NATIONAL MILK AGENCY

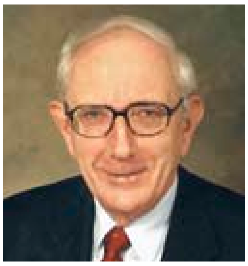
ANNUAL REPORT AND ACCOUNTS 2010

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
Chairman

To: Mr. Simon Coveney TD, Minister for Agriculture, Fisheries and Food

I am pleased to present the Annual Report of the National Milk Agency for 2010, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the national economy stabilised, after the deep recession of the preceding two years, and commenced a slow, export-led, return to growth albeit that business closures, unemployment and emigration continued to increase. Domestic demand continued to remain weak.

Sovereign borrowing by the State to fund the structural fiscal deficit and borrowing by the Irish banks on international bond markets became increasingly difficult and expensive.

In November the EU, the European Central Bank and the International Monetary Fund, under the European Financial Stabilisation Mechanism, established an €85 billion facility (of which €17.5 billion was from the State's own resources) to fund normal budgetary deficits, the recapitalisation of the Irish banks and contingencies.

The National Recovery Plan 2011-2014 sets out the public action programme of measures to restore order to the public finances and to stimulate sustainable economic growth and employment in the national economy.

Dairy Sector 2010

There was a welcome recovery during the year in farming incomes and in the value of Irish food exports due to the rise in world prices for agricultural commodities and the emerging, global, economic recovery.

For the Irish dairy sector, the year was marked by a substantial recovery in prices, milk supplies and incomes for both producers and processors.

The combined benefits of a 30% increase in manufacturing milk prices and an increase of 8% in milk output resulted in a significant recovery in dairy incomes to levels similar to those in 2008 and an almost two fold increase on 2009.

While the annual, average, producer price for manufacturing milk supplies increased by 30% or 6.75 c/litre to 29.24 c/litre, excluding vat, the annual, average, producer price for milk for processing for liquid consumption increased by 11% or 3.27 c/litre to 32.44 c/litre.

Producer prices for milk supplies for liquid consumption under the Manufacturing Milk Price plus Bonus systems rose automatically with the increase in manufacturing milk prices, while prices under the main Flat Price system lagged the increase in manufacturing milk prices.

The confidence of registered milk producers was shaken by the decrease of over 50% in the annual average price differential for all year round milk supplies over manufacturing prices from the exceptional level of 6.68 c/litre in 2009 to 3.20 c/litre in 2010.

The decrease in the price differential for all year round milk supplies occurred at a time when registered milk producers, were experiencing substantially increased feed and energy costs and had a substantial impact on the profitability of supplying milk for processing for liquid consumption in the winter months of 2010/11.

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

The increase in domestic milk supplies in 2010 continued into the last quarter of the EU milk quota year 2010/11. This led to concerns that the State would be over quota and that over quota milk suppliers would be liable to a super levy, which happily did not materialise.

In the liquid milk processing sector, restructuring and consolidation were ongoing with the sale by the Kerry Group plc of the Dawn Dairies' liquid milk business in Galway to Arrabawn and the subsequent sale of the Dawn Dairies' liquid milk business in Limerick to Glanbia plc.

Fresh Milk Market

Irish consumers' appreciation of fresh milk as a nutritious, healthy, versatile and value for money product continued 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 2010 decreased by 0.4% to 567 million litres. The growing consumer preference for low fat and skimmed milks continued with these products now constituting 35% of total fresh milk sales.

The national annual, average, retail price for fresh milk is estimated to have decreased by over 4% last year while general consumer prices fell by 1% compared with the previous year.

Milk Imports for Liquid Consumption

The market share of indigenous milk supplies in the Irish fresh milk market fell to 75% as imports of fresh milk for liquid consumption, both in packaged form and in bulk for processing for liquid consumption in the State, increased by 5%.

Imports now represent one in every four litres of fresh milk being consumed in the State.

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 142 million litres, an increase of 7 million litres or 5% on the import volumes in the previous year.

Fresh milk imports in consumer packs, which represented 59% of these imports increased by 8% while bulk milk imports for processing for liquid consumption in the State, which represented 41%, increased by 2%.

Fair Trade in the Supply Chain

The indigenous supply chain for fresh milk, which is comprised of producers, processors, milk collectors and milk distributors, is a robust supply chain, which despite the challenges of the very harsh, winter weather conditions of 2010 and 2009, ensured the uninterrupted availability of daily supplies of fresh, wholesome milk to retailers, customers and consumers.

The confidence of stakeholders in the indigenous milk supply chain is being diminished by some retailers' promotion of price over provenance, by the growing volumes of fresh milk imported by some retailers, by the discounting of own label milk and by the devaluation of milk through its promotion as a loss leader.

Registered milk producers, who are a significant producer grouping in the domestic milk supply sector, representing 11% of all milk producers and supplying 16% of domestic milk supplies, are disheartened by the growing market dominance of the retail multiples and by their increasing impact on the fresh milk supply chain.

In July the Agency again recommended to the Department of Enterprise, Trade and Innovation that a statutory Code of Practice for Grocery Goods undertakings was necessary in respect of supply agreements for fresh, perishable products so that value is maintained in the business chain for producers and processors. The Agency also recommended that there should be greater transparency in relation to stakeholders' share of the final retail product price.

The *Government for National Recovery 2011-2016* programme contains a commitment to enacting a Fair Trade Act and to banning unfair trading practices in the retail sector.

In September the EU Council, acting on the recommendations of the High Level Expert Group on Milk, expressed its conviction that the fair distribution of added value along the dairy chain would contribute to raising its overall efficiency, competitiveness and sustainability.

The EU Council recommended that the Commission should introduce appropriate measures to strengthen the position of milk producers within the dairy supply chain and to adjust or clarify the application of EU competition rules in the dairy sector to allow primary producer organisations to benefit from improved bargaining power.

The EU Council stressed that increased transparency can contribute to a better functioning of the dairy chain to the benefit of all participants.

Future Outlook

Growing global demand for dairy products and the abolition of EU milk quotas in April 2015 are presenting an unique opportunity for Irish milk producers to increase milk production by 50% or 2.75 billion litres by 2020, which would have a multiplier effect of boosting producers' incomes, export earnings and employment.

The positive, medium and long term prospects for the Irish dairy sector have been highlighted in the *Food Harvest 2020 Report*, which sets out an export-led strategy for the medium term development of the agri food sector to meet changing customer and consumer expectations in the coming decade.

The *Government for National Recovery 2011-2016* programme supports the recommendations in the *Food Harvest 2020 Report*.

The Irish dairy sector, which has a competitive cost advantage internationally, has become one of the brightest stars in Ireland's traded sector and in its natural resource portfolio.

Given the new production horizons, which are beginning to open up for all milk producers, some registered producers are now evaluating their future options from both business and lifestyle viewpoints and giving consideration to changing their main business model from a high cost system for the daily supply of milk on an all year round basis for processing for liquid consumption on the domestic market to a system of lower cost, seasonal, milk production for manufactured dairy products for export.

The outlook for 2011 is that dairy market prices will remain high but that costs for feed, fertiliser and energy will increase.

Retailers and processors should, in their future pricing policies, recognise the importance of strengthening the confidence of registered milk producers, if they are to ensure the security and sustainability of indigenous all year round milk supplies for processing for liquid consumption.

Registers

In the milk year 2009/10 the number of milk supply contracts registered with the Agency was 1,995 contracts and related to 435.6 million litres of milk for processing for liquid consumption. This represented an increase of 3 contracts from the number registered in the previous year and a decrease of 12.2 million litres in registered milk supplies. The number of registered processors remained at 15.

Contracts

All Year Round (AYR) milk supply contracts numbered 1,862 contracts for supplies of 428 million litres of milk and represented 93% of contracts and 98% of milk supplies. The number of AYR contracts increased by 13.

Winter contracts comprised 133 contracts and represented 7% of contracts and 2% of milk supplies. The number of winter contracts decreased by 10 contracts.

Under the AYR contracts the Flat Price System continued as the main pricing system for registered milk supplies and was applied in 70% of the contracts and to 73% of the milk supplies. The Manufacturing Milk Price plus Bonus System was applied in 30% of the contracts and to 27% of milk supplies.

Milk Prices 2009/10

In the milk year 2009/10 the average milk price paid, excluding vat, under the 1,862 AYR contracts was 31.84 c/litre, an increase of 1.6 c/litre or 5% on the previous year.

Under the Flat Price System the average price paid was 32.15 c/litre while under the Manufacturing Milk Price plus Bonus System the average price paid was 30.96 c/litre, the latter reflecting the increase in monthly manufacturing prices.

Financial

Total income of the Agency in 2010 was €670,774, an increase of €15,135 or 2.3% on the previous year. Income from milk levies of €609,765, which represented 91% of total income, decreased by €15,228 or 2.4%, while interest income representing 4% of total income decreased by €6,235 or 2%. Income from the State pension levy, which has been deducted from staff salaries since March 2009, was retained by the Agency with the approval of the Department of Agriculture, Fisheries and Food and represented 5% of total income.

Operating costs of €561,071 decreased by €76,156 or 12%. Personnel and related costs, representing 67% of operating costs, decreased by €69,711 or 16%, while other costs decreased by €6,410 or 3%.

The excess of income of €670,774 over costs of €561,071 resulted in an operating surplus for the year of €109,703, which was added to the Accumulated Fund.

At year end the Accumulated Fund amounted to €902,302 and was comprised of cash and deposits (net of creditors and superannuation liabilities) of €757,818, debtors of €140,984 and fixed assets of €3,500.

Staff Superannuation Scheme 2010

The Staff Superannuation Scheme 2010, which is referred to in paragraph 14 of the Schedule to the Milk (Regulation of Supply) Act, 1994, received Ministerial approval and the consent of the Minister for Finance on 30 November 2010. The Scheme is set out in Statutory Instrument No. 588 of 2010.

On 30 March 2011 an amount of €782,158, which comprised all employer's contributions to 30 November 2010 and all employees' contributions collected to 31 December 2010 for the Staff Superannuation Scheme 2010, was paid to the Department of Agriculture, Fisheries and Food.

Agency Meetings

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

Conclusion

The Agency greatly 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 and Food and from State Agencies consulted during the year.

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

Denis Murphy
Chairman

Chairman


*Denis Murphy**

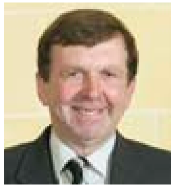
Producers' Representatives


*Eamonn Bray**


Jerome Crowley


Donal Kelleher


Eamonn McEnteggart

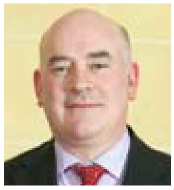

Padraig Mulligan

Processors' Representatives


*George Kearns**


John O'Callaghan

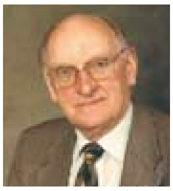

Tony O'Driscoll


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.
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CONTENTS

1. MILK SUPPLIES

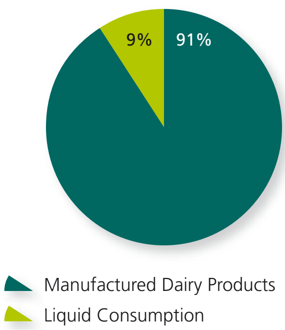
Dr Muiris Ó Céidigh
Chief Executive

1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2010 were 5,173 million litres, an increase of 388 million litres or 8% from supplies of 4,785 million litres in 2009. The number of active milk producers fell by 3% to 18,295 while the average annual milk supplies per producer were 283,000 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.

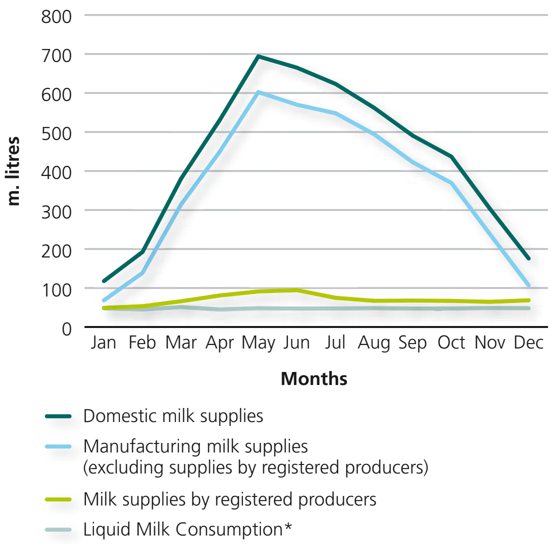
FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2010



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

The domestic milk supply profile had a peak to trough month ratio of 5.8/1 which was comprised of a peak to trough month ratio of 8.7/1 for milk supplies from manufacturing milk producers and of 1.9/1 for milk supplies from liquid milk producers.

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2010



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

Sources: CSO/NMA.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios								
Manufacturing	8.7	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.9	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
ALL	**5.8**	**4.9**	**5.4**	**5.6**	**5.7**	**5.5**	**5.5**	**5.6**	**6.1**

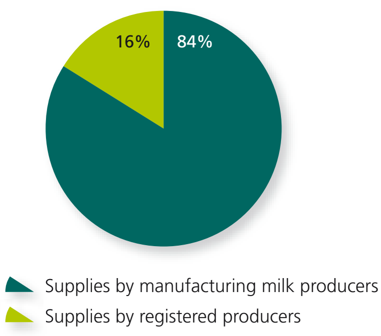
Source: DAFF/CSO.

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 2,032 active registered producers, (including some producers without registered contracts) in 2009/10 amounted to 815 million litres (Appendix 4 – Table A), an increase of 10 million litres or 1% on supplies in 2008/09. Supplies for processing for liquid consumption amounted to 442 million litres or 54% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 373 million litres or 46% 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 16% of domestic milk supplies. They supply not only the all year round domestic milk requirements for liquid milk consumption but also 8% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2010



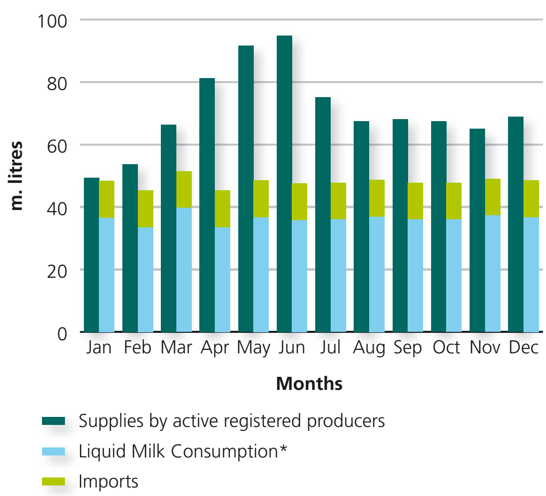
The average registered producer in 2009/10 had annual supplies of 401,000 litres compared with 397,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2010 to February 2011 total milk supplies by active, registered producers amounted to an estimated 325 million litres, an increase of 49 million litres on 2009/10 and provided a supply cover of 136% for liquid milk consumption (including imports) of an estimated 239 million litres.

In the months of December 2010 and January 2011, total supplies by active registered producers amounted to an estimated 131 million litres and were 34 million litres in excess of liquid milk consumption (including imports) of an estimated 97 million litres in those months, a supply cover of 135%.

FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2010



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

Sources: CSO/NMA.

1.4 Imports

Last year bulk milk imports into the State for processing by creameries and pasteurisers amounted to 388 million litres, a decrease of 39 million litres or 8% on 2009 and were mainly cross border movements of milk from Northern Ireland.

These bulk milk imports were equivalent to 8% of domestic supplies and to 21% of Northern Ireland's annual milk supplies.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres														
Supplies	5,173	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)	388	427	464	473	566	550	377	349	278	209	304	361	282	–	–
Imports %	8	9	9	9	11	11	7	7	5	4	6	7	6	0	0

Bulk milk imports for processing into manufactured dairy products represented 85% of these imports, while bulk imports for processing for liquid consumption in the State, namely 58 million litres, represented 15%.

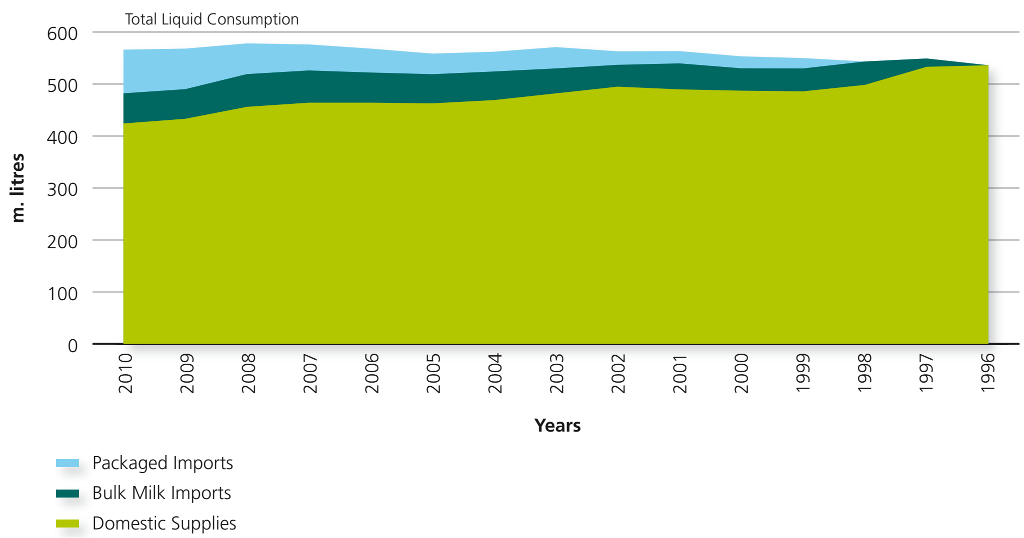
Total milk imports for liquid consumption in consumer packs and in bulk for processing in the State amounted to 142 million litres, an increase of 7 million litres or 5%, on the import volumes in the previous year.

Imports of fresh milk in consumer packs, were estimated at 84 million litres, an increase of 6 million litres or 8% on the previous year.

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres														
Consumer Packs	84	78	59	50	46	40	38	41	26	24	23	20	–	–	0
Bulk	58	57	63	62	58	55	55	48	42	50	43	44	45	16	0
Total Imports	**142**	**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 1996-2010



The market share of domestic supplies in the State's fresh milk market fell to 75% from 76% in 2009, while the market share of imports increased to 25% from 24% in 2009.

Since 1996 imports of fresh milk for liquid consumption have grown to 142 million litres absorbing all the increase of 31 million litres in consumption and displacing 111 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 75% in 2010 while the market share of imports has grown from zero to 25%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 472 million litres in 2010 and were equivalent to 9% of domestic milk supplies and 26% of Northern Ireland's annual milk supply.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres														
Consumption	567	568	578	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	425	433	456	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	**142**	**135**	**122**	**112**	**104**	**95**	**93**	**89**	**68**	**74**	**66**	**64**	**45***	**16***	**0**
Domestic Supplies % Consumption	75	76	79	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	25	24	21	19	18	17	17	16	12	13	12	12	9	3	0

Source: CSO/NMA.

1.5 Northern Ireland – Milk Supplies/Milk Prices

Milk supplies in Northern Ireland in 2010 amounted to 1,850 million litres, an increase of 78 million litres or 4% on the previous year, and were supplied by an estimated 3,194 dairy farmers. Milk supplies in Northern Ireland in 2010 were equivalent to 36% of the State's domestic milk supplies.

Average annual milk supplies per supplier in Northern Ireland in 2010 were 579,000 litres, which was more than double the average milk supplies per supplier of 283,000 litres in the State.

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 2010 of 1.4/1 compared with 5.8/1 in the State.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2010

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	**5,173**	**1,850**
Average Butterfat %	3.85	4.02
Average Protein %	3.37	3.27
Peak month/trough month ratio	5.8/1	1.4/1
Suppliers – number	18,295	3,194
Average supplies per supplier – litres	283,000	579,000

FIG. 1.10 MONTHLY MILK SUPPLIES – STATE & NORTHERN IRELAND 2010

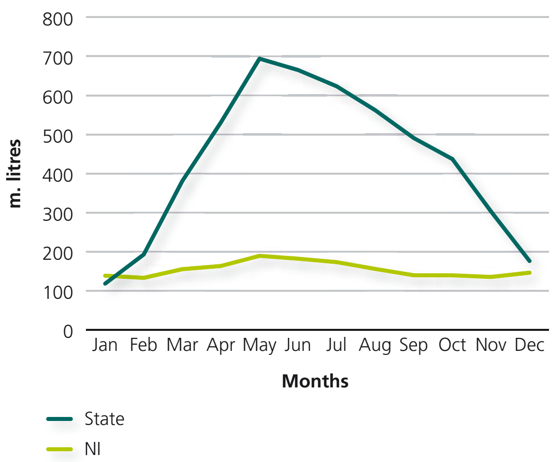


TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993-2010

	MILK SUPPLIES	
	m. litres	**Index**
1993	1,309	100
2002	1,764	135
2003	1,772	135
2004	1,776	136
2005	1,865	142
2006	1,902	145
2007	1,918	146
2008	1,902	145
2009	1,772	135
2010	1,850	141

Source: DARDNI.

Since 1993, annual milk supplies in Northern Ireland have increased by 541 million litres or 41% due to the purchase and transfer of additional milk quotas from Great Britain.

In 2010, 388 million litres or 21% of annual milk supplies in Northern Ireland were exported to the State as raw milk compared with 24% in 2009.

29% 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 annual average, annual, auction price in 2010 was 25.70 p/l (30 c/l), an increase of 4.19 p/l (6 c/l) or 19% on the previous year.

The annual average net price to producers for all year round milk supplies in 2010 was 25.04 p/l (29 c/l), an increase of 5.6 p/l (7 c/l) or 29% on the previous year.

The Northern Ireland annual average, milk price for producers of 29 c/l in 2010 was approximately the same as the annual average, 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 €550m in 2010.

National consumption of fresh liquid milk last year was 567 million litres (125 million gallons), a decrease of 1 million litres or 0.4% on consumption in 2009. Per capita consumption in the State of 0.34 litres per day was the third highest in the EU.

The annual average retail price of whole milk in l litre packs in 2010 decreased by 1 c/l to 111 c/l compared with the previous year.

Since 1995, while consumer prices and the retail price of whole milk in one litre packs shows an increase of 44%, the producer milk price per litre for supplies of milk for processing for liquid consumption shows a decrease of 1%, if the EU dairy premium payment of 3.65 c/l to eligible recipients in 2010 is excluded. If the EU dairy premium payment is included, the producer price index would show an increase of 10%.

TABLE 2.0 – INDICES OF CONSUMER PRICES/FOOD PRICES/RETAIL MILK PRICES/PRODUCER MILK PRICES

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	144	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	140	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Liquid Milk Price Index*	99	89	115	108	93	94	98	98	100	102	98	98	98	100	104	100

Sources CSO/NMA (Appendix 3, Table B).

* Exclusive of EU dairy premium payment payable to eligible recipients since 2004.

In 2010, an estimated 33% of sales of fresh milk were sold in one litre packs and an estimated 67% of sales were in 2 litre packs. The national average retail price of whole milk sold in two litre packs in 2010 was 180 c/2 litres, a reduction of 11 c/2 litres or 6% on the previous year. Based on a sales mix of 33% in one litre packs and 67% in 2 litre packs the national retail milk price in 2010 was 97 c/litre, a decrease of over 4% on 2009. Based on this estimate of the national average retail price of milk in 2010 the producers' share would be 33%, compared with 29% in 2009.

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

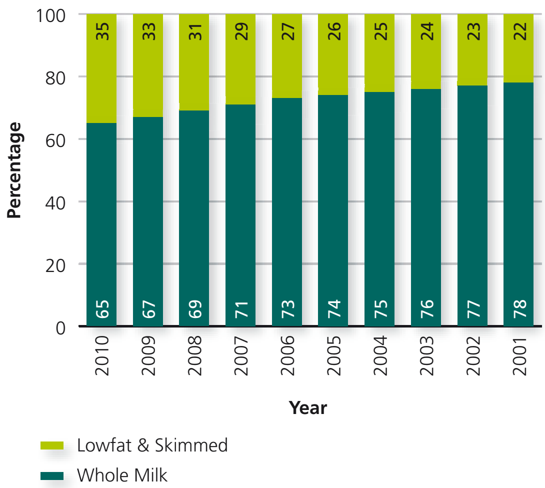
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Retail Prices[1]	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices[2]	32.4	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1	32.2	32.3	32.8	34.1	32.8
Producer Price % Retail	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

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

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

Last year sales of whole milk, which accounted for 65% of fresh milk sales, declined by 3% while sales of lowfat and skimmed milk increased by 5% to 35% of sales.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2010



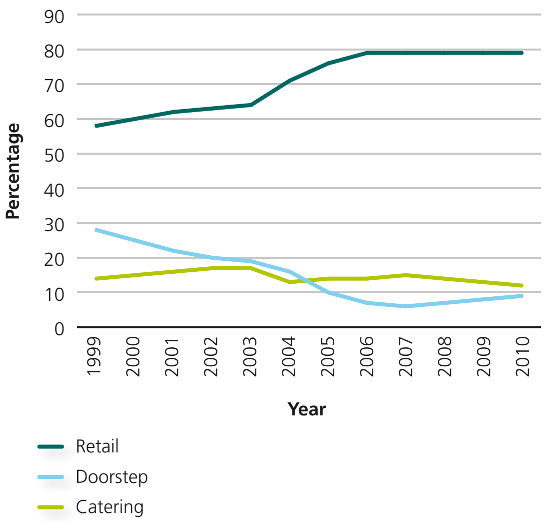
Source: CSO.

Retail Market

Retailers were the main distribution channel for fresh milk distributing 79% of all fresh milk. According to industry sources the catering channel decreased to 12% and doorstep deliveries increased to 9%.

The three largest multiple groups had a 70% share of the Irish grocery market in 2010 compared to 71% in 2009.

FIG. 2.4 MARKET SHARES 1999-2010



Source: Industry Estimate.

Discount retailers, whose grocery market share grew to 12% from 11%, are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market an estimated 46% of milk sales in retail outlets is now sold as own label compared with 42% in the previous year.

Own label sales in 2 litre packs were retailed at an average discount of 20% on processors brands.

TABLE 2.3 GROCERY MARKET SHARES

	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%
Tesco	27	26	26	26	26	26	25	23	24
Dunnes	23	25	24	24	22	22	22	21	22
SuperValu	20	20	20	20	20	20	19	19	19
Superquinn	7	7	8	8	8	8	9	8	9
Lidl/Aldi	12	11	10	7	6	6	5	6	1
Centra	2	2	2	2	3	2	3	3	3
Spar	2	2	2	2	2	2	3	3	2
All others	7	7	8	11	13	14	14	17	20
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: RGDATA.

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
2009/10	1,995	1,862	133

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 increased to 1,995, a net increase of 3 contracts or 0.15% on the previous year.
- 143 contracts were not renewed and 146 new contracts were entered into with 8 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 increased by 13 to 1,862 while the number of Winter contracts decreased by 10 contracts to 133.

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			
	2009/10		2008/09		2009/10		2008/09	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,862	93	1,849	93	427.5	98	438.2	98
Winter	133	7	143	7	8.1	2	9.6	2
Total	**1,995**	**100**	**1,992**	**100**	**435.6**	**100**	**447.8**	**100**

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2009/10		2008/09		2009/10		2008/09	
FLAT SYSTEM	Number	%	Number	%	m litres	%	m litres	%
Primary	1,069	57	1,119	60	256.6	60	257.6	59
Non Primary	244	13	251	14	56.0	13	53.7	12
TOTAL FLAT	1,313	70	1,370	74	312.6	73	311.3	71
MMP SYSTEM	549	30	479	26	114.9	27	126.9	29
TOTAL AYR	1,862	100	1,849	100	427.5	100	438.2	100

- 70 contracts were put in place by a processor using the MMP System during the milk year in anticipation of increased sales in the last quarter of 2010 but no supplies were required during and up to the end of the contract year 2009/2010.
- Milk supplies under the MMP System contracts fell by 12 million litres as two processors purchased less milk from producers under those contracts due to falling sales.
- In the AYR contracts the FLAT System was applied in 70% of the contracts and to 73% of the milk supplies while the MMP System was applied in 30% of the contracts and to 27% of the milk supplies.

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2009/10

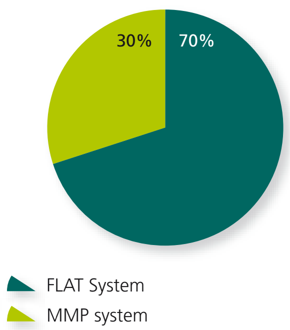
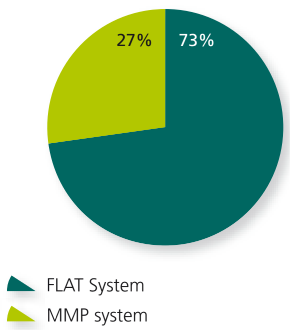


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2009/10



- Under the AYR contracts the 1,069 Primary Contracts, which operated a FLAT System with seven winter premium months, were the main contract type and represented 57% of AYR contracts and 60% of milk purchases.
- Non Primary AYR contracts, which operated a FLAT System with varying premium months, numbered 244 and represented 13% of AYR contracts and milk purchases.
- In 2009/10 the MMP System was applied in 30% of the AYR contracts and to 27% of milk supplies compared with 26% of the AYR contracts and 29% of milk supplies in 2008/09.

FIG 3.5 AYR CONTRACTS – PRICING SYSTEMS/ SUPPLIES 1999/00-2009/10

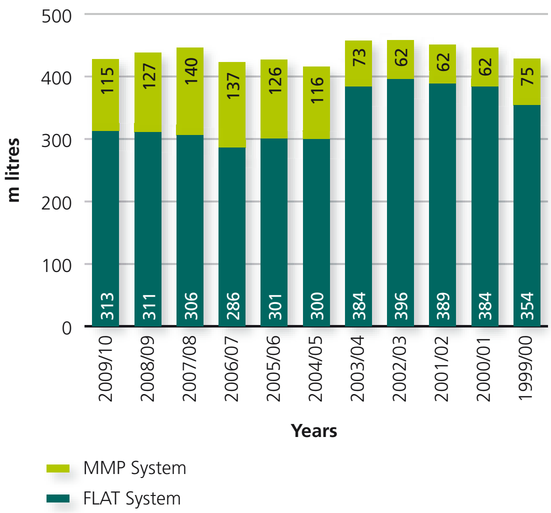


TABLE 3.6 ALL YEAR ROUND CONTRACTS – AVERAGE ANNUAL PRICES PAID

FLAT SYSTEM	2009/10 1,313 contracts 312.6 m. litres	2008/09 1,370 contracts 311.3 m. litres
	c/litre	c/litre
Winter months, September-March (7)	34.88	36.68
Summer months, April-August (5)	28.49	23.94
Annual Average	**32.15**	**31.35**
MMP SYSTEM	**549 contracts 114.9 m. litres**	**479 contracts 126.9 m. litres**
Winter months, September-March (7)	32.37	32.19
Summer months, April-August (5)	28.71	19.75
Annual Average	**30.96**	**27.45**
COMBINED	**1,862 contracts 427.5 m. litres**	**1,849 contracts 438.2 m. litres**
Winter months, September-March (7)	34.18	35.33
Summer months, April-August (5)	28.54	22.80
Annual Average	**31.84**	**30.24**

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 2009/10 was 32.15 c/l (146 c/g), an increase of 0.80 c/l (4 c/g) or 3% on the previous year.
- The average price paid under the AYR, MMP System contracts in 2009/10 was 30.96 c/l (141 c/g), an increase of 3.51 c/l (16 c/g) or 13% on the previous year.
- The average annual price paid under all AYR contracts in 2009/10 was 31.84 c/l (145 c/g), an increase of 1.60 c/l (7 c/g) or 5% on the previous year.
- The price paid during the seven winter months was 34.18 c/l (155 c/g), a decrease of 1.15 c/l (5 c/g) or 3% on the previous year. The price paid during the five summer months was 28.54 c/l (130 c/g), an increase of 5.74 c/l (26 c/g) or 25% on the previous year.
- The differential between the annual average prices paid under the FLAT and MMP Systems narrowed in 2009/10. The FLAT Systems' average price of 32.15 c/l (146 c/g), was 1.19 c/l (5 c/g) more than the average price under the MMP Systems'. In 2008/09 the differential was 3.90 c/l (18 c/g) .
- Eight processors purchased supplies using FLAT Systems in their contracts.
- Eight processors purchased supplies using MMP Systems in their contracts.
- Three processors purchased supplies using both FLAT and MMP systems

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

See Appendix 3.

3.2 Prices Paid 2010 – Main AYR Contracts

- A table of the annual average milk prices paid under the thirteen highest volume AYR contracts representing 92% of the AYR contracts and 96% 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	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	32.46	31.45	35.22	36.62	28.65	24.76	1.01
D	32.33	31.36	34.92	36.39	28.51	24.12	0.97
F	32.33	31.52	35.00	36.76	28.59	24.21	0.81
G	29.27	29.20	32.45	33.03	25.03	24.01	0.07
NON PRIMARY TYPE							
D1	32.02	31.73	34.19	35.31	28.30	22.84	0.29
J	33.05	32.01	36.55	39.46	29.15	21.84	1.04
H	32.46	31.81	35.22	37.63	28.65	25.12	0.65

MMP SYSTEM CONTRACTS

Contract Types	Annual Average Plus Bonus		Annual Average – Monthly Bonus		Base Prices		Change in Annual Average Prices
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	32.19	31.43	6.51	6.03	25.68	25.40	0.76
B1	30.65	26.48	3.08	3.59	27.57	22.89	4.17
B2	31.31	27.47	4.84	4.86	26.47	22.61	3.84
C2	30.37	28.83	3.47	2.75	26.90	26.08	1.54
C3	30.37	27.44	4.08	3.13	26.29	24.31	2.93
C4	29.02	25.63	3.80	2.55	25.22	23.08	3.39

* Excluding VAT.

3.3 Prices Paid – Winter Contracts

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

	Contracts		Milk Supplies		2009/10	2008/09
Pricing Systems	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	103	77	6.6	81	38.14	38.68
FLAT System	30	23	1.5	19	35.55	37.39
Total	**133**	**100**	**8.1**	**100**	**37.66**	**38.55**

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 133 winter contracts related to 8.1 million litres of milk (a decrease of 1.5 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 2009/10 was 31.94 c/l (145 c/g), an increase of 1.54 c/l (7 c/g) or 5% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

Period	2009/10 1,995 contracts 435.6 m. litres	2008/09 1,992 contracts 447.8 m. litres
	c/litre	c/litre
Winter months, September-March (7)	34.28	35.44
Summer months, April – August (5)	28.54	22.80
Annual Average	**31.94**	**30.40**
	145 c/g	**138 c/g**

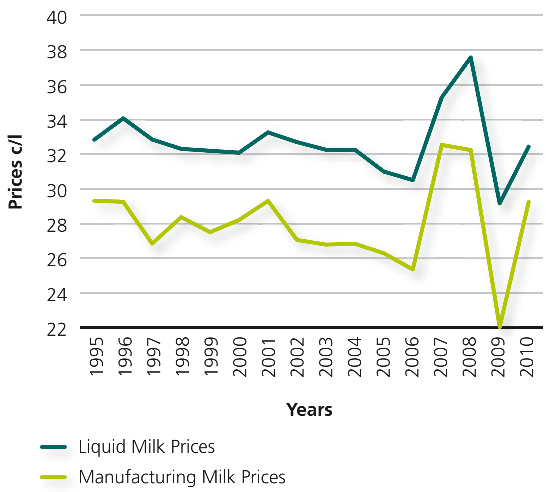
Prices are in respect of both AYR and Winter contracts utilising the FLAT System and the MMP System and are ex farm attainable prices exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties and statutory levies. Prices are weighted by monthly volumes purchased.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

3.5 Milk Prices 2010

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

- In calendar year 2010, which includes the first three months of the 2010/11 milk year, the annual average price of 32.44 c/l (147 c/g) paid under all registered contracts was 0.50 c/l (2 c/g) higher than the annual average price of 31.94 c/l (145 c/g) paid during the 2009/10 milk year due to higher manufacturing prices in October to December 2010 compared with the same period in 2009.
- In calendar year 2010 the annual average price paid under all registered contracts of 32.44 c/l (147 c/g), being an increase of 3.27 c/l (15 c/g) or 11% on the price of 29.17 c/l (133 c/g) paid in 2009.
- In 2010 the estimated annual average price for manufacturing milk supplies, excluding vat and collection charges, was 29.24 c/l (133 c/g), an increase of 6.75 c/l (31 c/g) on the price (revised) of 22.49 c/l (102 c/g) in 2009.
- The differential between the annual average producer price for milk supplies for liquid consumption of 32.44 c/l (147 c/g) and the estimated annual average producer price for manufacturing milk supplies of 29.24 c/l (133 c/g), was 3.20 c/l (15 c/g) in 2010, a decrease of 3.48 c/l (16 c/g) compared with the differential (revised) of 6.68 c/l (30 c/g) in 2009.
- A schedule showing the annual average 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 PRODUCER MILK PRICES – ANNUAL AVERAGES – LIQUID MILK/MANUFACTURING MILK 1995-2010



4. PROCESSORS

TABLE 4.0 STRUCTURE OF ACTIVE REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2009/10

MILK SUPPLY BANDS	NUMBER OF PROCESSORS	ACTIVE REGISTERED PRODUCERS		ANNUAL SUPPLIES*	
	m. litres	number	%	m. litres	%
0-20	10	301	15	49	11
20-60	3	335	16	83	19
Over 60	2	1,396	69	310	70
TOTAL	**15**	**2,032**	**100**	**442**	**100**

As at 31 December 2010.

* 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 accounted for 69% of active registered producers and 70% of milk supplies.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2010 was 19, of which 17 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 and packing for liquid consumption, in the State.
- Average annual milk supplies processed per plant operated by registered processors were 26 million litres.

APPENDIX 1 MEETINGS OF THE AGENCY

Members	Meetings Attended 2010
Denis Murphy – Chairman	7
Eamonn Bray	7
Jerome Crowley	7
Donal Kelleher	4
Padraig Mulligan	6
Eamonn McEnteggart	7
George Kearns	7
John O'Callaghan	6
Tony O'Driscoll	7
Frank Tobin	6
Walter Maloney	7
John Foster	7
Richard Donohue	5
Michael Kilcoyne	7

The Agency held seven meetings during the year and the attendance ratio was 89%.

The Chairman and Chief Executive held three 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 held one meeting with the Department of Enterprise, Trade and Innovation during the year.

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 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
2008/09	2,357	69	55
2009/10	2,367	84	94

Register of Producers as at 31 December in each year.

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

B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

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

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
2009/10	1,862	1,313	549	70	30

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
2009/10	427.5	312.6	114.9	73	27

APPENDIX 3 ANNUAL PRICE DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS – 1995/96 TO 2009/10 – 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/l	c/l
1995/96	33.77	32.30	1.47
1996/97	33.46	32.28	1.18
1997/98	32.65	31.67	0.98
1998/99	32.65	30.64	2.01
1999/00	32.43	30.73	1.70
2000/01	33.01	32.36	0.65
2001/02	33.11	31.42	1.69
2002/03	32.56	31.13	1.43
2003/04	32.38	31.32	1.06
2004/05	31.74	30.11	1.63
2005/06	31.12	29.12	2.0
2006/07	32.25	31.85	0.40
2007/08	39.38	37.60	1.78
2008/09	31.35	27.45	3.90
2009/10	32.15	30.96	1.19

TABLE B. PRODUCER MILK PRICES ANNUAL AVERAGES – 1995-2010 LIQUID/MANUFACTURING ANNUAL PRICE DIFFERENTIALS

Calendar Years	Prices – Liquid[1]	Prices – Manufacturing[1]	Price Differentials
	c/l	c/l	c/l
1995	32.84	29.32	3.52
1996	34.07	29.26	4.81
1997	32.85	26.85	6.00
1998	32.31	28.37	3.94
1999	32.20	27.51	4.69
2000	32.09	28.21	3.88
2001	33.26	29.31	3.95
2002	32.70	27.06	5.64
2003	32.26	26.79	5.47
2004	32.26	26.84	5.42
2005	31.00	26.29	4.71
2006	30.51	25.36	5.15
2007	35.28	32.54	2.74
2008	37.58	32.24	5.34
2009	29.17	22.49*	6.68*
2010	32.44	29.24	3.20

[1] Prices excluding vat, before levies and after collection charges.

* Revised to CSO Annual Average Price.

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A – STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2009/10 AND 2008/09

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									
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
<50,000	105	93	2.0	1.8	1.3	1.1	0.6	0.7	13	12	5	5	0	0	0	0	67	59
50,000-99,999	131	134	9.8	10.1	5.9	6.6	3.9	3.4	45	49	6	7	1	1	1	1	60	66
100,000-149,999	147	124	18.4	15.5	9.1	8.2	9.3	7.4	62	66	7	6	2	2	2	2	49	53
150,000-199,999	173	165	30.5	29.2	15.7	16.1	14.8	13.2	91	97	9	8	4	4	4	4	52	55
200,000-249,999	177	177	40.0	39.8	19.1	20.4	20.9	19.4	108	115	9	9	5	5	4	4	48	51
250,000-299,999	202	209	55.4	57.7	26.7	32.5	28.7	25.1	132	156	10	10	7	7	6	7	48	56
300,000-349,999	166	200	53.8	65.0	24.7	33.1	29.1	31.9	149	166	8	10	7	8	6	7	46	51
350,000-399,999	179	162	67.2	60.6	33.7	31.0	33.5	29.7	188	191	9	9	8	8	8	7	50	51
400,000-449,999	121	127	51.8	54.0	25.0	27.2	26.8	26.8	207	215	6	6	6	7	6	7	48	50
450,000-499,999	111	129	52.5	61.0	28.8	33.6	23.7	27.5	259	260	6	6	7	8	7	7	55	55
500,000-599,999	154	167	84.7	91.6	44.7	51.4	40.1	40.2	290	308	8	8	10	11	10	12	53	56
600,000-699,999	104	109	66.8	70.9	38.2	42.9	28.6	28.0	368	394	5	5	8	9	9	9	57	60
Over 700,000	262	232	281.8	247.3	169.4	152.0	112.5	95.2	646	655	12	11	35	30	37	33	60	61
Total	**2,032**	**2,028**	**814.7**	**804.5**	**442.3**	**456.1**	**372.5**	**348.5**	**218**	**225**	**100**	**100**	**100**	**100**	**100**	**100**	**54**	**57**

Source: NMA.

Figures adjusted for rounding.

* All active registered producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2009/10 and 2008/09.

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 2009/10 AND 2008/09

	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		Supplies of Registered Producers' % of Domestic Supplies	
Litres	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	Number		Number		%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	447	588	105	93	2	3	5	5	23	16	15	18	2	1.8	1	1	0	1	13	10
50,000-100,000	1,438	1,617	131	134	8	9	6	7	9	8	113	125	9.8	10.1	2	2	1	1	9	8
100,001-200,000	4,657	4,985	320	289	26	26	16	14	7	6	717	763	48.9	44.8	14	15	6	5	7	6
200,001-250,000	2,801	2,869	177	177	15	15	9	9	6	6	631	646	40	39.8	12	12	5	5	6	6
250,001-300,000	2,402	2,434	202	209	13	13	10	10	8	9	662	669	55.4	57.7	13	13	7	7	8	9
300,001-350,000	1,799	1,842	166	200	10	10	8	10	9	11	585	597	53.8	65.0	11	11	7	8	9	11
350,001-400,000	1,415	1,421	179	162	8	8	9	8	13	11	527	529	67.1	60.6	10	10	8	7	13	11
400,001-450,000	889	852	121	127	5	4	6	6	14	15	376	361	51.8	54.0	7	7	6	7	14	15
Over 450,000	2,447	2,322	631	637	13	12	31	31	26	27	1,578	1,489	485.9	470.7	30	29	60	59	31	32
Total	18,295	18,930	2,032	2,028	100	100	100	100	11	11	5,204	5,197	814.7	804.5	100	100	100	100	16	15

* All registered active producers supplying milk for heat treatment for liquid consumption including producers without registered contracts for 2009/10 and 2008/09.

Sources: Department of Agriculture, Fisheries and Food – EU milk years 2008/09 and 2009/10 ended 31 March 2009 and 2010 respectively.
NMA – Milk years 2008/09 and 2009/10 ended 30 September 2009 and 2010 respectively.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2010

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 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 2010 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 2010 and of the surplus for the year then ended.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin

22 March 2011

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** €	2009 €
INCOME			
Milk levy – continuing operations	*2*	**609,765**	624,993
Other income	*3*	**61,009**	30,646
		670,774	655,639
EXPENDITURE			
Salaries and superannuation		**340,930**	396,296
Administration costs	*4*	**217,974**	238,729
Depreciation		**2,167**	2,202
		561,071	637,227
Surplus for the year	*10*	**109,703**	18,412

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 22 March 2011.

Denis Murphy
Chairman

Eamonn Bray
Member

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 €	2009 €
FIXED ASSETS			
Tangible assets	*6*	**3,500**	2,555
CURRENT ASSETS			
Debtors	*7*	**140,984**	104,779
Cash at bank and in hand	*8*	**1,569,601**	1,435,341
		1,710,585	1,540,120
CREDITORS (Amounts falling due within one year)	*9*	**(811,783)**	(750,076)
NET CURRENT ASSETS		**898,802**	790,044
NET ASSETS		**902,302**	792,599
FINANCED BY:			
Accumulated fund	*10*	**902,302**	792,599

The financial statements were approved by the Members on 22 March 2011.

Denis Murphy
Chairman

Eamonn Bray
Member

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	€	€
OPERATING ACTIVITIES		
Net cash inflow from operating activities (Note (a))	**112,961**	11,094
Returns on investments and servicing of finance		
Interest received	**24,411**	30,646
Capital expenditure		
Payments to acquire tangible fixed assets	**(3,112)**	(1,345)
Increase in cash at bank and in hand (Note (b))	**134,260**	40,395

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2010	2009
	€	€
Increase in cash at bank and in hand	**134,260**	40,395
Movement in net funds for the year	**134,260**	40,395
Net funds at beginning of year	**1,435,341**	1,394,946
Net funds at end of year (see Note (b))	**1,569,601**	1,435,341

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

Note (a)

Reconciliation of operating surplus to Net cash inflow from operating activities

	2010	2009
	€	€
Surplus for year	**109,703**	18,412
Depreciation	**2,167**	2,202
Increase in debtors	**(36,205)**	(2,862)
Increase in creditors	**61,707**	23,988
Interest received (net)	**(24,411)**	(30,646)
	112,961	11,094

Note (b)

	At 1 January 2010	Cash flows	**At 31 December 2010**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	24,758	70,810	**95,568**
Cash deposits	1,410,583	63,450	**1,474,033**
Net funds	1,435,341	134,260	**1,569,601**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

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

Staff superannuation scheme 2010

The Minister for Agriculture, Fisheries and Food, in accordance with Paragraph 14 of the Schedule to the Milk (Regulation of Supply) Act, 1994 and with the consent of the Minister for Finance, approved the National Milk Agency Staff Superannuation Scheme 2010 on 30 November 2010. The Scheme is set out in S. I. No. 588 of 2010.

The Department of Finance has confirmed to the Agency that the Exchequer will bear the cost of paying all superannuation benefits to and in respect of the pensionable employees 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 (see notes 8 and 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 and in the Agency's current account (see notes 8 and 11).

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 2010

3. OTHER INCOME

	2010	2009
	€	€
Deposit interest	**24,411**	30,646
Pension levy income – current year	**17,997**	-
Pension levy income – previous year	**18,601**	-
	61,009	30,646

4. ADMINISTRATION COSTS

	2010	2009
	€	€
Staff expenses	**34,685**	45,815
Training and education	**285**	3,500
Members’ expenses	**25,646**	24,706
Chairman’s remuneration	**8,978**	9,800
Stationery	**2,638**	4,189
Annual report	**20,309**	18,503
Telephone	**10,309**	10,017
Postage	**3,758**	5,247
Publications	**1,330**	921
Legal fees	**30,311**	12,409
Consultancy fees	**3,015**	16,193
Audit fees	**3,908**	3,908
Rent	**44,853**	44,859
Insurance	**3,653**	3,413
Accounting and professional fees	**3,839**	6,170
Repairs and renewals	**5,440**	5,223
Miscellaneous	**15,017**	23,856
	217,974	238,729

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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 €8,779 (2009: €10,115).

6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
Cost:				
At 1 January 2010	12,658	20,285	67,468	100,411
Additions	-	1,018	2,094	3,112
At 31 December 2010	**12,658**	**21,303**	**69,562**	**103,523**
Depreciation:				
At 1 January 2010	11,512	20,132	66,212	97,856
Charged in year	367	293	1,507	2,167
At 31 December 2010	**11,879**	**20,425**	**67,719**	**100,023**
Net book amounts:				
At 31 December 2010	**779**	**878**	**1,843**	**3,500**
At 31 December 2009	1,146	153	1,256	2,555

7. DEBTORS (Amounts falling due within one year)

	2010	2009
	€	€
Milk levy receivable	**111,056**	85,517
Prepayments	**10,721**	10,664
Other debtors	**19,207**	8,598
	140,984	104,779

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

8. CASH AT BANK AND IN HAND

As at 31 December 2010 an amount of €782,158 (2009: €715,480) being all employer's contributions to 30 November 2010 and all employees' contributions collected to 31 December 2010 for the Staff Superannuation Scheme 2010 were being held by the Agency of which €771,260 was held in a separate bank account and €10,898 was held in the Agency's current account, which latter amount was transferred to the separate bank account on 3 February 2011.

9. CREDITORS (Amounts falling due within one year)

	2010	2009
	€	€
Superannuation contributions	**782,158**	715,480
Accruals and other creditors	**25,496**	26,978
PAYE/PRSI	**4,129**	7,618
	811,783	750,076

10. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2010	2009
	€	€
Accumulated surplus brought forward	**792,599**	774,187
Surplus for the year	**109,703**	18,412
Accumulated fund carried forward	**902,302**	792,599

11. SUPERANNUATION COMMITMENTS

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

The 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 €40,846 (2009: €47,904). The Agency's superannuation contributions and the superannuation contributions collected from employees are held in a separate bank account and in the Agency's current account pending their payment to the Department of Agriculture, Fisheries and Food on receipt of the confirmations and acknowledgments required by the Agency.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

11. SUPERANNUATION COMMITMENTS (continued)

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, 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 COMPLIANCE/ENFORCEMENT

Compliance

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

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

The Agency will report annually from 1 January 2011 on its energy usage and actions taken to reduce consumption as required under S.I. 542 of 2009.

The National Milk Agency is committed to making every effort possible to improve energy efficiency. In 2010 the Agency usage for electricity was 17,500 kWh. This usage is associated with heating, air conditioning, lighting and office equipment. There are no other fuel supplies to the premises, and no onsite renewable sources of energy,

The Agency will work with SEAI in 2011 to identify opportunities for energy saving on the premises.

Enforcement

A prosecution was successfully taken against a processor under Section 15 of the Milk (Regulation of Supply) Act, 1994 for failure to supply information requested by an inspector. The prosecution resulted in a conviction of the processor. The Court imposed a fine on the processor and made an order in respect of payments for costs and witness expenses.

APPENDIX 7 STATUTES AND STATUTORY INSTRUMENTS RELATING TO THE AGENCY

Statutes

Milk (Regulation of Supply) Act, 1994

Milk (Regulation of Supply) (Amendment) Act, 1995

Milk (Regulation of Supply) (Amendment) Act, 1996

Freedom of Information Act, 1997 (Prescribed Bodies) (No. 2) Regulations, 2002

Statutory Instruments

S.I. No. 409 of 1994 – Milk (Regulation of Supply) (Establishment of National Milk Agency) Order, 1994

S.I. No. 460 of 1994 – National Milk Agency (Election Day) Order, 1994

S.I. No. 234 of 1995 – National Milk Agency (Members) Regulation, 1995

S.I. No. 252 of 1995 – Milk (Regulation of Supply) Act, 1994 (Section 5) (Commencement) Order, 1995

S.I. No. 253 of 1995 – Milk (Regulation of Supply) (Levy) Order, 1995

S.I. No. 254 of 1995 – National Milk Agency (Winter Months) Regulations, 1995

S.I. No. 309 of 1995 – National Milk Agency (Revocation of Election Day) Regulations, 1995

S.I. No. 347 of 1995 – Milk (Regulation of Supply) (Levy Returns) Regulations, 1995

S.I. No. 348 of 1995 – Milk (Regulation of Supply) (Application for Registration) Regulations, 1995

S.I. No. 265 of 1996 – National Milk Agency (Fees) Regulations, 1996

S.I. No. 184 of 1997 – National Milk Agency (Election Day) Regulations, 1997

S. I. No. 185 of 1997 – National Milk Agency (Conduct of Elections) Regulations, 1997

S.I. No. 271 of 2000 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2000

S.I. No. 272 of 2000 – National Milk Agency (Election Day) Regulations, 2000

S.I. No. 368 of 2003 – National Milk Agency (Election Day) Regulations, 2003

S.I. No. 369 of 2003 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2003

S.I. No. 471 of 2006 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2006

S.I. No. 472 of 2006 – National Milk Agency (Election Day) Regulations, 2006

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

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

S.I. No. 588 of 2010 – National Milk Agency Staff Superannuation Scheme, 2010

NATIONAL **MILK** AGENCY

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