

National Milk Agency

Annual Report & Accounts 2017



NATIONAL MILK AGENCY



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

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

CHAIRMAN'S STATEMENT

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 2017, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the Irish economy continued to grow with rising exports, strong domestic demand, low inflation and increasing employment. The Public Finances continued to improve with the first Exchequer surplus since 2006.

Agriculture

Weather conditions were generally favourable to agricultural production and particularly for grassland enterprises. Gross agricultural output of €8 billion at producer prices grew by 14% driven by milk and livestock outputs, which grew by 45% and 4% respectively. Input costs were stable with reductions in fertiliser and feed costs partly offset by rising energy costs.

Dairy Sector

There was a welcome recovery in the dairy sector after two very difficult years. Milk was the leading agricultural product in 2017. Gross milk output of €2.6bn represented 32% of gross agricultural output and grew by 45%, driven by price increases of 34% and supply increases of 9%.

Domestic milk supplies, boosted by higher cow numbers, increased to a record 7.26 billion litres or by over 9% on 2016. Average milk solids increased slightly, albeit with a lower average butterfat level.

A range of positive factors - buoyant export markets, rising product prices particularly for butter, which doubled in price, favourable weather conditions in most parts of the country, rising milk supplies, rising producer prices and falling costs more than doubled the net margin per dairy enterprise and per hectare compared with 2016.

Dairy Markets & Milk Prices

Export markets drive the Irish dairy sector and are the destination for 90% of Irish milk supplies. The domestic market is the destination for 10% of domestic milk supplies for consumption as fresh milk and as manufactured dairy products.

Last year was a record year for Irish dairy exports, which increased by 19% to over €4bn. Dairy and ingredients exports continued as the leading export food sector representing 32% of all Irish food and drink exports. Specialised nutrition products represented almost one third of dairy exports and were followed by cheese, butter and milk powders, which all rose in value.

International markets outside the EU were the destination for 45% of Irish dairy and specialised ingredient exports amounting to €1.8 billion, which rose by 9%. China now accounts for 16% of all dairy exports and is Ireland's second largest market after the UK.

The EU 26 markets were the destination for 31% of the value of all dairy export sales amounting to €1.2 billion, which increased by 44%, and were driven particularly by higher volumes and values of butter exports.

The UK was the market for 24% of dairy export sales, amounting to €965m, which increased by 15%. Half of Ireland's cheese exports and a quarter of Ireland's butter exports, equivalent to almost one third of domestic annual milk supplies were exported to the UK. This is one measure of the potential disruptive impact of a "hard Brexit" for the Irish dairy sector and for the Irish State.

The integrity and transparency of Ireland's dairy supply chain is underpinned by the participation of over 90% of producers in the Sustainable Dairy Assurance Scheme and of most processors in Bord Bia's *Origin Green Scheme*.

Buoyant export markets led to higher monthly manufacturing milk prices throughout the year. The annual average producer price for manufacturing milk supplies increased to 35.4 cent per litre, excluding vat, an increase of 9 cent per litre or 34% on 2016 for milk containing 3.48% protein and 4.09% butterfat.

Producer prices for milk for processing for liquid consumption are now based for almost 80% of supplies on monthly manufacturing milk prices with the addition of premia during the winter months. For registered milk producers the annual average milk price for contracted milk supplies in 2017 was 38 cent per litre, an increase of over 8 cent per litre or 27% on 2016.

The annual differential between the national, average, liquid milk price under all payment systems, and the national, average, manufacturing milk price decreased to 2.6 cent per litre compared with 3.4 cent per litre in 2016. Based on an equal solids composition for both liquid and manufacturing milk supplies, given the lower average solids content in supplies for liquid consumption, the annual liquid differential was an estimated 3.4 cent per litre compared with 4.0 cent per litre in 2016.

Milk Imports

Bulk milk imports from Northern Ireland for processing in the State fell by 1% to 803 million litres of which 92% were processed into manufactured dairy products and 8% processed in the State for liquid consumption. This was the second highest annual volume of bulk milk imports on record.

These bulk milk imports were equivalent to 11% of domestic annual milk supplies and to 35% of Northern Ireland's annual milk supplies.

Domestic 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 €517 million in 2017.

Fresh milk is a natural, nutritious and healthy liquid food, which is consumed daily in most Irish households. Milk contains a matrix of nutrients, which contribute to general health and to the normal functioning of the human body across all its life stages. Plant based alternatives to milk lack many of the nutrients, which are naturally and uniquely present in milk.

Consumer tastes continue to evolve and change for different milk products – whole milk, low fat milk, no fat, lactose free and fortified milks as well as for different packaging types.

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

Consumption of fresh milk decreased by over 1% to 581 million litres while the national average retail price of fresh milk in all pack sizes fell by 1%.

Last year the domestic, fresh milk market utilised 6% of domestic milk supplies of 7.26 billion litres.

Domestic supplies from registered producers had a 77% share of the domestic fresh milk market. Imports from Northern Ireland into the fresh milk market, had a market share of 23% and decreased by 6% to 134 million litres.

Fresh milk imports in consumer packs represented 52% of these imports, while bulk milk imports, which were processed in the State for liquid consumption represented 48%.

Retailers' own label sales and robust price competition between retailers continued to exert strong downward pressure on domestic market returns for fresh milk.

In November I wrote to all major retailers expressing the grave concern of the Agency's members that the discounting of fresh milk by some retail multiples was undermining the viability, sustainability and security of the fresh milk supply chain. These retail price reductions were devaluing fresh milk, squeezing economic value out of the entire fresh milk supply chain and could result in producer prices being no longer adequate to sustain the availability of all year round domestic milk supplies for processing for liquid consumption.

Registered Producers

Registered producers are a specialist producer 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. The total number of registered producers increased by 2% to 1,808 producers.

Registered producers represented 11% of all milk producers and supplied 14% of domestic annual milk supplies. 98% of registered producers are participants in the Sustainable Dairy Assurance Scheme.

The sector is highly concentrated with 28% of the registered producers supplying 54% of the all year round supplies of milk for processing for liquid consumption.

The annual milk supplies of registered producers increased by over 7% to 1,018 million litres, of which 53% were supplied for manufacturing and 47% were supplied for liquid consumption.

Last year, was the first year, since the establishment of the Agency, that the annual supplies of registered producers for manufacturing exceeded their annual supplies for liquid consumption. The supplies for manufacturing increased by 16% while the supplies for processing for liquid consumption fell by 1%.

In the five prescribed winter months (October 2017 to February 2018) the total milk supplies of registered producers provided a margin of safety of 75% over the consumption of fresh milk, sourced from domestic supplies only and a margin of safety of 33% over the consumption of fresh milk, sourced both from domestic supplies and from imports. Many registered producers supply part of their winter supplies for non-liquid milk markets, which have various winter incentive schemes.

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.

As registered producers increase their total annual supplies and as the proportion of their annual supplies from compact Spring calving increases, they will re-evaluate the economics of Autumn calving for proportionally lower milk supplies over the winter period.

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

Survey of Registered Producers

In June the Agency carried out a postal survey of registered producers to ascertain their future commitment to all year round milk supplies for liquid consumption, their future plans for milk production as well as their age profiles and succession plans. The response from 611 producers or around one third of all registered producers is considered to be a good response to a postal survey.

The responses were widely spread and representative. The respondents were long-term liquid milk producers of whom 77% had liquid contracts for more than 25 years and 92% had contracts for more than 6 years. The average annual supply per respondent was over 720,000 litres with a liquid supply of 267,000 litres (37%) and a manufacturing supply of 453,000 litres (63%).

66% of respondents indicated that they had maintained their liquid supplies, since the abolition of EU quotas in March 2015, while 31% had increased their liquid supplies.

72% of respondents had increased their manufacturing supplies while 25% had maintained their manufacturing supplies.

In relation to planned future milk supplies to 2019, the 313 respondents, who answered this question indicated that they planned to maintain their liquid supplies at 2016 levels and to increase their manufacturing supplies by almost 33% over 2016. For this group of suppliers their liquid supplies will fall from 37% of their annual supplies in 2016 to 31% of their annual supplies in 2019.

Half of all respondents indicated that the liquid milk price premium over manufacturing price was the primary factor influencing their future plans for liquid milk supply followed by the availability of land, availability of liquid contracts, lifestyle, succession and the availability of labour.

64% of respondents were over 50 years of age and 36% under 50 years. 63% of respondents indicated that they had a successor.

Registers & Contracts 2016/17

In the 2016/17 milk year the number of milk supply contracts registered with the Agency was 1,808 contracts for supplies of 486 million litres of milk for processing for liquid consumption, representing an increase of 54 contracts or 3% in contracts and 1% 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 was the main pricing system and was applied in 83% of contracts and to 78% of supplies. The Flat Price System was applied in 17% of contracts and to 22% of supplies.

Milk supplies purchased under registered contracts were 9% 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.

Brexit

The process of the United Kingdom's withdrawal from the European Union continues to evolve. The Withdrawal Agreement will require to be concluded by October 2018 and requires ratification by the EU Council, the European Parliament and the UK Government. As of 30 March 2019, the UK will cease to be a member state of the EU and from that date will no longer participate in the decision making process in the EU.

A transition period will run until 31 December 2020 during which time the UK will continue to participate in the EU Single Market and Customs Union and be bound by EU rules. During that transition period the UK will negotiate a Future Relationship Treaty including its future trading relationships post transition, with the EU 27 and also with third countries.

The UK and the EU are committed to reaching an agreement to avoid a hard border between Northern Ireland and the Republic. Absent such agreement, the UK will be obligated under the Withdrawal Agreement to maintain full alignment for Northern

Ireland with the Single Market and Customs Union rules, which support North South co-operation, the all-island economy and the protection of the Good Friday Agreement. The UK has indicated that this backstop arrangement is unacceptable to it.

There still remains a high political downside risk that the UK may exit the EU without a trade agreement being put in place and the possibility of Irish food exports to the UK encountering import tariffs as well as lower market prices, while Irish food imports from the UK will be subject to EU tariffs.

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

For Irish processors and producers the approach must be to hope for the best but prepare for a worst case outcome by diversifying products and markets and focusing on cost reduction and efficiencies.

Future Outlook

Following an exceptional year in 2017 there was a stressful start to 2018 for producers and their livestock as a prolonged Winter feeding period was followed by a cold, wet Spring with low ground temperatures and no grass growth. Many producers encountered fodder shortages and their grazing and silage plans were badly disrupted. The resultant national fodder shortage crisis led to the necessity to import fodder for the first time since 2013.

Export markets for dairy products are expected to be stable in 2018 in respect to product prices and resultant manufacturing milk prices, albeit that the growing uncertainty regarding Brexit could be a destabilising factor.

Finance

In 2017 the total income of the Agency was €515,165 a reduction of €2,909 or less than 1% on its income in 2016. Income from milk levies, amounting to €513,695 reduced by €1,305 or 1% while interest income fell to €1,470 due to lower deposit interest rates.

Operating costs of €541,919 increased by €16,878 or 3%. Personnel and staff related costs, representing

66% of total costs amounted to €357,563 and increased by €1,101 or less than 1%. Other administration costs and depreciation amounted to €184,396 and increased by €15,777 or 9%.

The excess of costs of €541,919 over income of €515,165 resulted in an operating deficit for the year of €26,754.

At year-end, the Accumulated Fund amounted to €1,049,276 and was comprised of cash and deposits of €959,444, debtors less creditors of €75,639 and fixed assets of €14,193.

Code of Practice for the Governance of State Bodies 2016

The new Code of Practice for the Governance of State Bodies came into effect from the 1st of September 2016. Subject to the provisions of the Milk (Regulation of Supply) Acts, 1994 and 1996 and some minor derogations, the Agency considers that it is in compliance with the governance practices and procedures of the new Code.

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 86%.

Conclusion

The Agency appreciates the cooperation 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 contributions and support during the year and to Muiris and his team for their commitment.

Denis Murphy
Chairman

Chairman



Denis Murphy ¹

Producers' Representatives



Aidan Casey



Timothy Cashman



Denis Fagan



William Lennon



Padraig Mulligan ¹

Processors' Representatives



Tony O'Driscoll



TJ Flanagan ¹



Frank Tobin



Eoghan Sweeney

Distributors' Representative



Walter Maloney



John Foster ^{1 2}

Retailers' Representative

Consumers' Representatives



Richard Donohue



Michael Kilcoyne

¹ Members of the Audit & Risk Committee 2017

² Chairman of the Audit & Risk Committee 2017

Chairman:	Denis Murphy ¹
Producers' Representatives:	Aidan Casey Timothy Cashman Denis Fagan William Lennon Padraig Mulligan ¹
Processors' Representatives:	Tony O'Driscoll T.J. Flanagan ¹ Frank Tobin Eoghan Sweeney
Distributors' Representative:	Walter Maloney
Retailers' Representative:	John Foster ^{1 2}
Consumers' Representatives:	Richard Donohue Michael Kilcoyne
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Auditor:	Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

¹ Members of the Audit & Risk Committee 2017

² Chairman of the Audit & Risk Committee 2017

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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 2017 were 7,263 million litres, an increase of 609 million litres or 9% on 2016.

The number of milk producers in the State in 2017 is estimated as 17,000, the same as in 2016. The average annual milk supplies per producer were 427,000 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 2017 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 79% of milk supplies being supplied in the seven months of March to September, and 21% in the five months of October to February, inclusive.

The domestic milk supply profile had a peak-to-trough month ratio of 6.7/1 which comprised a peak-to-trough month ratio of 9.5/1 for milk supplies from manufacturing milk producers, and of 2.1/1 for milk supplies from registered milk producers.

FIGURE 1.1 UTILISATION OF DOMESTIC MILK SUPPLIES 2016

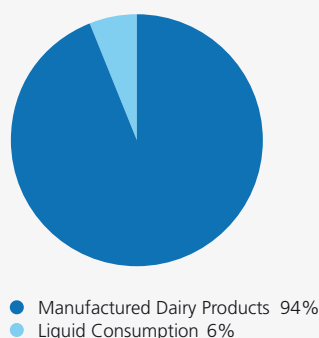


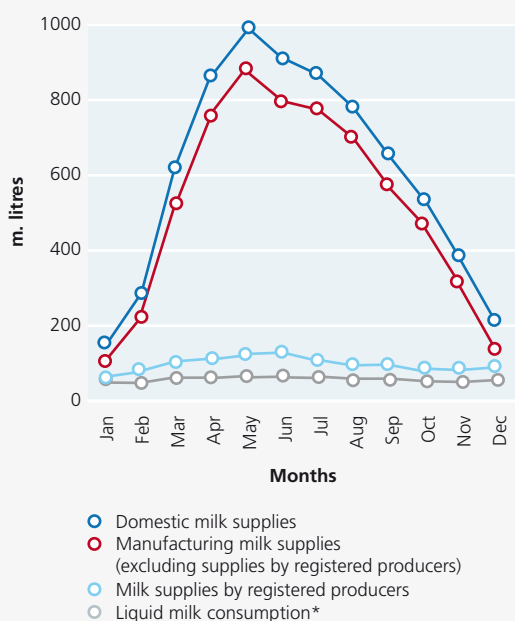
TABLE 1.0 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak-to-trough months' ratios															
Manufacturing	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	2.1	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	6.7	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. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2017



* 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 11% of all milk producers and supplying 14% of domestic milk supplies.

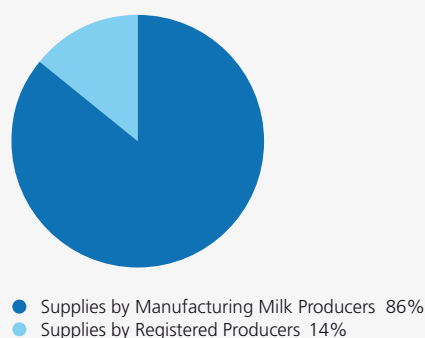
They supply not only the all year round domestic milk requirements for liquid milk consumption but also 8% of domestic manufacturing milk supplies.

Total milk supplies by the State's 1,808 registered producers under All Year Round and Winter Months Only contracts in 2016/17 increased by 65 million litres or 7% to 1,011 million litres, compared to 946 million litres in 2015/16.

Supplies for processing for liquid consumption amounted to 486 million litres, or 48% of total supplies of registered producers, while supplies for processing into manufactured dairy products amounted to 525 million litres, or 52% of total supplies.

Milk supplies purchased under registered contracts for processing for liquid consumption exceeded processor's fresh milk sales by 9% in 2016/17, compared to 8% in 2015/16, mainly due to transitional purchasing arrangements between processors and producers following industry consolidation.

FIGURE 1.3 DOMESTIC MILK SUPPLIES 2017



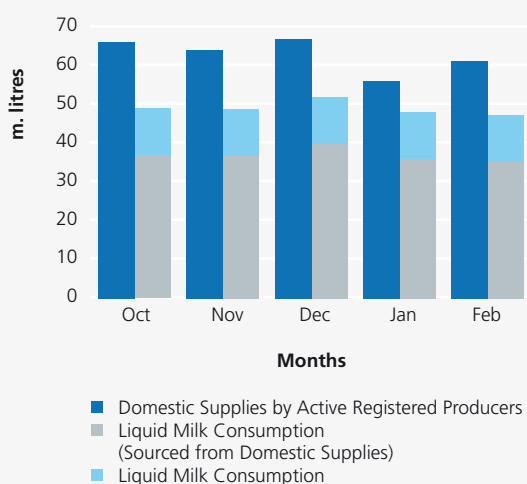
Registered producers with All Year Round contracts in 2016/17 had average annual supplies of 585,000 litres compared with 563,000 litres in the previous year, an increase of 4%.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2017 to February 2018, total milk supplies by registered producers amounted to 324 million litres, an increase of 12 million litres or 4% on their supplies in the same period in 2016/17, and provided a supply cover of 133% for national liquid milk consumption of 243 million litres (including imports) or a supply cover of 175% on consumption from domestic supplies only.

In the months of December 2017 and January 2018, total supplies by registered producers amounted to 127 million litres, an increase of 5 million litres, or 4% on their supplies for the same months in 2016/17, and were 27 million litres in excess of national liquid milk consumption of 100 million litres (including imports) in those months, a supply cover of 127%, or a supply cover of 165% on consumption from domestic supplies only.

FIG 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION 2017 (PRESCRIBED MONTHS OCTOBER 2017 - FEBRUARY 2018)



Sources: CSO/NMA

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers were estimated at 803 million litres representing a decrease of 10 million litres, or 1% on 2016. 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 2017.

Bulk milk imports of 739 million litres for processing into manufactured dairy products in the State represented 92% of total milk imports while bulk imports of 64 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.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 2000-2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1996
	Millions of litres																		
Supplies	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)	803	813	594	511	411	406	356	388	427	464	473	566	550	377	349	278	209	304	–
Imports %	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 70 million litres, a reduction of 10 million litres or 13% on 2016.

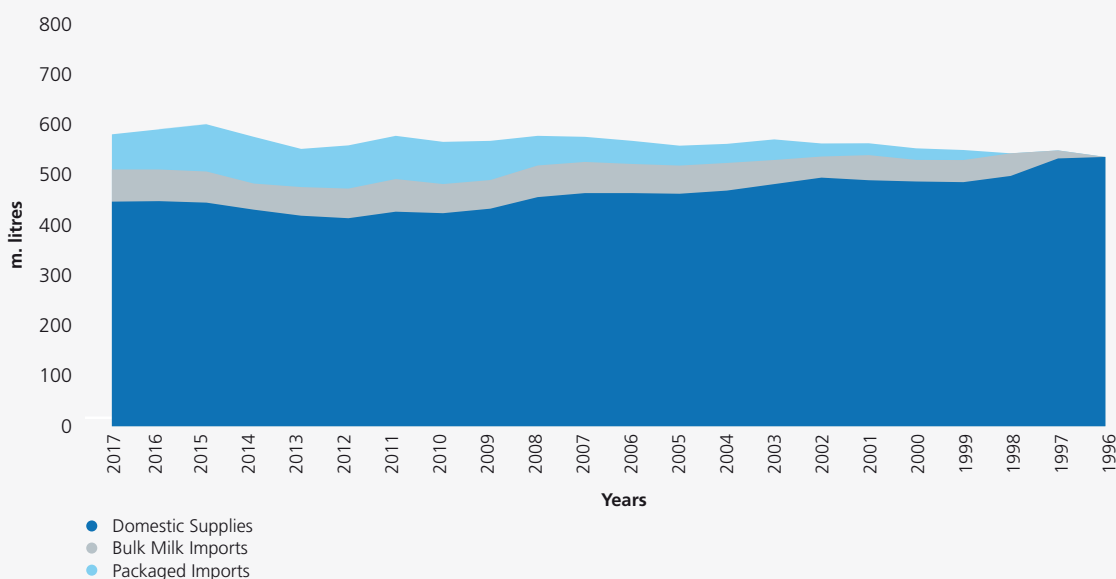
Total milk imports for liquid consumption in consumer packs and in bulk for processing for liquid consumption in the State amounted to 134 million litres in 2017, a decrease of 9 million litres, or 6% on 2016.

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 2000-2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1996
	Millions of litres																		
Consumer Packs	70*	80*	94*	93*	89	86	86	84	78	59	50	46	40	38	41	26	24	23	0
Bulk	64	63	62	52	57	59	65	58	57	63	62	58	55	55	48	42	50	43	0
Total Imports	134	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 - 2017



Domestic supplies had a 77% market share and imports had a 23% market share of the State's fresh milk market

Since 1996 imports of fresh milk for liquid consumption have grown to an estimated 134 million litres.

The market share of domestic registered supplies in the fresh milk market has fallen from 100% in 1996 to 77% in 2017, while the market share of imports has grown from zero to 23%.

Total milk imports from NI by processors (manufacturing and liquid) and by retailers amounted to 873 ml and were equivalent to 12% of domestic milk supplies.

Northern Ireland – Milk Supplies/Milk Prices

Milk supplies in Northern Ireland in 2017 amounted to 2,284 million litres, an increase of 86 million litres or 4% on the revised figure of 2,198 million litres in the previous year and were supplied by 2,635 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 975 million litres, or 74%, facilitated by the purchase and transfer of EU milk quotas from Great Britain. In 2017 the equivalent of 82% 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 2000-2017

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

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	7,263	2,284
Average Butterfat	4.09	4.01
Average Protein	3.48	3.26
Peak month/trough month ratio	6.7/1	1.4/1
Suppliers – number*	17,000*	2,635
Average supplies per supplier – litres	427,000	867,000

* 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 2017 of 1.4/1 compared with 6.7/1 in the State.

Average annual milk supplies per supplier in Northern Ireland in 2017 were 867,000 litres, which were more than double the average milk annual supplies per supplier of 427,000 litres in the State.

FIG 1.10 MILK SUPPLIES MONTHLY – 2017 STATE & NORTHERN IRELAND

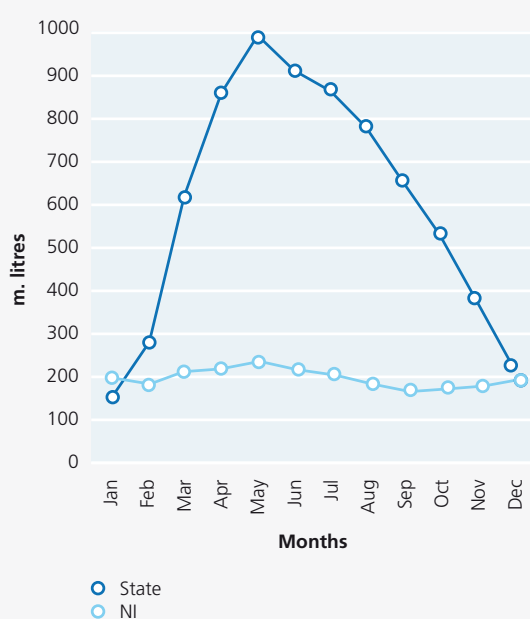


TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES

	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	2,198*	168
2017	2,284	174

Source: DARDNI

* Revised

The annual average net price to producers in Northern Ireland for all year round milk supplies in 2017 was equivalent to 32.59 c/l, an increase of 7.9 c/l, or 32% on the previous year. This price was 2.8 c/l or 8% less than the annual average price of 35.39 c/l for manufacturing milk supplies in the State in 2017.

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 €517m in 2017.

National consumption of fresh liquid milk last year was 581 million litres, a decrease of 9 million litres, or 2%, on consumption in 2016. Irish consumers have the highest per capita consumption of fresh drinking milk in the EU and in the world with an annual consumption of 121 litres per person per annum.

Last year, 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 2017, as reported by the CSO, were 104 c/l and 169 c/2l respectively. The average price of 1 litre packs (lowfat milk) decreased by 1 c/l while the price of 2 litre packs (whole milk) decreased by 2 c/l or 1% on 2016.

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 89 c/l in 2017, compared with 90 c/l in 2016, 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 2017. 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

	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	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	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																							
• low fat milk ¹	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	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 (CSO from January 2012).

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

³ NMA – average producer price for supplies for processing for liquid consumption. 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**

	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
Retail Prices																							
– lowfat milk ¹	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	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	37%	28%	30%	36%	37%	32%	32%	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

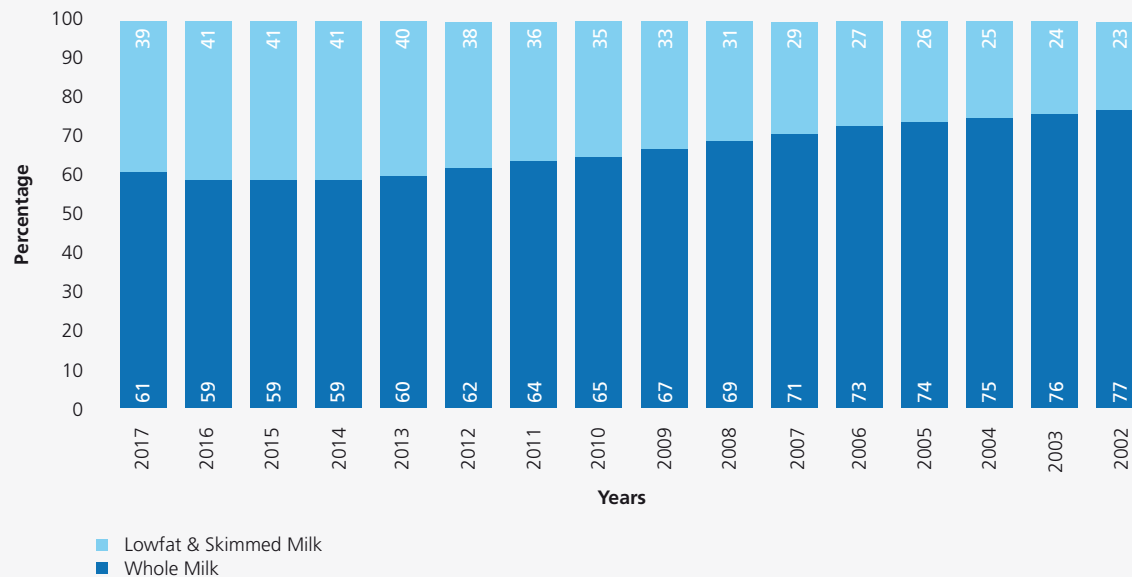
¹ CSO – national annual average retail price of lowfat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk only since January 2012).

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 89 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 43% in 2017 compared with 33% in 2016.

Fig. 2.2 FRESH MILK SALES - PRODUCT PROFILE 2017 - 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%.

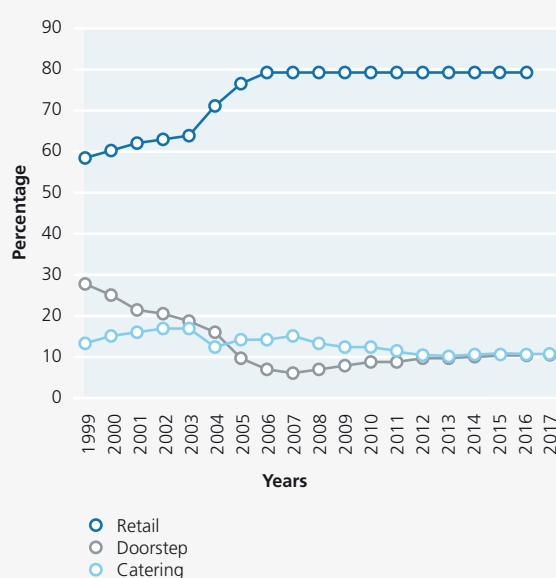
The three largest multiple groupings had a 70% share of the Irish grocery market in 2017, and the five largest multiple groupings had a market share of 93%.

TABLE 2.3 GROCERY MARKET SHARES

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Tesco	22	22	24	25	26	27	28	27	26	26	26	26	26	25	23	24
SuperValu	22	23	25	25	20	20	20	20	20	20	20	20	20	19	19	19
Dunnes	22	23	24	24	24	23	23	23	25	24	24	22	22	22	21	22
Lidl/Aldi	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	2	2	2	2	3	2	3	3	3
Spar	4	4	4	4	4	4	4	2	2	2	2	2	2	3	3	2
All others	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

Source: RGDATA – estimate

FIG 2.4 MARKET SHARES 1999 - 2017



Source: Industry Estimate

Discount retailers, whose grocery market share increased to 23% in 2017, are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market, it is estimated that over 62% 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
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

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 1,808, an increase of 54 contracts on the previous year.
- ▶ The number of All Year Round (AYR) contracts increased by 49 to 1,706, due to new registered producers with 2 processors, while the number of winter contracts increased by 5 to 102.
- ▶ 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 2,079 to 1,808 a reduction of 271, or 13%.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	Contracts				Milk Supplies			
	2016/17		2015/16		2016/17		2015/16	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,706	94	1,657	94	479.5	99	477.9	99
Winter	102	6	97	6	6.5	1	5.9	1
Total	1,808	100	1,754	100	486.0	100	483.8	100

- ▶ Milk supplies purchased under registered contracts in 2016/17 were 9% higher than domestic fresh milk sales, compared with 8% higher in 2015/16. This was mainly due to transitional purchasing arrangements between processors and some 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 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.
- ▶ In 2016/17, the MMP System was applied in 83% of the AYR contracts, compared with 86% in 2015/16, and to 78% of milk supplies compared with 80% of milk supplies in 2015/16.
- ▶ The FLAT System was applied in 17% of the AYR contracts, compared with 14% in 2015/16, and to 22% of the milk supplies compared with 20% in 2015/16.

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2016/17		2015/16		2016/17		2015/16	
	Number	%	Number	%	m litres	%	m litres	%
MMP SYSTEM	1,410	83	1,427	86	375.9	78	383.3	80
FLAT SYSTEM	296	17	230	14	103.6	22	94.6	20
TOTAL AYR	1,706	100	1,657	100	479.5	100	477.9	100

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2016/17

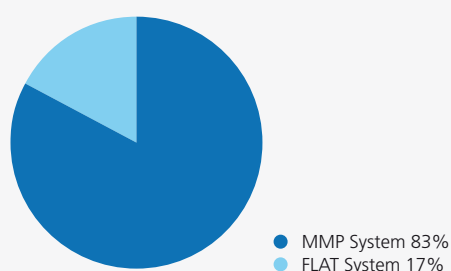


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2016/17

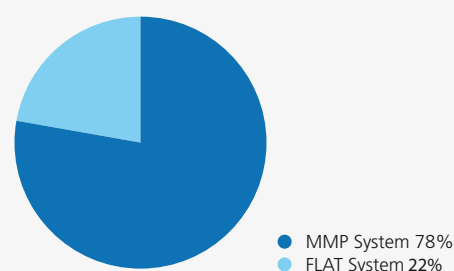


FIG. 3.5 ALL YEAR ROUND CONTRACTS – PRICING SYSTEMS/SUPPLIES 2000/01 – 2016/17

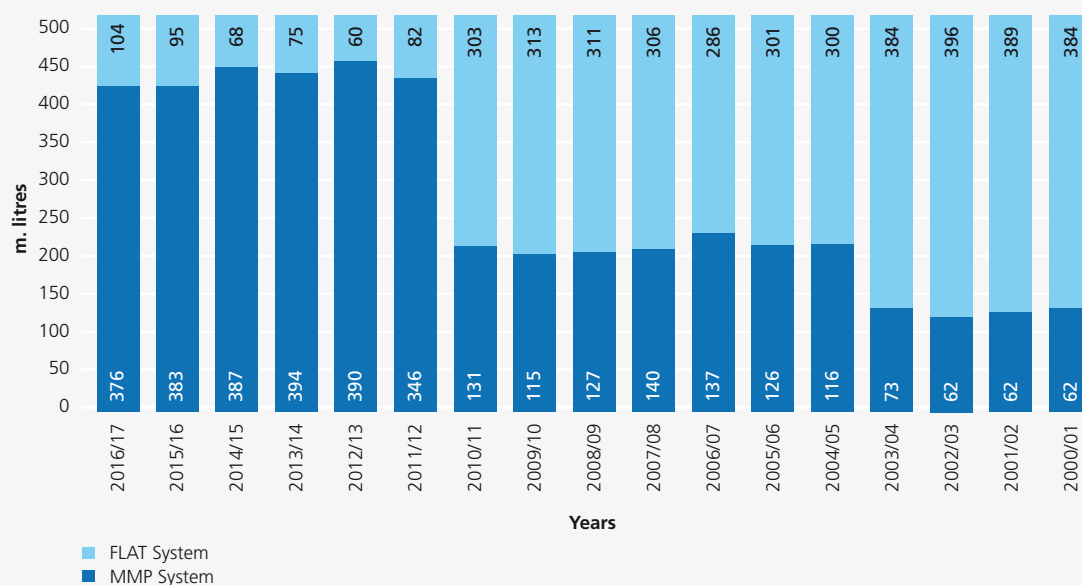


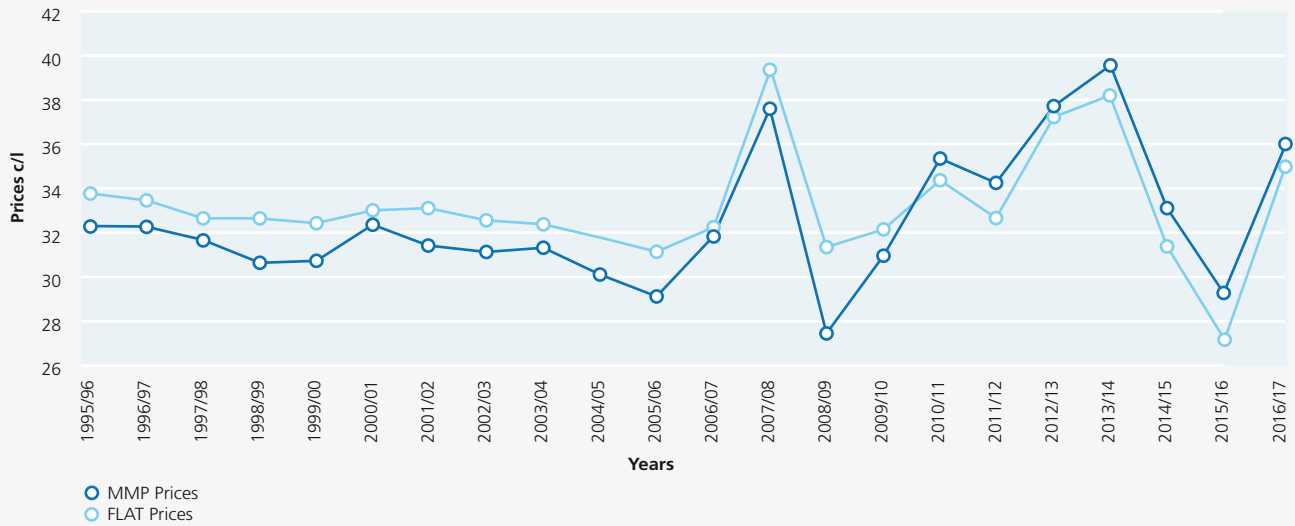
Table 3.6 ALL YEAR ROUND CONTRACTS ANNUAL AVERAGE MILK PRICES PAID - 2016/17 & 2015/16

Pricing Systems	Average Prices		Price Decreases	Contracts	Milk Supplies
	2016/17	2015/16	2016/17	2016/17	2016/17
	c/litre	c/litre	c/litre	number	m. litres
MMP	36.88	29.26	7.62	1,410	375.9
FLAT	35.12	27.12	8.00	296	103.6
AYR Contracts	36.50	28.84	7.66	1,706	479.5

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 Pricing System applied during the year.

- ▶ The average price paid under the AYR MMP System contracts in 2016/17 was 36.88 c/l, an increase of 7.62 c/l or 26% on the previous year.
- ▶ The average price paid under the AYR FLAT System contracts in 2016/17 was 35.12 c/l, an increase of 8 c/l or 29% on the previous year.
- ▶ The average price paid under all AYR contracts in 2016/17 was 36.50 c/l, an increase of 7.66 c/l or 27% on the previous year.
- ▶ The annual average price of 36.88 c/l under the MMP System was 1.76 c/l higher than the annual average price paid under the FLAT System.
- ▶ Six processors purchased supplies using the MMP System only in their contracts.
- ▶ Three 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 – 2016/17



See Appendix 3 (Table A).

3.2 MAIN AYR CONTRACTS - PRICES PAID 2016/17 & 2015/16

- A table of the annual average milk prices paid under the nine 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 - PRICES PAID – HIGHEST VOLUME CONTRACTS

MMP SYSTEM CONTRACTS							
Contract Types	Annual Average Prices Plus Bonuses ¹		Annual Average Monthly Bonuses		Base Prices		Change in Annual Average Prices
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	37.61	29.44	4.84	5.44	32.77	24.00	8.17
B1	35.87	27.56	2.66	2.41	33.21	25.15	8.31
B2	34.69	28.03	4.02	4.26	30.67	23.77	6.66
D	36.86	29.74	3.91	4.00	32.95	25.74	7.12
F	36.78	29.19	3.82	3.79	32.96	25.40	7.59
B	36.13	29.20	2.23	3.25	33.90	25.95	6.93
H	36.34	30.08	3.29	3.92	33.05	27.77	6.26

FLAT SYSTEM CONTRACTS							
Contract Types	Annual Average Prices ¹		Winter Prices (6 months)		Summer Prices (6 months)		Change in Annual Average Prices
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
D1	33.94	27.85	36.28	33.10	31.92	23.51	6.09
J	35.04	27.32	35.14	32.45	34.94	23.85	7.72

¹ Excluding VAT.

3.3 WINTER CONTRACTS – PRICES PAID

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

Pricing Systems	Contracts		Milk Supplies		2016/17	2015/16
	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	79	77	4.8	74	44.42	39.46
FLAT System	23	23	1.7	26	36.31	35.30
Total	102	100	6.5	100	42.28	38.75

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 102 winter contracts related to 6.5 million litres of milk (an increase of 0.6 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 2016/17 was 36.58 c/l, an increase of 7.62 c/l, or 26% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

Period	2016/17 1,808 contracts 486 ml	2015/16 1,754 contracts 484 ml	Changes 54 contracts 2 ml
	c/litre	c/litre	c/litre
Winter months October–March (6)	37.88	33.12	4.76
Summer months April – September (6)	35.14	24.86	10.28
Annual Average Prices	36.58	28.96	7.62

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 2017

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

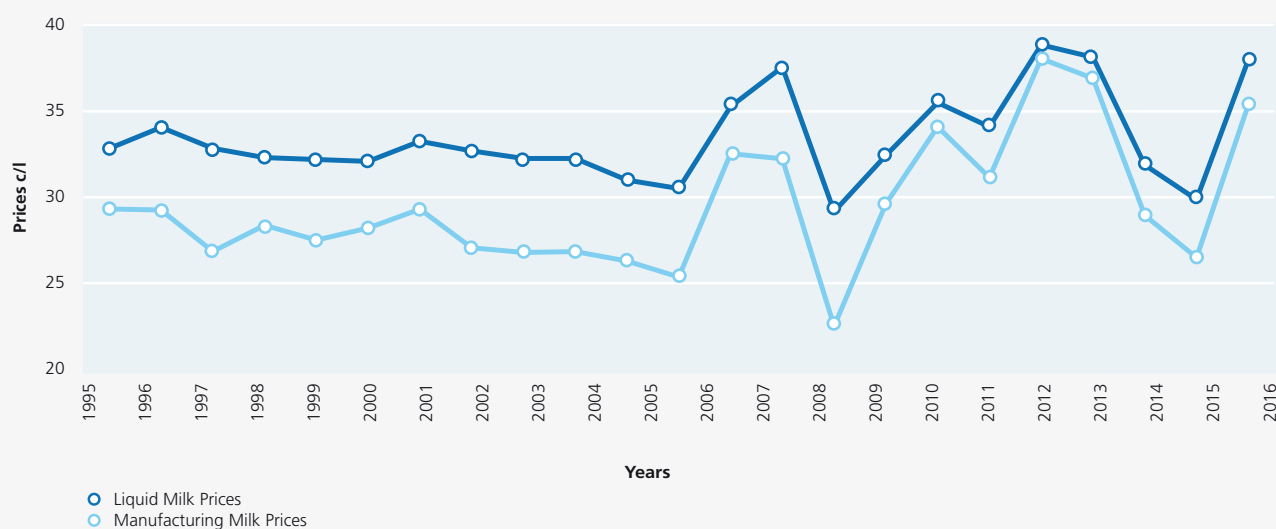
- In the calendar year 2017, which includes the first three months of the 2017/18 milk year, the annual average price paid under all registered contracts (AYR and Winter) was 38.00 c/l. This calendar year price was 1.42 c/l higher than the annual average price of 36.58 c/l paid in the 2016/17 milk year

due to the higher manufacturing prices paid by processors in the final quarter of 2017, compared to the final quarter of 2016.

- In 2017, the annual average price of 38.00 c/l paid under all registered contracts was the third highest on record and was 8.13 c/l or 27% higher than the annual average price of 29.87 c/l paid in 2016.
- The annual average liquid incentive paid under the MMP System in 2017 was 3.70 c/l, which was 0.17 c/l lower than in 2016.

- ▶ The annual average price for registered supplies paid for under the MMP System was 38.38 c/l, an increase of 8.12 c/l or 27% on 2016.
- ▶ The annual average price for registered supplies paid for under the FLAT System was 36.26 c/l, an increase of 8.71 c/l or 32% on 2016. The annual average FLAT price was 2.12 c/l or 6% lower than the annual average MMP price.
- ▶ The annual average price for manufacturing milk supplies, excluding VAT and after collection charges in 2017, was 35.39 c/l, an increase of 8.90 c/l, or 34%, on the annual average manufacturing price of 26.49 c/l in 2016.
- ▶ The differential in 2017 between the annual average producer price for milk supplies for liquid consumption of 38.00 c/l and the annual average producer price for manufacturing milk supplies of 35.39 c/l, was 2.61 c/l, compared with the differential of 3.38 c/l in 2016, a decrease of 0.77 c/l.
- ▶ Based on a similar solids content for liquid and manufacturing milk supplies in 2017, the annual differential between the average liquid price and the adjusted average manufacturing price was an estimated 3.37 c/l, compared with 4.00 c/l in 2016. Appendix 3 (Table B (ii)).
- ▶ A schedule 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)).

FIG. 3.11 PRODUCER MILK PRICES – ANNUAL AVERAGES – LIQUID MILK/MANUFACTURING MILK 1995-2017



4. PROCESSORS

TABLE 4.0 STRUCTURE OF REGISTERED CONTRACTS BY REGISTERED PROCESSORS' SUPPLY BANDS 2016/17

Milk supply bands	Number of processors	Registered contracts		Registered supplies	
m. litres		number	%	m. litres	%
0-20	7	193	11	40.7	9
20-40	2	220	12	54.8	11
Over 40	3	1,395	77	390.5	80
TOTAL	12	1,808	100	486.0	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 77% of registered contracts and 80% of registered milk supplies.
- ▶ The 12 registered processors included 1 processor, who was also a registered producer.
- ▶ The number of heat treatment establishments licensed to process milk for liquid consumption in the State at the 31st December 2017 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 40.5 million litres.

APPENDIX 1

MEETINGS OF THE AGENCY

Members	Meetings Attended 2016
Denis Murphy – Chairman	6
Aidan Casey	6
Teddy Cashman	4
Denis Fagan	5
William Lennon	6
Padraig Mulligan	6
T.J. Flanagan	6
Tony O'Driscoll	6
Eoghan Sweeney	3
Frank Tobin	4
Walter Maloney	4
John Foster	6
Richard Donohue	6
Michael Kilcoyne	4

The Agency held six meetings during the year and the attendance ratio was 86%

The Chairman and Chief Executive held one meeting 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 nominee on the Board of the National Dairy Council in 2017.

In 2017, the Audit & Risk Committee held two meetings.

APPENDIX 2

REGISTER OF PRODUCERS

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

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.

MILK SUPPLIES

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
2016/17	486.0	479.5	6.5

PRICING SYSTEMS

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	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

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	394.5	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

APPENDIX 3

ANNUAL AVERAGE MILK PRODUCER PRICES/DIFFERENTIALS

**TABLE A. ALL YEAR ROUND CONTRACTS - MILK YEARS 1995/96 TO 2016/17 -
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

TABLE B (i). PRODUCER MILK PRICES - ANNUAL AVERAGES - 1995-2017
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

Sources: NMA/CSO

¹ Prices excluding VAT, before levies and after collection charges

TABLE B (ii). PRODUCER MILK PRICES - ANNUAL AVERAGES – 2013-2017
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

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 - 2016/17 AND 2015/16

ALL YEAR ROUND CONTRACTS

Annual Supply Bands	Litres	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	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<50,000		31	41	0.4	0.6	0.2	0.3	0.2	0.3	6	7	3	0	0	0	0	44	50
50,000-99,999		39	33	2.9	2.5	1.2	1.2	1.7	1.3	41	36	2	0	0	0	0	55	48
100,000-149,999		62	69	7.7	9.0	4.2	4.6	3.5	4.4	68	66	4	1	1	1	1	55	51
150,000-199,999		85	69	15.0	12.2	7.9	7.1	7.1	5.1	93	103	5	4	2	1	2	52	58
200,000-249,999		87	96	19.7	21.8	9.6	12.2	10.1	9.6	110	127	5	6	2	2	3	49	56
250,000-299,999		107	96	29.4	26.4	14.9	15.1	14.5	11.3	139	157	6	6	3	3	3	51	57
300,000-349,999		123	139	40.2	45.3	19.2	22.7	21.0	22.6	156	163	7	8	4	5	5	48	50
350,000-399,999		139	128	52.3	47.9	25.2	22.4	27.1	25.5	181	175	8	8	5	5	5	48	47
400,000-449,999		111	127	46.8	54.0	20.5	26.6	26.3	27.4	185	209	7	7	5	5	4	44	49
450,000-499,999		110	113	52.2	53.1	23.9	24.5	28.3	28.6	217	217	6	7	5	7	5	46	46
500,000-599,999		188	181	103.2	99.5	49.6	50.2	53.7	49.3	261	277	11	11	10	11	10	48	51
600,000-699,999		152	133	98.2	85.8	46.0	41.6	52.2	44.2	302	313	9	8	10	9	10	47	48
Over 700,000		472	432	529.2	475.4	256.6	249.3	272.7	226.1	544	577	28	26	53	51	54	48	52
Total		1,706	1,657	997.2	933.5	479.0	477.9	518.2	455.6	281	288	100	100	100	100	100	48	51

WINTER MONTHS ONLY CONTRACTS

TOTAL	102	97	13.8	12.6	6.5	5.9	6.8	6.7
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ALL CONTRACTS

TOTAL	1,808	1,754	1,011.0	946.2	486.0	483.8	525.0	462.3
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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'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 2017 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 2017.

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

STATEMENT ON INTERNAL CONTROL (CONTINUED)

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 2017 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 2017.

Internal Control Issues

No weaknesses in internal control were identified in 2017 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

T. J. Flanagan
Member

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 2017 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 expected 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 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.

Deloitte

Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

29 March 2018

STATEMENT OF INCOME AND ACCUMULATED FUND

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	€	€
INCOME			
Milk levy – continuing operations	3	513,695	515,000
Deposit interest		1,470	3,074
		515,165	518,074
EXPENDITURE			
Salaries and superannuation	4	326,005	325,478
Administration costs	5	208,931	194,751
Depreciation		6,983	4,812
TOTAL EXPENDITURE		541,919	525,041
DEFICIT BEFORE TAXATION		(26,754)	(6,967)
Taxation	6		–
DEFICIT FOR THE FINANCIAL YEAR AFTER TAXATION		(26,754)	(6,967)
Accumulated Fund at the beginning of the reporting year		1,076,030	1,082,997
Accumulated Fund at the end of the reporting year		1,049,276	1,076,030

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 €	2016 €
FIXED ASSETS			
Tangible assets	7	14,193	12,411
CURRENT ASSETS			
Debtors	8	131,472	122,032
Cash at bank and in hand		959,444	989,723
		1,090,916	1,111,755
CURRENT LIABILITIES			
CREDITORS (Amounts falling due within one year)	9	(55,833)	(48,136)
NET CURRENT ASSETS		1,035,083	1,063,619
NET ASSETS		1,049,276	1,076,030
REPRESENTED BY:			
Accumulated Fund		1,049,276	1,076,030

The financial statements were approved by the Members on 27 March 2018.

Denis Murphy
Chairman

T. J. Flanagan
Member

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	€	€
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	(22,984)	14,936
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit interest		1,470	3,074
Purchase of tangible fixed assets		(8,765)	(14,365)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7,295)	(11,291)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(30,279)	3,645
Cash and cash equivalents at beginning of financial year		989,723	986,078
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		959,444	989,723
RECONCILIATION TO CASH AND CASH EQUIVALENTS			
Current account		8,826	20,778
Deposit account		950,618	968,945
		959,444	989,723

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2017 Number	2016 Number
AVERAGE NUMBER OF PERSONS EMPLOYED:		
Staff	5	5
	2017 €	2016 €
Salaries	262,547	261,949
Social insurance costs	19,371	19,123
Employer's superannuation contributions	44,087	44,406
	326,005	325,478

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Key Management Compensation

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

	2017	2016
	€	€
Salary	82,803	80,977
Employer's superannuation contributions	13,800	13,500
	96,603	94,477

The employee benefits for each of the other personnel are below the €60,000 p.a. threshold bands in 2017 and 2016.

5. ADMINISTRATION COSTS

	2017	2016
	€	€
Staff travel and subsistence	31,558	30,984
Members' travel and subsistence	18,667	17,522
Chairman's remuneration	8,978	8,978
Stationery	3,199	1,775
Annual report	10,215	10,212
Reports and surveys	11,561	8,875
Telephone	4,463	4,778
Postage	3,972	2,074
Publications	1,602	1,552
Legal fees	19,904	16,140
Consultancy fees	20,620	22,056
Audit fees	6,816	5,698
Rent and rates	42,644	39,276
Insurance	2,098	3,605
Accounting and professional fees	2,800	3,551
Repairs and renewals	3,832	3,939
Miscellaneous	9,215	9,156
Hospitality expenditure	4,802	3,180
Training and education	1,985	1,400
	208,931	194,751

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 €940 (2016: €2,136).

7. TANGIBLE FIXED ASSETS

	Furniture €	Office equipment €	Computer equipment €	Total €
COST:				
At 1 January 2017 and	12,658	24,929	90,998	128,585
Additions in year	3,808	750	4,207	8,765
At 31 December 2017	16,466	25,679	95,205	137,350
DEPRECIATION:				
At 1 January 2017	12,658	23,473	80,043	116,174
Charged in year	381	875	5,727	6,983
AT 31 DECEMBER 2017	13,039	24,348	85,770	123,157
Net book amounts:				
At 31 December 2017	3,427	1,331	9,435	14,193
At 31 December 2016	–	1,456	10,955	12,411

8. DEBTORS (Amounts falling due within one year)

	2017 €	2016 €
Milk levy receivable	120,467	119,264
Prepayments	5,005	2,498
Other debtors	6,000	270
	131,472	122,032

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CREDITORS (Amounts falling due within one year)

	2017	2016
	€	€
Accruals and other creditors	46,864	40,170
PAYE/PRSI/USC	8,969	7,966
	55,833	48,136

10. FINANCIAL INSTRUMENTS

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

	2017	2016
	€	€

FINANCIAL ASSETS

Measured at undiscounted amount payable

• Milk levy receivable and other debtors (note 8)	126,467	119,534
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FINANCIAL LIABILITIES

Measured at undiscounted amount payable

• Other creditors (note 9)	866	879
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11. FINANCIAL COMMITMENTS

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

	2017	2016
	€	€
Within one year	30,000	25,580
Between one and five years	102,500	-
	132,500	25,580

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 $\frac{2}{3}$ %. 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 total expense charged to the Statement of Income and Accumulated Fund in the year ended 31 December 2017 was €44,087. (2016: €44,406).

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

	2017	2016
	€	€
<i>Reconciliation of surplus to cash generated by activities</i>		
DEFICIT BEFORE TAXATION	(26,754)	(6,967)
Adjustment for:		
Deposit interest	(1,470)	(3,074)
Depreciation of tangible fixed assets	6,983	4,812
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL	(21,241)	(5,229)
(Increase)/decrease in debtors	(9,440)	2,826
Increase in creditors	7,697	17,339
Net cash flows from operating activities	(22,984)	14,936

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

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 2017, 160 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 Agency is committed to making every possible effort to improve energy efficiency. In 2017, 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 2018 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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