MILK

NATIONAL MILK AGENCY ANNUAL REPORT AND ACCOUNTS 2008

NATIONAL MILK AGENCY

Bhunaidh an tOireachtas an Gníomhaireacht Náisiúnta Bainne le soláthar bainne chun óil sa stát seo a rialú mar a leagtar amach é san Acht (um Rialachán Soláthair) Bainne, 1994.

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

CHAIRMAN'S STATEMENT

Denis Murphy

To: Mr. Brendan Smith TD, Minister for Agriculture, Fisheries and Food.

I am pleased to present the Annual Report of the National Milk Agency for 2008, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

Last year saw the advent of an unexpected and extraordinary international financial crisis, which then spread into the wider economy causing a deep and widespread global economic recession. Free markets failed to correct themselves and government intervention proved necessary in many countries to recapitalise and in some cases nationalise banks in an endeavour to restore stability, improve liquidity and arrest economic contraction.

For Ireland's small, open, island, economy the adverse impact of the fading economic health and declining currencies of its major export customers was exacerbated by domestic fiscal and banking crises, business closures and rising unemployment.

For the Irish dairy sector, which exports 80% of its output, falling demand, rising supplies, increased price volatility and declining currencies of major export customers resulted in lower export prices for dairy products and consequently in lower monthly prices for manufacturing milk to producers. While the average annual producer price for manufacturing milk of 32.24 c/litre, excluding value added tax, was approximately the same as in 2007, monthly producer prices fell by 27% between March and December.

Consumption of fresh milk on the domestic market increased slightly to 578 million litres. The market share of domestic milk supplies in the fresh milk market, however, fell to 79% as imported milk supplies, both bulk and packaged, increased their share to 21%.

Fresh milk continued as an excellent, value for money, healthy, nutritious, food product. While the average annual retail price for fresh whole milk on the domestic market increased by 22% over 2007 the retail price of milk still lagged behind the increase in the consumer price index since 1995. In real terms the retail price of milk was 6% less in 2008 than it was in 1995.

The annual average producer price for milk for processing for liquid consumption reached a record 37.58 c/litre, excluding value added tax, in 2008, which was an increase of 2.3 c/litre or 7% over the price in 2007. The producers' share of the average annual retail milk price, however, fell to 34% compared with 39% in 2007.

The differential between the average producer price for liquid milk and the estimated annual average producer price for manufacturing milk in 2008 almost doubled to 5.34 c/litre, compared with the exceptionally and worryingly low differential of 2.74 c/litre in 2007.

In the first quarter of 2009, the decline in international dairy product prices has continued and despite increased EU market supports, EU producer milk prices have fallen sharply.

In Ireland the monthly producer price for manufacturing milk paid in March 2009 has fallen since year end by over 20% to approximately 21 c/litre with 20 c/litre being paid in some instances, a monthly milk price last seen in 1983.

Monthly producer prices for supplies of milk for processing for liquid consumption have also fallen on average by over 8 c/litre since the commencement of the 2008/09 milk year.

Export markets, however, are expected to gradually come back into balance with lower dairy product prices stimulating demand and lower milk prices contracting milk supplies in countries with high production costs.

On the domestic market, the outbreak of a retail price war has resulted in falling retail prices for fresh milk and a negative impact on the revenues and confidence of liquid milk producers.

In the short-term, however, the outlook for all stakeholders in the Irish dairy sector is precarious; the industry is in crisis; processors are confronted by falling market prices and margins and dairy farmers are facing substantial income reductions in the current year.

In these turbulent and extraordinary times it is incumbent on milk processors to use their best endeavours to ensure that all milk producers continue to have confidence in milk production and in particular to ensure that registered milk producers do not lose confidence in the production of milk on an all year round basis for processing for liquid consumption.

Registers

In the milk year 2007/08 the number of milk supply contracts registered with the Agency fell to 2,008 contracts and related to 455 million litres of milk for processing for liquid consumption. This represented a reduction of 71 contracts from the number registered in the previous year and an increase of 22.5 million litres in registered milk supplies. The number of registered processors fell to 14.

Contracts

All Year Round (AYR) milk supply contracts numbered 1,861 contracts for supplies of 446 million litres of milk and represented 93% of contracts and 98% of milk supplies. The number of AYR contracts reduced by 47 or 2%.

Winter contracts comprised 147 contracts and represented 7% of contracts and 2% of milk supplies. The number of winter contracts decreased by 24 or 14%.

Under the AYR contracts the Flat Price System continued as the main pricing system for registered milk supplies and was applied in 75% of the contracts and to 69% of the milk supplies. The Manufacturing Milk Price plus Bonus System was applied in 25% of the contracts and to 31% of milk supplies.

Milk Prices 2007/08

In the milk year 2007/08 the average milk price paid, excluding value added tax, under the 1,861 AYR contracts was 38.84 c/litre, the highest on record, and was an increase of 6.73 c/litre or 21% on the previous year.

Under the Flat Price System the average price paid was 39.38 c/litre, while under the Manufacturing Milk Price plus Bonus System the average price paid was 37.60 c/litre, the latter reflecting the decline in monthly manufacturing milk prices during the year.

Consumption and Retailing

Irish consumers' appreciation of fresh milk as a nutritious, healthy, versatile and value for money product continues to be manifested in Irish consumers having the third highest per capita consumption of fresh milk in the EU.

Consumption of fresh milk on the domestic market in 2008 increased by 0.2% to 578 million litres. The growing consumer preference for low fat and skimmed milks continued with these products now constituting 31% of total fresh milk sales.

The Irish grocery market continued to consolidate with three major multiples controlling almost 70% of the market.

Milk Imports for liquid consumption

Fresh milk imports for liquid consumption, which include bulk milk imports for processing in the State and fresh milk in consumer packs, continued to grow last year and amounted to 122 million litres, an increase of 10 million litres or 9% on the import volumes in the previous year.

Bulk milk imports for processing for liquid consumption represented 52% of these imports and fresh milk in consumer packs represented 48%.

The market share of these milk imports increased to 21% of the domestic fresh milk market compared with 19% in the previous year.

Dairy Sector

Domestic milk supplies in 2008 decreased by 3% to 4,959 million litres while the number of active milk producers also fell to 19,686 producers. Average annual milk supplies per producer were unchanged at 252,000 litres.

In 2008, arising from falling export prices for dairy products, monthly producer prices for manufacturing milk supplies fell by 27% from an estimated 37 c/litre, excluding value added tax, in March to 27 c/litre in December, wiping out almost all the monthly price increases in 2007.

The annual average producer price for manufacturing milk supplies in 2008 of 32.24 c/litre, was just 1% less than in 2007. Dairy incomes fell, however, due to costs increases from higher prices for concentrates, energy and fertilizers.

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

The EU announced transitory steps to the ending of milk quotas in 2015 by increasing national milk quotas by 1% over each of the next five years as well as by adjusting the butterfat calculation which will be equivalent to another 2% quota increase for Ireland in 2009.

Financial

Total income of the Agency in 2008 was €681,642 which was an increase of €48,303 or 8% on the previous year. Income from milk levies of €625,881 represented 92% of total income and increased by €41,000 or 7% while other income increased by €7,303 or 15%.

The rate of levy on milk purchased for liquid consumption was increased by 0.018 cent per litre to 0.145 cent per litre with effect from June 1 2008.

Operating costs of €628,361 increased by €2,050 or 0.3%. Personnel and related costs, representing 72% of total costs, increased by €2,179 or 0.5% while other costs decreased by €129.

The excess of income of €681,642 over costs of €628,361 resulted in an operating surplus for the year of €53,281, which was added to the Accumulated Fund.

At year end the Accumulated Fund amounted to €774,187 and was comprised of cash and deposits (net of creditors and superannuation liabilities) of €668,858, debtors of €101,917 and fixed assets of €3,412.

Agency Membership/Meetings

The Agency held seven meetings during the year and the attendance ratio was 82%.

Mr. Jerome Crowley was appointed to fill the vacancy arising from the resignation of Mr. Cormac Guinan as a producer member during the year. I wish to thank Cormac for his helpful contributions and support for the Agency during his term of office.

The Audit Committee held three meetings during the year.

Compliance

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

The Agency has complied with the requirements of the Prompt Payment of Accounts Act, 1997 to pay all invoices within 30 days of receipt of invoice.

Conclusion

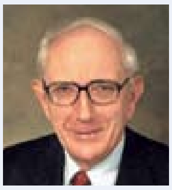
The Agency appreciates the co-operation received during the year from liquid milk processors and the representative bodies of producers, processors, consumers, retailers and distributors.

The Agency is also grateful for the support and advice received from officials of the Department of Agriculture, Fisheries & Food and from State Agencies during the year.

On my own behalf, I thank the members of the Agency, for their wise counsel and contributions and Muiris and the Agency's staff for their work and commitment.

Denis Murphy
Chairman

Chairman



*Denis Murphy**

Producers' Representatives

*Eamonn Bray**

Jerome Crowley

Donal Kelleher

Padraig Mulligan

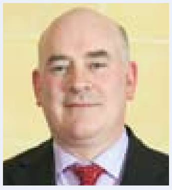
Donal Murphy

Processors' Representatives

*George Kearns**

John O'Callaghan

Tony O'Driscoll

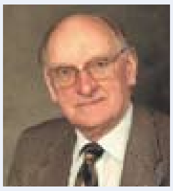


Frank Tobin

Distributors' Representative

Walter Maloney

Retailers' Representative



John Foster

Consumers' Representatives

*Richard Donohue**

Michael Kilcoyne

**Members of the Audit Committee*

Chairman:	Denis Murphy *
Producers' Representatives:	Eamonn Bray * Jerome Crowley Donal Kelleher Padraig Mulligan Donal Murphy
Processors' Representatives:	George Kearns * John O'Callaghan Tony O'Driscoll Frank Tobin
Distributors' Representative:	Walter Maloney
Retailers' Representative:	John Foster
Consumers' Representatives:	Richard Donohue * Michael Kilcoyne
	**Members of the Audit Committee*

Chief Executive:	Muiris Ó Céidigh
Secretary:	Joan Shannon
Office:	IPC House, 35/39 Shelbourne Road, Ballsbridge, Dublin 4.
Email:	natmilk@eircom.net
Website:	www.nationalmilkagency.ie
Solicitor:	Frank Mulvey Frank Mulvey Solicitors, Morrison Chambers, 32 Nassau Street, Dublin 2.
Bankers:	Allied Irish Banks plc Bankcentre Branch, Ballsbridge, Dublin 4.
Auditor:	Deloitte & Touche Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

CONTENTS

Muiris Ó Céidigh
Chief Executive

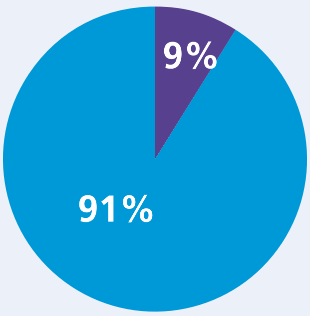
1. MILK SUPPLIES

1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2008 were 4,959 million litres, a decrease of 131 million litres or 3% from supplies in 2007. The number of active milk producers fell by 2.5% to 19,686 while average annual milk supplies per producer were unchanged at 252,000 litres.

91% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 9% of supplies were processed for liquid consumption on the domestic market.

FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2008



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

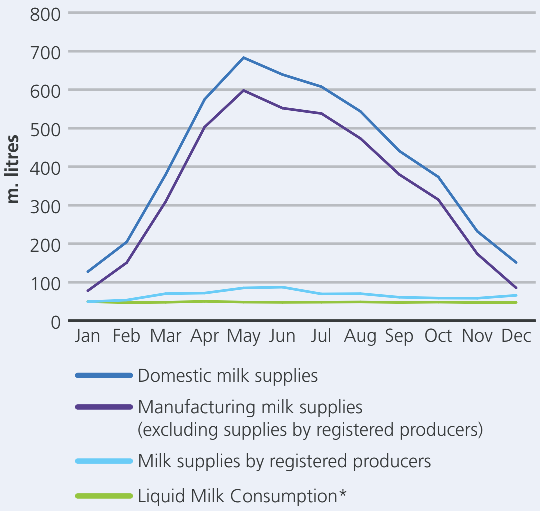
The domestic milk supply profile had a peak to trough month ratio of 5.4/1, which was comprised of a peak to trough month ratio of 7.1/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from liquid milk producers.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

YEAR	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios						
Manufacturing	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.8	1.8	1.8	1.8	1.8	1.9	2.0
TOTAL	5.4	5.6	5.7	5.5	5.5	5.6	6.1

Source: DAFF/CSO

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2008



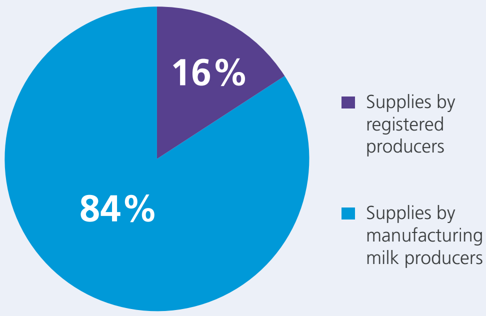
* Milk sold for liquid consumption within the State including packaged milk imports.
Source: CSO/NMA

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,051 active registered producers, (including producers without registered contracts) in 2007/08, amounted to 796 million litres (Appendix 4 – Table A), an increase of 2.6 million litres or 0.2% on supplies in 2006/07. Supplies for processing for liquid consumption amounted to 465 million litres or 58% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 331 million litres or 42% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 10% of all milk producers and supplying 16% of domestic milk supplies. They supply not only the all year round milk requirements for liquid milk consumption but also 7% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2008



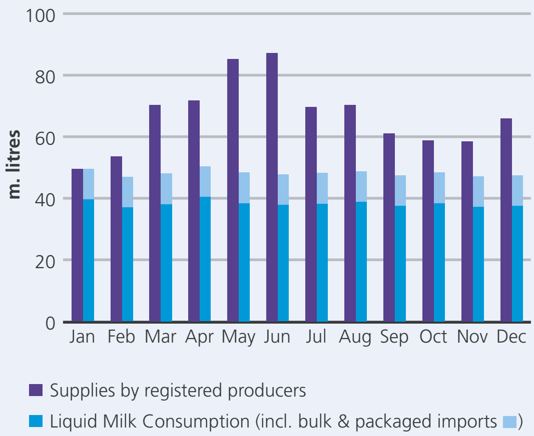
The average registered producer in 2007/08 had annual supplies of 388,000 litres compared with 366,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2007 to February 2008 total milk supplies by active, registered producers amounted to 275 million litres, an increase of 2 million litres on 2006/07, which, compared with liquid milk consumption (including imports) of 242 million litres, provided a supply cover of 114%.

In the months of December 2007 and January 2008, total supplies by active registered producers amounted to 109 million litres and were 12 million litres in excess of liquid milk consumption (including imports) of 97 million litres in those months, a supply cover of 112%.

FIG. 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2008



Source: CSO/NMA

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 464 million litres, a decrease of 9 million litres or 2% on 2007.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2008

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres												
Supplies	4,959	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	4,973	4,944	5,105	5,144
Imports (bulk)	464	473	566	550	377	349	278	209	304	361	282	-	-
Imports %	9	9	11	11	7	7	5	4	6	7	6	0	0

Bulk milk imports of 464 million litres in 2008 do not include liquid milk imports in consumer packs and were mainly cross border movements of milk into the State from Northern Ireland.

Bulk milk imports were equivalent to 9% of domestic supplies and to 24% of Northern Ireland's annual milk supplies.

Bulk milk imports for processing into manufactured dairy products represented 86% of these imports while bulk imports for processing for liquid consumption in the State, namely 63 million litres, represented 14% compared with 87% and 13% respectively in the previous year.

Total milk imports for liquid consumption both bulk and in consumer packs amounted to 122 million litres, an increase of 10 million litres or 9%, on the import volumes in the previous year.

Bulk milk imports of 63 million litres represented 52% of imports for processing for liquid consumption, an increase of 1 million litres or 2% on the previous year.

Imports of fresh milk in consumer packs, were estimated at 59 million litres and represented 48% of imports for liquid consumption, an increase of 9 million litres or 18% on the previous year.

TABLE 1.6 BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2008

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres												
Bulk	63	62	58	55	55	48	42	50	43	44	45	16	0
Consumer Packs	59	50	46	40	38	41	26	24	23	20	-	-	0
TOTAL IMPORTS	122	112	104	95	93	89	68	74	66	64	45	16	0

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2008

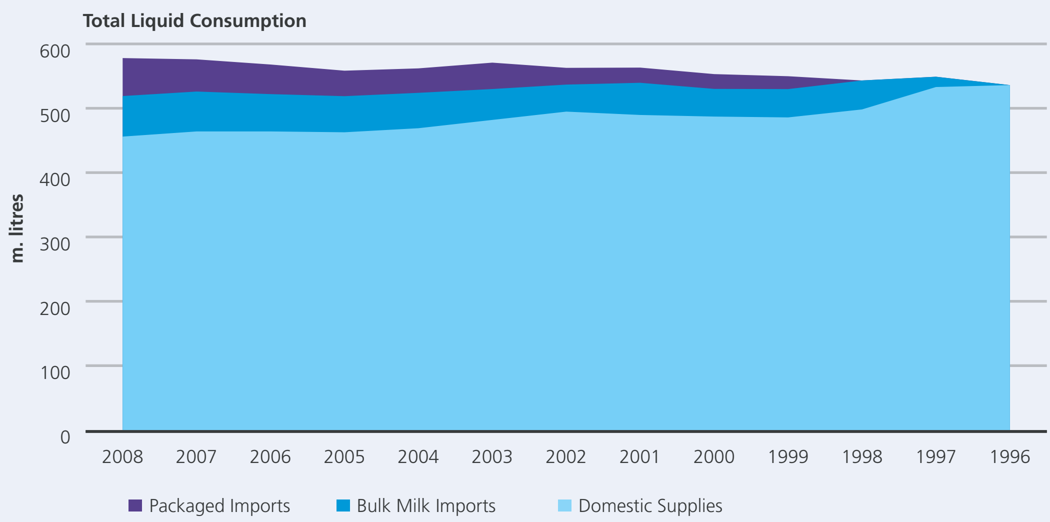


TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS

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

* Packaged imports not included and not available
Source: CSO/NMA

The market share of domestic supplies in the State's fresh milk market fell to 79% from 81% in 2007 while the market share of imports grew to 21% from 19% in 2007.

Since 1996 imports of fresh milk from liquid consumption have grown by 122 million litres absorbing all the increase of 42 million litres in consumption and displacing 80 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 79% in 2008, while the market share of imports has grown from zero to 21%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 523 million litres in 2008 and were equivalent to 11% of domestic milk supplies.

Exports of skim milk, whole milk and cream from processors in the State to Northern Ireland amounted to 45 million litres in 2008, a decrease of 12 million litres or 12% on the previous year.

1.5 Northern Ireland – Milk Supplies/ Milk Prices

Domestic milk supplies in Northern Ireland in 2008 amounted to 1,902 million litres, a decrease of 16 million litres or 0.8% on the previous year, and were supplied by 3,457 dairy farmers. Milk supplies in Northern Ireland in 2008 were equivalent to 38% of domestic milk supplies.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2008

	REPUBLIC OF IRELAND	NORTHERN IRELAND
Total Supplies – m litres	4,959	1,902
Average Butterfat %	3.82	3.98
Average Protein %	3.34	3.26
Peak month/trough month ratio	5.4	1.5
Suppliers – number	19,686	3,457
Average supplies per supplier – litres	252,000	550,000

Average annual milk supplies per supplier in NI in 2008 were 550,000 litres, which is more than double the average milk supplies per supplier of 252,000 litres in the State. Average annual milk supplies by registered milk producers in the State were 388,000 litres in 2007/08.

The annual milk supply pattern in NI 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 2008, of 1.5/1 compared with 5.4/1 in the State.

FIG. 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2008

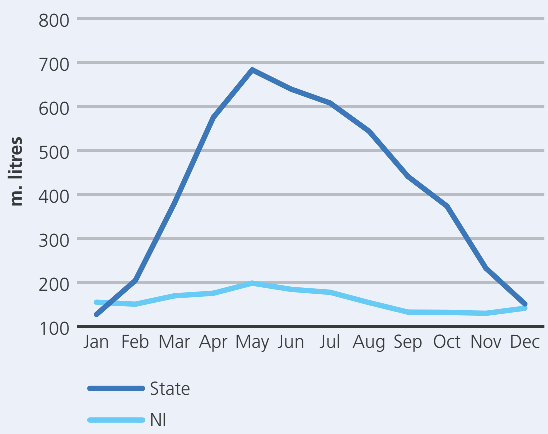


TABLE 1.11 N.I. MILK SUPPLIES 1993 – 2008

	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

Source: DARDNI

Since 1993, annual milk supplies in NI have increased by 593 million litres or 45% due to the purchase and transfer of additional milk quotas from other parts of the UK.

In 2008, 551 million litres or 29% of the annual milk supply were exported as raw milk compared with 27% in 2007. 84% of these raw milk exports were to the State.

Last year 15% of annual milk supplies in NI were utilised for processing for liquid consumption compared with 9% of domestic supplies in the State.

30% of milk supplies in Northern Ireland are traded by auction and an estimated additional 30% of milk supplies are traded at prices based on auction prices. The average annual auction price in 2008 was 22.73 p/l (29 c/l), a decrease of 1.58 p/l on the previous year.

The average annual net price to producers for all year round milk supplies in 2008 was 22.92 p/l (29 c/l), an increase of 1.14 p/l on the previous year.

The Northern Ireland average annual milk price for producers of 29 c/l in 2006 was 10% lower than the estimated average annual milk price for manufacturing milk supplies of 32.24 c/l in the State.

2. THE LIQUID MILK MARKET

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated value of €466m in 2008.

National consumption of fresh liquid milk last year was 578 million litres (127 million gallons), an increase of 1 million litres or 0.2% on consumption in 2007. Per capita consumption in the State of 0.4 litres per day was the third highest in the EU.

The average annual retail price of milk increased by 22% in 2008 compared with the previous year. Fresh milk is a real value for money product and is recognised as such by consumers. The price of milk has fallen in real terms and in comparison with other food products. Since 1995 the consumer price index has increased by 53%, the food price index by 50% and the average annual retail price of whole milk in 1 litre packs by 44%. In real terms the price of milk was 6% less in 2008 than it was in 1995.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	144	118	110	110	110	112	110	108	105	104	104	104	104	100

Source CSO/NMA

The producers' share of the annual retail price of milk fell to 34% in 2008 from 39% in 2007 and 42% in 1995.

TABLE 2.1 RETAIL MILK PRICES – 1 LITRE PACK WHOLE MILK/PRODUCERS' SHARE OF RETAIL MILK PRICE

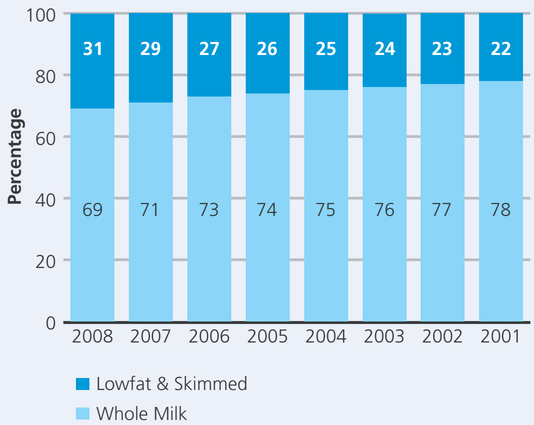
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
Annual * Retail Price	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Price % Retail	34%	39%	36%	37%	38%	38%	38%	40%	40%	40%	40%	41%	41%	42%

Source CSO/NMA

* Excludes doorstep deliveries.

Last year sales of whole milk, which accounted for 69% of fresh milk sales, declined by 2.8% while sales of lowfat and skimmed milk increased to 31% of sales or by 6%.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2008



Source: CSO

Retail Market

The process of retail consolidation continued in 2008 with the three largest multiple groups having a 70% share of the Irish grocery market.

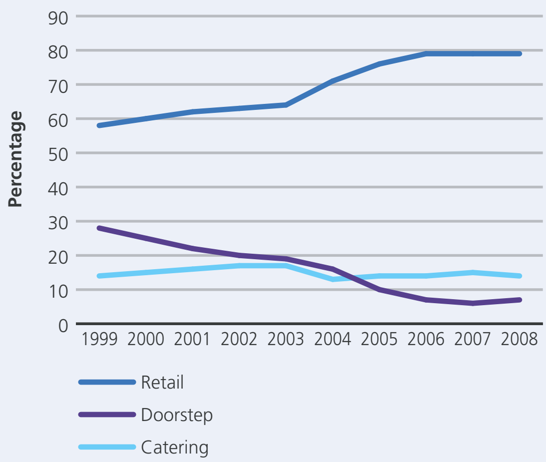
TABLE 2.3 GROCERY MARKET SHARES

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

Source: RGDATA

Retailers and particularly the larger multiples continued to grow in importance as distribution channels for liquid milk with retailers now distributing 79% of liquid milk, while doorstep deliveries have increased slightly in 2008, to 7% and catering represents 14%.

FIG. 2.4 MARKET SHARES 1999-2008



Source: Industry Estimate

In the Irish fresh milk market an estimated 50% of milk sales in retail multiples is now sold as own label.

Approximately 60% of retail sales is now estimated by industry sources as being sold in 2 litre packs. Own label milk in 2 litres packs in December 2008 was being retailed at a discount of 23% on processors' branded milk.

Discount retailers whose grocery market share grew to 10% from 7% are the main outlets for packaged fresh milk imports.

3. REGISTERED CONTRACTS/PRICES

3.0 CONTRACT TYPES

TABLE 3.0 CONTRACT TYPES

MILK YEAR	TOTAL	ALL YEAR ROUND	WINTER MONTHS
1995/96	3,344	3,206	138
1996/97	3,284	3,151	133
1997/98	2,908	2,783	125
1998/99	2,833	2,709	124
1999/00	2,762	2,642	120
2000/01	2,837	2,725	112
2001/02	2,720	2,620	100
2002/03	2,736	2,583	153
2003/04	2,656	2,510	146
2004/05	2,336	2,199	137
2005/06	2,282	2,104	178
2006/07	2,079	1,908	171
2007/08	2,008	1,861	147

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

- The number of registered milk supply contracts decreased to 2,008, a net reduction of 71 contracts or 0.4% on the previous year.
- 214 contracts were not renewed and 143 new contracts were entered into with 5 processors.
- All Year Round (AYR) contracts continued to be the main contract type representing 93% of contracts and 98% of milk supplies.
- Winter contracts represented 7% of all contracts and 2% of milk supplies.
- The number of All Year Round (AYR) contracts decreased by 47 to 1,861 or 2% while the number of Winter contracts decreased by 24 contracts to 147.

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 FLAT Price System (FLAT System) and the Manufacturing Milk Price plus Bonus System (MMP System).
- Under the FLAT System, milk is paid for at a flat price per litre with no price differentiation for milk constituents.
- Under the MMP System, a milk price usually, but not always, linked to monthly manufacturing milk prices, with price differentials for constituents, is paid with the addition of variable or fixed winter bonus payments.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	CONTRACTS				SUPPLIES			
	2007/08		2006/07		2007/08		2006/07	
	number	%	number	%	m. litres	%	m. litres	%
All Year Round	1,861	93	1,908	92	446.3	98	423.1	98
Winter	147	7	171	8	8.5	2	9.2	2
TOTAL	2,008	100	2,079	100	454.8	100	432.3	100

Table 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

PRICING SYSTEMS	CONTRACTS				MILK SUPPLIES			
	2007/08		2006/07		2007/08		2006/07	
FLAT SYSTEM	**number**	**%**	**number**	**%**	**m litres**	**%**	**m litres**	**%**
Primary	1,112	60	1,160	61	250.8	56	235.5	56
Non Primary	274	15	288	15	55.6	12	50.8	12
TOTAL FLAT	**1,386**	**75**	**1,448**	**76**	**306.4**	**69**	**286.2**	**68**
MMP SYSTEM	**475**	**25**	**460**	**24**	**139.9**	**31**	**136.8**	**32**
TOTAL	1,861	100	1,908	100	446.3	100	423.0	100

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2007/08

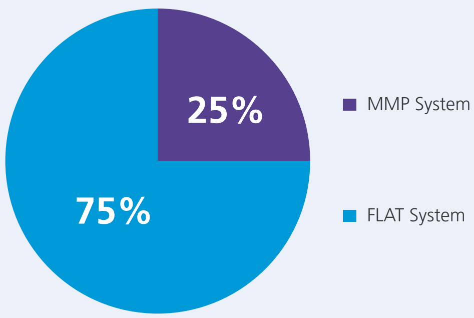
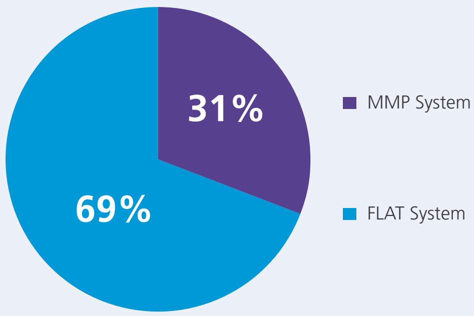


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2007/08



- In the AYR contracts the FLAT System was applied in 75% of the contracts and to 69% of the milk supplies while the MMP System was applied in 25% of the contracts and to 31% of the milk supplies.
- Under the AYR contracts the 1,112 Primary Contracts, which operated a FLAT System with seven winter premium months, were the main contract type and represented 60% of AYR contracts and 56% of milk purchased.
- Non Primary AYR contracts, which operated a FLAT System with varying premium months, numbered 274 and represented 15% of AYR contracts and 12% of milk purchased.
- Increasing volumes of milk are being purchased under the MMP System. In 2007/08 the MMP System was applied in 25% of the AYR contracts and 31% of milk supplies compared with 14% of AYR contracts and 17% of milk supplies in 1999/00.

FIG. 3.5 AYR CONTRACTS – PRICING SYSTEMS/SUPPLIES 1999/00 – 2007/08

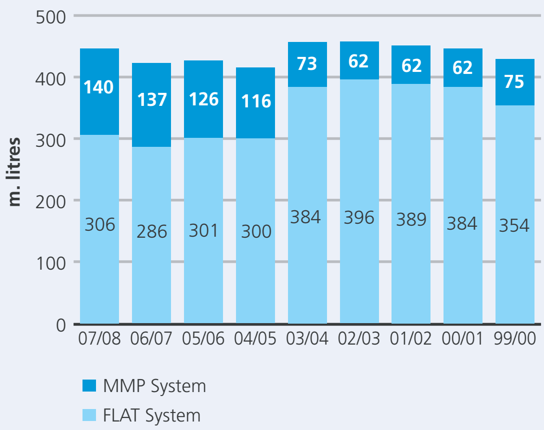


TABLE 3.6 ALL YEAR ROUND CONTRACTS – AVERAGE ANNUAL PRICES PAID

	2007/08	2006/07
FLAT SYSTEM	**1,386 contracts 306.4 m. litres**	**1,448 contracts 286.2 m. litres**
	c/litre	**c/litre**
Winter months, September – March (7)	43.65	34.57
Summer months, April – August (5)	33.40	28.81
Annual Average	**39.38**	**32.25**
MMP SYSTEM	**475 contracts 139.9 m. litres**	**460 contracts 136.8 m. litres**
Winter months, September – March (7)	42.03	32.77
Summer months, April – August (5)	31.68	30.75
Annual Average	**37.60**	**31.85**
COMBINED	**1,861 contracts 446.3 m. litres**	**1,908 contracts 423.0 m. litres**
Winter months, September – March (7)	43.16	34.03
Summer months, April – August (5)	32.85	29.49
Annual Average	**38.84**	**32.11**

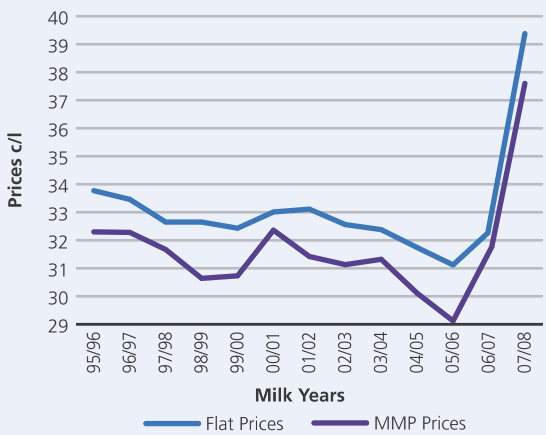
Prices are in respect of AYR contracts which apply the FLAT System and the MMP System and are ex farm attainable prices, exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties, statutory levies and collection charges. Prices are weighted by monthly volumes purchased. In the case of contracts applying the MMP System, prices are based on fixed and variable manufacturing prices with winter bonuses added. Payment periods have been standardised to a seven winter months premium period and a five summer months period.

- The average price paid under the AYR FLAT System contracts in 2007/08 was 39.38 c/l (179 c/g), an increase of 7.13 c/l (32 c/g) or 22% on the previous year.
- The average price paid under the AYR MMP System contracts in 2007/08 was 37.60 c/l (171 c/g), an increase of 5.75 c/l (26 c/g) or 18% on the previous year.
- The average annual price paid under all AYR contracts in 2007/08 was 38.84 c/l (177 c/g), an increase of 6.73 c/l (31 c/g) or 21% on the previous year.
- The price paid during the seven winter months was 43.16 c/l (196 c/g), an increase of 9.13 c/l (42 c/g) or 21% on the previous year. The price paid during the five summer months was 32.85 c/l (149 c/g), an increase of 3.36 c/l (15 c/g) or 11% on the previous year.
- The differential between annual average prices under the Flat and MMP Systems widened in 2007/08 with Flat Systems yielding on average 1.78 c/l more than MMP Systems compared with a differential of 0.40 c/l in 2006/07.
- Eight processors purchased supplies using FLAT Systems in their contracts.
- Seven processors purchased supplies using MMP Systems in their contracts.

3.2 PRICES PAID 2008 – MAIN AYR CONTRACTS

- A table of the average annual milk prices paid under the ten highest volume AYR contracts representing 91% of the AYR contracts and 91% of AYR milk supplies is set out hereunder.

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



See Appendix 3.

TABLE 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 10 HIGHEST VOLUME CONTRACTS

CONTRACT TYPES	ANNUAL AVERAGE PRICES		WINTER PRICES		SUMMER PRICES		CHANGE IN ANNUAL AVERAGE PRICES
FLAT SYSTEM CONTRACTS							
PRIMARY TYPE	**2007/08**	**2006/07**	**2007/08**	**2006/07**	**2007/08**	**2006/07**	**Increases**
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
B	38.73	32.35	42.22	34.04	34.35	30.14	6.38
D	39.97	32.32	44.43	34.26	33.51	28.11	7.65
F	39.96	32.06	44.26	34.63	33.88	28.20	7.90
NON PRIMARY TYPE							
D	38.56	35.15	41.84	37.20	31.18	30.72	3.41
J	37.00	33.13	41.96	34.73	30.22	30.70	3.87
MMP SYSTEM CONTRACTS							
	ANNUAL AVERAGE PLUS BONUS		ANNUAL AVERAGE MONTHLY BONUS		BASE PRICES		PRICE
	2007/08	**2006/07**	**2007/08**	**2006/07**	**2007/08**	**2006/07**	**Increases**
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
A1	37.37	30.76	2.98	2.46	34.39	28.30	6.61
B1	36.60	32.98	4.13	4.24	32.47	28.74	3.62
B2	39.28	32.64	4.93	4.87	34.35	27.77	6.64
C2	41.20	32.58	3.10	4.57	38.10	28.01	8.62
C3	37.24	31.61	3.67	2.65	33.57	28.96	5.63

Contract reference codes relate to Tables 5.6, 5.7 and 5.8 in 2005 Annual Report.

3.3 PRICES PAID – WINTER CONTRACTS

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

	CONTRACTS		MILK SUPPLIES		2007/08	2006/07
Pricing Systems	**number**	**%**	**m. litres**	**%**	**Average Price – Winter Months**	**Average Price – Winter Months**
					c/litre	**c/litre**
MMP	111	76	7.4	87	48.73	36.35
FLAT	36	24	1.1	13	44.63	34.83
TOTAL	147	100	8.5	100	48.20	36.02

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 147 winter contracts applied to 8.5 million litres (a reduction of 0.7 million litres on the previous year) and represented 7% of all contracts and 2% of milk supplies.

3.4 PRICES PAID – ALL CONTRACTS – MILK YEARS

The average price paid under all contracts, both All Year Round and Winter Months Only in 2007/08 was 39 c/litre (177 c/g), an increase of 6.8 c/litre (31 c/g) or 21% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

PERIOD	2007/08	2006/07
	2,008 contracts 454.8 m. litres	**2,079 contracts 432.3 m. litres**
	c/litre	**c/litre**
Winter Months, September – March (7)	43.16	34.09
Summer Months, April – August (5)	32.85	29.49
Average	**39.00**	**32.20**
c/g	**177**	**146**

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

3.5 MILK PRICES 2008

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

- In the calendar year 2008, which includes the first three months of the 2008/09 milk year, the average annual price of 37.58 c/litre paid under all registered contracts was lower than the average annual price of 39 c/litre paid during the 2007/08 milk year due to the reduction in monthly producer prices in the first quarter of the 2008/09 milk year.

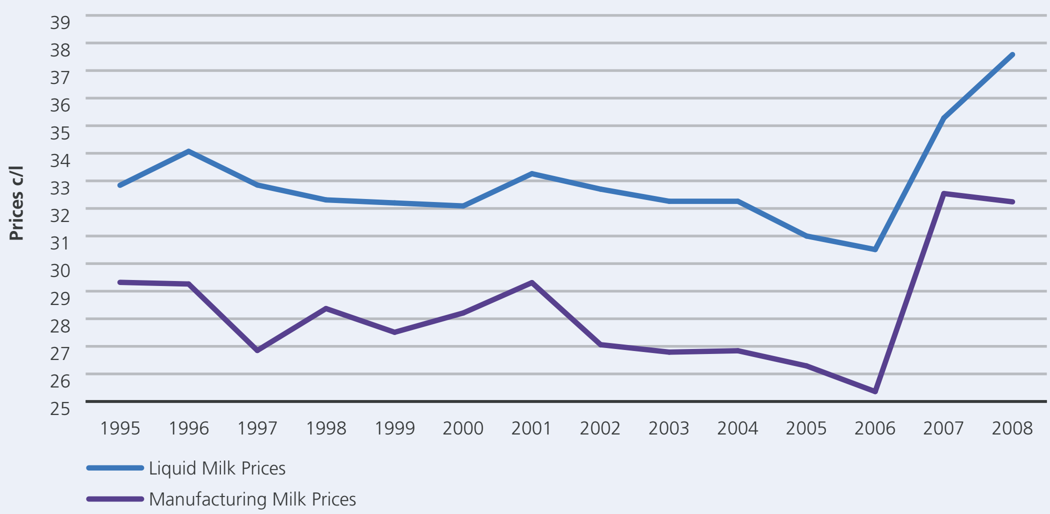
- In 2008 the annual average price paid under all contracts was 37.58 c/l (171 c/g), an increase of 2.30 c/l (11 c/g) on the price of 35.28 c/l (160 c/g) in 2007.

- In 2008 the estimated annual average price for manufacturing milk supplies excluding VAT and after collection charges was 32.24 c/l, a reduction of 0.30 c/l or 1% on the annual average price of 32.54 c/l (revised) in 2007.

- The differential between the annual average producer price for milk supplies for liquid consumption of 37.58 c/l and the annual average producer price for manufacturing milk supplies of 32.24 c/l, was 5.34 c/l (24 c/g) in 2008, an increase of 2.6 c/l or 95% compared with the differential of 2.74 c/l (revised) in 2007.

- A schedule showing average annual milk prices for supplies for liquid consumption and for supplies for manufacturing since 1995 is set out in Appendix 3 (Table B).

FIG. 3.11 AVERAGE ANNUAL PRODUCER MILK PRICES – LIQUID MILK/MANUFACTURING MILK 1995-2008



4. PROCESSORS

TABLE 4.0 STRUCTURE OF ACTIVE REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2007/08

MILK SUPPLY BANDS	NUMBER OF PROCESSORS	ACTIVE REGISTERED PRODUCERS*		ANNUAL SUPPLIES	
m. litres		**number**	**%**	**m. litres**	**%**
0 – 20	10	348	17	63	13
20 – 60	2	205	10	54	12
Over 60	2	1,498	73	348	75
TOTAL	14	2,051	100	465	100

As at 31st December 2008

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

- The industry structure is highly concentrated. Two processors with annual supplies in excess of 60 million litres of milk for processing for liquid consumption account for 73% of all active producers and 75% of milk supplies.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2008 was 19, of which 17 plants were operated by the 14 processors registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency. These processors imported all their supplies of milk for processing for liquid consumption.
- Average annual milk supplies processed per plant operated by registered processors were 27 million litres.

APPENDIX 1 MEETINGS OF THE AGENCY

MEMBERS	MEETINGS ATTENDED 2008
Denis Murphy – Chairman	7
Eamonn Bray	7
Jerome Crowley*	1
Cormac Guinan**	1
Donal Kelleher	2
Padraig Mulligan	7
Donal Murphy	5
George Kearns	7
John O'Callaghan	5
Tony O'Driscoll	6
Frank Tobin	4
Walter Maloney	7
John Foster	7
Richard Donohue	5
Michael Kilcoyne	7

*Appointed 9th December 2008

**Resigned 27th May 2008

The Agency held seven meetings during the year and the attendance ratio was 82%.

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

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

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

The Agency has nominated Mr Eamonn Bray as its representative on the Board of the National Dairy Council.

The Audit Committee consisting of four members, Eamonn Bray (Chairman), George Kearns, Richard Donohue and Denis Murphy held three meetings during the year.

APPENDIX 2 REGISTER OF PRODUCERS/MILK SUPPLIES

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

Register of Producers as at 31 December in each year. Producers remain on the Register until the Agency is notified that producers have permanently ceased to supply milk for processing for liquid consumption. Some producers, who do not have registered contracts, remain on the Register until such notifications are received.

B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

MILK YEARS	TOTAL	ALL YEAR ROUND	WINTER MONTHS ONLY
	m. litres	**m. litres**	**m. litres**
1995/96	497.3	488.4	8.9
1996/97	474.6	467.3	7.3
1997/98	434.6	427.3	7.3
1998/99	433.2	426.4	6.8
1999/00	436.9	428.7	8.2
2000/01	452.6	446.1	6.5
2001/02	458.7	451.6	7.1
2002/03	468.1	458.0	10.1
2003/04	465.5	457.4	8.1
2004/05	425.7	416.3	9.4
2005/06	438.7	427.4	11.3
2006/07	432.3	423.1	9.2
2007/08	454.8	446.3	8.5

C. ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

MILK YEARS	CONTRACTS	PRICING SYSTEMS		% FLAT	% MMP
		FLAT	MMP+		
1995/96	3,206	2,735	471	85	15
1996/97	3,151	2,696	455	86	14
1997/98	2,783	2,410	373	87	13
1998/99	2,708	2,291	418	85	15
1999/00	2,642	2,269	373	86	14
2000/01	2,725	2,375	350	87	13
2001/02	2,620	2,282	338	87	13
2002/03	2,583	2,239	344	87	13
2003/04	2,510	2,075	435	83	17
2004/05	2,199	1,686	513	77	23
2005/06	2,104	1,589	515	76	24
2006/07	1,908	1,448	460	76	24
2007/08	1,861	1,386	475	75	25

D. ALL YEAR ROUND CONTRACTS/ SUPPLIES AND PRICING SYSTEMS

MILK YEARS	SUPPLIES	PRICING SYSTEMS		% FLAT	% MMP
		FLAT	MMP+		
	m. litres	**m. litres**	**m. litres**		
1995/96	488.4	443.6	44.8	91	9
1996/97	467.3	395.5	72.7	85	15
1997/98	427.3	364.6	62.3	85	15
1998/99	426.4	350.0	76.4	82	18
1999/00	428.7	353.7	75.0	83	17
2000/01	446.1	383.6	62.5	86	14
2001/02	451.6	389.5	62.1	86	14
2002/03	458.0	396.4	61.6	87	13
2003/04	457.4	384.3	73.1	84	16
2004/05	416.3	300.0	116.3	72	28
2005/06	427.4	301.0	126.4	70	30
2006/07	423.1	286.2	136.8	68	32
2007/08	466.3	306.4	139.9	69	31

APPENDIX 3 ANNUAL PRICE DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS – 1995/96 TO 2007/08 – ANNUAL PRICE DIFFERENTIALS BETWEEN FLAT SYSTEM AND MMP SYSTEM

MILK YEARS	AVERAGE FLAT PRICES		AVERAGE MMP PRICES		PRICE DIFFERENTIALS FLAT PRICE V MMP PRICE	
	c/l	c/g	c/l	c/g	c/l	c/g
1995/96	33.77	153	32.30	147	1.47	7
1996/97	33.46	152	32.28	147	1.18	5
1997/98	32.65	148	31.67	144	0.98	4
1998/99	32.65	148	30.64	139	2.01	9
1999/00	32.43	147	30.73	140	1.70	8
2000/01	33.01	150	32.36	147	0.65	3
2001/02	33.11	150	31.42	143	1.69	8
2002/03	32.56	148	31.13	141	1.43	6
2003/04	32.38	147	31.32	142	1.06	5
2004/05	31.74	144	30.11	137	1.63	7
2005/06	31.12	141	29.12	132	2.00	9
2006/07	32.25	147	31.85	145	0.40	2
2007/08	39.38	179	37.60	171	1.78	8

TABLE B. AVERAGE ANNUAL PRODUCER MILK PRICES – 1995-2008 LIQUID/MANUFACTURING ANNUAL PRICE DIFFERENTIALS

CALENDAR YEARS	PRICES – LIQUID		PRICES – MANUFACTURING*		PRICE DIFFERENTIAL	
	c/l	c/g	c/l	c/g	c/l	c/g
1995	32.84	149	29.32	133	3.52	16
1996	34.07	155	29.26	133	4.81	22
1997	32.85	149	26.85	122	6.00	27
1998	32.31	147	28.37	129	3.94	18
1999	32.20	146	27.51	125	4.69	21
2000	32.09	146	28.21	128	3.88	18
2001	33.26	151	29.31	133	3.95	18
2002	32.70	149	27.06	123	5.64	26
2003	32.26	147	26.79	122	5.47	25
2004	32.26	147	26.84	122	5.42	25
2005	31.00	141	26.29	119	4.71	21
2006	30.51	139	25.36	115	5.15	23
2007	35.28	160	32.54**	148**	2.74**	12**
2008	37.58	171	32.24	147	5.34	24

*Prices excluding VAT, before levies and after collection charges

** Revised

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A – STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2007/08 AND 2006/07

ANNUAL SUPPLY BANDS	ACTIVE REGISTERED PRODUCERS*		TOTAL SUPPLIES		SUPPLIES FOR LIQUID CONSUMPTION		SUPPLIES FOR MANUFACTURING		AVERAGE SUPPLIES FOR LIQUID		*% OF ACTIVE REGISTERED PRODUCERS*		*% OF TOTAL SUPPLIES*		*% OF LIQUID SUPPLIES*		*LIQUID SUPPLIES % TOTAL SUPPLIES*	
litres	**number**		**m. litres**		**m. litres**		**m. litres**		**'000s litres**									
	07/08	**06/07**	**07/08**	**06/07**	**07/08**	**06/07**	**07/08**	**06/07**	**07/08**	**06/07**	*07/08*	*06/07*	*07/08*	*06/07*	*07/08*	*06/07*	*07/08*	*06/07*
<49,999	105	161	2.1	3.3	1.3	2.2	0.8	1.1	12	14	*5*	*7*	*-*	*-*	*-*	*-*	*62*	*67*
50,000-99,999	134	144	10.3	10.9	7.3	6.7	3.1	4.2	54	47	*7*	*7*	*1*	*1*	*2*	*2*	*70*	*62*
100,000-149,999	125	136	15.8	17.0	9.3	9.4	6.5	7.6	75	69	*6*	*6*	*2*	*2*	*2*	*2*	*59*	*55*
150,000-199,999	157	173	27.5	30.4	15.5	17.0	12.0	13.4	99	98	*8*	*8*	*4*	*4*	*3*	*4*	*56*	*56*
200,000-249,999	171	195	38.6	44.0	21.8	23.6	16.9	20.4	127	121	*8*	*9*	*5*	*6*	*5*	*6*	*56*	*54*
250,000-299,999	207	209	57.0	57.4	33.2	32.5	23.8	24.9	160	156	*10*	*10*	*7*	*7*	*7*	*7*	*58*	*57*
300,000-349,999	213	214	69.3	69.3	37.7	38.3	31.6	31.1	177	179	*10*	*10*	*9*	*9*	*8*	*8*	*54*	*55*
350,000-399,999	179	176	66.8	65.9	35.0	34.9	31.9	31.0	195	198	*9*	*8*	*8*	*8*	*8*	*8*	*52*	*53*
400,000-449,999	139	162	59.2	68.4	32.0	37.7	27.2	30.7	230	233	*7*	*7*	*7*	*9*	*7*	*9*	*54*	*55*
450,000-499,999	130	129	61.5	60.9	34.4	34.5	27.2	26.4	265	268	*6*	*6*	*8*	*8*	*7*	*7*	*56*	*57*
500,000-599,999	173	161	94.7	87.9	55.4	53.0	39.3	34.9	320	329	*8*	*7*	*12*	*11*	*12*	*11*	*59*	*60*
600,000-699,999	103	104	66.6	67.1	40.1	38.8	26.5	28.3	389	373	*5*	*5*	*8*	*8*	*9*	*8*	*60*	*58*
Over 700,000	215	205	226.7	211.1	142.4	133.8	84.3	77.3	662	653	*11*	*9*	*29*	*27*	*31*	*29*	*63*	*63*
TOTAL	2,051	2,169	796.2	793.6	465.4	462.4	330.8	331.2	227	213	*100*	*100*	*100*	*100*	*100*	*100*	*58*	*58*

Source: NMA

Figures adjusted for rounding.

*All active registered producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2007/08 and 2006/2007.

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE B – STRUCTURE OF DOMESTIC MILK SUPPLIES AND LIQUID MILK SUPPLIES CLASSIFIED BY ANNUAL QUOTA SUPPLY BANDS 2007/08 AND 2006/07

	PRODUCERS										MILK QUOTAS/SUPPLIES									
ANNUAL SUPPLY BANDS	ALL ACTIVE PRODUCERS		ACTIVE REGISTERED PRODUCERS*		ALL PRODUCERS		ACTIVE REGISTERED PRODUCERS*		ACTIVE REGISTERED PRODUCERS % ALL PRODUCERS		DOMESTIC MILK QUOTAS		SUPPLIES OF REGISTERED PRODUCERS		% OF DOMESTIC ALL PRODUCERS		% OF REGISTERED PRODUCERS' SUPPLIES		% OF DOMESTIC SUPPLIES OF REGISTERED PRODUCERS'	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Litres	Number	Number	Number	Number	%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	813	911	105	161	4	5	5	7	13	18	35	26	2.1	3.2	1	1	0.3	0.4	6	12
50,000-100,000	1,831	2,022	134	144	9	10	7	7	7	7	138	155	10.3	10.9	3	3	1.3	1.4	7	7
100,001-200,000	5,385	5,698	282	309	28	28	14	14	5	5	823	864	43.3	47.4	16	17	5.4	6.0	5	5
200,001-250,000	2,960	3,119	171	195	15	16	8	9	6	6	672	693	38.6	44.0	13	14	4.9	5.5	6	6
250,001-300,000	2,487	2,306	207	209	13	11	10	10	8	9	691	627	57.0	57.4	13	12	7.2	7.2	8	9
300,001-350,000	1,784	2,113	213	214	9	10	10	10	12	10	583	674	69.3	69.3	11	13	8.7	8.7	12	10
350,001-400,000	1,448	1,391	179	176	7	7	9	8	12	13	542	515	66.8	65.9	10	10	8.4	8.3	12	13
400,001-450,000	876	798	139	162	4	4	7	7	16	20	371	336	59.2	68.4	7	7	7.4	8.6	16	20
Over 450,000	2,102	1,839	621	599	11	9	30	28	30	33	1,351	1,169	449.4	427	26	23	56.4	53.8	33	37
TOTAL	19,686	20,197	2,051	2,169	100	100	100	100	10	11	5,206	5,059	796.2	793.6	100	100	100	100	15	16

Sources: Department of Agriculture, Fisheries and Food – EU milk years 2006/07 and 2007/08 ended 31 March 2007 and 2008 respectively.

NMA – Milk years 2006/07 and 2007/08 ended 30 September 2007 and 2008 respectively.

* All registered active producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2007/08 and 2006/07.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2008

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2008 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of members and auditors

The members are responsible for preparing the Annual Report, including as set out in the Statement of Members' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with General Accepted Accounting Practice in Ireland.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of affairs of the Agency as at 31 December 2008 and of the surplus for the year then ended.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin
Date: 24 March 2009

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 €	2007 €
Income			
Milk levy – continuing operations	*2*	**625,881**	584,881
Other income	*3*	**55,761**	48,458
		681,642	633,339
Expenditure			
Salaries and superannuation		**394,741**	396,955
Administration costs	*4*	**230,911**	225,246
Depreciation		**2,709**	4,110
		628,361	626,311
Surplus for the year	*10*	**53,281**	7,028

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

The financial statements were approved by the Members on 24 March 2009.

Denis Murphy
Chairman

Eamonn Bray
Member

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 €	2007 €
FIXED ASSETS			
Tangible assets	*6*	**3,412**	4,881
CURRENT ASSETS			
Debtors	*7*	**101,917**	105,762
Cash at bank and in hand	*8*	**1,394,946**	1,256,351
		1,496,863	1,362,113
CREDITORS (Amounts falling due within one year)	*9*	**(726,088)**	(646,088)
NET CURRENT ASSETS		**770,775**	716,025
NET ASSETS		**774,187**	720,906
FINANCED BY:			
Accumulated fund	*10*	**774,187**	720,906

The financial statements were approved by the Members on 24 March 2009.

Denis Murphy
Chairman

Eamonn Bray
Member

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	€	€
OPERATING ACTIVITIES		
Net cash inflow from operating activities (Note (a))	**84,074**	12,877
Returns on investments and servicing of finance		
Interest received	**55,761**	48,458
Capital expenditure		
Payments to acquire tangible fixed assets	**(1,240)**	(2,401)
Increase in cash at bank and in hand (Note (b))	**138,595**	58,934

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2008	2007
	€	€
Increase in cash at bank and in hand	**138,595**	58,934
Movement in net funds for the year	**138,595**	58,934
Net funds at beginning of year	**1,256,351**	1,197,417
Net funds at end of year (see Note (b))	**1,394,946**	1,256,351

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2008

Note (a)

Reconciliation of operating surplus to Net cash inflow from operating activities

	2008	2007
	€	€
Surplus for year	**53,281**	7,028
Depreciation	**2,709**	4,110
Decrease/(increase) in debtors	**3,845**	(8,603)
Increase in creditors	**80,000**	58,800
Interest received (net)	**(55,761)**	(48,458)
	84,074	12,877

Note (b)

	At 01 January 2008	Cash flows	**At 31 December 2008**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	29,490	40,972	**70,462**
Cash deposits	1,226,861	97,623	**1,324,484**
	1,256,351	138,595	**1,394,946**
Net funds	1,256,351	138,595	**1,394,946**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) 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

(c) Superannuation scheme

The final draft of the superannuation scheme for the staff of the Agency referred to in paragraph 14 of the Schedule of the Milk (Regulation of Supply) Act, 1994, has been submitted for approval to the Department of Agriculture, Fisheries and Food and the Department of Finance by the Agency's pension advisor.

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 of the Agency, subject to the payment by the Agency to the Department of Agriculture, Fisheries and Food of all employer and employee contributions collected to date and for the future (see note 11).

The Agency's annual contributions for staff superannuation benefits are based on actuarial advice and are charged to the Income and Expenditure Account in the year to which they relate.

Superannuation contributions paid by the Agency and its staff are held in a separate bank account (see note 8).

2. MILK LEVY

Since 1 June 2008 the rate of levy payable by milk processors under Section 8 of the Milk (Regulation of Supply) Act, 1994 on milk purchased for liquid consumption is 0.145 cent per litre, an increase of 0.018 cent per litre, on the previous levy of 0.127 cent per litre.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

3. OTHER INCOME

	2008	2007
	€	€
Deposit interest	**55,761**	48,458

4. ADMINISTRATION COSTS

	2008	2007
	€	€
Staff expenses	**53,383**	48,990
Training and education	**3,500**	3,500
Members' expenses	**22,179**	27,785
Chairman's remuneration (2007 includes arrears of €2,882)	**10,500**	13,382
Stationery	**4,473**	6,345
Annual report	**19,173**	22,057
Telephone	**10,807**	9,820
Postage	**5,318**	3,193
Publications	**901**	790
Legal fees	**7,854**	2,490
Consultancy fees	**10,692**	4,919
Audit fees	**4,320**	5,138
Rent	**44,840**	44,852
Insurance	**3,133**	3,432
Accounting and professional fees	**6,446**	6,884
Repairs and renewals	**5,093**	5,900
Miscellaneous	**18,299**	15,769
	230,911	225,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

5. TAXATION

The Agency is included as an exempt body under the Taxes Consolidation Act, 1997 (Amendment of Schedule 4) Order, 2002, effective from 30 December 1994. Under Section 227 of the Taxes Consolidation Act, 1997, however, deposit interest arising to specified non-commercial state sponsored bodies, including the National Milk Agency is not entitled to exemption from deposit interest retention tax. Deposit interest is presented net of deposit interest retention tax of €13,940 (2007: €12,115).

6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	**€**	**€**	**€**
Cost:				
At 1 January 2008	12,658	20,126	65,042	97,826
Additions	-	159	1,081	1,240
At 31 December 2008	12,658	20,285	66,123	99,066
Depreciation:				
At 1 January 2008	10,778	19,680	62,487	92,945
Charged in year	367	226	2,116	2,709
At 31 December 2008	11,145	19,906	64,603	95,654
Net book amounts:				
At 31 December 2008	**1,513**	**379**	**1,520**	**3,412**
At 31 December 2007	**1,880**	**446**	**2,555**	**4,881**

7. DEBTORS (Amounts falling due within one year)

	2008	2007
	€	€
Milk levy receivable	**89,430**	83,461
Prepayments	**10,566**	10,507
Other debtors	**1,921**	11,794
	101,917	105,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

8. CASH AT BANK AND IN HAND

As at 31 December 2008 an amount of €641,076 (2007: €577,589) was being held in a separate bank account to meet the obligations in relation to the superannuation scheme for the staff of the Agency which is awaiting the approval of the Department of Agriculture, Fisheries and Food and the Department of Finance (see notes l (c) and 11).

9. CREDITORS (Amounts falling due within one year)

	2008	2007
	€	€
Superannuation contributions	**641,076**	577,589
Accruals and other creditors	**79,219**	59,659
PAYE/PRSI	**5,793**	8,840
	726,088	646,088

10. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2008	2007
	€	€
Accumulated surplus brought forward	**720,906**	713,878
Surplus for the year	**53,281**	7,028
Accumulated fund carried forward	**774,187**	720,906

11. SUPERANNUATION COMMITMENTS

The National Milk Agency, in accordance with the provisions of the Milk (Regulation of Supply) Act, 1994, is required to establish a superannuation scheme for the staff of the Agency to be operated as a defined benefit scheme. The final draft of the superannuation scheme has been submitted to the Department of Agriculture, Fisheries and Food and the Department of Finance by the Agency's pension advisor and is awaiting approval. During 2008 the Department of Agriculture, Fisheries and Food advised the Agency that the Department of Finance had given sanction to operate the pension scheme on an administrative basis including the Spouses' and Children's Scheme.

11. SUPERANNUATION COMMITMENTS (continued)

The Agency's annual contributions have been assessed by a professionally qualified actuary and are charged to the Income and Expenditure Account in the year to which they relate. The charge for the current year amounted to €46,394 (2007: €45,596). The Agency's superannuation contributions and the superannuation contributions collected from employees are held in a separate bank account and will be paid over to the Department of Agriculture, Fisheries and Food on the final approval of the superannuation scheme. At 31 December 2008 an amount of €641,076 (2007: €577,589) was being held in the separate bank account.

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

The Department of Finance has confirmed to the National Milk Agency that, subject to the payment by the Agency to the Department of Agriculture, Fisheries and Food of all employer and employee contributions collected to date and for the future, the Exchequer will bear the cost of paying all superannuation benefits to and in respect of the pensionable employees of the Agency. The Department of Agriculture, Fisheries and Food has confirmed that the annual rate of employer's contribution will not exceed 16.67% of salaries.

The Department of Agriculture, Fisheries and Food has also confirmed to the National Milk Agency that, subject to the National Milk Agency making the payments as detailed in the paragraph above, it 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.

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

APPENDIX 6

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

NATIONAL **MILK** AGENCY

IPC House, 35-39 Shelbourne Road
Ballsbridge, Dublin 4
Tel: 01 660 3396
Fax: 01 660 3389
Email: natmilk@eircom.net
Web: www.nationalmilkagency.ie