



# National Milk Agency

Annual Report & Accounts 2016



NATIONAL MILK AGENCY





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

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



**Denis Murphy**  
*Chairman*

I am pleased to present the Annual Report of the National Milk Agency for 2016, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

### The National Economy

Last year the national economy grew by over 5% with the unemployment rate falling to less than 7%. The fiscal deficit and public debt ratios continued to improve to 0.5% and 75% of gross domestic product respectively. Brexit emerged as the main downside risk to the economy.

### Agriculture

Weather conditions last year were not as favourable to agricultural production as in 2015. Lower fertiliser and fuel prices, however, reduced input costs on all grassland enterprises. Gross agricultural output of €7 billion at producer prices fell by 1% compared with 2015.

### Dairy sector

It was a difficult year for most dairy farmers with falling incomes for the second year in succession and cash flow problems emerging on many farms.

Domestic milk supplies, boosted by higher cow numbers, increased to a record 6.65 billion litres or by 4% over 2015. Average milk solids increased slightly, albeit with lower average protein levels.

In the early months of the year dairy product prices and producer milk prices continued to fall due to the on-going imbalance between supply and demand on the global dairy market. Many processors continued their milk price support schemes. Some producers benefitted from forward, fixed price, option schemes for part of their supplies. In July milk prices began to increase for the first time in two years, mainly due to global milk supply cutbacks.

EU intervention schemes for butter and skim milk powder, additional private storage aids for butter, skim milk powder and cheese, and the EU Milk Reduction Scheme in the last quarter of the year helped to stabilise markets.

Reduced farm input costs from lower fertiliser and fuel prices and lower feed usage accompanied by increased milk supplies partly offset the fall of 9% in the average manufacturing milk price. The average dairy farm income fell by 17% compared with 2015.

### Dairy Markets & Milk Prices

Almost 90% of Irish milk supplies are exported as manufactured dairy products and ingredients with 10% of supplies sold for liquid consumption and as manufactured dairy products on the domestic market.

Last year was a difficult year on global dairy markets due mainly to oversupply and weak demand in the first half of the year. The value of Irish dairy exports amounting to €3.4 billion rose by 2%. While the strong US dollar benefitted Irish dairy exports outside the EU, the fall in the value in sterling, following the UK Brexit referendum in June, reduced the value of export sales to the UK.

Export sales of dairy products and ingredients to EU markets, representing 51% of the value of dairy export sales, fell by 8%. Sales to the UK market, in particular, representing 25% of total dairy export sales in 2016, fell by 10%. Dairy exports to non-EU markets, representing 49% of total dairy exports, rose by 19%.



The annual average producer price for manufacturing milk supplies decreased to 26.5 cent per litre, excluding vat, a reduction of 2.5 cent per litre or 9% on 2015 for milk containing average constituent levels of 3.45% protein and 4.10% butterfat.

The integrity and transparency of Ireland's dairy supply chain are reinforced by the participation of most dairy processors in Bord Bia's *Origin Green Scheme* and the participation of over 80% of dairy farmers in the *Sustainable Dairy Assurance Scheme*.

## Milk Imports

Last year imports of bulk milk into the State from Northern Ireland, for processing into manufactured dairy products and for processing for liquid consumption, increased to a record 813 million litres or by 37% over 2015.

These bulk milk imports, of which 92% were used for manufacturing and 8% for processing for liquid consumption in the State, were equivalent to 12% of domestic annual milk supplies and to 37% of Northern Ireland's annual milk supplies.

Bulk milk imports for processing for liquid consumption in the State, amounted to 63 million litres an increase of 2% on the previous year. Additionally an estimated 80 million litres of fresh milk in consumer packs were imported, a reduction of 15% on the previous year.

## Domestic liquid milk market/ prices

Fresh milk is a natural, delicious, nutritious and healthy liquid food and an important component of a balanced diet across all life's stages. It is consumed daily by most Irish people and in most households, where it is the consumer product that is within arm's length of convenience.

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €531 million in 2016.

This market has continued to evolve to meet changing consumer tastes for low fat, no fat and fortified products and for different packaging sizes and shopping behaviours.

The fresh milk market has been built on the assurance of an all year round supply of high quality fresh milk from domestic, specialist, registered milk producers.

Irish consumers have the second highest per capita consumption of fresh drinking milk in the EU with an annual consumption of 127 litres per person.

Last year 7% of domestic milk supplies of 6.65 billion litres was sold as fresh milk on the domestic market and had a market share of 76%. The market share of imported milk fell to 24% from 26% in the previous year.

Consumption of fresh milk decreased by 2% to 590 million litres while the national average retail price of fresh milk in all pack sizes fell by 1%.

Price competition between retailers to maintain grocery market shares in a changing market environment and own label sales continued to exert strong downward pressure on domestic market returns for fresh milk.

Retailer action in the short-term movement of large, own label, annual supply, contracts between processors has a destabilising consequence for registered producers. It can result in the reduction of supply contracts of some producers while the supply contracts of other producers are increased or awarded to new producers. Due to the annual duration of these retail contracts the position can be reversed in the following year.

For registered milk producers the annual average milk price in 2016 for contracted supplies, which are now mainly based on manufacturing milk prices with the addition of winter premia, fell by 2 c/l to 29.9 cent per litre, excluding vat, a reduction of 2 cent per litre or 6% on 2015.

The annual differential between the national average liquid price under all payment systems and the national average manufacturing price increased to 3.4 cent per litre or based on an equal solids content for liquid and manufacturing milk supplies to an estimated 4 cent per litre. This was the highest annual differential since 2009.

In the five prescribed winter months (October 2016 – February 2017) the total milk supplies of registered producers provided a margin of safety of 28% over the consumption of fresh milk from both indigenous supplies and from imports and a margin of safety of 70% over consumption from domestic supplies only. Some of the winter milk supplies of registered producers may be produced for and participate in incentive schemes for non-liquid milk markets.

Milk imports from Northern Ireland for liquid consumption in the State both in consumer packs and in bulk for processing for liquid consumption, amounted to 143 million litres, a reduction of 13 million litres or 8% on the previous year.

Fresh milk imports in consumer packs represented 56% of these imports, while bulk milk imports, which are processed in the State for liquid consumption, represented 44%.

## Registers, Contracts & Prices 2015/16

In the 2015/16 milk year 1,754 milk supply contracts were registered with the Agency for supplies of 483 million litres of milk for processing for liquid consumption, representing an increase of 29 contracts or 2% in contracts and 5% 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 86% of contracts and to 80% of supplies. The Flat Price System (FLAT System) was applied in 14% of contracts and to 20% of supplies.

Milk supplies purchased under registered contracts were 8% 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 2 processors, who were also registered producers.

## Registered Producers

Registered producers are a specialist producer group in Ireland's milk production structure representing 10% of all dairy farmers and supplying 14% of domestic annual milk supplies on an all year round basis.

The total number of registered producers increased by 2% last year and their total annual supplies increased by 6% to 947 million litres, of which 51% was supplied for processing for liquid consumption and 49% supplied for manufacturing. The supplies

purchased for processing for liquid consumption increased by 3% while the supplies purchased for manufacturing increased by 9%.

While the 1,754 registered producers with contracts in 2016 represented a reduction of 36%, or almost 1,000 producers on the number of producers in 2003, the annual total supplies of 947 million litres from registered producers in 2016 represented an increase of 93 million litres or 11% on 2003.

The sector is highly concentrated with 52% of the all year round supply of milk for processing for liquid consumption being supplied by 26% of the registered producers.

For registered producers, who plan to increase their future milk supplies, the proportion of their annual supplies destined for liquid consumption will decrease as their supplies for manufacturing increase.

As the scale and pattern of their annual milk supply model changes, with increased seasonal supplies from additional cows and compact Spring calving, the economics of traditional Autumn calving for proportionally lower supplies of fresh milk for liquid consumption over the winter period, will come into sharper focus.

Already the reduction in the number of Autumn born heifers has implications for Autumn calving replacements in future years.

The margin of safety from total supplies of registered producers over liquid consumption during the Winter period will shrink as producers cut back their Autumn herd calvings to more closely align their winter milk supplies to match their liquid quote requirements.

A clear and encouraging roadmap from processors and adequate winter milk price incentives will be required to reinforce producers' confidence in maintaining all year round supplies of fresh quality milk for consumers in a relatively stable domestic market.

The recommendations in the "Milk Wise 2025" produced by the IFA Liquid Milk Committee will be given careful consideration by the members of the Agency.

## Producers' Survey

The Agency is undertaking a survey of registered producers to ascertain their future commitment to all year round milk supplies for liquid consumption, their future plans for milk production in the changed economic and market environment following the abolition of EU milk quotas, as well as their age profiles and succession plans.

## Brexit

The United Kingdom of Great Britain and Northern Ireland, which is Ireland's largest customer for agri food products, has indicated that it is leaving the EU, the EU Single Market and the EU Customs Union.

No member state of the EU will be as exposed to the consequences of the UK's decision as the Irish State and no sector within the State will be as impacted as agriculture – Ireland's largest indigenous sector.

The UK is Ireland's customer for almost 40% of its agri food exports and is its customer for over 50% of Irish beef exports and over 25% of Irish dairy exports, including 60% of Irish cheddar cheese production.

Under the terms of negotiation set by the EU Council, progress must first be made on the disentanglement of the UK from the EU before discussions commence on the framework for a future trade relationship between the EU and the UK. When the UK exits the EU it will not have the same rights and enjoy the same benefits as members.

The two year transitional countdown to the UK's withdrawal from the EU on 29th March 2019, has commenced and will give rise to a period of great uncertainty, instability and currency volatility for the Irish economy and for the Irish agri food sector in particular.

The Government and the diplomatic services are to be complimented for achieving formal recognition by the European Council, the European Institutions and the 26 partner members of the EU that due consideration will be given to Ireland's unique and major exposure to the consequences of Brexit and in particular trade and the economy, the peace process and the common travel area.

There remains, however, a high risk that the UK may exit the EU without a trade agreement being in place. In the absence of political action food exports to the UK could encounter WTO import tariffs by the UK, as well as lower market prices from a weaker sterling,

while Irish food imports from the UK, including bulk milk and packaged milk from Northern Ireland, could be subject to a tariff of 35%.

Additionally both the export and the import food trade and food supply chains could be compromised if different food, health and veterinary standards emerge. Customs' checks at land and sea borders and cross border transport logistics will all have very negative consequences for the Irish agri food sector.

Ireland, as a minimum, will require tariff free access for exports to the UK and imports from the UK as well as compensation for lower markets returns from a permanent reduction in the sterling/euro exchange rate.

The prudent approach for the Irish agri food sector, however, is to anticipate and take steps, through product and market diversification, to limit the damage arising from a scenario wherein the UK exits the EU without a trade agreement.

For dairy farmers, the focus must be on continuous improvement in quality, high performance, cost efficient and sustainable milk production.

## Future Outlook

Export markets for dairy products are continuing to strengthen into 2017. After the adverse outturns of the previous two years, a virtuous circle is emerging in the Irish dairy sector in 2017 due to rising milk prices, rising milk supplies and falling dairy input costs.

Political actions and events are reshaping the world order and could have adverse consequences for global trade, for markets and particularly for small, open, economies like Ireland. Uncertainty, volatility and change are the new normal.

The evolution of Brexit continues to pose serious trade risks for the Irish economy and for the Irish agri food sector, in particular, due to its relationship to and its high exposure to the UK economy.

The outcome of the UK general election in June, did not give the UK government its expected strong mandate for its negotiations on Brexit and may lead to a more moderate form of Brexit particularly if the UK seeks to remain in the EU Customs Union.

Protectionist policies in the USA could have negative economic and financial consequences for the Irish economy.

## Finance

In 2016 the total income of the Agency was €518,074, an increase of €2,147 or less than 1% on its income in 2015. Income from milk levies amounting to €515,000 increased by €3,100, or 1%, while interest income fell to €3,074 or 24%.

Operating costs of €525,041 increased by €19,931 or 4%. Personnel and staff related costs amounting to €356,462 increased by €3,024 or less than 1%. Other administration costs and depreciation increased by €16,907 or 11%, mainly due to non-recurring consultancy costs.

The excess of costs of €525,041 over income of €518,074 resulted in an operating deficit for the year of €6,967.

At year-end, the Accumulated Fund amounted to €1,076,030 and was comprised of cash and deposits of €989,723, debtors less creditors of €73,896 and fixed assets of €12,411.

## Code of Practice for the Governance of State Bodies

A new Code of Practice for the Governance of State Bodies came into effect from the 1st of September 2016. The Agency has commenced to implement the requirements of this new Code on a phased basis and plans to be in full compliance in 2017, subject to some minor derogations, appropriate to the size of the Agency.

## Meetings

During the year the Agency held six meetings and the Audit & Risk Committee held three meetings. The average attendance ratio of members at meetings of the Agency was 96%.

## Conclusion

The Agency appreciates the co-operation that it has received during the year from liquid milk 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 guidance and support during the year and to Muiris and his team for their commitment and work.

**Denis Murphy**  
*Chairman*





## Chairman



Denis Murphy <sup>1</sup>

## Producers' Representatives



Aidan Casey



Timothy Cashman



Denis Fagan



William Lennon



Padraig Mulligan <sup>1</sup>

## Processors' Representatives



Tony O'Driscoll



TJ Flanagan <sup>1</sup>



Frank Tobin



Eoghan Sweeney

## Distributors' Representative



Walter Maloney



John Foster <sup>1 2</sup>

## Retailers' Representative

## Consumers' Representatives



Richard Donohue



Michael Kilcoyne

<sup>1</sup> Members of the Audit Committee (2016) – re-appointed 1st May 2017

<sup>2</sup> Chairman of the Audit Committee (2016) – re-appointed 1st May 2017

<b>Chairman</b>	Denis Murphy <sup>1</sup>
<b>Producers' Representatives:</b>	Aidan Casey Timothy Cashman Denis Fagan William Lennon Padraig Mulligan <sup>1</sup>
<b>Processors' Representatives:</b>	Tony O'Driscoll T.J. Flanagan <sup>1</sup> Frank Tobin Eoghan Sweeney
<b>Distributors' Representative:</b>	Walter Maloney
<b>Retailers' Representative:</b>	John Foster <sup>1 2</sup>
<b>Consumers' Representatives:</b>	Richard Donohue Michael Kilcoyne
<b>Chief Executive:</b>	Dr. Muiris Ó Céidigh
<b>Secretary:</b>	Joan Shannon
<b>Office:</b>	IPC House, 35/39 Shelbourne Road, Ballsbridge, Dublin 4.
<b>Email:</b>	natmilk@eircom.net
<b>Website:</b>	www.nationalmilkagency.ie
<b>Solicitor:</b>	Frank Mulvey, Frank Mulvey Solicitors, DDR Centre, Distillery Building, 145-151 Church Street, Dublin 7.
<b>Bankers:</b>	Allied Irish Banks plc., Bankcentre Branch, Ballsbridge, Dublin 4.  Bank of Ireland, 39 St. Stephen's Green, Dublin 2.
<b>Auditor:</b>	Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

<sup>1</sup> Members of the Audit Committee (2016) – re-appointed 1st May 2017

<sup>2</sup> Chairman of the Audit Committee (2016) – re-appointed 1st May 2017



## CONTENTS

1. Milk Supplies	12
2. The Liquid Milk Market	17
3. Registered Contracts/Prices	20
4. Processors	26
<b>Appendix 1</b> Meetings of the Agency	27
<b>Appendix 2</b> Register of Producers – Milk Supplies/Pricing Systems	28
<b>Appendix 3</b> Annual Average Milk Producer Prices/Differentials	30
<b>Appendix 4</b> Structure of Milk Supplies of Registered Producers – 2015/16 and 2014/15	32
<b>Appendix 5</b> Reports and Financial Statements	33
<b>Appendix 6</b> Compliance/Enforcement	46
<b>Appendix 7</b> Statutes and Statutory Instruments Relating to the Agency	47



## 1. MILK SUPPLIES



**Dr. Muiris Ó Céidigh**  
Chief Executive

### 1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2016 were 6,654 million litres, an increase of 259 million litres or 4% on 2015.

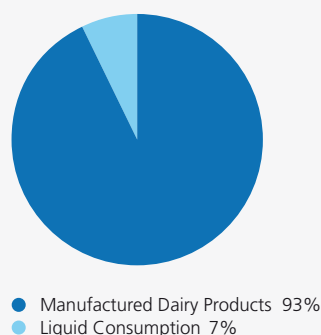
The number of milk producers in the State in 2016 is estimated as 17,000 or 3% less than in 2015. The average annual milk supplies per producer were 391,000 litres.

93% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 7% of supplies were processed for liquid consumption on the domestic market.

Domestic milk supplies in 2016 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 78% of milk supplies being supplied in the seven months of March to September, and 22% in the five months of October to February, inclusive.

The domestic milk supply profile had a peak-to-trough month ratio of 6.3/1 which comprised a peak-to-trough month ratio of 8.7/1 for milk supplies from manufacturing milk producers, and of 2/1 for milk supplies from registered milk producers.

**FIGURE 1.1 UTILISATION OF DOMESTIC MILK SUPPLIES 2015**



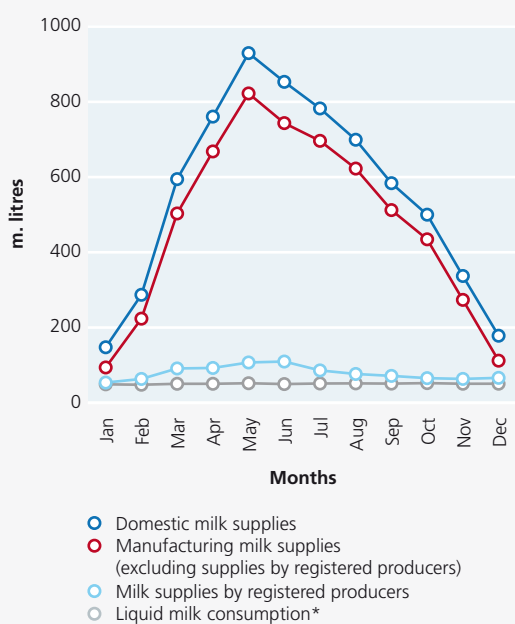
**TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)**

Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak-to-trough months' ratios														
Manufacturing	8.7	11.1 <sup>1</sup>	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	2.3 <sup>1</sup>	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	6.3	7.6 <sup>1</sup>	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

<sup>1</sup> 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. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2016**



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

Sources: CSO/NMA

## 1.2 Milk Supplies by 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 over 7% of domestic manufacturing milk supplies.

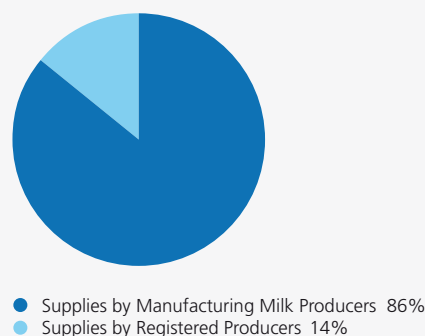
Total milk supplies by the State's 1,754 registered producers under All Year Round and Winter Months Only contracts in 2015/16 increased by 88 million litres or 10% to 946 million litres, compared to 858 million litres in 2014/15.

Supplies for processing for liquid consumption amounted to 484 million litres, or 51% of total supplies of registered producers, while supplies for processing into manufactured dairy products amounted to 462 million litres, or 49% of total supplies.

Milk supplies purchased under registered contracts for processing for liquid consumption exceeded processor's fresh milk sales by 8% in 2015/16, compared to 5% in 2014/15, mainly due to transitional purchasing arrangements between processors and producers following industry consolidation.

Registered producers with All Year Round contracts in 2015/16 had average annual supplies of 563,000 litres compared with 522,000 litres in the previous year, an increase of 8%.

**FIGURE 1.3 DOMESTIC MILK SUPPLIES 2016**

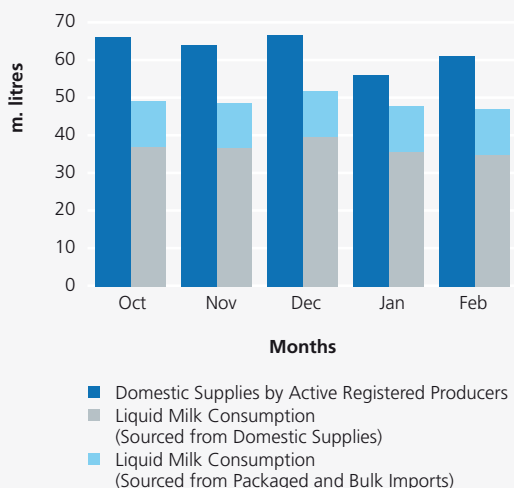


## 1.3 Winter Milk Supplies

In the five prescribed winter months of October 2016 to February 2017, total milk supplies by registered producers amounted to 312 million litres, an increase of 3 million litres or 1% on their supplies in 2015/16, and provided a supply cover of 128% for liquid milk consumption of 243 million litres (including imports) or a supply cover of 170% on consumption from domestic supplies only.

In the months of December 2016 and January 2017, total supplies by registered producers amounted to 122 million litres, an increase of 5 million litres, or 4% on their supplies for 2015/16, and were 23 million litres in excess of liquid milk consumption of 99 million litres (including imports) in those months, a supply cover of 123%, or a supply cover of 162% on consumption from domestic supplies only.

**FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS & LIQUID MILK CONSUMPTION 2016 (PRESCRIBED MONTHS OCTOBER 2016 - FEBRUARY 2016)**



Sources: CSO/NMA

While domestic milk supplies in the last quarter of 2016 fell by 5%, in response to the EU Milk Reduction Scheme, which offered producers 14 c/l to reduce milk supplies in the last quarter of 2016 compared with the last quarter of 2015, the milk supplies of registered producers in that quarter increased by 1%.

## 1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers were the highest on record and amounted to 813 million litres representing an increase of 219 million litres, or 37% on 2015. These bulk milk imports were mainly cross border movements of milk from Northern Ireland and were equivalent to 12% of domestic supplies and 37% of Northern Ireland's annual milk supplies in 2016.

Bulk milk imports of 750 million litres for processing into manufactured dairy products in the State represented 92% of total milk imports while bulk imports of 63 million litres, for processing for liquid consumption in the State, represented 8% of bulk milk imports and were an increase of 1 million litres, or 2%, on the previous year.

Imports of fresh milk in consumer packs were estimated at 80 million litres, a reduction of 14 million litres or 15% on 2015. Total milk imports for liquid consumption in consumer packs and in bulk for processing for liquid consumption in the State amounted to 143 million litres, a decrease of 13 million litres, or 8% in 2015.

**TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 2000-2016**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1996
	Millions of litres																	
Supplies	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 (bulk)	813	594	511	411	406	356	388	427	464	473	566	550	377	349	278	209	304	–
Imports %	12	9	9	8	8	7	8	9	9	9	11	11	7	7	5	4	6	–

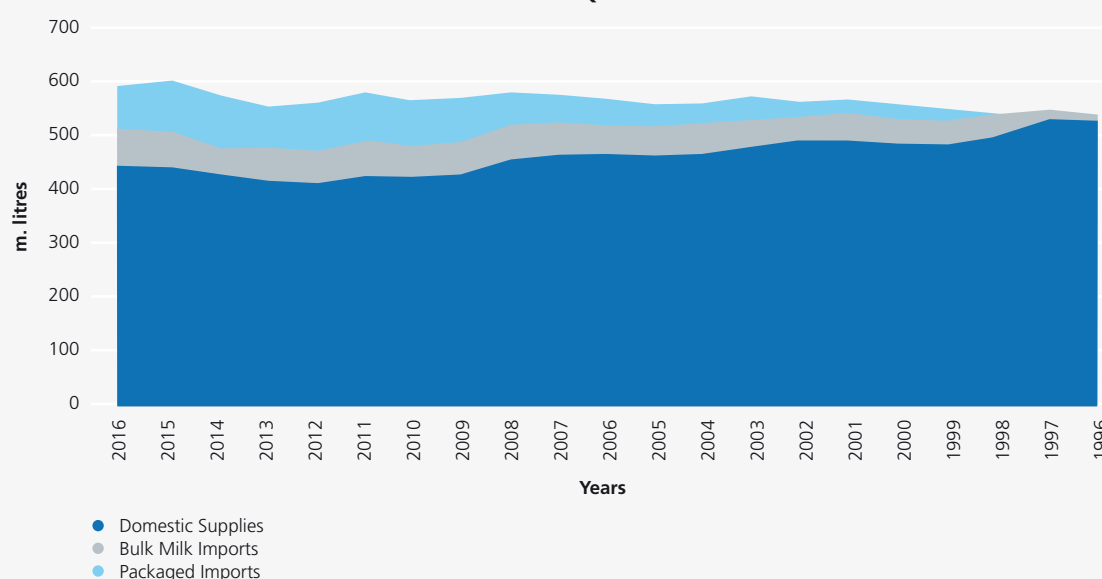
Source: CSO

**TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 2000-2016**

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

\* NMA estimates

**FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2016**



Since 1996 imports of fresh milk for liquid consumption have grown to an estimated 143 million litres.

The market share of domestic registered supplies in the fresh milk market has fallen from 100% in 1996 to 76% in 2016, while the market share of imports has grown from zero to 24%.

Total bulk milk imports from Northern Ireland by processors (manufacturing and liquid) and by retailers as packaged milk amounted to 893 million litres and were equivalent to 13% of domestic milk supplies.

## 1.5 Northern Ireland – Milk Supplies/Milk Prices

Milk supplies in Northern Ireland in 2016 amounted to 2,209 million litres, a decrease of 57 million litres or 3% on the previous year and were supplied by 2,694 dairy farmers.

Northern Ireland's milk supplies were equivalent to 33% 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 900 million litres, or 69%, facilitated by the purchase and transfer of EU milk quotas from Great Britain. In 2016 the equivalent of 90% of the increase in milk supplies in Northern Ireland since 1993 was imported into and processed within the State.

**TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 2000-2016**

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

Source: CSO/NMA

**TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2016**

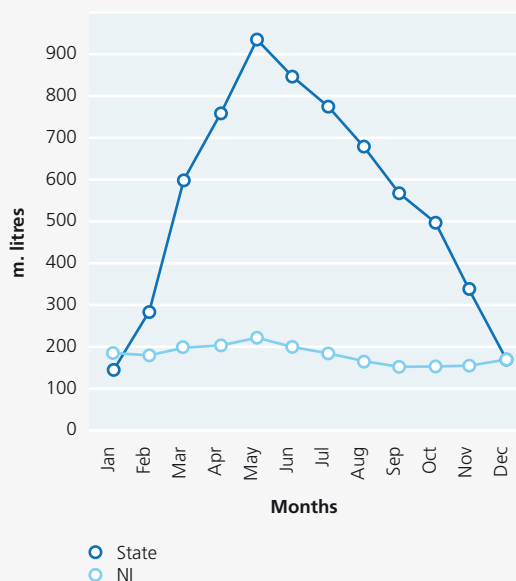
	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	6,654	2,209
Average Butterfat	4.10%	4.00%
Average Protein	3.45%	3.23%
Peak month/trough month ratio	6.3/1	1.4/1
Suppliers – number*	17,000*	2,694
Average supplies per supplier – litres	391,000*	820,000

\* 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 2015 of 1.4/1 compared with 6.3/1 in the State.

Average annual milk supplies per supplier in Northern Ireland in 2016 were 820,000 litres, which were more than double the average milk annual supplies per supplier of 391,000 litres in the State.

**FIG 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2016**



**TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES**

	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	2,209	168

Source: DARDNI

\* Revised

## Milk Prices

The annual average net price to producers in Northern Ireland for all year round milk supplies in 2016 was equivalent to 24.62 c/l, a decrease of 3.9 c/l, or 14% on the previous year. This price was 1.87 c/l or 7% less than the annual average price of 26.49 c/l for manufacturing milk supplies in the State in 2016.



## 2. THE LIQUID MILK MARKET

The fresh milk market is the largest consumer market for milk and milk products in the State, with an estimated retail value of €531m in 2016.

National consumption of fresh liquid milk last year was 590 million litres, a decrease of 10 million litres, or 2%, on consumption in 2015. Irish consumers have the second highest per capita consumption of fresh drinking milk in the EU with an annual consumption of 127 litres per person.

Last year, sales of whole milk represented 59% of fresh milk sales, while sales of low fat and skimmed milk represented 41% of sales.

The national average retail prices of lowfat milk in 1 litre packs and of whole milk in 2 litre packs in 2016, as reported by the CSO, were 105 c/l and 171 c/2l respectively. The average price of 1 litre packs (lowfat milk) remained unchanged, while the price of 2 litre packs (whole milk) decreased by 1 c/l or 1% on 2015.

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 2016, compared with 91 c/l in 2015, a decrease 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 low fat milk in 1 litre packs to calculate the retail price index from 2012 to 2016. Generally the prices of own label whole milk and own label low fat milk in 1 litre packs in retail multiples are the same. In some instances, however, the retail prices of processors' brands of low fat milk in 1 litre packs may be higher than the retail prices of processors' brands of whole milk in 1 litre packs.

**Table 2.0 INDICES OF CONSUMER PRICES/FOOD PRICES/RETAIL MILK PRICES/PRODUCER MILK PRICES**

	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	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	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																						
• low fat milk <sup>1</sup>	136	136	136	138	136	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
• whole milk <sup>2</sup>			–	–	–	144	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Producer Price Index <sup>3</sup>	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

<sup>1</sup> CSO – National average retail price of lowfat milk in 1 litre packs (CSO from January 2012).

<sup>2</sup> CSO – National average retail price of whole milk in 1 litre packs (CSO to December 2011).

<sup>3</sup> 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**

	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
Retail Prices																						
– lowfat milk <sup>1</sup>	105	105	105	106	105	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– whole milk <sup>2</sup>	–	–	–	–	–	111	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices <sup>3</sup>	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 <sup>4</sup>	28%	30%	36%	37%	32%	32%	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

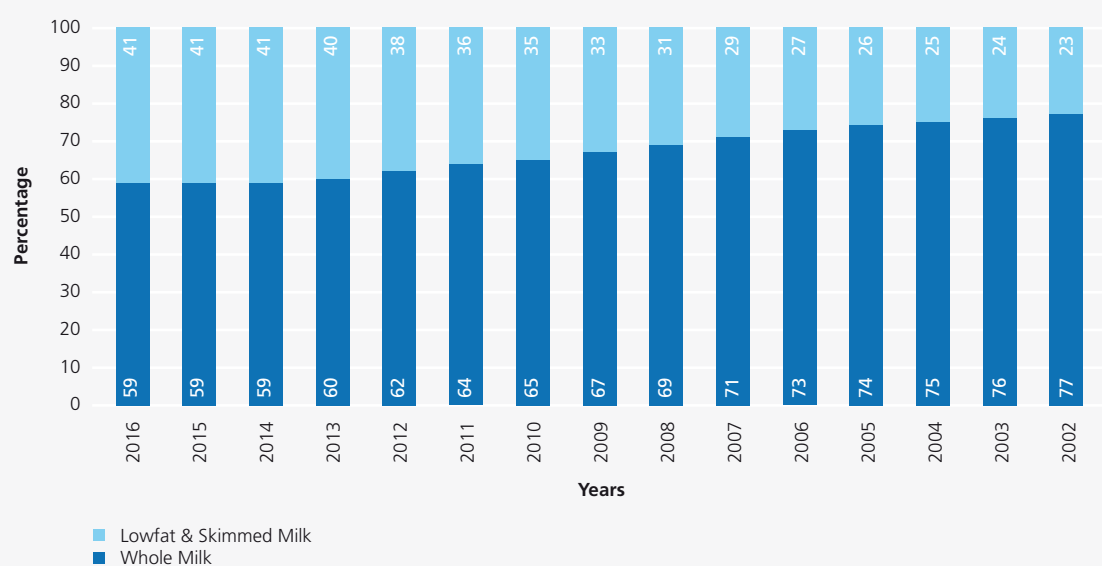
<sup>1</sup> CSO – national annual average retail price of lowfat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk only since January 2012).

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

<sup>3</sup> NMA – national annual average producer price of milk for processing for liquid consumption.

<sup>4</sup> 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 retail price would be 33% in 2016, compared with 35% in 2015.

**Fig. 2.2 FRESH MILK SALES – PRODUCT PROFILE 2016-2002**



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%.

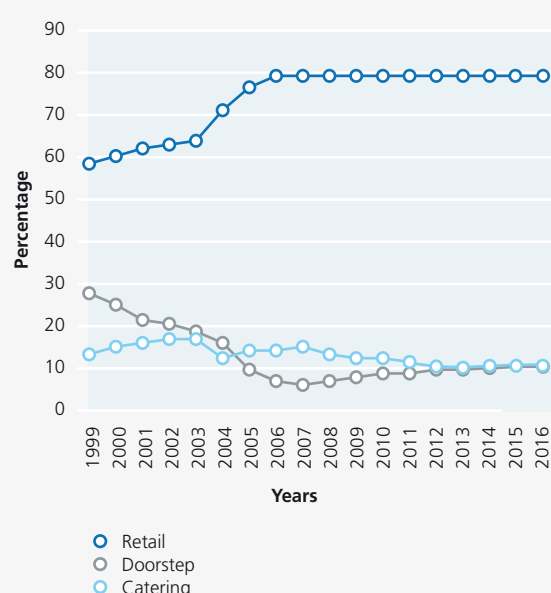
The three largest multiple groupings had a 72% share of the Irish grocery market in 2016, and the five largest multiple groupings had a market share of 94%.

**TABLE 2.3 GROCERY MARKET SHARES**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Tesco	22	24	25	26	27	28	27	26	26	26	26	26	25	23	24
SuperValu	23	25	25	20	20	20	20	20	20	20	20	20	19	19	19
Dunnes	23	24	24	24	23	23	23	25	24	24	22	22	22	21	22
Lidl/Aldi	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	2	2	2	2	3	2	3	3	3
Spar	4	4	4	4	4	4	2	2	2	2	2	2	3	3	2
All others	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

Source: RGDATA – estimate

**FIG 2.4 MARKET SHARES 1999-2016**



Source: Industry Estimate

Discount retailers, whose grocery market share increased to 22% in 2016, are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market, it is estimated that over 64% of milk sales in retail outlets is now sold as 'own label' according to industry sources.

Own label sales in 2 litre packs were retailed at an average discount of 22% 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
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

Register of Contracts as at 31 December in each year. The Register of Contracts is maintained as an open register.

Processors and Producers can register contracts in respect of individual milk years. Contracts continue to be registered throughout the year. For Register of Producers see Appendix 2.

- ▶ The number of registered milk supply contracts increased to 1,754, an increase of 29 contracts on the previous year and was the first increase in the number of registered contracts in six years.
- ▶ The number of All Year Round (AYR) contracts increased by 34, to 1,657, 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.
- ▶ In the past 10 years, the number of registered contracts has reduced from 2,282 to 1,754, a reduction of 528, or 24%.

**TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES**

	Contracts				Milk Supplies			
	2015/16		2014/15		2015/16		2014/15	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,657	94	1,623	94	477.9	99	455.1	99
Winter	97	6	102	6	5.9	1	5.8	1
Total	1,754	100	1,725	100	483.8	100	460.9	100

- ▶ Milk supplies purchased under registered contracts in 2015/16 were 8% higher than domestic fresh milk sales, compared with 5% higher in 2014/15. This was mainly due to transitional purchasing arrangements between processors and producers following consolidation.

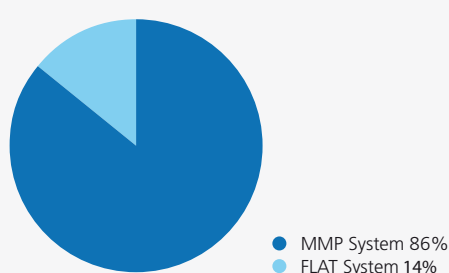
### 3.1 CONTRACT PRICING SYSTEMS

- ▶ 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 winter bonus payments in winter periods, ranging from four months to six months, while 3 contracts also had low level monthly bonuses in the summer months.
- ▶ Under the FLAT System, milk is paid for at a monthly flat price per litre with higher prices paid in the winter months and with no price differentiation for milk constituents.
- ▶ In 2015/16, the MMP System was applied in 86% of the AYR contracts, compared with 85% in 2014/15, and to 80% of milk supplies compared with 85% of milk supplies in 2014/15.
- ▶ The FLAT System was applied in 14% of the AYR contracts, compared with 15% in 2014/15 and to 20% of the milk supplies compared with 15% in 2014/15.

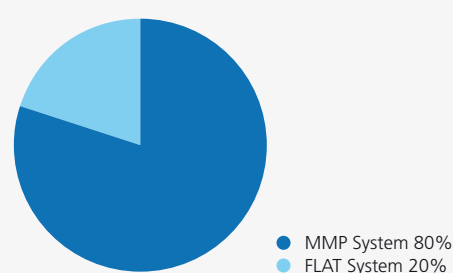
**TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS**

Pricing Systems	Contracts				Milk Supplies			
	2015/16		2014/15		2015/16		2014/15	
	Number	%	Number	%	m litres	%	m litres	%
MMP SYSTEM	1,427	86	1,384	85	383.3	80	386.7	85
FLAT SYSTEM	230	14	239	15	94.6	20	68.4	15
TOTAL AYR	1,657	100	1,623	100	477.9	100	455.1	100

**FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2015/16**

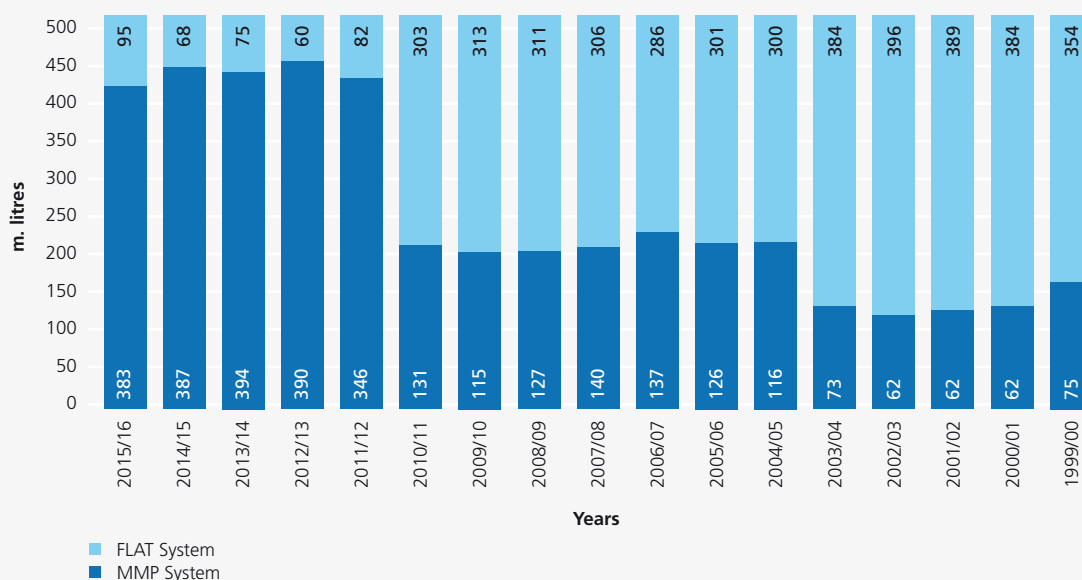


**FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2015/16**





**FIG. 3.5 ALL YEAR ROUND CONTRACTS – PRICING SYSTEMS/SUPPLIES 1999/00 – 2015/16**



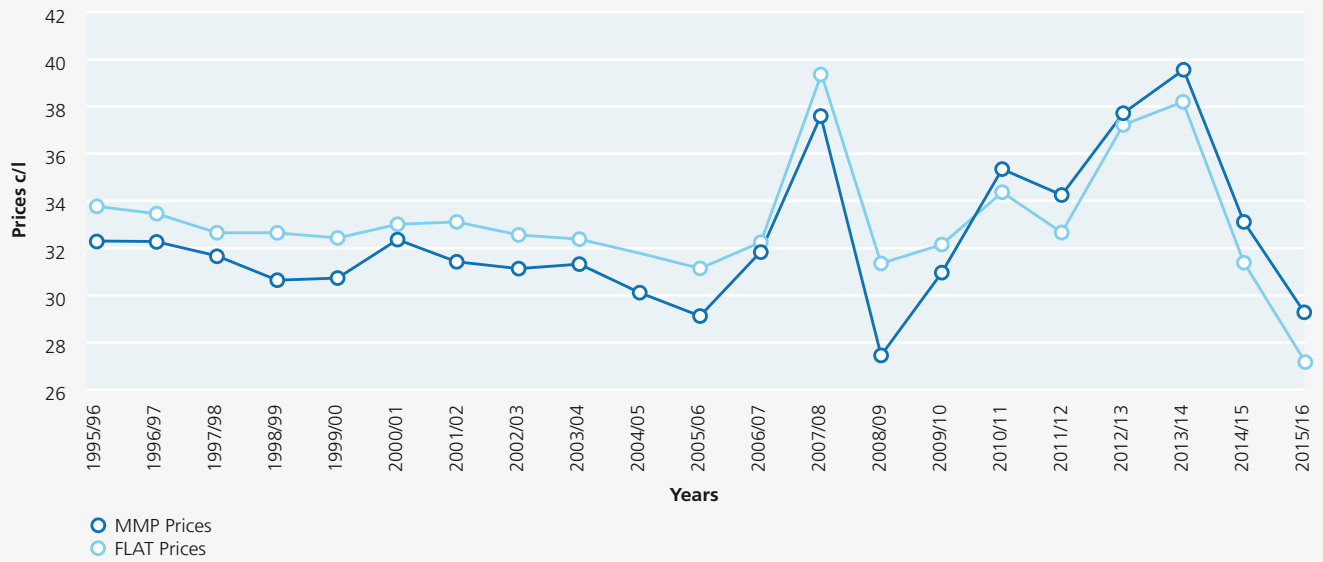
**Table 3.6 ALL YEAR ROUND CONTRACTS ANNUAL AVERAGE MILK PRICES PAID – 2015/16 & 2014/15**

Pricing Systems	Average Prices		Price Decreases	Contracts	Milk Supplies
	2015/16	2014/15	2015/16	2015/16	2015/16
	c/litre	c/litre	c/litre	number	m. litres
MMP	29.26	33.04	(3.78)	1,427	383.3
FLAT	27.12	31.38	(4.26)	230	94.6
AYR Contracts	28.84	32.79	(3.95)	1,657	477.9

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. Where the Pricing System in a contract changed during the milk year, the contract has been classified in accordance with the main payment Pricing System applied.

- ▶ The average price paid under the AYR MMP System contracts in 2015/16 was 29.26 c/l, a decrease of 3.78 c/l or 11% on the previous year.
- ▶ The average price paid under the AYR FLAT System contracts in 2015/16 was 27.12 c/l, a decrease of 4.26 c/l or 16% on the previous year.
- ▶ The average price paid under all AYR contracts in 2015/16 was 28.84 c/l, a decrease of 3.95 c/l or 12% on the previous year.
- ▶ The annual average price of 29.26 c/l under the MMP System was 2.14 c/l higher than the annual average price paid under the FLAT System.
- ▶ Nine processors purchased supplies using the MMP System in their contracts.
- ▶ Four processors purchased supplies using the FLAT System 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 – 2015/16**



See Appendix 3.

## 3.2 MAIN AYR CONTRACTS – PRICES PAID 2015/16 & 2014/15

- A table of the annual average milk prices paid under the eleven highest volume AYR contracts, representing 85% of the AYR contracts and 87% of AYR milk supplies, is set out below.

**TABLE 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 11 HIGHEST VOLUME CONTRACTS**

MMP SYSTEM CONTRACTS							
Contract Types	Annual Average Prices Plus Bonuses <sup>1</sup>		Annual Average Monthly Bonuses		Base Prices		Change in Annual Average Prices
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	Decreases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	29.44	31.28	5.44	2.12	24.00	29.16	(1.84)
B1	27.56	32.45	2.41	2.26	25.15	30.19	(4.89)
B2	28.03	32.08	4.26	4.46	23.77	27.62	(4.05)
C3	30.47	33.88	5.11	4.68	25.36	29.20	(3.41)
D	29.74	34.06	4.00	4.09	25.74	29.97	(4.32)
F	29.19	33.54	3.79	3.92	25.40	29.62	(4.35)
B	29.20	31.63	3.25	1.85	25.95	29.78	(2.43)
H	30.08	32.10	3.92	2.31	27.77	29.79	(2.02)

FLAT SYSTEM CONTRACTS							
Contract Types	Annual Average Prices <sup>1</sup>		Winter Prices <sup>2</sup> (6 months)		Summer Prices <sup>2</sup> (6 months)		Change in Annual Average Prices
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	Decreases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
G	25.60	30.66	29.85	35.36	22.92	26.05	(5.06)
D1	27.85	29.86	33.10	35.17	23.51	25.70	(2.01)
J	27.32	31.42	32.45	37.14	23.85	28.11	(4.10)

<sup>1</sup> Excluding VAT.

<sup>2</sup> In 2015/16 the average winter and summer prices have been calculated over 6 winter months (October to March) and over 6 summer months (April to September) compared with 7 winter months (October to March and September) and 5 summer months (April to August) in previous years. The comparisons for 2014/15 have been revised accordingly.

### 3.3 WINTER CONTRACTS – PRICES PAID

**TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES**

Pricing Systems	Contracts		Milk Supplies		2015/16	2014/15
	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	79	81	4.9	83	39.46	42.85
FLAT System	18	19	1.0	17	35.30	38.50
Total	97	100	5.9	100	38.75	41.77

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 5.9 million litres of milk (an increase of 0.2 million litres on the previous year) and represented 6% of all contracts and 1% of milk supplies.

### 3.4 ALL CONTRACTS – PRICES PAID – MILK YEARS

The average price paid under all contracts, both All Year Round and Winter Months Only in 2015/16 was 28.96 c/l, a decrease of 3.94 c/l, or 12% on the previous milk year.

**TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS**

Period	2015/16 1,754 contracts 484 ml	2014/15 1,725 contracts 461 ml	Changes (29 contracts) (23 ml)
	c/litre	c/litre	c/litre
<b>Winter months</b> October–March (6)	33.12	37.99	(4.87)
<b>Summer months</b> April – September (6)	24.86	28.65	(3.79)
Annual Average Prices	28.96	32.90	(3.94)

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. In 2015/16 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) compared with a 7 winter months period and a 5 summer months period previously. The comparisons for 2014/15 have been revised accordingly.

### 3.5 MILK PRICES 2016

#### ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

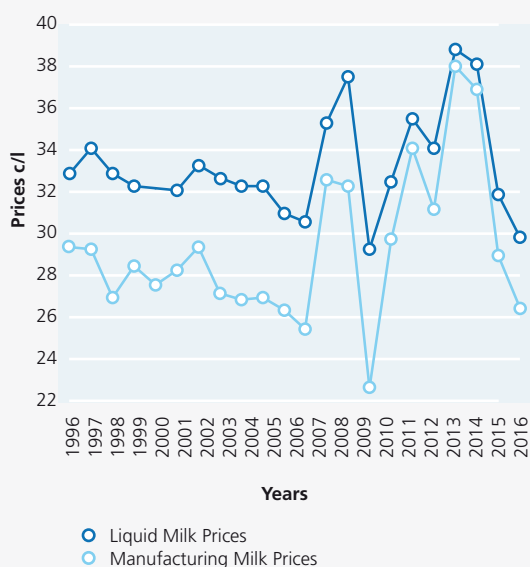
- In the calendar year 2016, which includes the first three months of the 2016/17 milk year, the annual average price paid under all registered contracts (AYR and Winter) was 29.87 c/l. This calendar year price was 0.91 c/l higher than the annual average price of 28.96 c/l paid in the 2015/16 milk year due to the higher manufacturing prices paid by

processors in the final quarter of 2016, compared to the final quarter of 2015.

- In 2016, the annual average price of 29.87 c/l paid under all registered contracts was the second lowest on record and was 2.01 c/l lower than the annual average price of 31.88 c/l paid in 2015.
- The annual average liquid incentive paid under MMP System in 2016 was 3.87 c/l, which was 0.32 c/l higher than in 2015.
- The annual average price for registered supplies paid for under the MMP System was 30.26 c/l, a decrease of 1.75 c/l on 2015.

- ▶ The annual average price for registered supplies paid for under the FLAT System was 27.55 c/l, a decrease of 2.85 c/l on 2015. The annual average FLAT price was 2.71 c/l lower than the annual average MMP price.
- ▶ The annual average price for manufacturing milk supplies, excluding VAT and after collection charges in 2016, was 26.49 c/l, a decrease of 2.46 c/l, or 9%, on the annual average manufacturing price of 28.95 c/l in 2015.
- ▶ The differential in 2016 between the annual average producer price for milk supplies for liquid consumption of 29.87 c/l and the annual average producer price for manufacturing milk supplies of 26.49 c/l, was 3.38 c/l, an increase of 0.45 c/l compared with the differential of 2.93 c/l in 2015.
- ▶ Based on a similar solids content for milk supplies in 2016, the annual differential between the national average liquid price and the national average manufacturing price was an estimated 4.0 c/l, compared with 3.61 c/l in 2015 (Table B (ii)).
- ▶ 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)).
- ▶ The thirteenth phase of the EU dairy premium payment of 3.65 cent per litre was incorporated in the Basic Payment Scheme, which was paid to eligible recipients in October and December.

**FIG. 3.11 PRODUCER MILK PRICES – ANNUAL AVERAGES – LIQUID MILK/ MANUFACTURING MILK 1995-2016**



## 4. PROCESSORS

**TABLE 4.0 STRUCTURE OF REGISTERED CONTRACTS BY REGISTERED PROCESSORS' SUPPLY BANDS 2015/16**

Milk supply bands	Number of processors	Registered contracts		Registered supplies	
		number	%	m. litres	%
0-20	7	196	11	38.8	8
20-40	2	222	13	60.5	13
Over 40	3	1,336	76	384.5	79
TOTAL	12	1,754	100	483.8	100

As at 31st December 2015

- ▶ 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 76% of registered contracts and 79% of registered milk supplies. The 12 registered processors include 2 processors who were also registered producers.
- ▶ The number of heat treatment establishments licensed to process milk for liquid consumption in the State at the 31st December 2016 was 14, of which 12 establishments were operated by the 12 processors registered with the Agency.
- ▶ Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency.
- ▶ Average annual milk supplies processed per establishment operated by registered processors were 40.3 million litres.



## APPENDIX 1

### MEETINGS OF THE AGENCY

Members	Meetings Attended 2016
Denis Murphy – Chairman	6
Aidan Casey	6
Teddy Cashman	6
Denis Fagan	5
William Lennon	6
Padraig Mulligan	6
T.J. Flanagan	6
Tony O'Driscoll	6
Eoghan Sweeney	5
Frank Tobin	6
Walter Maloney	6
John Foster	5
Richard Donohue	6
Michael Kilcoyne	6

The Agency held six meetings during the year and the attendance ratio was 96%.

The Chairman and Chief Executive held three meetings with officials from 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.

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

Mr. Denis Fagan was the Agency's representative on the Board of the National Dairy Council in 2016.

In 2016, the Audit & Risk Committee held three meetings.

## APPENDIX 2

### REGISTER OF PRODUCERS – MILK SUPPLIES/PRICING SYSTEMS

#### A. REGISTER OF PRODUCERS

Milk Years	Registered Producers	De-registered Producers	New Producers
1995/96	3,360	2	2,472
1996/97	3,344	57	41
1997/98	3,300	142	98
1998/99	3,181	129	10
1999/00	3,209	66	94
2000/01	3,359	25	175
2001/02	3,093	282	16
2002/03	3,133	58	98
2003/04	2,716	486	69
2004/05	2,575	194	53
2005/06	2,492	141	58
2006/07	2,520	12	40
2007/08	2,371	161	12
2008/09	2,357	69	55
2009/10	2,367	84	94
2010/11	2,352	87	72
2011/12	2,034	339	21
2012/13	2,044	10	20
2013/14	2,039	32	27
2014/15	1,982	86	28
2015/16	1,843	176	37

Register of Producers as at 31 December in each year.

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

#### B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

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

**C. 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	29	71
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

**D. ALL YEAR ROUND CONTRACTS –  
SUPPLIES AND 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	394.6	16	84
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

## APPENDIX 3

### ANNUAL AVERAGE MILK PRODUCER PRICES/DIFFERENTIALS

**TABLE A. ALL YEAR ROUND CONTRACTS – MILK YEARS 1995/96 TO 2015/16 –  
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
<b>1995/96</b>	N/A	32.30	33.77	(1.47)
<b>1996/97</b>	N/A	32.28	33.46	(1.18)
<b>1997/98</b>	32.50	31.67	32.65	(0.98)
<b>1998/99</b>	32.19	30.64	32.65	(2.01)
<b>1999/00</b>	32.15	30.73	32.43	(1.70)
<b>2000/01</b>	32.93	32.36	33.01	(0.65)
<b>2001/02</b>	32.92	31.42	33.11	(1.69)
<b>2002/03</b>	32.28	31.13	32.56	(1.43)
<b>2003/04</b>	32.25	31.32	32.38	(1.06)
<b>2004/05</b>	31.30	30.11	31.74	(1.63)
<b>2005/06</b>	30.56	29.12	31.12	(2.00)
<b>2006/07</b>	32.11	31.85	32.25	(0.40)
<b>2007/08</b>	38.84	37.60	39.38	(1.78)
<b>2008/09</b>	30.24	27.45	31.35	(3.90)
<b>2009/10</b>	31.84	30.96	32.15	(1.19)
<b>2010/11</b>	34.68	35.35	34.37	0.98
<b>2011/12</b>	33.94	34.25	32.66	1.59
<b>2012/13</b>	37.42	37.44	37.19	0.25
<b>2013/14</b>	39.35	39.56	38.21	1.35
<b>2014/15</b>	32.79	33.04	31.38	1.66
<b>2015/16</b>	28.84	29.26	27.12	2.14

**TABLE B (i). PRODUCER MILK PRICES – ANNUAL AVERAGES – 1995-2016**  
**LIQUID PRICES/MANUFACTURING PRICES/DIFFERENTIALS**

Calendar Years	Prices – Liquid <sup>1</sup>	Prices – Manufacturing <sup>1</sup>	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

Sources: NMA/CSO

<sup>1</sup> Prices excluding VAT, before levies and after collection charges

**TABLE B (ii). PRODUCER MILK PRICES – ANNUAL AVERAGES – 2013-2016**  
**LIQUID PRICES/MANUFACTURING PRICES/DIFFERENTIALS**

Calendar Years	Prices – Liquid <sup>1</sup>	Prices – Manufacturing <sup>1</sup>	Price Differentials
2013	38.87	37.67 <sup>2</sup>	1.20 <sup>2</sup>
2014	38.15	36.51 <sup>2</sup>	1.64 <sup>2</sup>
2015	31.88	28.27 <sup>2</sup>	3.61 <sup>2</sup>
2016	29.87	25.87 <sup>2</sup>	4.00 <sup>2</sup>

Sources: NMA/CSO

<sup>1</sup> Prices excluding VAT, before levies and after collection charges

<sup>2</sup> Adjusted to equivalent average butterfat% and protein%

# APPENDIX 4

## STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS – 2015/16 AND 2014/15

### (i) 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
		number	m litres		m litres		m litres		m litres		'000s litres								
Litres																			
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<50,000	41	28	0.6	0.3	0.3	0.2	0.2	0.3	0.1	7	7	3	2	0	0	0	0	50	67
50,000-99,999	33	28	2.5	2.1	1.2	1.2	1.2	1.3	1.0	36	42	2	2	0	0	0	0	48	55
100,000-149,999	69	58	9.0	7.4	4.6	3.8	3.8	4.4	3.6	66	66	4	4	1	1	1	1	51	51
150,000-199,999	69	68	12.2	12.2	7.1	5.7	5.7	5.1	6.5	103	84	4	4	1	1	1	1	58	47
200,000-249,999	96	107	21.8	24.3	12.2	14.0	14.0	9.6	10.3	127	131	6	6	2	3	3	3	56	58
250,000-299,999	96	123	26.4	34.0	15.1	18.0	18.0	11.3	16.0	157	146	6	7	3	4	3	4	57	53
300,000-349,999	139	142	45.3	46.2	22.7	22.5	22.5	22.6	23.7	163	158	8	9	5	5	5	5	50	49
350,000-399,999	128	147	47.9	55.2	22.4	25.7	25.7	25.5	29.5	175	201	8	9	5	7	5	5	47	47
400,000-449,999	127	150	54.0	63.5	26.6	30.4	30.4	27.4	33.1	209	203	7	9	5	7	6	7	49	48
450,000-499,999	113	118	53.1	55.9	24.5	27.4	27.4	28.6	28.5	217	232	7	7	7	7	5	6	46	49
500,000-599,999	181	188	99.5	102.7	50.2	54.2	54.2	49.3	48.5	277	288	11	12	11	12	10	12	51	53
600,000-699,999	133	125	85.8	81.2	41.6	43.0	43.0	44.2	38.2	313	344	8	8	9	10	9	10	48	53
Over 700,000	432	341	475.4	362.6	249.4	209.0	209.0	226.0	153.5	577	613	26	21	51	43	52	46	52	58
Total	1,657	1,623	933.5	847.6	477.9	455.1	455.1	455.6	392.5	288	280	100	100	100	100	100	100	51	54

### (ii) WINTER MONTHS ONLY CONTRACTS

TOTAL	97	102	12.6	10.3	5.9	5.8	6.7	4.5
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### (iii) ALL CONTRACTS

TOTAL	1,754	1,725	946.2	857.9	483.8	460.9	462.3	397
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Source: NMA  
Figures adjusted for rounding.



## 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 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.



## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2016, which comprise the Statement of Income and Accumulated Fund, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is Irish law and FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("financial reporting framework").

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

### Respective responsibilities of Members and Auditors

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 31 December 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with the financial reporting framework, of the state of the affairs of the Agency as at 31 December 2016 and of its deficit for the year then ended.

#### **Deloitte**

Chartered Accountants and Statutory Audit Firm  
Dublin

28 March 2017

## STATEMENT OF INCOME AND ACCUMULATED FUND

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	€	€
<b>INCOME</b>			
Milk levy – continuing operations	3	<b>515,000</b>	511,900
Deposit interest		<b>3,074</b>	4,027
		<b>518,074</b>	515,927
<b>EXPENDITURE</b>			
Salaries and superannuation	4	<b>325,478</b>	322,760
Administration costs	5	<b>194,751</b>	179,972
Depreciation		<b>4,812</b>	2,378
<b>TOTAL EXPENDITURE</b>		<b>525,041</b>	505,110
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>			
		<b>(6,967)</b>	10,817
Taxation	6	–	–
<b>(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<b>(6,967)</b>	10,817
<hr/>			
Accumulated Fund at the beginning of the reporting year		<b>1,082,997</b>	1,072,180
<hr/>			
Accumulated Fund at the end of the reporting year		<b>1,076,030</b>	1,082,997

## BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 €	2015 €
<b>FIXED ASSETS</b>			
Tangible assets	7	12,411	2,858
<b>CURRENT ASSETS</b>			
Debtors	8	122,032	124,858
Cash at bank and in hand		989,723	986,078
		<b>1,111,755</b>	1,110,936
<b>CURRENT LIABILITIES</b>			
<b>CREDITORS</b> (Amounts falling due within one year)	9	<b>(48,136)</b>	(30,797)
<b>NET CURRENT ASSETS</b>		<b>1,063,619</b>	1,080,139
<b>NET ASSETS</b>		<b>1,076,030</b>	1,082,997
<b>REPRESENTED BY:</b>			
Accumulated Fund		<b>1,076,030</b>	1,082,997

The financial statements were approved by the Members on 21 March 2017.

**Denis Murphy**  
Chairman

**John Foster**  
Member

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	€	€
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	13	<b>14,936</b>	(25,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposit interest income		<b>3,074</b>	4,027
Purchase of tangible fixed assets		<b>(14,365)</b>	–
<b>Net cash flows from investing activities</b>		<b>(11,291)</b>	4,027
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,645</b>	(21,521)
Cash and cash equivalents at beginning of financial year		<b>986,078</b>	1,007,599
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		<b>989,723</b>	986,078
<b>RECONCILIATION TO CASH AND CASH EQUIVALENTS</b>			
Cash at bank and in hand		<b>20,778</b>	19,813
Cash Deposits		<b>968,945</b>	966,265
		<b>989,723</b>	986,078

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 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 IPC House, 35-39 Shelbourne Road, Ballsbridge, Dublin 4.

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

### Pensions

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

## 1. ACCOUNTING POLICIES (CONTINUED)

### Pensions (Continued)

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  $16\frac{2}{3}\%$ . 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

	2016 Number	2015 Number
<b>AVERAGE NUMBER OF PERSONS EMPLOYED:</b>		
Staff	5	5
<hr/>		
	2016 €	2015 €
Salaries	261,949	261,044
Social insurance costs	19,123	18,442
Employer's superannuation contributions	44,406	43,274
	<b>325,478</b>	322,760

Key management compensation for the year, which includes gross salary of €80,977 and employer's superannuation contributions of €13,500, both of which are in line with approved Public Service pay scales, amounted to €94,477 (2015 gross salary of €80,977 and employer's superannuation contributions €13,500) amounted to (2015: €94,477).

## 5. ADMINISTRATION COSTS

	2016	2015
	€	€
Staff travel and subsistence	30,984	30,678
Members' travel and subsistence	17,522	20,038
Chairman's remuneration	8,978	8,978
Stationery	1,775	2,768
Annual report	10,212	11,050
Reports and surveys	8,875	–
Telephone	4,778	6,233
Postage	2,074	4,582
Publications	1,552	1,777
Legal fees	16,140	17,626
Consultancy fees	22,056	1,827
Audit fees	5,698	4,388
Rent and rates	39,276	40,187
Insurance	3,605	3,198
Accounting and professional fees	3,551	5,547
Repairs and renewals	3,939	3,939
Miscellaneous	9,156	9,020
Hospitality expenditure	3,180	2,955
Election	–	5,181
Training and education	1,400	–
	<b>194,751</b>	<b>179,972</b>

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 €2,136 (2015: €2,798).



## 7. TANGIBLE FIXED ASSETS

	Furniture €	Office equipment €	Computer equipment €	Total €
<b>COST:</b>				
At 1 January 2016 and	12,658	23,711	77,851	114,220
Additions in year	–	1,218	13,147	14,365
<b>AT 31 DECEMBER 2016</b>	<b>12,658</b>	<b>24,929</b>	<b>90,998</b>	<b>128,585</b>
<b>DEPRECIATION:</b>				
At 1 January 2016	12,658	22,748	75,956	111,362
Charged in year	–	725	4,087	4,812
<b>AT 31 DECEMBER 2016</b>	<b>12,658</b>	<b>23,473</b>	<b>80,043</b>	<b>116,174</b>
<b>Net book amounts:</b>				
<b>At 31 December 2016</b>	<b>–</b>	<b>1,456</b>	<b>10,955</b>	<b>12,411</b>
At 31 December 2015	–	963	1,895	2,858

## 8. DEBTORS (Amounts falling due within one year)

	2016 €	2015 €
Milk levy receivable	119,264	121,932
Prepayments	2,498	2,499
Other debtors	270	427
	<b>122,032</b>	<b>124,858</b>

## 9. CREDITORS (Amounts falling due within one year)

	2016 €	2015 €
Accruals and other creditors	40,170	22,876
PAYE/PRSI/USC	7,966	7,921
	<b>48,136</b>	<b>30,797</b>

## 10. FINANCIAL INSTRUMENTS

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

	2016	2015
	€	€

### FINANCIAL ASSETS

*Measured at undiscounted amount payable*

• Milk levy receivable and other debtors (note 8)	119,534	122,359
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### FINANCIAL LIABILITIES

*Measured at undiscounted amount payable*

• Other creditors (note 9)	879	868
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## 11. FINANCIAL COMMITMENTS

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

	2016	2015
	€	€
Within one year	25,580	25,580
Between one and five years	–	25,580
	25,580	51,160

## 12. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

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

The 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 16<sup>2</sup>/<sub>3</sub>%. 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.

## 12. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010 (CONTINUED)

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 total expense charged to the Statement of Income and Accumulated Fund in the year ended 31 December 2016 was €44,406 (2015: €43,274).

## 13. RECONCILIATION OF (DEFICIT)/SURPLUS BEFORE TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
	€	€
<i>Reconciliation of surplus to cash generated by activities</i>		
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>	<b>(6,967)</b>	10,817
Adjustment for:		
Deposit interest	<b>(3,074)</b>	(4,027)
Depreciation of tangible fixed assets	<b>4,812</b>	2,378
<b>OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL</b>	<b>(5,229)</b>	9,168
Decrease/(increase) in debtors	<b>2,826</b>	(1,028)
Increase/(decrease) in creditors	<b>17,339</b>	(33,688)
Net cash flows from operating activities	<b>14,936</b>	(25,548)

## APPENDIX 6

### COMPLIANCE/ENFORCEMENT

#### Compliance

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

The Agency has complied with the requirements of the Prompt Payment of Accounts Act, 1997 to pay all invoices within 30 days of receipt of invoice. During 2016, 133 payments were made by the Agency which were all paid within 15 days.

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

The National Milk Agency is committed to making every possible effort to improve energy efficiency. In 2016, 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, air conditioning, lighting and office equipment. There were no other fuel supplies to the premises, and no onsite renewable sources of energy.

The Agency will work with the Sustainable Energy Authority of Ireland (SEAI) in 2017 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



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