NATIONAL MILK AGENCY

NATIONAL MILK AGENCY

ANNUAL REPORT & ACCOUNTS

2009

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 2009, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

Last year the national economy continued to experience a combination and coincidence of adverse economic events in the form of the continuing banking crisis, reduced export competitiveness, and a strong euro, relative to sterling and the US dollar, which led to a contraction in national output, business closures and rising unemployment. The structural fiscal deficit resulted in increased reliance on foreign borrowings.

The farming sector experienced its worst income crisis in a generation due to falling product prices across all sectors, reduced output, reductions in farm grants, high costs and adverse, wet, weather conditions. The year ended with widespread flooding from the wettest November in the past 150 years and the coldest winter in over 60 years.

Despite the appalling winter weather conditions in 2009/10, there was no shortage or disruption of domestic milk supplies for processing for liquid consumption.

For the Irish dairy sector 2009 was a challenging and dismal year for both producers and processors. Domestic milk supplies fell by 3% to the lowest level in almost 30 years and were 10% below the EU quota. As the year commenced international dairy product prices fell sharply and the price decline persisted through the peak milk production months.

Monthly producer prices for manufacturing milk fell to 1986 levels and below the cost of production. The annual average producer price for manufacturing milk fell by 32% to just over 22 c/litre, excluding vat, and almost wiped out the net margin (before direct payments) of the average dairy farmer.

Direct payments, under the sixth phase of the EU dairy premium payment of 3.65 c/litre and under the EU emergency dairy compensation payment of 0.22c/litre partially offset the adverse, income impact for eligible milk producers.

Consumption of fresh milk on the domestic market decreased by 2% to 568 million litres. Consumption of whole milk fell by 7% while the consumption of low fat and skimmed milks was unchanged.

The market share of domestic milk supplies to the fresh milk market fell to 76% as imported milk supplies from Northern Ireland, both in packaged form and in bulk for processing for liquid consumption, increased their market share to 24%.

Fresh milk continued as an excellent, value for money, healthy, nutritious, food product with the average annual retail price for fresh whole milk being virtually unchanged compared with the previous year. The producers' share of the average annual retail whole milk price in one litre packs, however, fell to 26%, the lowest on record, compared with 34% in 2008.

Producer prices for liquid milk under the Manufacturing Milk Price plus Bonus systems fell automatically with the collapse in manufacturing milk prices. Producer prices for liquid milk under the Flat price systems were also adjusted downwards.

The annual average producer price for milk for processing for liquid consumption fell by 22% to 29.17 c/litre, excluding vat, and was the lowest producer milk price since the early 1990s.

The differential between the average producer price for liquid milk and the annual, average, producer price for manufacturing milk, however, increased to 7.13 c/litre, the highest on record and compared with 5.34 c/litre in 2008.

In the final quarter of 2009, international dairy commodity prices increased significantly, albeit from particularly low levels. At the commencement of 2010, the global recession has begun to recede, global demand for dairy products is increasing and milk supplies are falling worldwide. Producer milk prices are beginning to increase. The outlook is positive.

Registers

In the milk year 2008/09 the number of milk supply contracts registered with the Agency fell to 1,992 contracts and related to 448 million litres of milk for processing for liquid consumption. This represented a reduction of 16 contracts from the number registered in the previous year and a decrease of 7 million litres in registered milk supplies. The number of registered processors increased to 15.

Contracts

All Year Round (AYR) milk supply contracts numbered 1,849 contracts for supplies of 438 million litres of milk and represented 93% of contracts and 98% of milk supplies. The number of AYR contracts reduced by 12 or 0.5%.

Winter contracts comprised 143 contracts and represented 7% of contracts and 2% of milk supplies. The number of winter contracts decreased by 4 or 3%.

Under the AYR contracts the Flat Price System continued as the main pricing system for registered milk supplies and was applied in 74% of the contracts and to 71% of the milk supplies. The Manufacturing Milk Price plus Bonus System was applied in 26% of the contracts and to 29% of milk supplies.

Milk Prices 2008/09

In the milk year 2008/09 the average milk price paid, excluding vat, under the 1,849 AYR contracts was 30.24 c/litre, a decrease of 8.6 c/litre or 22% on the previous year.

Under the Flat Price System the average price paid was 31.35 c/litre while under the Manufacturing Milk Price plus Bonus System the average price paid was 27.45 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 2009 decreased by almost 2% to 568 million litres. The growing consumer preference for low fat and skimmed milks continued with these products now constituting 33% of total fresh milk sales.

Buying power in the Irish grocery market continued to concentrate with three major multiples controlling almost 71% of the market.

In its submission to the Department of Enterprise, Trade and Employment on a "Code of Practice for Grocery Goods Undertakings" the Agency recommended statutory protection for fresh, perishable products such as milk, meat, fish and vegetables. Grocery supply agreements for these products should be regulated to ensure that value is maintained in the business chain for processors and producers.

Milk Imports for Liquid Consumption

Fresh milk imports for liquid consumption, which include fresh milk in consumer packs and bulk milk imports for processing in the State, continued to increase and amounted to 135 million litres, an increase of 13 million litres, or 11% on the import volumes in the previous year.

There was a significant increase in fresh milk imports in consumer packs, which represented 58% of these imports, while there was a reduction in bulk milk imports for processing for liquid consumption in the State which represented 42%.

The market share of fresh milk imports increased to 24% of the domestic fresh milk market compared with 21% in the previous year.

Dairy Sector

Domestic milk supplies in 2009 decreased by 3% to 4,801 million litres, the lowest level since 1982 while the number of active milk producers also fell to 18,930 producers. Average annual milk supplies per producer were 254,000 litres.

Dairy farmers' net incomes were almost wiped out as the milk price for manufacturing milk supplies fell below the cost of milk production. The annual average producer price for manufacturing milk supplies in 2009 fell by 32% or 10.20 c/litre to 22.04 c/litre, excluding vat. Prices for all major inputs fell with feed and fertilizer prices down by about 8% and energy by about 15%.

The sixth 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.

In March 2010, in an endeavour to partially compensate milk producers for the income collapse in 2009, an EU emergency dairy compensation fund payment of 2.21 c/litre, was paid to all milk producers active in the 2008/09 milk year.

Financial

Total income of the Agency in 2009 was €655,639, a decrease of €26,003 or 4% on the previous year. Income from milk levies of €624,993 represented 95% of total income and decreased by €888 or 0.1% while other income decreased by €25,115 or 45%.

Operating costs of €637,227 increased by €8,866 or 1.4%. Personnel and related costs, representing 70% of total costs, decreased by €6,013 or 1.3% while other costs increased by €14,879 or 8.4%.

The excess of income of €655,639 over costs of €637,227 resulted in an operating surplus for the year of €18,412, which was added to the Accumulated Fund.

At year end the Accumulated Fund amounted to €792,599 and was comprised of cash and deposits (net of creditors and superannuation liabilities) of €685,265, debtors of €104,779 and fixed assets of €2,555.

Agency Membership/Meetings

The triennial election of producer members to the sixth Board of the Agency took place in October.

In the ballot in the first constituency, Eamonn Bray and Padraig Mulligan, the two previously serving members, were re-elected and Eamonn McEnteggart was elected to fill the vacancy, arising from the retirement of Donal Murphy, who did not seek re-election. I wish to thank Donal for his helpful contributions and support for the Agency during his term of office.

In the second constituency, the number of producer candidates equalled the number of producer seats available and a ballot of producers was not necessary. Jerome Crowley and Donal Kelleher, the two previously serving members, were elected.

During the year the Agency held seven meetings and the Audit Committee held five meetings.

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 cooperation 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.

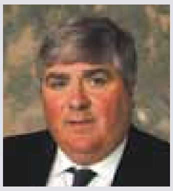
On my own behalf, I thank the members of the Agency, for their wise counsel and commitment and Muiris and his team for their work and commitment.

Denis Murphy
Chairman

Chairman

*Denis Murphy**

Producers' Representatives



*Eamonn Bray**

Jerome Crowley

Donal Kelleher

Eamonn McEnteggart

Padraig Mulligan

Processors' Representatives

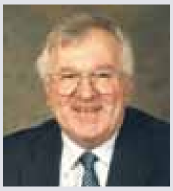
*George Kearns**

John O'Callaghan

Tony O'Driscoll

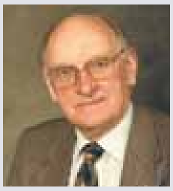
Frank Tobin

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 Eamonn McEnteggart Padraig Mulligan
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
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Email:	natmilk@eircom.net
Website:	www.nationalmilkagency.ie
Solicitor:	Frank Mulvey Frank Mulvey Solicitors, Morrison Chambers, 32 Nassau Street, Dublin 2.
Bankers:	Allied Irish Banks plc Bankcentre Branch, Ballsbridge, Dublin 4. Bank of Ireland 39 St. Stephen's Green, Dublin 2.
Auditor:	Deloitte & Touche Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

CONTENTS

Dr. Muiris Ó Céidigh
Chief Executive

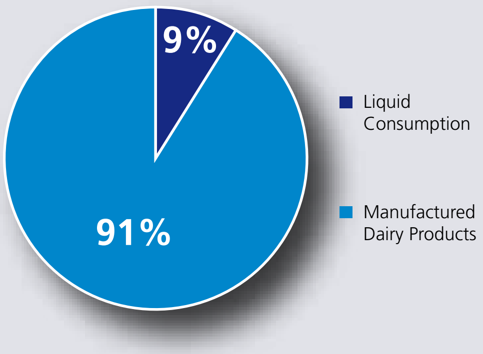
1. MILK SUPPLIES

1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2009 were 4,801 million litres, a decrease of 158 million litres or 3% from supplies in 2008. The number of active milk producers fell by 4% to 18,930 while average annual milk supplies per producer were 254,000 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 2009



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.

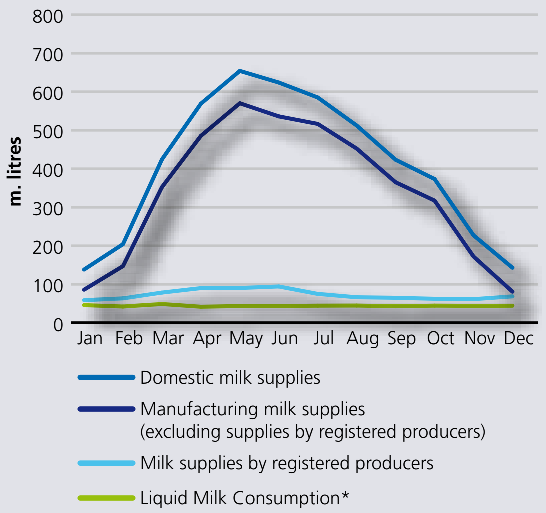
The domestic milk supply profile had a peak to trough month ratio of 4.9/1, which was comprised of a peak to trough month ratio of 8.1/1 for milk supplies from manufacturing milk producers and of 1.7/1 for milk supplies from liquid milk producers.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

YEAR	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios							
Manufacturing	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
ALL	4.9	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) 2009



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

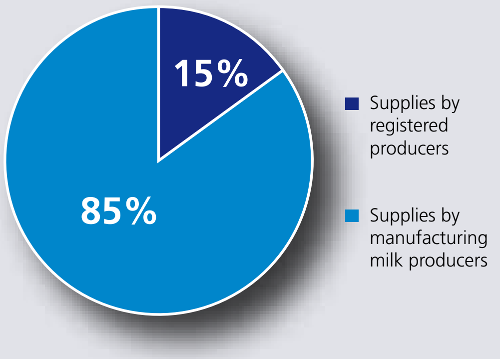
Source: CSO/NMA

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,028 active registered producers, (including producers without registered contracts) in 2008/09 amounted to 804 million litres (Appendix 4 – Table A), an increase of 8 million litres or 1% on supplies in 2007/08. Supplies for processing for liquid consumption amounted to 456 million litres or 57% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 348 million litres or 43% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 11% of all milk producers and supplying 15% of domestic milk supplies. They supply not only the all year round domestic milk requirements for liquid milk consumption but also 7% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2009



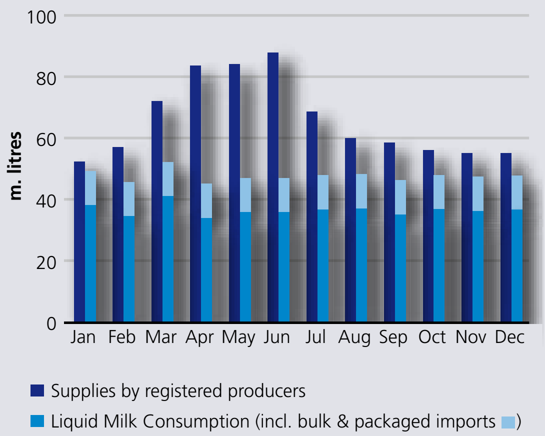
The average registered producer in 2008/09 had annual supplies of 397,000 litres compared with 388,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2009 to February 2010, total milk supplies by active registered producers amounted to an estimated 279 million litres, a decrease of 4 million litres on 2008/09, and provided a supply cover of 118% for liquid milk consumption (including imports) of an estimated 236 million litres.

In the months of December 2009 and January 2010, total supplies by active registered producers amounted to an estimated 113 million litres and were 17 million litres in excess of liquid milk consumption (including imports) of an estimated 96 million litres in those months, a supply cover of 118%.

FIG. 1.4 MONTHLY MILK SUPPLIES BY REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2009



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

Source: CSO/NMA

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 427 million litres, a decrease of 37 million litres, or 8% on 2008.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres													
Supplies	4,801	4,959	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	4,973	4,944	5,105	5,144
Imports (bulk)	427	464	473	566	550	377	349	278	209	304	361	282	-	-
IMPORTS %	9	9	9	11	11	7	7	5	4	6	7	6	0	0

Bulk milk imports of 427 million litres in 2009 do not include liquid milk imports in consumer packs and were 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 87% of these imports while bulk imports for processing for liquid consumption in the State, namely 57 million litres, represented 13%.

Total milk imports for liquid consumption, both bulk and in consumer packs, amounted to 135 million litres, an increase of 13 million litres or 11%, on the import volumes in the previous year.

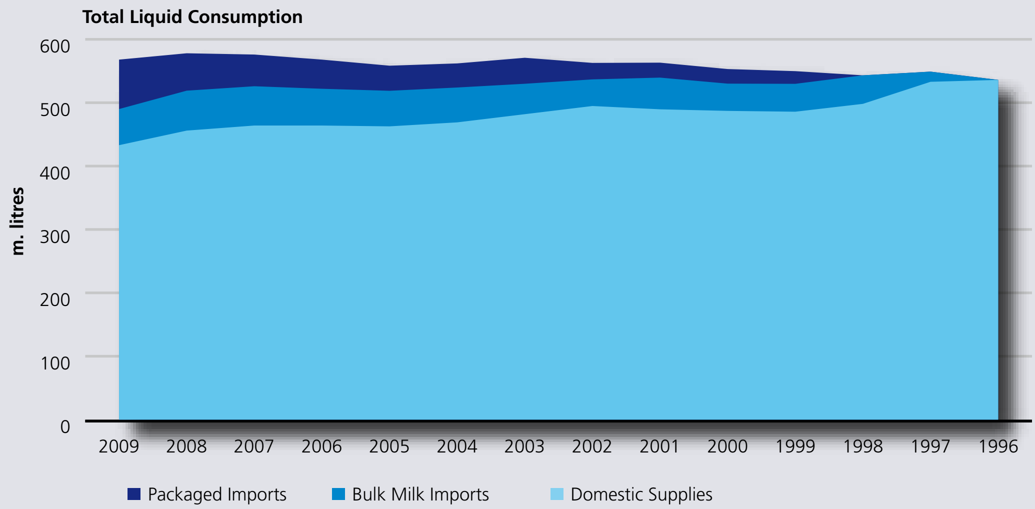
Bulk milk imports of 57 million litres represented 42% of imports for processing for liquid consumption, a decrease of 6 million litres or 10% on the previous year.

Imports of fresh milk in consumer packs, were estimated at 78 million litres and represented 58% of imports for liquid consumption, an increase of 19 million litres or 32% on the previous year.

TABLE 1.6 BULK AND PACKAGED MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres													
Bulk	57	63	62	58	55	55	48	42	50	43	44	45	16	0
Consumer Packs	78	59	50	46	40	38	41	26	24	23	20	-	-	0
TOTAL IMPORTS	135	122	112	104	95	93	89	68	74	66	64	45	16	0

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2009



The market share of domestic supplies in the State's fresh milk market fell to 76% in 2009 from 79% in 2008 while the market share of imports grew to 24% from 21% in 2008.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2009

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

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

Since 1996 imports of fresh milk for liquid consumption have grown to 135 million litres absorbing all the increase of 32 million litres in consumption and displacing 103 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 76% in 2009 while the market share of imports has grown from zero to 24%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 505 million litres in 2009 and were equivalent to 10% of domestic milk supplies and 28% of Northern Ireland's annual milk supply.

Exports of skim milk, whole milk and cream from processors in the State to Northern Ireland amounted to 75 million litres in 2009, an increase of 26 million litres or 54% on the previous year.

1.5 Northern Ireland–Milk Supplies/ Milk Prices

Domestic milk supplies in Northern Ireland in 2009 amounted to 1,772 million litres, a decrease of 130 million litres or 7% on the previous year, and were supplied by 3,363 dairy farmers. Milk supplies in Northern Ireland in 2009 were equivalent to 37% of domestic milk supplies.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2009

	REPUBLIC OF IRELAND	NORTHERN IRELAND
Total Supplies – m. litres	4,801	1,772
Average Butterfat %	3.83	4.04
Average Protein %	3.39	3.26
Peak month/trough month ratio	4.9	1.5
Suppliers – number	18,930	3,363
Average supplies per supplier – litres	254,000	527,000

Average annual milk supplies per supplier in Northern Ireland in 2009 were 527,000 litres, which is more than double the average milk supplies per supplier of 254,000 litres in the State. Average annual milk supplies by registered milk producers in the State were 397,000 litres in 2008/09.

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 2009, of 1.5/1 compared with 4.9/1 in the State.

FIG. 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2009

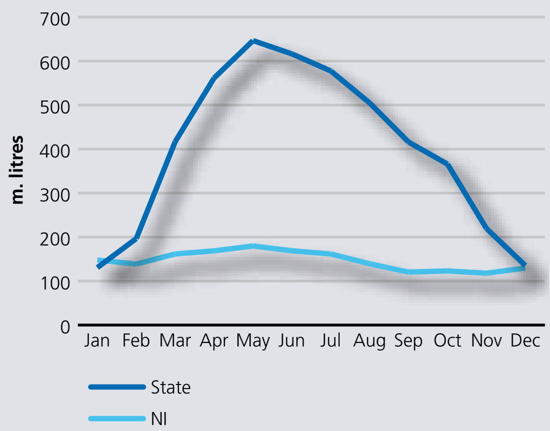


TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993 – 2009

	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

Source: DARDNI

Since 1993, annual milk supplies in Northern Ireland have increased by 463 million litres or 35% due to the purchase and transfer of additional milk quotas from Great Britain.

In 2009, 427 million litres or 24% of the annual milk supply were exported to the State as raw milk compared with 29% in 2008.

Last year 17% of domestic 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 2009 was 21.51 p/l (24.09 c/l), a decrease of 1.22 p/l on the previous year.

The average annual net price to producers for all year round milk supplies in 2009 was 19.46 p/l (21.83 c/l), a decrease of 3.46 p/l on the previous year.

The Northern Ireland average annual milk price for producers of 21.83 c/l in 2009 was 1% less than the average annual milk price for manufacturing milk supplies in the State.

2. THE LIQUID MILK MARKET

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €560m in 2009.

National consumption of fresh liquid milk last year was 568 million litres (125 million gallons), a decrease of 10 million litres or 1.7% on consumption in 2008. Per capita consumption in the State of 0.34 litres per day, was the third highest in the EU.

The average annual retail price of milk in one litre packs in 2009 increased by 1 c/l to 112 c/l compared with the previous year. In constant money terms the retail price of fresh milk in one litre packs in 2009 is the same as it was in 1995.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	145	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 in one litre packs fell to 26% in 2009 from 34% in 2008 and 43% in 1995. The average annual retail price for milk sold in 2 litre packs in 2009 was 191 c/2 litre (equivalent to 95.5 c/l), a reduction of 9 c/2 litres or 4% on the previous year. The producers' share of the annual retail price based on a 33/67 mix of 1 litre and 2 litres packs for 2009 would amount to 29% compared with 36% in 2008.

TABLE 2.1 ANNUAL RETAIL MILK PRICES – ANNUAL PRODUCER MILK PRICES/PRODUCERS' SHARE OF RETAIL MILK PRICE

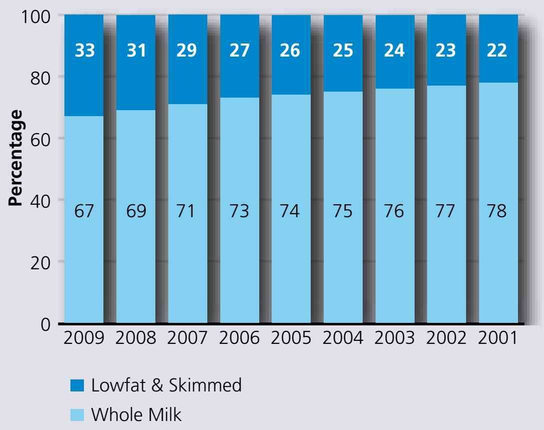
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
Retail Prices [1]	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices [2]	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1	32.2	32.3	32.8	34.1	32.8
Producer Price % Retail	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

1 CSO – National average price of 1 litre pack whole milk at retail.

2 Source NMA – National average producer price for milk for liquid consumption.

Last year sales of whole milk, which accounted for 67% of fresh milk sales, declined by 7% while sales of lowfat and skimmed milk increased to 33% of sales.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2009



Source: CSO

Retail Market

The process of retail consolidation continued in 2009 with the three largest multiple groups having a 71% share of the Irish grocery market.

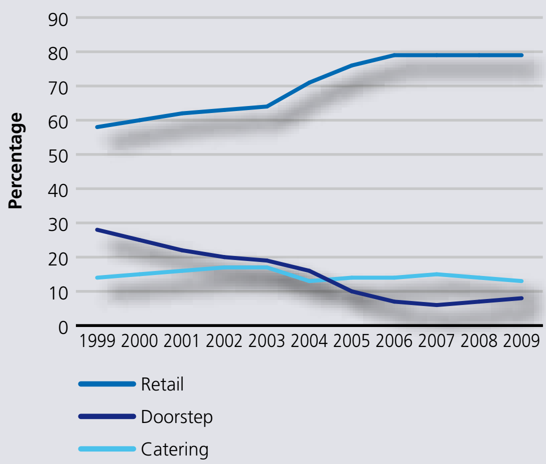
TABLE 2.3 GROCERY MARKET SHARES

	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%
Tesco	26	26	26	26	26	25	23	24
Dunnes	25	24	24	22	22	22	21	22
SuperValu	20	20	20	20	20	19	19	19
Superquinn	7	8	8	8	8	9	8	9
Lidl/Aldi	11	10	7	6	6	5	6	1
Centra	2	2	2	3	2	3	3	3
Spar	2	2	2	2	2	3	3	2
All others	7	8	11	13	14	14	17	20
TOTAL	100	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 to 8% and catering has decreased to 13%.

FIG. 2.4 MARKET SHARES 1999-2009



Source: Industry Estimate

Discount retailers whose grocery market share grew to 11% from 10% are the main outlets for packaged fresh milk imports.

In the Irish fresh milk market an estimated 40% of milk sales in retail outlets is now sold as own label.

Own label milk in 2 litre packs was being retailed, in December 2009, at a discount of 17% on processors' branded milk.

3. REGISTERED CONTRACTS/PRICES

3.0 CONTRACT TYPES

TABLE 3.0 CONTRACT TYPES

MILK YEAR	TOTAL	ALL YEAR ROUND	WINTER MONTHS
1995/96	3,344	3,206	138
1996/97	3,284	3,151	133
1997/98	2,908	2,783	125
1998/99	2,833	2,709	124
1999/00	2,762	2,642	120
2000/01	2,837	2,725	112
2001/02	2,720	2,620	100
2002/03	2,736	2,583	153
2003/04	2,656	2,510	146
2004/05	2,336	2,199	137
2005/06	2,282	2,104	178
2006/07	2,079	1,908	171
2007/08	2,008	1,861	147
2008/09	1,992	1,849	143

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 1,992, a net reduction of 16 contracts or 0.8% on the previous year.
- 128 contracts were not renewed and 112 new contracts were entered into with 9 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 12 to 1,849 or 0.6% while the number of Winter contracts decreased by 4 contracts to 143.

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 and without 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			
	2008/09		**2007/08**		**2008/09**		**2007/08**	
	Number	**%**	**Number**	**%**	**m litres**	**%**	**m litres**	**%**
All Year Round	1,849	93	1,861	93	438.2	98	446.3	98
Winter	143	7	147	7	9.6	2	8.5	2
TOTAL	1,992	100	2,008	100	447.8	100	454.8	100

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

PRICING SYSTEMS	CONTRACTS				MILK SUPPLIES			
	2008/09		2007/08		2008/09		2007/08	
FLAT SYSTEM	**number**	**%**	**Number**	**%**	**m litres**	**%**	**m litres**	**%**
Primary	1,119	60	1,112	60	257.6	59	250.8	56
Non Primary	251	14	274	15	53.7	12	55.6	12*
TOTAL FLAT	**1,370**	**74**	**1,386**	**75**	**311.3**	**71**	**306.4**	**69**
MMP SYSTEM	**479**	**26**	**475**	**25**	**126.9**	**29**	**139.9**	**31**
TOTAL	1,849	100	1,861	100	438.2	100	446.3	100

* Rounding

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2008/09

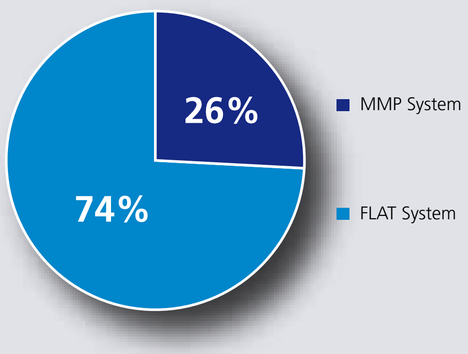
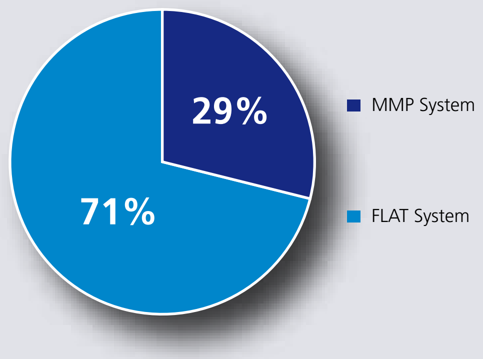


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2008/09



- In the AYR contracts the FLAT System was applied in 74% of the contracts and to 71% of the milk supplies while the MMP System was applied in 26% of the contracts and to 29% of the milk supplies.
- Under the AYR contracts the 1,119 Primary Contracts, which operated a FLAT System with seven winter premium months, were the main contract type and represented 60% of AYR contracts and 59% of milk purchased.
- Non Primary AYR contracts, which operated a FLAT System with varying premium months, numbered 251 and represented 14% of AYR contracts and 12% of milk purchased.
- In 2008/09 the MMP System was applied in 26% of the AYR contracts and to 29% of milk supplies compared with 25% of the AYR contracts and 31% of milk supplies in 2007/08 and 15% of contracts and 9% of milk supplies in 1995/96.

FIG. 3.5 AYR CONTRACTS – PRICING SYSTEMS/ SUPPLIES 1999/00 – 2008/09

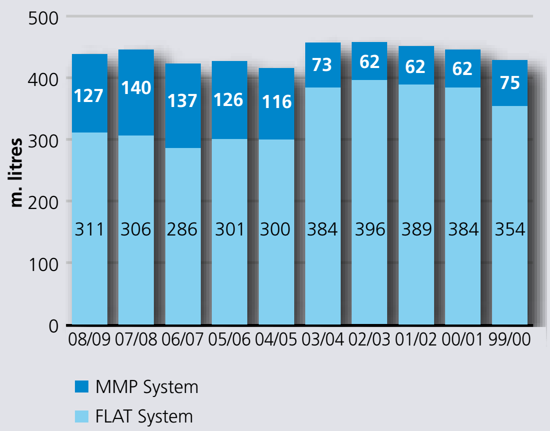


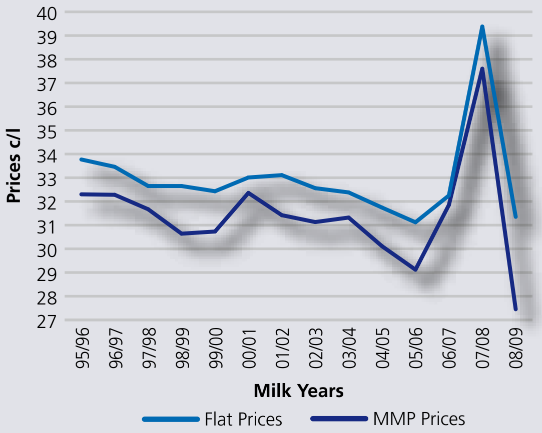
TABLE 3.6 ALL YEAR ROUND CONTRACTS – AVERAGE ANNUAL PRICES PAID

	2008/09	2007/08
FLAT SYSTEM	**1,370 contracts 311.3 m. litres**	**1,386 contracts 306.4 m. litres**
	c/litre	**c/litre**
Winter months, September–March (7)	36.68	43.65
Summer months, April – August (5)	23.94	33.40
Annual Average	**31.35**	**39.38**
MMP SYSTEM	**479 contracts 126.9 m. litres**	**475 contracts 139.9 m. litres**
Winter months, September- March (7)	32.19	42.03
Summer months, April–August (5)	19.75	31.68
Annual Average	**27.45**	**37.60**
COMBINED	**1,849 contracts 438.2 m. litres**	**1,861 contracts 446.3 m. litres**
Winter months, September- March (7)	35.33	43.16
Summer months, April–August (5)	22.80	32.85
Annual Average	**30.24**	**38.84**

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 and statutory levies. Prices are weighted by monthly volumes purchased. In the case of contracts applying the MMP System, prices are based on fixed and variable manufacturing prices with winter bonuses added. 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 2008/09 was 31.35 c/l (143 c/g), a decrease of 8.03 c/l (36 c/g) or 20% on the previous year.
- The average price paid under the AYR MMP System contracts in 2008/09 was 27.45 c/l (125 c/g), a decrease of 10.15 c/l (46 c/g) or 27% on the previous year.
- The average annual price paid under all AYR contracts in 2008/09 was 30.24 c/l (137 c/g), a decrease of 8.6 c/l (39 c/g) or 22% on the previous year.
- The price paid during the seven winter months was 35.33 c/l (161 c/g), a decrease of 7.83 c/l (36 c/g) or 18% on the previous year. The price paid during the five summer months was 22.80 c/l (104 c/g), a decrease of 10.05 c/l (46 c/g) or 31% on the previous year.
- The differential between the annual average prices paid under the FLAT and MMP Systems widened in 2008/09 with FLAT Systems yielding on average 3.9 c/l (18 c/g) more than MMP Systems compared with a differential of 1.78 c/l (8 c/g) in 2007/08.
- Eight processors purchased supplies using FLAT Systems in their contracts.
- Seven processors purchased supplies using MMP Systems in their contracts.

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



See Appendix 3.

3.2 PRICES PAID 2009 – MAIN AYR CONTRACTS

A table of the average annual milk prices paid under the thirteen highest volume AYR contracts representing 90% of the AYR contracts and 95% of AYR milk supplies is set out hereunder.

TABLE 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 13 HIGHEST VOLUME CONTRACTS

FLAT SYSTEM CONTRACTS							
CONTRACT TYPES	ANNUAL AVERAGE PRICES*		WINTER PRICES		SUMMER PRICES		CHANGE IN ANNUAL AVERAGE PRICES
PRIMARY TYPE	**2008/09**	**2007/08**	**2008/09**	**2007/08**	**2008/09**	**2007/08**	**Decreases**
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
B	31.45	38.73	36.62	42.22	24.76	34.35	(7.28)
D	31.36	39.97	36.39	44.43	24.12	33.51	(8.61)
F	31.52	39.96	36.76	44.26	24.21	33.88	(8.44)
G	29.20	37.11	33.03	39.57	24.01	33.80	(7.91)
NON PRIMARY TYPE							
D1	31.73	38.56	35.31	41.84	22.84	31.18	(6.83)
J	32.01	37.00	39.46	41.96	21.84	30.22	(4.99)
H	31.81	39.70	37.63	43.55	25.12	34.72	(7.89)
MMP SYSTEM CONTRACTS							
CONTRACT TYPES	ANNUAL AVERAGE PLUS BONUS		ANNUAL AVERAGE – MONTHLY BONUS		BASE PRICES		CHANGE IN ANNUAL AVERAGE PRICES
	2008/09	**2007/08**	**2008/09**	**2007/08**	**2008/09**	**2007/08**	**Decreases**
	c/l	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**	**c/l**
A1	31.43	37.37	6.03	2.98	25.40	34.39	(5.94)
B1	26.48	36.60	3.59	4.13	22.89	32.47	(10.12)
B2	27.47	39.28	4.86	4.93	22.61	34.35	(11.81)
C2	28.83	41.20	2.75	3.10	26.08	38.10	(12.37)
C3	27.44	37.24	3.13	3.67	24.31	33.57	(9.80)
C4	25.63	33.00	2.55	2.26	23.08	35.26	(7.37)

* Excluding VAT

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		2008/09	2007/08
Pricing Systems	Number	%	m. litres	%	Average Price – Winter Months	Average Price – Winter Months
					c/litre	c/litre
MMP	106	74	8.6	90	38.68	48.73
FLAT	37	26	1.0	10	37.39	44.63
TOTAL	143	100	9.6	100	38.55	48.20

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 143 winter contracts related to 9.6 million litres of milk (an increase of 1.1 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 2008/09 was 30.40 c/l (138 c/g), a decrease of 8.6 c/l (39 c/g) or 22% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

PERIOD	2008/09	2007/08
	1,992 contracts 447.8 m. litres	2,008 Contracts 454.8 m. litres
	c/litre	c/litre
Winter Months, September–March (7)	35.44	43.31*
Summer Months, April–August (5)	22.80	32.85
Annual Average	**30.40**	**39.00**
	138 c/g	177 c/g

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 and statutory levies. Prices are weighted by monthly volumes purchased. Payment periods on all contracts are standardised to a seven winter months premium period and a five summer months period.

*Revised

3.5 MILK PRICES 2009

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

- In the calendar year 2009, which includes the first three months of the 2009/10 milk year, the average annual price of 29.17 c/l (133 c/g) paid under all registered contracts was lower than the average annual price of 30.40 c/l (138 c/g) paid during the 2008/09 milk year due to lower producer prices in October to December 2009 compared with the same period in 2008.

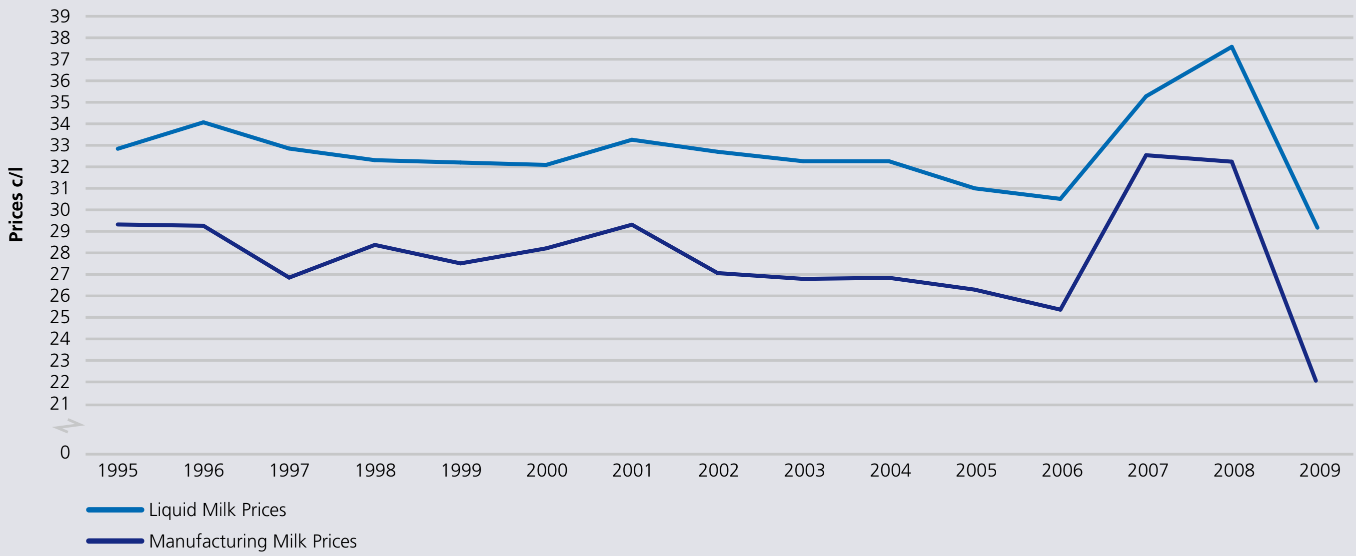
- In 2009 the annual average price paid under all contracts of 29.17 c/l (133 c/g), represented a decrease of 8.41 c/l (38 c/g) or 22% on the price of 37.58 c/l (171 c/g) paid in 2008.

- In 2009 the estimated annual average price for manufacturing milk supplies excluding vat and after collection charges was 22.04 c/l (100 c/g), a reduction of 10.20 c/l (46 c/g) or 32% on the annual average price of 32.24 c/l (146 c/g) in 2008.

- The differential between the annual average producer price for milk supplies for liquid consumption of 29.17 c/l and the annual average producer price for manufacturing milk supplies of 22.04 c/l, was 7.13 c/l (32 c/g) in 2009, an increase of 1.79 c/l (8 c/g), compared with the differential of 5.34 c/l (24 c/g) in 2008.

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

FIG. 3.11 AVERAGE ANNUAL PRODUCER MILK PRICES – LIQUID MILK/MANUFACTURING MILK 1995- 2009



4. PROCESSORS

TABLE 4.0 STRUCTURE OF ACTIVE REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2008/09

MILK SUPPLY BANDS	NUMBER OF PROCESSORS	ACTIVE REGISTERED PRODUCERS		ANNUAL SUPPLIES	
m. litres		**number**	**%**	**m. litres**	**%**
0–20	11	366	18	67.7	15
20–60	2	201	10	54.8	12
Over 60	2	1,461	72	333.5	73
TOTAL	15	2,028	100	456.0	100

As at 31st December 2009

* 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 72% of all active, registered producers and 73% of milk supplies.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2009 was 20, of which 18 plants were operated by the 15 processors registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency. These processors imported all their supplies of milk for processing for liquid consumption.
- Average annual milk supplies processed per plant operated by registered processors were 25 million litres.

APPENDIX 1 MEETINGS OF THE AGENCY

MEMBERS	MEETINGS ATTENDED 2009
Denis Murphy – Chairman	7
Eamonn Bray	7
Jerome Crowley	5
Donal Kelleher	1
Padraig Mulligan	7
Donal Murphy*	4
Eamonn McEnteggart**	2
George Kearns	6
John O'Callaghan	6
Tony O'Driscoll	7
Frank Tobin	5
Walter Maloney	7
John Foster	6
Richard Donohue	7
Michael Kilcoyne	7

*Did not seek re-election in October 2009

**Elected 27th October 2009

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

The Chairman and Chief Executive held two meetings with officials of the Department of Agriculture, Fisheries and Food, 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, which is comprised of four members, Eamonn Bray (Chairman), George Kearns, Richard Donohue and Denis Murphy, held five 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
2008/09	2,357	69	55

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

B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

MILK YEARS	TOTAL	ALL YEAR ROUND	WINTER MONTHS ONLY
	m.litres	m.litres	m.litres
1995/96	497.3	488.4	8.9
1996/97	474.6	467.3	7.3
1997/98	434.6	427.3	7.3
1998/99	433.2	426.4	6.8
1999/00	436.9	428.7	8.2
2000/01	452.6	446.1	6.5
2001/02	458.7	451.6	7.1
2002/03	468.1	458.0	10.1
2003/04	465.5	457.4	8.1
2004/05	425.7	416.3	9.4
2005/06	438.7	427.4	11.3
2006/07	432.3	423.1	9.2
2007/08	454.8	446.3	8.5
2008/09	447.8	438.2	9.6

C. ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

MILK YEARS	CONTRACTS	PRICING SYSTEMS		% FLAT	% MMP
		FLAT	MMP+		
1995/96	3,206	2,735	471	85	15
1996/97	3,151	2,696	455	86	14
1997/98	2,783	2,410	373	87	13
1998/99	2,708	2,291	418	85	15
1999/00	2,642	2,269	373	86	14
2000/01	2,725	2,375	350	87	13
2001/02	2,620	2,282	338	87	13
2002/03	2,583	2,239	344	87	13
2003/04	2,510	2,075	435	83	17
2004/05	2,199	1,686	513	77	23
2005/06	2,104	1,589	515	76	24
2006/07	1,908	1,448	460	76	24
2007/08	1,861	1,386	475	75	25
2008/09	1,849	1,370	479	74	26

D. ALL YEAR ROUND CONTRACTS/ SUPPLIES AND PRICING SYSTEMS

MILK YEARS	SUPPLIES	PRICING SYSTEMS		% FLAT	% MMP
		FLAT	MMP+		
	m. litres	m. litres	m. litres		
1995/96	488.4	443.6	44.8	91	9
1996/97	467.3	395.5	72.7	85	15
1997/98	427.3	364.6	62.3	85	15
1998/99	426.4	350.0	76.4	82	18
1999/00	428.7	353.7	75.0	83	17
2000/01	446.1	383.6	62.5	86	14
2001/02	451.6	389.5	62.1	86	14
2002/03	458.0	396.4	61.6	87	13
2003/04	457.4	384.3	73.1	84	16
2004/05	416.3	300.0	116.3	72	28
2005/06	427.4	301.0	126.4	70	30
2006/07	423.1	286.2	136.8	68	32
2007/08	446.3	306.4	139.9	69	31
2008/09	438.2	311.3	126.9	71	29

APPENDIX 3 ANNUAL PRICE DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS – 1995/96 TO 2008/09 – 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	2.0	9
2006/07	32.25	147	31.85	145	0.40	2
2007/08	39.38	179	37.60	171	1.78	8
2008/09	31.35	143	27.45	125	3.90	18

TABLE B. AVERAGE ANNUAL PRODUCER MILK PRICES – 1995-2009 LIQUID/ MANUFACTURING ANNUAL PRICE DIFFERENTIALS

CALENDAR	PRICES–LIQUID[1]		PRICES – MANUFACTURING[1]		PRICE DIFFERENTIALS	
Years	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	146	5.34	24
2009	29.17	132	22.04	100	7.13	32

1 Prices excluding vat, before levies and after collection charges

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A – STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2008/09 AND 2007/08

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**									
	08/09	**07/08**	**08/09**	**07/08**	**08/09**	**07/08**	**08/09**	**07/08**	**08/09**	**07/08**	***08/09***	***07/08***	***08/09***	***07/08***	***08/09***	***07/08***	***08/09***	***07/08***
<50,000	93	105	1.8	2.1	1.1	1.3	0.7	0.8	12	12	*5*	*5*	*0*	*-*	*0*	*-*	*59*	*62*
50,000-99,999	134	134	10.1	10.3	6.6	7.3	3.4	3.1	49	54	*7*	*7*	*1*	*1*	*1*	*2*	*66*	*70*
100,000-149,999	124	125	15.5	15.8	8.2	9.3	7.4	6.5	66	75	*6*	*6*	*2*	*2*	*2*	*2*	*53*	*59*
150,000-199,999	165	157	29.2	27.5	16.1	15.5	13.2	12.0	97	99	*8*	*8*	*4*	*4*	*4*	*3*	*55*	*56*
200,000-249,999	177	171	39.8	38.6	20.4	21.8	19.4	16.7	115	127	*9*	*8*	*5*	*5*	*4*	*5*	*51*	*56*
250,000-299,999	209	207	57.7	57.0	32.5	33.2	25.1	23.7	156	160	*10*	*10*	*7*	*7*	*7*	*7*	*56*	*58*
300,000-349,999	200	213	65.0	69.3	33.1	37.7	31.9	31.6	166	177	*10*	*10*	*8*	*9*	*7*	*8*	*51*	*54*
350,000-399,999	162	179	60.6	66.8	31.0	35.0	29.7	31.9	191	195	*9*	*9*	*8*	*8*	*7*	*8*	*51*	*52*
400,000-449,999	127	139	54.0	59.2	27.2	32.0	26.8	27.2	215	230	*6*	*7*	*7*	*7*	*7*	*7*	*50*	*54*
450,000-499,999	129	130	61.0	61.5	33.6	34.4	27.5	27.2	260	265	*6*	*6*	*8*	*8*	*7*	*7*	*55*	*56*
500,000-599,999	167	173	91.6	94.8	51.4	55.4	40.2	39.3	308	320	*8*	*8*	*11*	*12*	*12*	*11*	*56*	*59*
600,000-699,999	109	103	70.9	66.6	42.9	40.1	28.0	26.5	394	389	*5*	*5*	*9*	*8*	*9*	*9*	*60*	*60*
Over 700,000	232	215	247.3	226.7	152.0	142.4	95.2	84.3	655	662	*11*	*11*	*30*	*29*	*33*	*31*	*61*	*63*
TOTAL	2,028	2,051	804.5	796.2	456.1	465.4	348.4	330.8	225	227	*100*	*100*	*100*	*100*	*100*	*100*	*57*	*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 2008/09 and 2007/2008.

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 2008/09 AND 2007/08

	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 QUOTAS ALL PRODUCERS		% OF REGISTERED PRODUCERS' SUPPLIES		% OF DOMESTIC SUPPLIES OF REGISTERED PRODUCERS'	
	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08
Litres	Number	Number	Number	Number	%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	588	813	93	105	3	4	5	5	16	13	18	35	1.8	2.1	1	1	1	1	10	6
50,000-100,000	1,617	1,831	134	134	9	9	7	7	8	7	125	138	10.1	10.3	2	3	1	1	8	7
100,001-200,000	4,985	5,385	289	282	26	28	14	14	6	5	763	823	44.8	43.4	15	16	5	5	6	5
200,001-250,000	2,869	2,960	177	171	15	15	9	8	6	6	646	672	39.8	38.7	12	13	5	5	6	6
250,001-300,000	2,434	2,487	209	207	13	13	10	10	9	8	669	691	57.7	57.0	13	13	7	7	9	8
300,001-350,000	1,842	1,784	200	213	10	9	10	10	11	12	597	583	65.0	69.3	11	11	8	9	11	12
350,001-400,000	1,421	1,448	162	179	8	7	8	9	11	12	529	542	60.6	66.8	10	10	7	8	11	12
400,001-450,000	852	876	127	139	4	4	6	7	15	16	361	371	54.0	59.2	7	7	7	7	15	16
Over 450,000	2,322	2,102	637	621	12	11	31	30	27	30	1,489	1,351	470.7	449.4	29	26	59	57	32	33
TOTAL	18,930	19,686	2,028	2,051	100	100	100	100	11	10	5,197	5,206	804.5	796.2	100	100	100	100	15	15

Sources: Department of Agriculture and Food–EU milk years 2007/08 and 2008/09 ended 31 March 2008 and 2009 respectively.

NMA–Milk years 2007/08 and 2008/09 ended 30 September 2008 and 2009 respectively.

*All registered active producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2008/09 and 2007/08.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2009

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.

INTERNAL FINANCIAL CONTROLS

The members of the Agency acknowledge their responsibility for the Agency's system of financial control and recognise that any system of financial control can only give a reasonable and not absolute assurance against any material errors.

The key procedures, which have been put in place and which are designed to provide effective financial control are:

(a) Control Environment

All finance staff have been supplied with financial control procedures, including procedures for procurement, payments, receipts, debtors and creditors.

Expenditure limits are rigorously monitored by the Chief Executive and there is a consistent separation of functions for coding and authorisation.

The procurement function for overhead expenditure operates on the basis of standards agreed with the Chief Executive and the Audit Committee and approved by the members of the Agency.

(b) Identification of Business Risks and Financial Implications

A business risk review was carried out during the year and will be examined and discussed by the members on an annual basis.

(c) Information Systems

The monthly management accounting records are processed by a qualified accountant on a contract basis and are based on information collated by the Secretary.

(d) Procedures for Monitoring Effectiveness of Financial Control System

The Chief Executive and Secretary monitor income and expenditure transactions to ensure compliance for accuracy, validity and appropriateness.

Monthly management accounts are prepared which compare actual and budgeted income and expenditure. The Chief Executive and Secretary review these accounts which are placed before each meeting of the Agency.

The annual budgetary process is extensive and is reviewed and approved by the members of the Agency.

The Agency has a part time internal audit function. An annual audit programme is prepared and approved by the members through the Audit Committee. The Audit Committee reviews the audit reports and adopts recommendations as appropriate.

(e) Annual Review

The internal financial controls in operation during 2009 were reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2009 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 auditor, 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 2009 and of the surplus for the year then ended.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin

23 March 2010

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009** **€**	2008 €
Income			
Milk levy – continuing operations	2	**624,993**	625,881
Other income	3	**30,646**	55,761
		655,639	681,642
Expenditure			
Salaries and superannuation		**396,296**	394,741
Administration costs	4	**238,729**	230,911
Depreciation		**2,202**	2,709
		637,227	628,361
Surplus for the year	*10*	**18,412**	53,281

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 23 March 2010

Denis Murphy
Chairman

Eamonn Bray
Member

BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	2009 €	2008 €
FIXED ASSETS			
Tangible assets	*6*	**2,555**	3,412
CURRENT ASSETS			
Debtors	*7*	**104,779**	101,917
Cash at bank and in hand	*8*	**1,435,341**	1,394,946
		1,540,120	1,496,863
CREDITORS (Amounts falling due within one year)	*9*	**(750,076)**	(726,088)
NET CURRENT ASSETS		**790,044**	770,775
NET ASSETS		**792,599**	774,187
FINANCED BY:			
Accumulated fund	*10*	**792,599**	774,187

The financial statements were approved by the Members on 23 March 2010

Denis Murphy
Chairman

Eamonn Bray
Member

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	€	€
OPERATING ACTIVITIES		
Net cash inflow from operating activities (Note (a))	**11,094**	84,074
Returns on investments and servicing of finance		
Interest received	**30,646**	55,761
Capital expenditure		
Payments to acquire tangible fixed assets	**(1,345)**	(1,240)
Increase in cash at bank and in hand (Note (b))	**40,395**	138,595

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2009	2008
	€	€
Increase in cash at bank and in hand	**40,395**	138,595
Movement in net funds for the year	**40,395**	138,595
Net funds at beginning of year	**1,394,946**	1,256,351
Net funds at end of year (see Note (b))	**1,435,341**	1,394,946

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2009

Note (a)

Reconciliation of operating surplus to Net cash inflow from operating activities

	2009	2008
	€	€
Surplus for year	**18,412**	53,281
Depreciation	**2,202**	2,709
(Increase)/decrease in debtors	**(2,862)**	3,845
Increase in creditors	**23,988**	80,000
Interest received (net)	**(30,646)**	(55,761)
	11,094	84,074

Note (b)

	At 01 January 2009	Cash flows	**At 31 December 2009**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	70,462	(45,704)	**24,758**
Cash deposits	1,324,484	86,099	**1,410,583**
	1,394,946	40,395	**1,435,341**
Net funds	1,394,946	40,395	**1,435,341**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

3. OTHER INCOME

	2009	2008
	€	€
Deposit interest	**30,646**	55,761

4. ADMINISTRATION COSTS

	2009	2008
	€	€
Staff expenses	**45,815**	53,383
Training and education	**3,500**	3,500
Members' expenses	**24,706**	22,179
Chairman's remuneration	**9,800**	10,500
Stationery	**4,189**	4,473
Annual report	**18,503**	19,173
Telephone	**10,017**	10,807
Postage	**5,247**	5,318
Publications	**921**	901
Legal fees	**12,409**	7,854
Consultancy fees	**16,193**	10,692
Audit fees	**3,908**	4,320
Rent	**44,859**	44,840
Insurance	**3,413**	3,133
Accounting and professional fees	**6,170**	6,446
Repairs and renewals	**5,223**	5,093
Miscellaneous	**23,856**	18,299
	238,729	230,911

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (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 €10,115 (2008: €13,940).

6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	**€**	**€**	**€**
Cost:				
At 1 January 2009	12,658	20,285	66,123	99,066
Additions	-	-	1,345	1,345
At 31 December 2009	**12,658**	**20,285**	**67,468**	**100,411**
Depreciation:				
At 1 January 2009	11,145	19,906	64,603	95,654
Charged in year	367	226	1,609	2,202
At 31 December 2009	**11,512**	**20,132**	**66,212**	**97,856**
Net book amounts:				
At 31 December 2009	**1,146**	**153**	**1,256**	**2,555**
At 31 December 2008	**1,513**	**379**	**1,520**	**3,412**

7. DEBTORS (Amounts falling due within one year)

	2009	2008
	€	€
Milk levy receivable	**85,517**	89,430
Prepayments	**10,664**	10,566
Other debtors	**8,598**	1,921
	104,779	101,917

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

8. CASH AT BANK AND IN HAND

As at 31 December 2009 an amount of €715,480 (2008: €641,076) 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)

	2009	2008
	€	€
Superannuation contributions	**715,480**	641,076
Accruals and other creditors	**26,978**	79,219
PAYE/PRSI	**7,618**	5,793
	750,076	726,088

10. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2009	2008
	€	€
Accumulated surplus brought forward	**774,187**	720,906
Surplus for the year	**18,412**	53,281
Accumulated fund carried forward	**792,599**	774,187

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

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 €47,904 (2008: €46,394). 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 2009 an amount of €715,480 (2008: €641,076) 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

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

S.I. No. 472 of 2009 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2009

NATIONAL **MILK** AGENCY

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