributions and support during the year and to Muiris and his team for their commitment.

Denis Murphy
Chairman



Chairman



Denis Murphy^A

Producers' Representatives



Dan Buckley²



Aidan Casey¹



Larry Hannon²



William Lennon¹



Padraig Mulligan^{1A}

Processors' Representatives



Tony O'Driscoll³



T.J. Flanagan^{3A}



Stephen Blewitt⁴



John Fitzgerald⁴

Consumers' Representatives



Richard Donohue³



Michael Kilcoyne³

Distributors' Representative



Walter Maloney³

Retailers' Representative



John Foster^{3A}

¹ Re Elected 30th October 2018

² Elected 30th October 2018

³ Re-appointed 30th October 2018

⁴ Appointed 30th October 2018

^A Members of the Audit & Risk Committee 2018



Chief Executive



Dr. Muiris Ó Céidigh

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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 2018 were 7,585 million litres, an increase of 322 million litres or 4% on 2017.

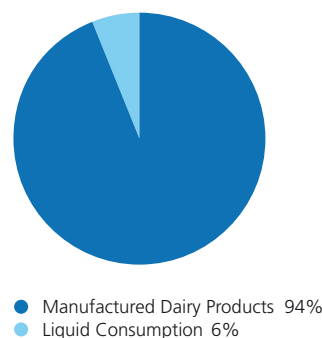
The number of milk producers in the State in 2018 is estimated as 17,000, the same as in 2017. The average annual milk supplies per producer were 446,000 litres.

94% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 6% of supplies were processed for liquid consumption on the domestic market.

Domestic milk supplies in 2018 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 76% of milk supplies being supplied in the seven months of March to September, and 24% in the five months of October to February, inclusive.

Abnormal weather conditions and a summer drought curtailed milk production in the first eight months of the year. Good autumn weather conditions brought about a surge of 15% in milk supplies in the final four months of the year.

FIG 1.1 UTILISATION OF DOMESTIC MILK SUPPLIES 2018



The domestic milk supply profile had a peak-to-trough month ratio of 6.1/1 which comprised a peak-to-trough month ratio of 8.4/1 for milk supplies from manufacturing milk producers, and of 2.1/1 for milk supplies from registered milk producers.

FIG 1.2 DOMESTIC MONTHLY MILK SUPPLIES 2018 v 2017

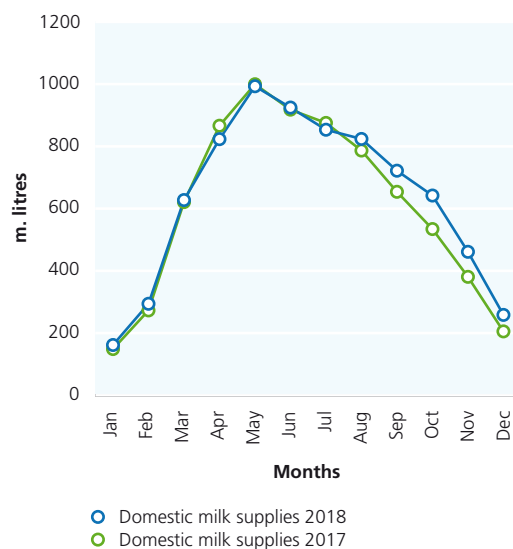


TABLE 1.0 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR) – 2002-2018

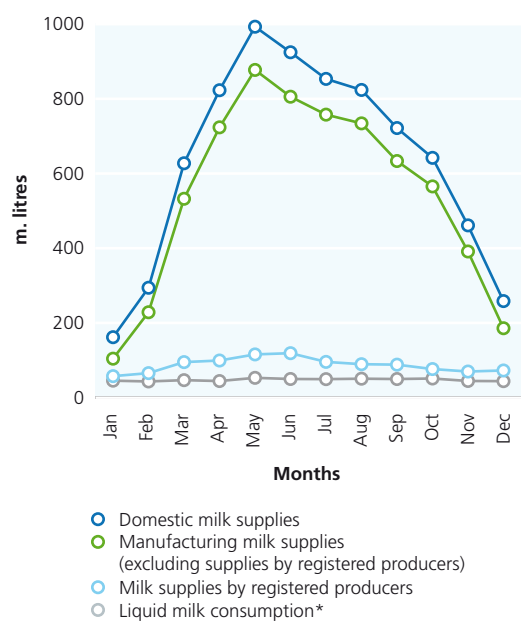
| Year | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------|------|------|------|-------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Peak-to-trough months' ratios | | | | | | | | | | | | | | | | | |
| Manufacturing | 8.4 | 9.5 | 8.7 | 11.1 ¹ | 8.6 | 8.6 | 9.1 | 6.8 | 8.7 | 8.1 | 7.1 | 8.2 | 8.7 | 8.2 | 8.0 | 8.2 | 8.9 |
| Liquid | 2.0 | 2.1 | 2.0 | 2.3 ¹ | 1.8 | 1.9 | 1.8 | 1.8 | 1.9 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.9 | 2.0 |
| All | 6.1 | 6.7 | 6.3 | 7.6 ¹ | 5.9 | 5.8 | 5.6 | 5.1 | 5.8 | 4.9 | 5.4 | 5.6 | 5.7 | 5.5 | 5.5 | 5.6 | 6.1 |

¹ If calculated on the peak-valley months post the quota abolition the ratios would have been 6.6, 1.7 & 4.8

Source: DAFM/CSO



FIG. 1.3 DOMESTIC MILK SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES OF REGISTERED PRODUCERS & LIQUID MILK CONSUMPTION (MONTHLY) 2018



* Milk sold for liquid consumption within the State, including bulk and packaged milk imports.
Sources: CSO/NMA

1.2 Milk Supplies of Registered Producers

Registered milk producers are a significant producer grouping in the domestic milk supply sector, representing 10% of all milk producers and supplying 14% of domestic milk supplies.

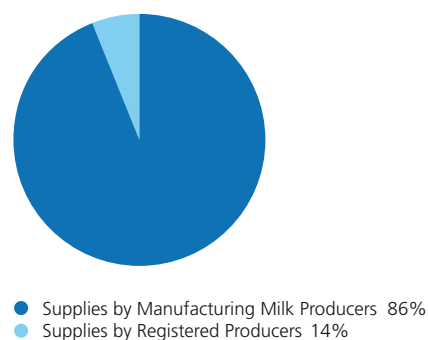
They supply not only the all year round domestic milk requirements for liquid milk consumption but also 8% of domestic manufacturing milk supplies.

Total milk supplies by the State's 1,749 registered producers under All Year Round and Winter Months Only contracts in 2017/18 increased by 20 million litres or 2% to 1,031 million litres, compared to 1,011 million litres in 2016/17.

Supplies for processing for liquid consumption amounted to 464 million litres, or 46% of total supplies of registered producers in 2017/18, while supplies for processing into manufactured dairy products amounted to 567 million litres, or 55% of total supplies.

Milk supplies purchased under registered contracts for processing for liquid consumption exceeded processor's fresh milk sales by 5% in 2017/18, compared to 9% in 2016/17, mainly due to transitional purchasing arrangements between processors and producers following industry consolidation.

FIG. 1.4 DOMESTIC MILK SUPPLIES 2018



Registered producers with All Year Round contracts in 2017/18 had average annual supplies of 616,000 litres compared with 585,000 litres in the previous year, an increase of 5%.



1.3 Winter Milk Supplies

In the five prescribed winter months of October 2018 to February 2019, total milk supplies by registered producers amounted to 344 million litres, an increase of 20 million litres or 6% on their supplies in the same period in 2017/18, and provided a supply cover of 147% for national liquid milk consumption of 234 million litres (including imports) or a supply cover of 193% on consumption from domestic supplies only.

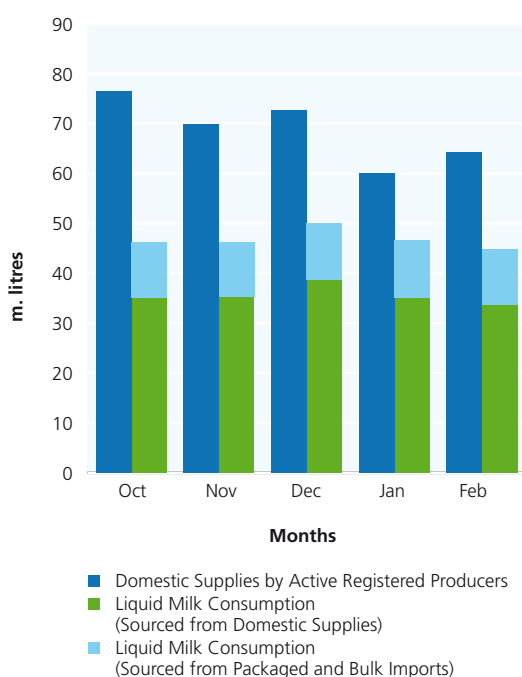
In the months of December 2018 and January 2019, total supplies by registered producers amounted to 133 million litres, an increase of 6 million litres, or 5% on their supplies for the same months in 2017/18, and were 25 million litres in excess of national liquid milk consumption of 97 million litres (including imports) in those months, a supply cover of 137%, or a supply cover of 180% on consumption from domestic supplies only.

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers were 811 million litres, which represented an increase of 8 million litres or 1% on 2017. These bulk milk imports were mainly cross border movements of milk from Northern Ireland and were equivalent to 11% of domestic supplies and 35% of Northern Ireland's annual milk supplies in 2018.

Bulk milk imports of 745 million litres for processing into manufactured dairy products in the State represented 92% of total milk imports while bulk imports of 66 million litres, for processing for liquid consumption in the State, represented 8% of bulk milk imports and were an increase of 2 million litres, or 3% on the previous year.

FIG 1.5 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION (PRESCRIBED MONTHS OCTOBER 2018 – FEBRUARY 2019)



Sources: CSO/NMA

TABLE 1.6 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1996 |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Millions of litres | | | | | | | | | | | | | | | | | | | | |
| Supplies | 7,585 | 7,263 | 6,654 | 6,395 | 5,469 | 5,423 | 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 | 5,144 |
| Imports ¹ (bulk) | 811 | 803 | 813 | 594 | 511 | 411 | 406 | 356 | 388 | 427 | 464 | 473 | 566 | 550 | 377 | 349 | 278 | 209 | 304 | – |
| Imports % | 11 | 11 | 12 | 9 | 9 | 8 | 8 | 7 | 8 | 9 | 9 | 9 | 11 | 11 | 7 | 7 | 5 | 4 | 6 | – |

¹ CSO

Imports of fresh milk in consumer packs were estimated at 72 million litres, an increase of 2 million litres or 3% on 2017.

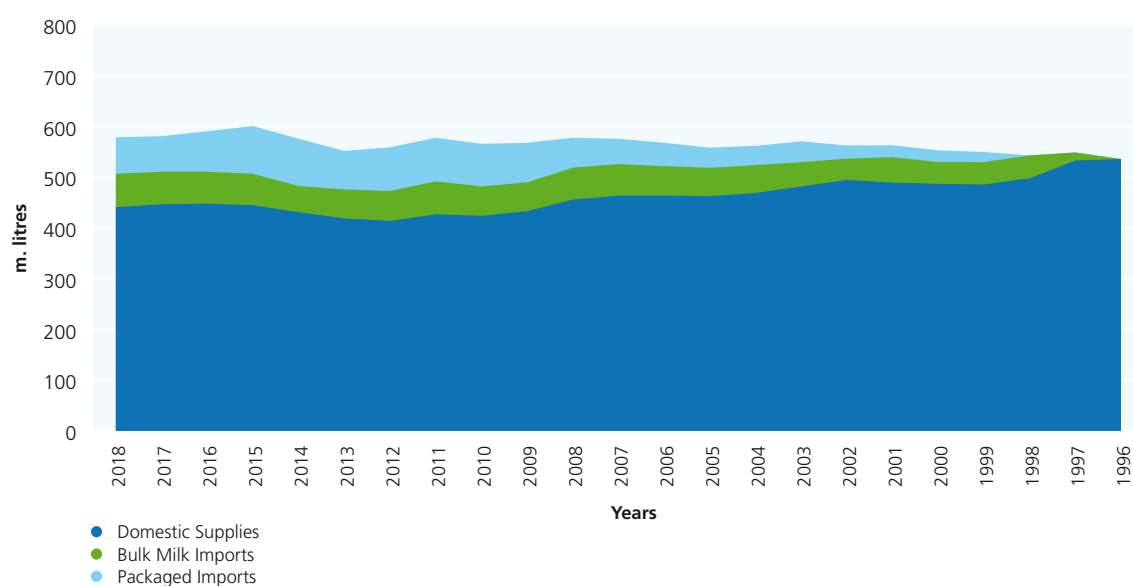
Total milk imports for liquid consumption in consumer packs and in bulk for processing for liquid consumption in the State amounted to 138 million litres in 2018, an increase of 4 million litres, or 3% on 2017.

TABLE 1.7 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1996 |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Millions of litres | | | | | | | | | | | | | | | | | | | | |
| Consumer Packs | 72* | 70* | 80* | 94* | 93* | 89 | 86 | 86 | 84 | 78 | 59 | 50 | 46 | 40 | 38 | 41 | 26 | 24 | 23 | 0 |
| Bulk | 66 | 64 | 63 | 62 | 52 | 57 | 59 | 65 | 58 | 57 | 63 | 62 | 58 | 55 | 55 | 48 | 42 | 50 | 43 | 0 |
| Total Imports | 138 | 134 | 143 | 156 | 145 | 146 | 145 | 151 | 142 | 135 | 122 | 112 | 104 | 95 | 93 | 89 | 68 | 74 | 66 | 0 |

* NMA estimates

FIG 1.8 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2018



Domestic supplies had a 76% market share and imports had a 24% market share of the State's fresh milk market in 2018.



TABLE 1.9 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1996 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Millions of litres | | | | | | | | | | | | | | | | | | | | |
| Consumption | 579 | 581 | 590 | 601 | 576 | 565 | 563 | 578 | 567 | 568 | 578 | 577 | 568 | 559 | 556 | 571 | 563 | 564 | 553 | 536 |
| Domestic supplies | 441 | 447 | 447 | 445 | 431 | 419 | 418 | 427 | 425 | 433 | 456 | 465 | 464 | 464 | 463 | 482 | 495 | 490 | 487 | 536 |
| Total Imports | 138 | 134 | 143 | 156 | 145 | 146 | 145 | 151 | 142 | 135 | 122 | 112 | 104 | 95 | 93 | 89 | 68 | 74 | 66 | 0 |
| Domestic Supplies % Consumption | 76 | 77 | 76 | 74 | 75 | 74 | 74 | 74 | 75 | 76 | 79 | 81 | 82 | 83 | 83 | 84 | 88 | 87 | 88 | 100 |
| Imports % Consumption | 24 | 23 | 24 | 26 | 25 | 26 | 26 | 26 | 25 | 24 | 21 | 19 | 18 | 17 | 17 | 16 | 12 | 13 | 12 | 0 |

Source: CSO/NMA

Since 1996 imports of fresh milk for liquid consumption have grown to an estimated 138 million litres.

The market share of domestic registered supplies in the fresh milk market has fallen from 100% in 1996 to 76% in 2018, while the market share of imports has grown from zero to 24%.

Total milk imports from NI by processors (manufacturing and liquid) and by retailers amounted to 883 ml and were equivalent to 12% of domestic milk supplies.

Northern Ireland – Milk Supplies/ Milk Prices

Milk supplies in Northern Ireland in 2018 amounted to 2,345 million litres, an increase of 61 million litres or 3% on the previous year and were supplied by 2,545 dairy farmers.

Northern Ireland's annual milk supplies were equivalent to 31% 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.

Since 1993, annual milk supplies in Northern Ireland have increased by 1,036 million litres, or 79%, facilitated by the purchase and transfer of EU milk quotas from Great Britain. In 2018 the equivalent of nearly 80% of the increase in milk supplies in Northern Ireland since 1993 was imported into and processed within the State.

TABLE 1.10 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2018

| | Republic of Ireland | Northern Ireland |
|--|---------------------|------------------|
| Total Supplies – m. litres | 7,585 | 2,345 |
| Average Butterfat | 4.14 | 4.03 |
| Average Protein | 3.48 | 3.28 |
| Peak month/trough month ratio | 6.1/1 | 1.4/1 |
| Suppliers – number* | 17,000 | 2,545 |
| Average supplies per supplier – litres | 446,000 | 921,000 |

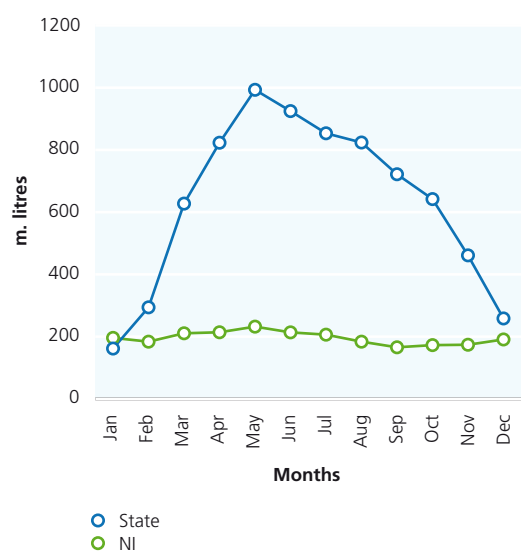
* NMA Estimates

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 2018 of 1.4/1 compared with 6.1/1 in the State.

Average annual milk supplies per supplier in Northern Ireland in 2018 were 921,000 litres, which were more than double the average annual milk supplies per supplier of 446,000 litres in the State.



**FIG 1.11 MONTHLY MILK SUPPLIES 2018
STATE & NORTHERN IRELAND**



The annual average net price to producers in Northern Ireland for all year round milk supplies in 2018 was equivalent to 32.58 c/l, an increase of 0.07 c/l, on the previous year. This price was 0.83 c/l or 2% less than the annual average price of 33.41 c/l for manufacturing milk supplies in the State in 2018 and 3.58 c/l or 10% less than the annual average price of milk supplies for processing for liquid consumption in the State.

**TABLE 1.12 NORTHERN IRELAND MILK
SUPPLIES 1993-2018**

| | 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 | 1,977 | 150 |
| 2012 | 1,995 | 151 |
| 2013 | 2,008 | 153 |
| 2014 | 2,198 | 168 |
| 2015 | 2,266 | 173 |
| 2016 | 2,198* | 168 |
| 2017 | 2,284 | 174 |
| 2018 | 2,345 | 179 |

Source: DARDNI
(* Revised)



2. THE FRESH 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 €521m in 2018.

National consumption of fresh liquid milk last year was 579 million litres, a decrease of 2 million litres on 2017. Irish consumers have the highest per capita consumption of fresh drinking milk in the world, with an annual consumption of 121 litres per person.

Sales of whole milk represented 61% of fresh milk sales, while sales of lowfat and skimmed milk represented 39% of sales.

The national average retail prices of lowfat milk in 1 litre packs and of whole milk in 2 litre packs in 2018, as reported by the CSO, were 104 c/l and 170 c/2l respectively. The average price of 1 litre packs (lowfat milk) was static while the price of 2 litre packs (whole milk) increased by 1 c/l or 1% on 2017.

An estimated 75% of sales of fresh milk was packaged in 2 litres or larger size packs, while an estimated 25% of sales was in 1 litre or smaller packs.

Based on this sales mix, the National Milk Agency estimates that the national average retail price of milk in all pack sizes was 90 c/l in 2018, compared with 89 c/l in 2017, an increase of 1 c/l, or 1%.

From 1995 to 2011 the CSO reported on the monthly 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 2.0, the Agency has used the average price of lowfat milk in 1 litre packs to calculate the retail milk price index from 2012 onwards. Generally, the prices of own label whole milk and own label lowfat milk in 1 litre packs in retail multiples are the same. In some instances, however, the retail prices of low fat milk in 1 litre packs may be higher than the retail prices of whole milk in 1 litre packs.

TABLE 2.0 INDICES OF CONSUMER PRICES - FOOD PRICES - RETAIL MILK PRICES - PRODUCER MILK PRICES 1995-2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Consumer Price Index | 152 | 151 | 150 | 150 | 151 | 151 | 150 | 148 | 144 | 145 | 153 | 147 | 140 | 135 | 132 | 129 | 124 | 119 | 113 | 107 | 106 | 103 | 102 | 100 |
| Food Price Index | 127 | 129 | 131 | 135 | 136 | 140 | 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 | 135 | 136 | 136 | 136 | 138 | 136 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| – whole milk ² | - | - | - | - | - | - | - | 144 | 144 | 145 | 144 | 118 | 110 | 110 | 110 | 112 | 110 | 108 | 105 | 104 | 104 | 104 | 104 | 100 |
| Producer Price Index ³ | 110 | 116 | 91 | 97 | 116 | 118 | 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 (Table 2.1) (CSO from January 2012).

² CSO – national average retail price of whole milk in 1 litre packs (Table 2.1) (CSO to December 2011).

³ NMA – average producer prices for supplies for processing for liquid consumption (Table 2.1). EU dairy premium payments payable to eligible recipients since 2004 are not included.

**TABLE 2.1 ANNUAL AVERAGE RETAIL MILK PRICES – ANNUAL PRODUCER MILK PRICES
– PRODUCERS' SHARE OF RETAIL MILK PRICE 1995-2018**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 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 | c/l | c/l | c/l | c/l | c/l | c/l |
| Retail Prices | | | | | | | | | | | | | | | | | | | | | | | | |
| – lowfat milk ¹ | 104 | 104 | 105 | 105 | 105 | 106 | 105 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| – whole milk ² | - | - | - | - | - | - | - | 111 | 111 | 112 | 111 | 91 | 85 | 85 | 85 | 86 | 85 | 83 | 81 | 80 | 80 | 80 | 80 | 77 |
| Producer Prices ³ | 36.2 | 38.0 | 29.9 | 31.9 | 38.1 | 38.9 | 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 ⁴ | 35% | 37% | 28% | 30% | 36% | 37% | 32% | 32% | 29% | 26% | 34% | 39% | 36% | 36% | 38% | 38% | 38% | 40% | 40% | 40% | 40% | 41% | 43% | 43% |

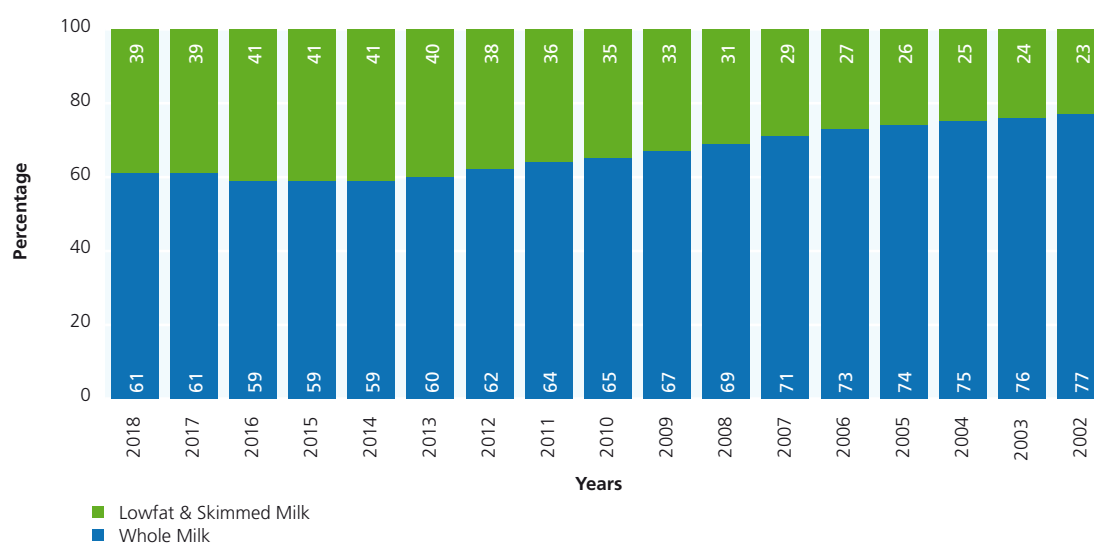
¹ CSO – national annual average retail price of lowfat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk only since January 2012).

² CSO – national annual average retail price of whole milk in 1 litre packs.

³ NMA – national annual average producer price of milk for processing for liquid consumption.

⁴ NMA – Based on the NMA estimate of 90 c/l as the national annual average retail price in all pack sizes for fresh milk, the producers' price as a percentage of the annual average retail price would be 40% in 2018 compared with 43% in 2017.

FIG 2.2 FRESH MILK SALES – PRODUCT PROFILE 2002-2018



Source: CSO

Retail Market

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



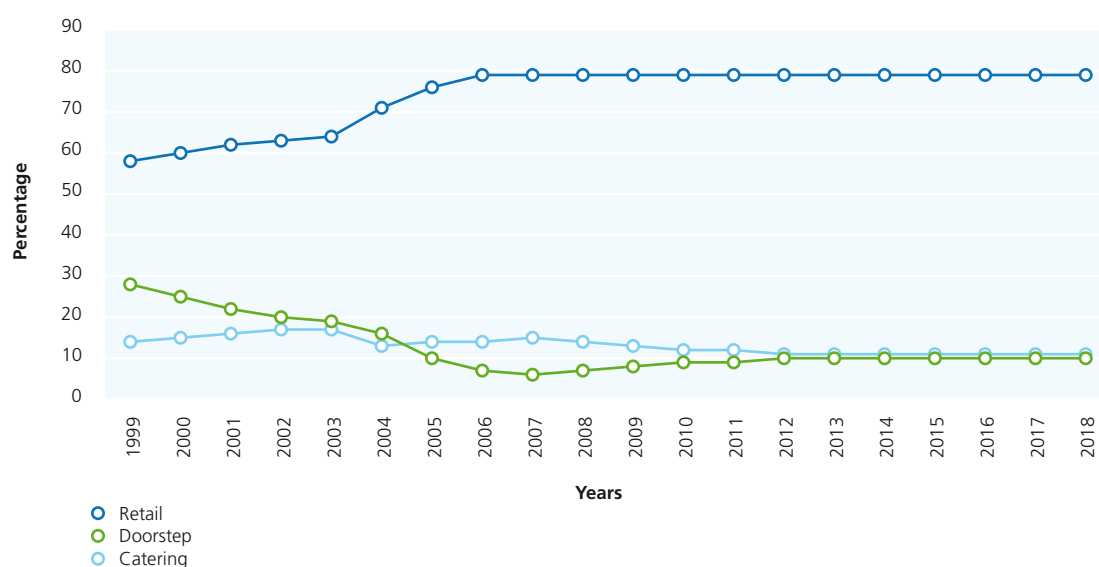
TABLE 2.3 GROCERY MARKET SHARES 2002-2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % |
| Tesco | 22 | 22 | 22 | 24 | 25 | 26 | 27 | 28 | 27 | 26 | 26 | 26 | 26 | 26 | 25 | 23 | 24 |
| SuperValu | 22 | 22 | 23 | 25 | 25 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 19 | 19 | 19 |
| Dunnes | 22 | 22 | 23 | 24 | 24 | 24 | 23 | 23 | 23 | 25 | 24 | 24 | 22 | 22 | 22 | 21 | 22 |
| Lidl/Aldi | 23 | 23 | 22 | 17 | 16 | 14 | 12 | 12 | 12 | 11 | 10 | 7 | 6 | 6 | 5 | 6 | 1 |
| Superquinn | – | – | – | – | – | 5 | 6 | 5 | 7 | 7 | 8 | 8 | 8 | 8 | 9 | 8 | 9 |
| Centra | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 3 | 3 | 3 |
| Spar | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 2 |
| All others | 3 | 3 | 2 | 2 | 2 | 3 | 4 | 4 | 7 | 7 | 8 | 11 | 13 | 14 | 14 | 17 | 20 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: RGDATA – estimate

The three largest multiple groupings had a 70% share of the Irish grocery market in 2018, and the five largest multiple groupings had a market share of 93% which was the same as in the previous year.

FIG 2.4 MARKET SHARES 1999-2018



Source: Industry Estimate

Discount retailers, whose grocery market share was 23% in 2018, the same as the previous year, are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market, it is estimated that almost 70% of milk sales in retail outlets are now sold as 'own label' according to industry sources.

Own label sales in 2 litre packs were retailed at an average discount of 27% on processors' brands.

3. REGISTERED CONTRACTS/PRICES

TABLE 3.0 CONTRACT TYPES

| Milk Year | Total Contracts | All Year Round | Winter Months |
|-----------|-----------------|----------------|---------------|
| 1995/96 | 3,344 | 3,206 | 138 |
| 2000/01 | 2,837 | 2,725 | 112 |
| 2005/06 | 2,282 | 2,104 | 178 |
| 2010/11 | 1,950 | 1,790 | 160 |
| 2015/16 | 1,754 | 1,657 | 97 |
| 2016/17 | 1,808 | 1,706 | 102 |
| 2017/18 | 1,749 | 1,652 | 97 |

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 Contracts from 1995/96 see Appendix 2 B.

- ▶ The number of registered milk supply contracts in 2018 decreased to 1,749 a decrease of 59 contracts on the previous year.
- ▶ The number of All Year Round (AYR) contracts decreased by 54 to 1,652 while the number of Winter contracts decreased by 5 to 97.
- ▶ All Year Round (AYR) contracts continued to be the main contract type, representing 94% of contracts and 99% of milk supplies, similar to the previous year.
- ▶ Winter contracts represented 6% of contracts and 1% of milk supplies.
- ▶ Since the establishment of the Agency the number of registered contracts has reduced by 48% from 3,344 in 1995.
- ▶ Milk supplies purchased under registered contracts in 2017/18 were 5% higher than domestic fresh milk sales, compared with 9% higher in 2016/17. This was mainly due to transitional purchasing arrangements between processors and some producers following industry consolidation.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES – 2017/18 & 2016/17

| | Contracts | | | | Milk Supplies | | | |
|----------------|-----------|-----|---------|-----|---------------|-----|----------|-----|
| | 2017/18 | | 2016/17 | | 2017/18 | | 2016/17 | |
| | Number | % | Number | % | m litres | % | m litres | % |
| All Year Round | 1,652 | 94 | 1,706 | 94 | 459.3 | 99 | 479.5 | 99 |
| Winter | 97 | 6 | 102 | 6 | 5.1 | 1 | 6.5 | 1 |
| Total | 1,749 | 100 | 1,808 | 100 | 464.4 | 100 | 486.0 | 100 |

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 linked to a processor's monthly manufacturing milk price with price differentials for constituents is paid with the addition of fixed or variable bonus payments in winter periods ranging from four months to six months. Some registered processors also paid low monthly bonuses in the summer months.



- ▶ Under the FLAT System, milk is paid for at a monthly flat price per litre with no price differentiation for milk constituents and with higher prices paid in the winter months.
- ▶ Two processors had contracts which applied the FLAT System in specific winter months and the MMP System in other months. The Agency is presently reviewing these contracts for classification purposes.
- ▶ In 2017/18, the MMP System was applied in 83% of the AYR contracts and to 78% of milk supplies, the same as in 2016/17.
- ▶ The FLAT System was applied in 17% of the AYR contracts and to 22% of the milk supplies, the same as in 2016/17.

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS 2017/18 & 2016/17

| Pricing Systems | Contracts | | | | Milk Supplies | | | |
|-----------------|-----------|-----|---------|-----|---------------|-----|----------|-----|
| | 2017/18 | | 2016/17 | | 2017/18 | | 2016/17 | |
| | Number | % | Number | % | m litres | % | m litres | % |
| MMP SYSTEM | 1,367 | 83 | 1,410 | 83 | 359.7 | 78 | 375.9 | 78 |
| FLAT SYSTEM | 285 | 17 | 296 | 17 | 99.6 | 22 | 103.6 | 22 |
| TOTAL AYR | 1,652 | 100 | 1,706 | 100 | 459.3 | 100 | 479.5 | 100 |

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2017/18

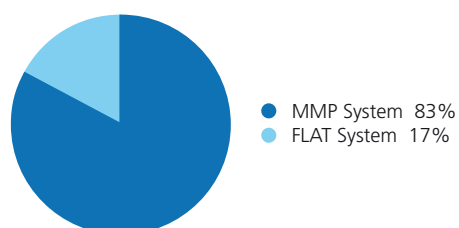


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2017/18

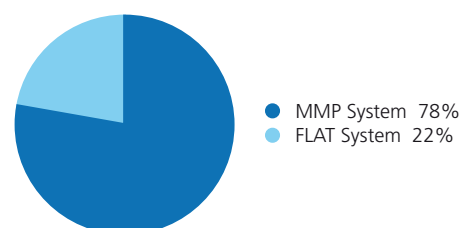


FIG 3.5 ALL YEAR ROUND CONTRACTS - PRICING SYSTEMS/SUPPLIES 1999/00 - 2017/18

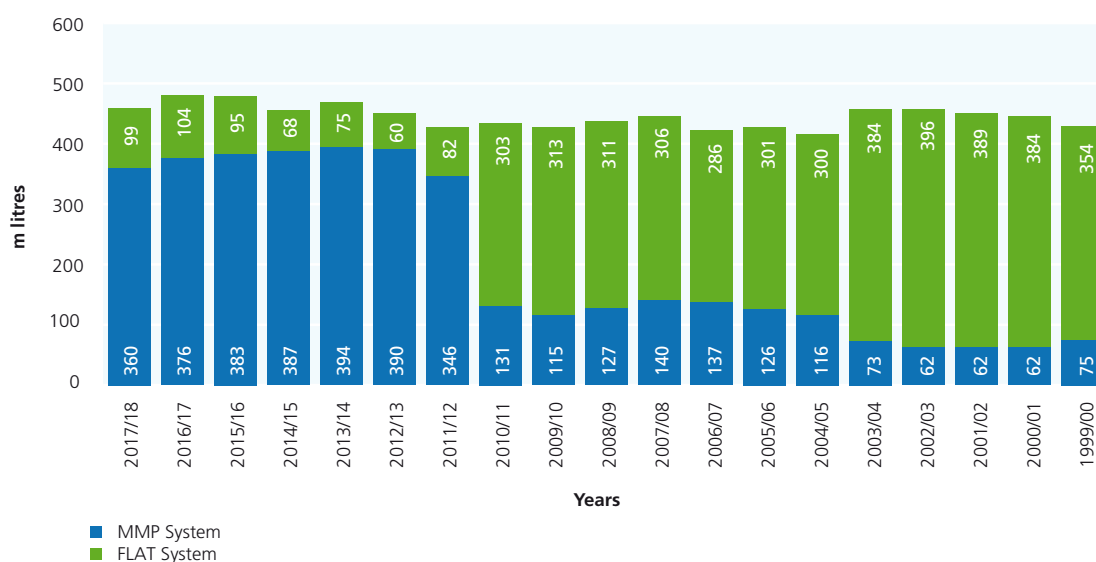


Table 3.6 ALL YEAR ROUND CONTRACTS ANNUAL AVERAGE MILK PRICES PAID – 2017/18 & 2016/17

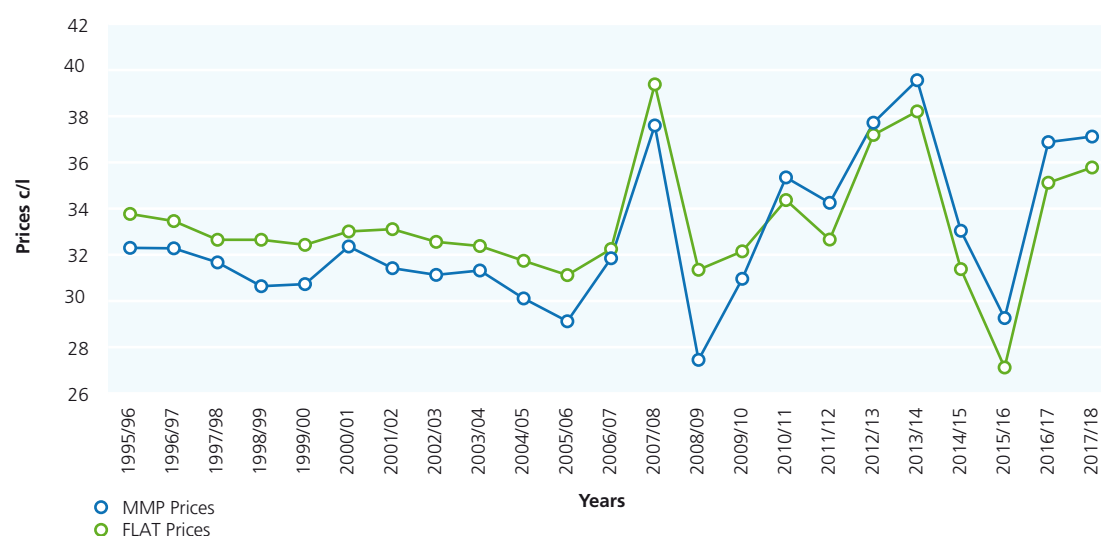
| Pricing Systems | Average Prices | | Price Increases | Contracts | Milk Supplies |
|-----------------|----------------|---------|-----------------|-----------|---------------|
| | 2017/18 | 2016/17 | 2017/18 | 2017/18 | 2017/18 |
| | c/litre | c/litre | c/litre | number | m. litres |
| MMP | 37.12 | 36.88 | 0.24 | 1,367 | 359.7 |
| FLAT | 35.78 | 35.12 | 0.66 | 285 | 99.6 |
| AYR Contracts | 36.83 | 36.50 | 0.33 | 1,652 | 459.3 |

Prices are in respect of AYR contracts that 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 linked to monthly manufacturing prices with fixed and variable bonuses added. Two processors had contracts which applied the FLAT System in specific winter months and the MMP System in other months. The Agency is presently reviewing these contracts for classification purposes.

The average price paid under the AYR MMP System contracts in 2017/18 was 37.12 c/l, an increase of 0.24 c/l or 1% on the previous year.

- ▶ The average price paid under the AYR FLAT System contracts in 2017/18 was 35.78 c/l, an increase of 0.66 c/l or 2% on the previous year.
- ▶ The average price paid under all AYR contracts in 2017/18 was 36.83 c/l, an increase of 0.33 c/l or 1% on the previous year.
- ▶ The annual average price of 37.12 c/l under the MMP System was 1.34 c/l higher than the annual average price paid under the FLAT System compared with 1.76 c/l in the previous milk year.
- ▶ Eight processors purchased supplies using the MMP System only in their contracts.
- ▶ Five processors purchased supplies using the FLAT System only in their contracts.
- ▶ Two processors purchased supplies using both FLAT and MMP Systems.
- ▶ A schedule showing the annual average prices in AYR contracts since 1995/96 is set out in Appendix 3 (Table A).

FIG. 3.7 AYR CONTRACTS – ANNUAL AVERAGE MMP AND FLAT PRICES 1995/96 – 2017/18



See Appendix 3 (Table A).



3.2 MAIN AYR CONTRACTS – PRICES PAID 2017/18 & 2016/17

- A table of the annual average milk prices paid under the eight highest volume AYR contracts, representing 80% of the AYR contracts and 82% of AYR milk supplies, is set out below.

TABLE 3.8 ALL YEAR ROUND CONTRACTS-AVERAGE PRICES PAID IN THE HIGHEST VOLUME CONTRACTS – 2017/18 & 2016/17

| MMP SYSTEM CONTRACTS | | | | | | | |
|----------------------|---|---------|--------------------------------|---------|-------------|---------|---------------------------------|
| Contract Types | Annual Average Prices Plus Bonuses ¹ | | Annual Average Monthly Bonuses | | Base Prices | | Change in Annual Average Prices |
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | Increases/Decreases |
| | c/l | c/l | c/l | c/l | c/l | c/l | c/l |
| A1 | 37.57 | 37.61 | 3.41 | 4.84 | 34.16 | 32.77 | (0.04) |
| B1 | 35.78 | 35.87 | 1.61 | 2.66 | 34.17 | 33.21 | (0.09) |
| B2 | 35.94 | 34.69 | 4.32 | 4.02 | 31.62 | 30.67 | 1.25 |
| D | 37.89 | 36.86 | 3.86 | 3.91 | 34.03 | 32.95 | 1.03 |
| F | 36.82 | 36.78 | 3.86 | 3.82 | 32.96 | 32.96 | 0.04 |
| H | 37.08 | 36.13 | 2.65 | 2.51 | 34.43 | 33.67 | 0.95 |

| FLAT SYSTEM CONTRACTS | | | | | | | |
|-----------------------|------------------------------------|---------|--------------------------|---------|--------------------------|---------|---------------------------------|
| Contract Types | Annual Average Prices ¹ | | Winter Prices (6 months) | | Summer Prices (6 months) | | Change in Annual Average Prices |
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | Increases/Decreases |
| | c/l | c/l | c/l | c/l | c/l | c/l | c/l |
| D1 | 33.25 | 33.94 | 36.90 | 36.28 | 30.05 | 31.92 | (0.69) |
| J | 35.92 | 35.04 | 39.75 | 35.14 | 32.08 | 34.94 | 0.88 |

¹ Excluding VAT.

3.3 WINTER CONTRACTS – PRICES PAID

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES – 2017/18 & 2016/17

| Pricing Systems | Contracts | | Milk Supplies | | 2017/18 | 2016/17 |
|-----------------|-----------|-----|---------------|-----|---------------------------------------|---------------------------------------|
| | Number | % | m. litres | % | Average Price – Winter Months c/litre | Average Price – Winter Months c/litre |
| MMP System | 74 | 76 | 3.5 | 69 | 47.75 | 44.42 |
| FLAT System | 23 | 24 | 1.6 | 31 | 41.78 | 36.31 |
| Total | 97 | 100 | 5.1 | 100 | 45.91 | 42.28 |

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 97 Winter Contracts related to 5.1 million litres of milk (a decrease of 1.4 million litres on the previous year) and represented 5% of all contracts and 1% of milk supplies.



3.4 ALL CONTRACTS – PRICES PAID – MILK YEARS 2017/18 & 2016/17

The average price paid under all contracts, both All Year Round and Winter Months Only in 2017/18 was 36.93 c/l, an increase of 0.35 c/l, or 1% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS 2017/18 & 2016/17

| Period | 2017/18 1,749 contracts 464 ml | 2016/17 1,808 contracts 486 ml | Changes (59 contracts) (22 ml) |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| | c/litre | c/litre | c/litre |
| Winter months October – March (6) | 41.14 | 37.88 | 3.26 |
| Summer months April – September (6) | 32.31 | 35.14 | (2.83) |
| Annual Average Prices | 36.93 | 36.58 | 0.35 |

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 have been standardised to a six winter months premium period (October to March) and a six summer months period (April to September).

3.5 MILK PRICES 2018

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES 2018

- ▶ In the calendar year 2018, which includes the first three months of the 2018/19 milk year, the annual average price paid under all registered contracts (AYR and Winter) was 36.16 c/l. This calendar year price was 0.77 c/l lower than the annual average price of 36.93 c/l paid in the 2017/18 milk year due to the lower monthly manufacturing prices paid by processors in the first three months of 2018/19.
- ▶ In 2018, the annual average price of 36.16 c/l paid under all registered contracts was the fifth highest price on record and was 1.84 c/l or 5% less than the annual average price of 38.00 c/l paid in 2017.
- ▶ The annual average liquid incentive paid under the MMP System in 2018 was 3.6 c/l, which was 0.1 c/l lower than in 2017.
- ▶ The annual average price for registered supplies paid for under the MMP System was 36.31 c/l, a decrease of 2.07 c/l or 5% on 2017.
- ▶ The annual average price for registered supplies paid for under the FLAT System was 35.18 c/l, a decrease of 1.08 c/l or 3% on 2017. The annual average FLAT price was 1.13 c/l or 3% less than the annual average MMP price.
- ▶ The annual average price for manufacturing milk supplies, excluding VAT and after collection charges in 2018, was 33.41 c/l, a decrease of 1.98c/l, or 6%, on the annual average manufacturing price of 35.39 c/l in 2017.
- ▶ The differential in 2018 between the annual average producer price for milk supplies for liquid consumption of 36.16 c/l and the annual average producer price for manufacturing milk supplies of 33.41 c/l, was 2.75 c/l, compared with the differential of 2.61 c/l in 2017, an increase of 0.14 c/l.



► A Table showing the annual average producer milk prices for supplies for liquid consumption and supplies for processing for manufacturing since 1995 is set out in Appendix 3 (Table B (i)).

► Based on a similar solids content for liquid and manufacturing milk supplies in 2018, the annual differential between the average liquid price and the adjusted average manufacturing price was an estimated 3.19 c/l, compared with 3.37 c/l in 2017. Appendix 3 (Table B (ii)).

**FIG. 3.11 PRODUCER MILK PRICES – ANNUAL AVERAGES
– LIQUID MILK/MANUFACTURING MILK 1995-2018**



4. PROCESSORS

TABLE 4.0 STRUCTURE OF REGISTERED PROCESSORS BY CONTRACTS & SUPPLY BANDS 2017/18

| MILK SUPPLY BANDS | NUMBER OF PROCESSORS | REGISTERED CONTRACTS | | REGISTERED SUPPLIES | |
|-------------------|----------------------|----------------------|-----|---------------------|-----|
| | | number | % | m. litres | % |
| 0-20 | 7 | 185 | 11 | 38.9 | 8 |
| 20-40 | 2 | 211 | 12 | 42.2 | 9 |
| Over 40 | 3 | 1,353 | 77 | 383.3 | 83 |
| TOTAL | 12 | 1,749 | 100 | 464.4 | 100 |

As at 31st December 2018

- ▶ The industry structure is highly concentrated. Three processors with annual supplies in excess of 40 million litres of milk for processing for liquid consumption accounted for 77% of registered contracts and 83% of registered milk supplies.
- ▶ The 12 registered processors include 1 processor, who is also a registered producer.
- ▶ The number of heat treatment establishments licensed to process milk for liquid consumption in the State at the 31st December 2018 was 14, of which 12 establishments were operated by processors who were 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.
- ▶ Average annual milk supplies processed per establishment operated by registered processors in 2018 were 38.7 million litres.



APPENDIX 1: MEMBERS' ATTENDANCES/ MEETINGS OF THE AGENCY

| Members | Meetings Attended 2018 |
|-------------------------------|---------------------------|
| Denis Murphy – Chairman | 6 |
| Aidan Casey ¹ | 6 |
| William Lennon ¹ | 6 |
| Padraig Mulligan ¹ | 5 |
| Dan Buckley ² | 1 |
| Larry Hannon ² | 1 |
| Teddy Cashman ³ | 4 |
| Denis Fagan ³ | 6 |
| T.J. Flanagan ⁴ | 5 |
| Tony O'Driscoll ⁴ | 6 |
| Frank Tobin ⁵ | 3 |
| Eoghan Sweeney ⁷ | 2 |
| John Fitzgerald ⁵ | 1 |
| Stephen Blewitt ⁵ | 0 |
| Walter Maloney ⁴ | 5 |
| John Foster ⁴ | 3 |
| Richard Donohue ⁴ | 6 |
| Michael Kilcoyne ⁴ | 6 |

¹ Re Elected 30th October 2018

² Elected 30th October 2018

³ Did not seek re election

⁴ Re appointed 30th October 2018

⁵ Appointed 30th October 2018

⁶ Did not seek re nomination

⁷ Resigned 10th July 2018

The Agency held six meetings during the year and the attendance ratio was 83%.

The Audit & Risk Committee held two meetings.

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, and other groups and organisations.

During the year the members discussed the possible application of blockchain technology in the dairy sector.

In 2018 Mr. Denis Fagan was the Agency's nominee on the Board of the National Dairy Council.

APPENDIX 2: REGISTERS – PRODUCERS - CONTRACTS - 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 | 2,034 | 339 | 21 |
| 2012/13 | 2,044 | 10 | 20 |
| 2013/14 | 2,039 | 32 | 27 |
| 2014/15 | 1,982 | 86 | 28 |
| 2015/16 | 1,841 | 178 | 37 |
| 2016/17 | 1,901 | 64 | 120 |
| 2017/18 | 1,830 | 88 | 17 |

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 REGISTER OF CONTRACTS – TYPES

| Milk Year | Total Contracts | 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 |
| 2012/13 | 1,883 | 1,769 | 114 |
| 2013/14 | 1,867 | 1,759 | 108 |
| 2014/15 | 1,725 | 1,623 | 102 |
| 2015/16 | 1,754 | 1,657 | 97 |
| 2016/17 | 1,808 | 1,706 | 102 |
| 2017/18 | 1,749 | 1,652 | 97 |

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.



C REGISTERED MILK SUPPLIES – 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 |
| 2012/13 | 455.1 | 449.0 | 6.1 |
| 2013/14 | 475.4 | 469.2 | 6.2 |
| 2014/15 | 460.9 | 455.1 | 5.8 |
| 2015/16 | 483.8 | 477.9 | 5.9 |
| 2016/17 | 486.0 | 479.5 | 6.5 |
| 2017/18 | 464.4 | 459.3 | 5.1 |

D ALL YEAR ROUND CONTRACTS – PRICING SYSTEMS

| Milk Years | Contracts | Pricing Systems | | % MMP | % FLAT |
|------------|-----------|-----------------|-------|-------|--------|
| | | MMP | FLAT | | |
| 1995/96 | 3,206 | 471 | 2,735 | 15 | 85 |
| 1996/97 | 3,151 | 455 | 2,696 | 14 | 86 |
| 1997/98 | 2,783 | 373 | 2,410 | 13 | 87 |
| 1998/99 | 2,708 | 418 | 2,290 | 15 | 85 |
| 1999/00 | 2,642 | 373 | 2,269 | 14 | 86 |
| 2000/01 | 2,725 | 350 | 2,375 | 13 | 87 |
| 2001/02 | 2,620 | 338 | 2,282 | 13 | 87 |
| 2002/03 | 2,583 | 344 | 2,239 | 13 | 87 |
| 2003/04 | 2,510 | 435 | 2,075 | 17 | 83 |
| 2004/05 | 2,199 | 513 | 1,686 | 23 | 77 |
| 2005/06 | 2,104 | 515 | 1,589 | 24 | 76 |
| 2006/07 | 1,908 | 460 | 1,448 | 24 | 76 |
| 2007/08 | 1,861 | 475 | 1,386 | 25 | 75 |
| 2008/09 | 1,849 | 479 | 1,370 | 26 | 74 |
| 2009/10 | 1,862 | 549 | 1,313 | 30 | 70 |
| 2010/11 | 1,790 | 526 | 1,264 | 29 | 71 |
| 2011/12 | 1,824 | 1,499 | 325 | 82 | 18 |
| 2012/13 | 1,769 | 1,524 | 245 | 86 | 14 |
| 2013/14 | 1,759 | 1,503 | 256 | 85 | 15 |
| 2014/15 | 1,623 | 1,384 | 239 | 85 | 15 |
| 2015/16 | 1,657 | 1,427 | 230 | 86 | 14 |
| 2016/17 | 1,706 | 1,410 | 296 | 83 | 17 |
| 2017/18 | 1,652 | 1,367 | 285 | 83 | 17 |

E ALL YEAR ROUND CONTRACTS – MILK SUPPLIES & PRICING SYSTEMS

| Milk Years | Supplies | Pricing Systems | | MMP | FLAT |
|------------|-----------|-----------------|-----------|-----|------|
| | | MMP | FLAT | | |
| | m. litres | m. litres | m. litres | % | % |
| 1995/96 | 488.4 | 44.8 | 443.6 | 9 | 91 |
| 1996/97 | 467.3 | 72.7 | 394.5 | 15 | 85 |
| 1997/98 | 427.3 | 62.3 | 365.0 | 15 | 85 |
| 1998/99 | 426.4 | 76.4 | 350.0 | 18 | 82 |
| 1999/00 | 428.7 | 75.0 | 353.7 | 17 | 83 |
| 2000/01 | 446.1 | 62.5 | 383.6 | 14 | 86 |
| 2001/02 | 451.6 | 62.1 | 389.5 | 14 | 86 |
| 2002/03 | 458.0 | 61.6 | 396.4 | 13 | 87 |
| 2003/04 | 457.4 | 73.1 | 384.3 | 16 | 84 |
| 2004/05 | 416.3 | 116.3 | 300.0 | 28 | 72 |
| 2005/06 | 427.4 | 126.4 | 301.0 | 30 | 70 |
| 2006/07 | 423.1 | 136.8 | 286.3 | 32 | 68 |
| 2007/08 | 446.3 | 139.9 | 306.4 | 31 | 69 |
| 2008/09 | 438.2 | 126.9 | 311.3 | 29 | 71 |
| 2009/10 | 427.5 | 114.9 | 312.6 | 27 | 73 |
| 2010/11 | 433.8 | 130.8 | 303.0 | 30 | 70 |
| 2011/12 | 428.5 | 346.0 | 82.5 | 81 | 19 |
| 2012/13 | 449.0 | 389.5 | 59.5 | 87 | 13 |
| 2013/14 | 469.2 | 394.3 | 74.9 | 84 | 16 |
| 2014/15 | 455.1 | 386.7 | 68.4 | 85 | 15 |
| 2015/16 | 477.9 | 383.3 | 94.6 | 80 | 20 |
| 2016/17 | 479.5 | 375.9 | 103.6 | 78 | 22 |
| 2017/18 | 459.3 | 359.7 | 99.6 | 78 | 22 |

APPENDIX 3: ANNUAL AVERAGE MILK PRICES/ DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS – MILK YEARS 1995/96 TO 2017/18
ANNUAL AVERAGE PRICES - MMP SYSTEM - FLAT SYSTEM - DIFFERENTIALS

| Milk Years | Average Prices | Average MMP Prices | Average FLAT Prices | MMP Price v FLAT Price |
|------------|-------------------|-----------------------|------------------------|---------------------------|
| | c/l | c/l | c/l | c/l |
| 1995/96 | N/A | 32.30 | 33.77 | (1.47) |
| 1996/97 | N/A | 32.28 | 33.46 | (1.18) |
| 1997/98 | 32.50 | 31.67 | 32.65 | (0.98) |
| 1998/99 | 32.19 | 30.64 | 32.65 | (2.01) |
| 1999/00 | 32.15 | 30.73 | 32.43 | (1.70) |
| 2000/01 | 32.93 | 32.36 | 33.01 | (0.65) |
| 2001/02 | 32.92 | 31.42 | 33.11 | (1.69) |
| 2002/03 | 32.28 | 31.13 | 32.56 | (1.43) |
| 2003/04 | 32.25 | 31.32 | 32.38 | (1.06) |
| 2004/05 | 31.30 | 30.11 | 31.74 | (1.63) |
| 2005/06 | 30.56 | 29.12 | 31.12 | (2.00) |
| 2006/07 | 32.11 | 31.85 | 32.25 | (0.40) |
| 2007/08 | 38.84 | 37.60 | 39.38 | (1.78) |
| 2008/09 | 30.24 | 27.45 | 31.35 | (3.90) |
| 2009/10 | 31.84 | 30.96 | 32.15 | (1.19) |
| 2010/11 | 34.68 | 35.35 | 34.37 | 0.98 |
| 2011/12 | 33.94 | 34.25 | 32.66 | 1.59 |
| 2012/13 | 37.42 | 37.44 | 37.19 | 0.25 |
| 2013/14 | 39.35 | 39.56 | 38.21 | 1.35 |
| 2014/15 | 32.79 | 33.04 | 31.38 | 1.66 |
| 2015/16 | 28.84 | 29.26 | 27.12 | 2.14 |
| 2016/17 | 36.50 | 36.88 | 35.12 | 1.76 |
| 2017/18 | 36.83 | 37.12 | 35.78 | 1.34 |



TABLE B (i) ALL CONTRACTS – PRODUCER MILK PRICES 1995-2018
ANNUAL AVERAGES – LIQUID PRICES-MANUFACTURING PRICES-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 | 1.41 |
| 2012 | 34.10 | 31.15 | 2.95 |
| 2013 | 38.87 | 38.07 | 0.80 |
| 2014 | 38.15 | 36.92 | 1.23 |
| 2015 | 31.88 | 28.95 | 2.93 |
| 2016 | 29.87 | 26.49 | 3.38 |
| 2017 | 38.00 | 35.39 | 2.61 |
| 2018 | 36.16 | 33.41 | 2.75 |

Sources: NMA/CSO

¹ Prices excluding VAT, before levies and after collection charges

TABLE B (ii) ALL CONTRACTS – PRODUCER MILK PRICES 2013-2018
ANNUAL AVERAGES – LIQUID PRICES-MANUFACTURING PRICES-DIFFERENTIALS

| Calendar Years | Prices – Liquid ¹ | Prices – Manufacturing ¹ | Price Differentials |
|----------------|------------------------------|-------------------------------------|---------------------|
| 2013 | 38.87 | 37.67 ² | 1.20 ² |
| 2014 | 38.15 | 36.51 ² | 1.64 ² |
| 2015 | 31.88 | 28.27 ² | 3.61 ² |
| 2016 | 29.87 | 25.87 ² | 4.00 ² |
| 2017 | 38.00 | 34.63 ² | 3.37 ² |
| 2018 | 36.16 | 32.97 ² | 3.19 ² |

Sources: NMA/CSO

¹ Prices excluding VAT, before levies and after collection charges

² Adjusted to equivalent average butterfat% and protein%

APPENDIX 4: STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS BY CONTRACT TYPE – 2017/18 & 2016/17

ALL YEAR ROUND CONTRACTS

| Annual Supply Bands | Registered Contracts | | 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 | |
|-------------------------------------|----------------------|---------|----------------|---------|---------------------------------|---------|----------------------------|---------|-----------------------------|---------|---------------------------|---------|---------------------|---------|----------------------|---------|----------------------------------|---------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| Litres | number | | m litres | | m litres | | m litres | | '000s litres | | | | | | | | | |
| <50,000 | 55 | 31 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 5 | 6 | 3 | 2 | 0 | 0 | 0 | 0 | 60 | 44 |
| 50,000-99,999 | 25 | 39 | 2.1 | 2.9 | 1.1 | 1.2 | 1.0 | 1.7 | 44 | 41 | 2 | 2 | 0 | 0 | 0 | 0 | 52 | 55 |
| 100,000-149,999 | 53 | 62 | 6.7 | 7.7 | 3.0 | 4.2 | 3.7 | 3.5 | 57 | 68 | 3 | 4 | 1 | 1 | 1 | 1 | 45 | 55 |
| 150,000-199,999 | 66 | 85 | 11.6 | 15.0 | 5.8 | 7.9 | 5.8 | 7.1 | 88 | 93 | 4 | 5 | 1 | 2 | 1 | 2 | 50 | 52 |
| 200,000-249,999 | 94 | 87 | 21.1 | 19.7 | 10.6 | 9.6 | 10.4 | 10.1 | 113 | 110 | 6 | 5 | 2 | 2 | 2 | 2 | 50 | 49 |
| 250,000-299,999 | 95 | 107 | 26.4 | 29.4 | 11.5 | 14.9 | 14.9 | 14.5 | 121 | 139 | 6 | 6 | 3 | 3 | 3 | 3 | 44 | 51 |
| 300,000-349,999 | 116 | 123 | 37.7 | 40.2 | 18.3 | 19.2 | 19.4 | 21.0 | 158 | 156 | 6 | 7 | 4 | 4 | 4 | 4 | 49 | 48 |
| 350,000-399,999 | 108 | 139 | 40.5 | 52.3 | 18.8 | 25.2 | 21.7 | 27.1 | 174 | 181 | 7 | 8 | 4 | 5 | 4 | 5 | 46 | 48 |
| 400,000-449,999 | 121 | 111 | 51.7 | 46.8 | 22.7 | 20.5 | 29.0 | 26.3 | 188 | 185 | 7 | 7 | 5 | 5 | 5 | 4 | 44 | 44 |
| 450,000-499,999 | 92 | 110 | 44.1 | 52.2 | 18.2 | 23.9 | 25.9 | 28.3 | 198 | 217 | 6 | 6 | 4 | 5 | 4 | 5 | 41 | 46 |
| 500,000-599,999 | 190 | 188 | 104.1 | 103.2 | 47.9 | 49.6 | 56.2 | 53.7 | 252 | 261 | 11 | 11 | 10 | 10 | 10 | 10 | 46 | 48 |
| 600,000-699,999 | 144 | 152 | 92.8 | 98.2 | 42.2 | 46.0 | 50.6 | 52.2 | 293 | 302 | 9 | 9 | 9 | 10 | 10 | 10 | 45 | 47 |
| Over 700,000 | 493 | 472 | 578.3 | 529.2 | 258.9 | 256.6 | 319.4 | 272.7 | 525 | 544 | 30 | 28 | 57 | 53 | 56 | 54 | 45 | 48 |
| TOTAL | 1,652 | 1,706 | 1017.6 | 997.2 | 459.3 | 479.0 | 558.2 | 518.4 | 278 | 281 | 100 | 100 | 100 | 100 | 100 | 100 | 45 | 48 |
| WINTER MONTHS ONLY CONTRACTS | | | | | | | | | | | | | | | | | | |
| TOTAL | 97 | 102 | 13.8 | 13.8 | 5.1 | 6.5 | 8.7 | 6.8 | | | | | | | | | | |
| ALL CONTRACTS | | | | | | | | | | | | | | | | | | |
| TOTAL | 1,749 | 1,808 | 1031.3 | 1,011.0 | 464.4 | 485.5 | 566.9 | 525.0 | | | | | | | | | | |

Source: NMA
Figures adjusted for rounding.



APPENDIX 5: Reports and Financial Statements for the year ended 31 December 2018

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. The members have elected to prepare the financial statements in accordance with FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("relevant financial reporting framework"). In preparing those financial statements, the members are required to:

- ▶ select suitable accounting policies for the Agency's financial statements and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ State whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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.

The members are also responsible for the maintenance and integrity of the corporate and financial information included on the Agency's website.



Statement on Internal Control

Scope of Responsibility

The Agency acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016) (the “2016 Code”).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance in the “2016 Code” has been in place in the Agency for the year ended 31 December 2018 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Agency has an Audit and Risk Committee (ARC) which is comprised of four Board members, who together have appropriate financial and audit expertise. The ARC held two meetings in 2018.

The Agency has engaged the services of an internal auditor, who conducts a programme of work, which is agreed with the ARC.

The ARC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff, who are expected to work within the Agency’s risk management policies, alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own areas of work.

Risk and Control Framework

The Agency has implemented a risk management system, which identifies and reports key risks and the management actions to be taken to address and, to the extent possible, mitigate these risks.

A risk register is in place which identifies the key risks facing the Agency. These have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC at each meeting. The outcome of these assessments is used to plan and allocate resources to ensure that risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks. Responsibility for the operation of controls have been assigned to specific staff. A control environment containing the following elements is in place:

- ▶ procedures for all key business processes have been documented
- ▶ financial responsibilities have been assigned at management level with corresponding accountability
- ▶ an appropriate budgeting system with an annual budget is in place which is kept under review by senior management
- ▶ systems aimed at ensuring the security of the information and communication technology systems are in place
- ▶ systems are in place to safeguard the assets



Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies and have been communicated to those responsible for taking corrective action, to management, to the ARC and to the Board, where relevant, in a timely way. The following ongoing monitoring systems are in place:

- ▶ key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- ▶ reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- ▶ senior management undertakes regular reviews of periodic and annual performance and financial reports against budgets/forecasts.

Procurement

The Agency has procedures in place to ensure compliance with current procurement rules and guidelines. During 2018 the Agency complied with these rules and guidelines.

Annual Review of Effectiveness

The Agency has conducted a review of the effectiveness of the System of Internal Control for the year ended 31 December 2018.

Internal Control Issues

No weaknesses in internal control were identified in 2018 that required disclosure in the financial statements.

Compliance with the “2016 Code”

Subject to the provisions of the Milk (Regulation of Supply) Acts 1994 to 1996 (“the Acts”) the Agency considers that it is in compliance with the governance practices and procedures of the “2016 Code” apart from the following derogations, which it has sought and received:

1. Audit and Risk Committee
 - a. The requirement for a formal written annual report to the members is replaced by a formal report by the Committee to the members summarising its conclusions for the work it has done during the year to support finalisation of the annual Financial Statements.
 - b. The requirement to hold at least 4 meetings per year is reduced to 2 meetings per year with additional meetings to be held, if required.
2. The requirement that members should leave meetings when conflicts of interests arise (as in the case of milk supply contracts) shall not apply. Meetings are to be conducted in accordance with the method of proceedings in the Agency’s Working Guidelines.
3. The Five Year Strategy Plan can be tailored to suit the needs of the Agency.

Denis Murphy
Chairman

John Foster
Member

20 March 2019



Independent Auditors' Report to the Members of The National Milk Agency Report on the audit of the financial statements

Opinion on the financial statements of the National Milk Agency (the 'Agency')

In our opinion the financial statements:

- ▶ give a true and fair view of the assets, liabilities and financial position of the Agency as at 31 December 2018 and of the deficit for the financial year then ended; and
- ▶ have been properly prepared in accordance with the relevant financial reporting framework.

The financial statements we have audited comprise:

- ▶ the Statement of Income and Accumulated Fund;
- ▶ the Balance Sheet;
- ▶ the Statement of Cash Flows; and
- ▶ the related notes 1 to 13, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation] is FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- ▶ the members use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- ▶ the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the Statement of Members' Responsibilities and the Statement on Internal Control included in the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are expected to report that fact.

We have nothing to report in this regard.

Responsibilities of members

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Agency or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- ▶ Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Agency's members, as a body, in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Agency's members those matters we are expected 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.

Matters on which we are required to report by exception

Under the Code of Practice for the Governance of State Bodies (2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system on internal financial control required under the Code of Practice as included in the Statement on Internal Control does not reflect the Agency's compliance with paragraph 1.9(iv) of the 2016 Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Brian Murphy

For and on behalf of

Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House,

Earlsfort Terrace,

Dublin 2

20 March 2019



Statement of Income and Accumulated Fund For the Year Ended 31 December 2018

| | Notes | 2018 € | 2017 € |
|---|-------|------------------|-----------|
| INCOME | | | |
| Milk levy – continuing operations | 3 | 506,084 | 513,695 |
| Deposit interest | | 442 | 1,470 |
| | | 506,526 | 515,165 |
| EXPENDITURE | | | |
| Salaries and superannuation | 4 | 334,819 | 326,005 |
| Administration costs | 5 | 193,657 | 208,931 |
| Depreciation | | 7,123 | 6,983 |
| TOTAL EXPENDITURE | | 535,599 | 541,919 |
| DEFICIT BEFORE TAXATION | | (29,073) | (26,754) |
| Taxation | 6 | – | – |
| DEFICIT FOR THE FINANCIAL YEAR AFTER TAXATION | | (29,073) | (26,754) |
| Accumulated Fund at the beginning of the reporting year | | 1,049,276 | 1,076,030 |
| Accumulated Fund at the end of the reporting year | | 1,020,203 | 1,049,276 |



Balance Sheet

As at 31 December 2018

| | Notes | 2018 € | 2017 € |
|--|-------|------------------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 10,836 | 14,193 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 106,980 | 131,472 |
| Cash at bank and in hand | | 945,646 | 959,444 |
| | | 1,052,626 | 1,090,916 |
| CURRENT LIABILITIES | | | |
| CREDITORS (Amounts falling due within one year) | 9 | (43,259) | (55,833) |
| NET CURRENT ASSETS | | 1,009,367 | 1,035,083 |
| NET ASSETS | | 1,020,203 | 1,049,276 |
| REPRESENTED BY: | | | |
| Accumulated Fund | | 1,020,203 | 1,049,276 |

The financial statements were approved by the Members on 20 March 2019.

Denis Murphy
Chairman

John Foster
Member



Statement of Cash Flows

For the Year Ended 31 December 2018

| | Notes | 2018 € | 2017 € |
|---|-------|-----------------|-----------|
| Net cash flows from operating activities | 13 | (10,474) | (22,984) |
| Cash flows from investing activities | | | |
| Deposit interest | | 442 | 1,470 |
| Purchase of tangible fixed assets | | (3,766) | (8,765) |
| Net cash flows from investing activities | | (3,324) | (7,295) |
| Net decrease in cash and cash equivalents | | (13,798) | (30,279) |
| Cash and cash equivalents at beginning of financial year | | 959,444 | 989,723 |
| Cash and cash equivalents at end of financial year | | 945,646 | 959,444 |
| Reconciliation to cash and cash equivalents | | | |
| Current account | | 45,296 | 8,826 |
| Deposit account | | 900,350 | 950,618 |
| | | 945,646 | 959,444 |



Notes to the Financial Statements

For the Year Ended 31 December 2018

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Agency are summarised below and have all been applied consistently throughout the financial year and to the preceding financial year.

General information and basis of accounting

The National Milk Agency was set up under the Milk (Regulation of Supply) Act, 1994 to regulate the supply of milk for liquid consumption throughout the State. The Agency comprises a chairman and 13 members representing the interests of producers, processors, distributors, retailers and consumers of milk. The Agency is financed by the industry through levies on milk purchased for processing for liquid consumption. The registered office is Holly Park Studio, Holly Park Avenue, Blackrock, Co. Dublin.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Going Concern

The National Milk Agency activities, together with factors likely to affect its future development, performance and position are set out in the financial statements. The Agency meets its day to day working capital requirements through its cash reserves. The members of the board have reasonable expectations that the Agency has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Income

Income arises from a levy of 0.115 cent per litre of milk purchased for processing for liquid consumption and is payable by milk processors under Section 8 of the Milk (Regulation of Supply) Act, 1994. 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.

Investment Income

Investment Income is recorded on a receivable basis.

Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation.

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 |



National Milk Agency Staff Superannuation Scheme 2010

The Minister for Agriculture, Fisheries and Food approved the National Milk Agency Staff Superannuation Scheme 2010 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 Department of Finance has confirmed to the Agency that the Exchequer will bear the cost of paying all superannuation benefits to and in respect of the pensionable employees (including the CEO), of the Agency. The Department of Finance confirmed that the rate of employer's contribution would not exceed 16²/3%. The Department of Agriculture and Food, also confirmed that subject to the payment by the Agency to the Department of Agriculture and Food, of all employer and employee contributions collected to date and for the future, the Department will accept responsibility for meeting the superannuation entitlements of the members of the proposed Scheme in respect of their membership of that Scheme and of the former Dublin District Milk Board Pension Scheme.

FRS 102 permits defined benefit schemes (state plans), 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 102 additional disclosures are required.

The pension cost represents contributions payable by the Agency and are charged to the Statement of Income and Accumulated Fund as incurred.

Operating Leases

Rentals under operating leases are charged to Statement of Income and Accumulated Fund as incurred.

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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Agency becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Agency intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Agency transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Agency, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Agency's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the accounting policies and the notes to the financial statements.

3. MILK LEVY

A levy of 0.115 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.

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.

4. EMPLOYEES AND REMUNERATION

| | 2018 Number | 2017 Number |
|--|----------------|----------------|
| Average number of persons employed: | | |
| Staff | 5 | 5 |

| | 2018 € | 2017 € |
|---|-----------|-----------|
| Salaries | 269,498 | 262,547 |
| Social insurance costs | 20,120 | 19,371 |
| Employer's superannuation contributions | 45,201 | 44,087 |
| | 334,819 | 326,005 |



Key Management Compensation

Key management compensation refers to the Chief Executive Officer, whose employee benefits are set out hereunder:

| | 2018 | 2017 |
|---|----------------|--------|
| | € | € |
| Salary | 86,920 | 82,803 |
| Employer's superannuation contributions | 14,490 | 13,800 |
| | 101,410 | 96,603 |

The employee benefits for each of the other personnel are below the €60,000 p.a. threshold bands in 2018 and 2017.

5. ADMINISTRATION COSTS

| | 2018 | 2017 |
|----------------------------------|----------------|---------|
| | € | € |
| Staff travel and subsistence | 31,601 | 31,558 |
| Members' travel and subsistence | 16,398 | 18,667 |
| Chairman's remuneration | 8,978 | 8,978 |
| Stationery | 1,710 | 3,199 |
| Annual report | 10,215 | 10,215 |
| Reports and surveys | 1,065 | 11,561 |
| Telephone | 5,481 | 4,463 |
| Postage | 1,665 | 3,972 |
| Publications | 2,859 | 1,602 |
| Legal fees | 15,512 | 19,904 |
| Consultancy fees | 11,706 | 20,620 |
| Audit fees | 13,893 | 6,816 |
| Rent and rates | 37,811 | 42,644 |
| Insurance | 3,035 | 2,098 |
| Accounting and professional fees | 2,800 | 2,800 |
| Repairs and renewals | 4,243 | 3,832 |
| Miscellaneous | 8,415 | 9,215 |
| Meeting expenses | 3,975 | 3,538 |
| Hospitality expenditure | 6,195 | 1,264 |
| Training and education | 3,000 | 1,985 |
| Election | 3,100 | – |
| | 193,657 | 208,931 |

Travel and subsistence expenses relate to national travel.

6. 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 €238 (2017: €940).

7. TANGIBLE FIXED ASSETS

| | Furniture | Office equipment | Computer equipment | Total |
|----------------------------|---------------|------------------|--------------------|----------------|
| | € | € | € | € |
| Cost: | | | | |
| At 1 January 2018 and | 16,466 | 25,679 | 95,205 | 137,350 |
| Additions in year | – | – | 3,766 | 3,766 |
| At 31 December 2018 | 16,466 | 25,679 | 98,971 | 141,116 |
| Depreciation: | | | | |
| At 1 January 2018 | 13,039 | 24,348 | 85,770 | 123,157 |
| Charged in year | 381 | 394 | 6,348 | 7,123 |
| At 31 December 2018 | 13,420 | 24,742 | 92,118 | 130,280 |
| Net book amounts: | | | | |
| At 31 December 2018 | 3,046 | 937 | 6,853 | 10,836 |
| At 31 December 2017 | 3,427 | 1,331 | 9,435 | 14,193 |

8. DEBTORS

| | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| | € | € |
| (Amounts falling due within one year) | | |
| Milk levy receivable | 96,863 | 120,467 |
| Prepayments | 4,117 | 5,005 |
| Other debtors | 6,000 | 6,000 |
| | 106,980 | 131,472 |

9. CREDITORS (Amounts falling due within one year)

| | 2018 | 2017 |
|------------------------------|---------------|---------------|
| | € | € |
| Accruals and other creditors | 35,265 | 46,864 |
| PAYE/PRSI/USC | 7,994 | 8,969 |
| | 43,259 | 55,833 |



10. FINANCIAL INSTRUMENTS

The carrying values of the Agency's financial assets and liabilities are summarised by category below:

| | 2018 € | 2017 € |
|---|-----------|-----------|
| Financial assets | | |
| <i>Measured at undiscounted amount payable</i> | | |
| • Milk levy receivable and other debtors (note 8) | 102,863 | 126,467 |
| Financial liabilities | | |
| <i>Measured at undiscounted amount payable</i> | | |
| • Other creditors (note 9) | 872 | 866 |

11. FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases relating to property, are as follows:

| | 2018 € | 2017 € |
|----------------------------|-----------|-----------|
| Within one year | 30,000 | 30,000 |
| Between one and five years | 72,500 | 102,500 |
| | 102,500 | 132,500 |

12. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

The total expense charged to the Statement of Income and Accumulated Fund in the year ended 31 December 2018 was €45,201 (2017: €44,087).

13. RECONCILIATION OF DEFICIT BEFORE TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | 2018 € | 2017 € |
|--|-----------------|-----------|
| <i>Reconciliation of deficit to cash generated by activities</i> | | |
| Deficit before taxation | (29,073) | (26,754) |
| Adjustment for: | | |
| Deposit interest | (442) | (1,470) |
| Depreciation of tangible fixed assets | 7,123 | 6,983 |
| Operating cash flows before movement in working capital | (22,392) | (21,241) |
| Decrease/(Increase) in debtors | 24,492 | (9,440) |
| (Decrease)/Increase in creditors | (12,574) | 7,697 |
| Net cash flows from operating activities | (10,474) | (22,984) |



APPENDIX 6: COMPLIANCE/ENFORCEMENT

Compliance

The Agency considers that it is complying with the requirements of the *Code of Practice for the Governance of State Bodies 2016*, subject to the provisions of the Milk (Regulation of Supply) Acts, 1994 to 1996 and the derogations from the Code which it has received.

The Agency is in compliance with the following Acts/Regulations:

- ▶ Employment Equality Acts 1998 – 2015
- ▶ The Ethics in Public Office Act 2001
- ▶ Disability Act 2005
- ▶ Freedom of Information Act 2014
- ▶ General Data Protection Regulation 2018
- ▶ Protection Disclosures Act 2014

No protection disclosures were made to the Agency in 2018.

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 2018, 160 payments were made by the Agency, which were all paid within 15 days.

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

The Agency is committed to making every possible effort to improve energy efficiency. In 2018, 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's office is located. This usage was associated with heating, 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 2019 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

S.I. No. 400 of 2015 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2015

S.I. No. 401 of 2015 – National Milk Agency (Election Day) Regulations, 2015

S.I. No. 324 of 2016 – National Milk Agency Superannuation Scheme 2016

S.I. No. 262 of 2018 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2018

S.I. No. 263 of 2018 – National Milk Agency (Election Day) Regulations, 2018



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