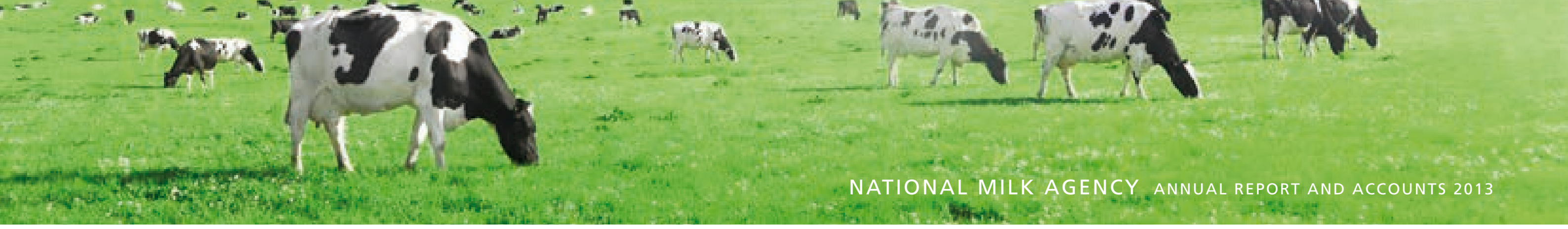
National Milk Agency

Annual Report and Accounts 2013

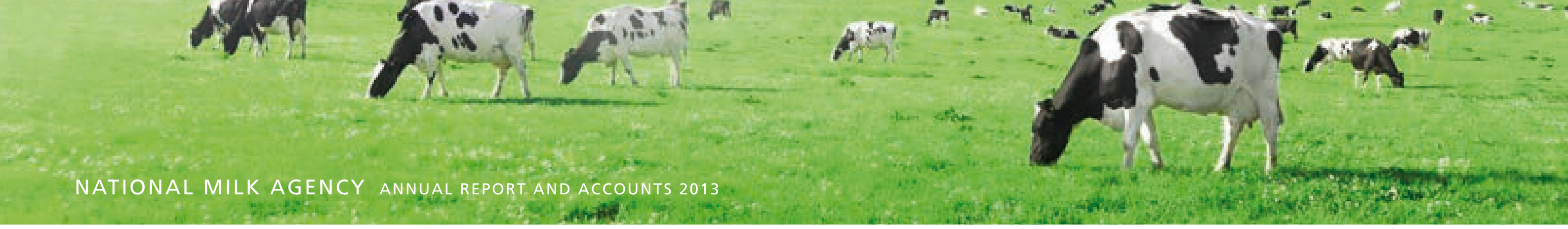
NATIONAL MILK AGENCY



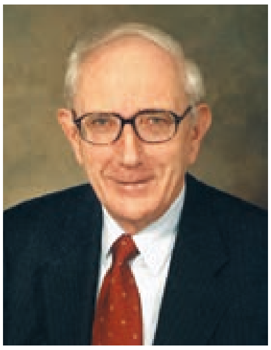
NATIONAL **MILK** AGENCY

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

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



CHAIRMAN'S STATEMENT



Denis Murphy
Chairman

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

I am pleased to present the Annual Report of the National Milk Agency for 2013, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the national economy grew by over 3 per cent, which was reflected in increased employment in the economy. Personal consumption declined as disposable incomes fell and households diverted expenditures to reduce an excessive level of personal debt.

The State exited the EU/IMF Programme as the Government's successful implementation of the Programme's requirements and improved economic conditions increased market confidence in the State's creditworthiness, which enabled the State and the domestic banks to regain access to market funding at favourable rates.

Sustained economic recovery, however, will require further progress on fiscal and banking issues, reductions in public and private indebtedness, improvements in productivity and in the competitiveness of the economy, further economic growth and increased employment.

Farming/Dairy Sectors

Gross agricultural output grew by 8 per cent in 2013 due mainly to the 27 per cent increase in milk output. High input costs, which were driven by increased feed usage, higher feed prices and an increase in fertiliser application, were a feature of all grassland enterprises last year. Family farm incomes increased marginally compared with the previous year.

Last year was a record year in the Irish dairy sector despite adverse Spring weather conditions, which delayed the commencement of the grazing and silage conservation seasons until the end of May and resulted in the national fodder crisis. The response to this crisis required the unprecedented importation of fodder supplies, the costs of which for producers were alleviated by initiatives and actions taken by processors and by Government transport subsidies.

Despite such an unpromising start to the year the emergence of excellent mid and late season production conditions resulted in an increase of almost 4 per cent in annual domestic milk supplies to a record 5,420 million litres.

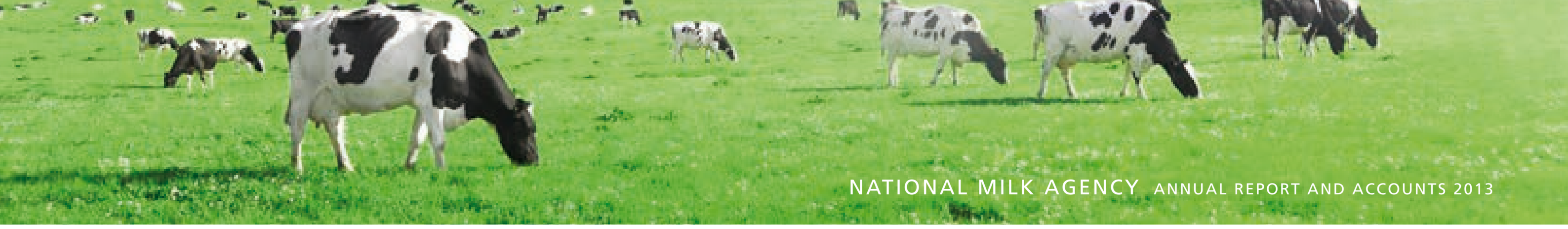
Dairy export markets improved dramatically due to global milk supply shortages and strong demand, which resulted in sharp increases in producer milk prices over the main production season.

More than 85 per cent of Irish dairy production is exported and Ireland has access for dairy products to over ninety countries worldwide, with one third of the value of dairy exports going outside the EU. Last year the value of Ireland's dairy exports increased by 15 per cent to €3 billion for the first time.

The annual average producer price, for manufacturing milk supplies increased by 7 cent per litre or 22 per cent to a record 38 cent per litre, excluding vat, for milk containing 3.39% protein and 3.94% butterfat.

The increase in milk prices and in milk output per hectare resulted in an increase of 32 per cent in the value of milk gross output per hectare for dairy farms in 2013.

The tenth phase of the EU dairy premium payment of 3.65 cent per litre was incorporated in the Single Farm Payment, which was paid to all eligible recipients in October.



Dairy farms, like other grassland enterprises, experienced considerably higher direct costs last year, which increased by an estimated 16 per cent, due to higher feed and fodder usage at higher prices and increased fertiliser usage.

The increased value of milk output per hectare more than offset these increased costs resulting in an increase of 31 per cent in the average dairy family farm income compared with 2012 and close to the historic high of 2011.

On the domestic market the consumption of fresh milk increased marginally as did the average retail milk price, which increased by an estimated 1 cent per litre or 1 per cent.

Price formation for the supply of milk for processing for liquid consumption on the domestic market is now almost completely based on the monthly prices for manufacturing milk derived from export markets with the valorisation of compositional milk elements and with price incentives for contracted supplies during the winter months.

The annual average price of milk for processing for liquid consumption increased by almost 5 cent per litre or 14 per cent to an all time record of 39 cent per litre, excluding vat.

The differential between the annual average prices for liquid and manufacturing milk supplies fell to less than 1 cent per litre, albeit that the annual average incentive premia paid for winter milk supplies remained virtually unchanged between 2012 and 2013

While registered producers received record milk prices and benefited from the linkage to export led manufacturing milk prices, the reduction in the annual average price differential for all year round milk supplies over seasonal manufacturing supplies to less than 1 cent per litre, the lowest on record, is a disincentive for registered producers to maintain all year round milk supplies.

Registered producers already supply on average almost 50% of their annual milk supplies to the manufacturing milk sector.

Many registered producers are now reviewing, in the context of the abolition of EU milk quotas in April 2015, the economic benefits of producing all year round supplies for the domestic fresh milk market against the alternative of producing, in a single production system, increased supplies on a seasonal basis for export markets at a lower unit cost.

For processors also, continued participation in the domestic fresh milk market has become increasingly unsustainable relative to other export market opportunities. Restructuring and rationalisation at processor level is ongoing.

At retailer level intense price competition continues to exert strong downward pressure on domestic market returns.

Fresh Milk Market

The Irish fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €531 million in 2013.

Consumption of fresh milk on the domestic market increased by 0.4 per cent to 565 million litres.

Per capita consumption of fresh milk in the State of 0.34 litres per day is the second highest in the EU and almost double the EU average.

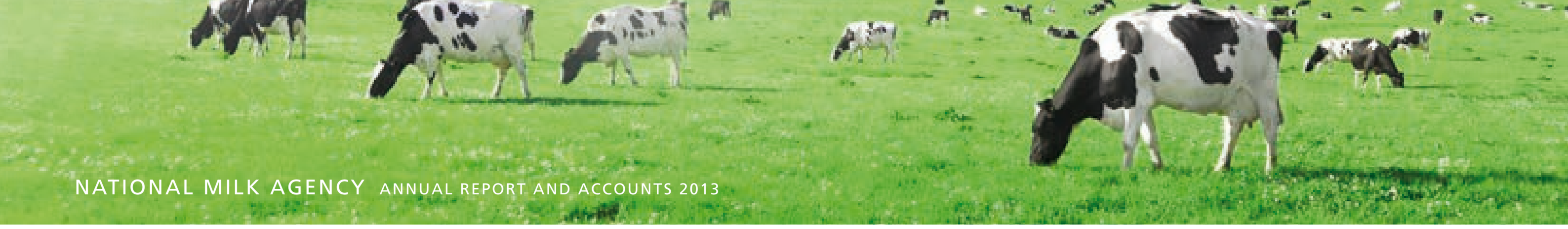
The national average retail price for fresh milk in all pack sizes in 2013 was estimated at 94 cent per litre, an increase of 1c/l or 1% on 2012.

Irish consumers' preference for low fat and skimmed milks continues to grow and these products constituted almost 40 per cent of total fresh milk sales.

Imports of fresh milk from Northern Ireland, in consumer packs and as bulk milk for processing for liquid consumption, amounting to 146 million litres, continue to represent more than one in every four litres of fresh milk, which are consumed in the State.

Fair Trade in the Grocery Supply Chain

In March 2014 the Minister for Jobs, Enterprise and Innovation published the Competition and Consumer Protection Bill 2014. This Bill is designed to ensure fairness between retailers and suppliers in the grocery goods sector where inequality in bargaining power between the participants is not in the best interests of jobs, consumers or sustainable safe food.



The Bill will establish the Competition and Consumer Protection Commission (CCPC) and empower the Minister to make Regulations regarding procedures that must be followed in commercial relationships between retailers and suppliers in the grocery goods sector.

The Minister decided that Regulations would be more appropriate than a Code of Practice as such Regulations would have full legislative force and be enforceable at law by the CCPC, which will have substantial powers of investigation and enforcement in the event of breaches of the Regulations. Parties aggrieved by the failure of a grocery goods undertaking to comply with the Regulations will have a right of action for damages in the Circuit Court.

The Regulations will be designed to regulate certain practices but not to set prices in the grocery supply chain, which will remain as matters for commercial negotiation between the contracting parties. The Regulations will be aimed at preventing certain practices such as unilateral alteration of contracts by retailers, requiring 'hello money' for space on supermarket shelves, requiring suppliers to bear the cost of promotions by retailers or for wastage or shrinkage.

The Agency welcomes the new Bill, which should strengthen the bargaining power of suppliers in the grocery supply chain even though it will not ban "below cost" selling practices which are damaging to all stakeholders in the supply chain.

Future Outlook

The medium term prospects for global dairy markets are good, with growth in world population and income expected to stimulate strong levels of demand for dairy products.

While the market outlook for dairy products for export for 2014 remains positive, increased product supplies on global markets are currently creating downward pressure on international dairy product prices and on milk prices paid to producers.

The abolition of EU milk quotas in April 2015 heralds a new, exciting and challenging era for the Irish dairy sector. For the first time since 1984 the Irish dairy sector will be allowed to grow to its full potential.

Participants in the Irish dairy sector are scaling up and investing to produce, process, market and sell the forecast growth of 50% in milk supplies by 2020, which will be destined for expanding export markets. These export markets are likely to be characterised by sharp price volatility due to periodic mismatches between the global supply and demand for dairy products.

As a major dairy exporting nation Ireland also requires a strong, vibrant domestic dairy products market in which high quality fresh milk, supplied by indigenous producers should be an iconic product.

All year round supplies for the domestic fresh milk market can only be assured by adequate price incentives for registered milk producers, which will encourage them to produce all year round supplies of milk.

Registers

In the 2012/13 milk year 1,883 milk supply contracts were registered with the Agency in respect of 455 million litres of milk for processing for liquid consumption. This represented a decrease of 53 contracts in the number of contracts registered in the previous year and an increase of 20 million litres in registered milk supplies.

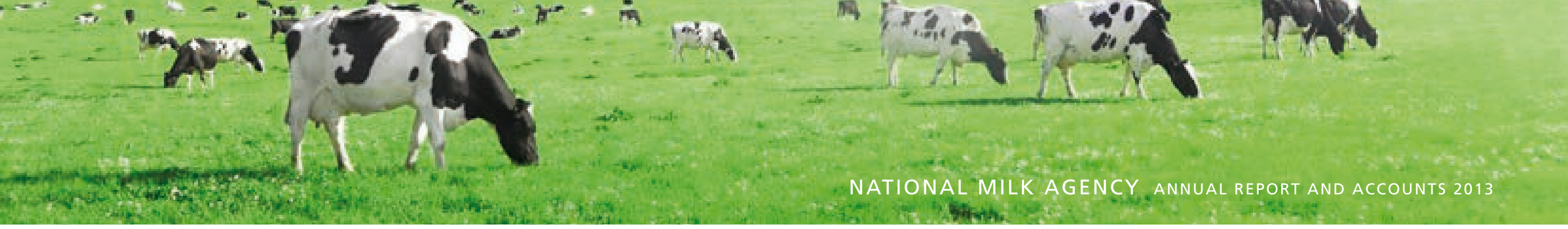
The number of registered processors, which includes 3 producer processors, remained at 15. While two processors merged during the year both still remain separately registered with the Agency.

Contracts

All Year Round (AYR) milk supply contracts were the main type of contract and increased by 55 contracts to 1,769 contracts, which covered supplies of 449 million litres of milk and represented 94% of all contracts and 99% of registered milk supplies.

Winter contracts increased by 2 contracts to 114 contracts and represented 6% of all contracts and 1% of milk supplies.

Milk supplies purchased under registered contracts in 2013 were 8% higher than fresh milk sales mainly due to transitional purchase arrangements.



In the AYR contracts the Manufacturing Milk Price plus Bonus System has become the main milk pricing system for supplies of milk for the fresh milk market and was applied in 86% of AYR contracts and to 87% of AYR milk supplies compared with 82% of contracts and 81% of milk supplies in the previous milk year.

The Flat Price System was applied in 14% of the AYR contracts and to 13% of the AYR milk supplies compared with 18% of the contracts and 19% of the milk supplies in the previous milk year.

Milk Prices 2012/13

In the 2012/13 milk year the average milk price paid, excluding vat, under the 1,769 AYR contracts was 37.42 c/litre, an increase of 3.5 c/litre or 10% on the previous year.

Under the MMP System the average price paid was 37.44 c/litre, an increase of 3.2 c/litre or 9% on the previous year while under the FLAT System the average price paid was 37.2 c/litre, an increase of 4.5 c/litre or 14% on the previous year.

Financial

The Agency's total income decreased to €528,788 from €626,033 in 2012, which was mainly due to the reduction of 20% in the rate of milk levy to 0.115 cent per litre in April 2013. Milk levy income decreased by €90,120 or 15% to €515,062. Interest income decreased by €7,125 or 34% to €13,726.

Operating costs of €538,595 decreased by €13,309 or 2%. Personnel and related costs decreased by €12,766 or 3% and other operating costs by 1%.

The excess of costs of €538,595 over income of €528,788 resulted in an operating deficit for the year of €9,807.

At year-end, the Accumulated Fund amounted to €1,064,276 and was comprised of cash and deposits (net of creditors) of €955,612, debtors of €103,313 and fixed assets of €5,351.

Note 9 in the Financial Statements refers to a potential liability of €241,000 arising from the notification to the Agency in February 2014, of a possible increase, effective from 3 October 2005, in the Agency's employer's contribution rates to the Staff Superannuation Scheme.

Agency Meetings

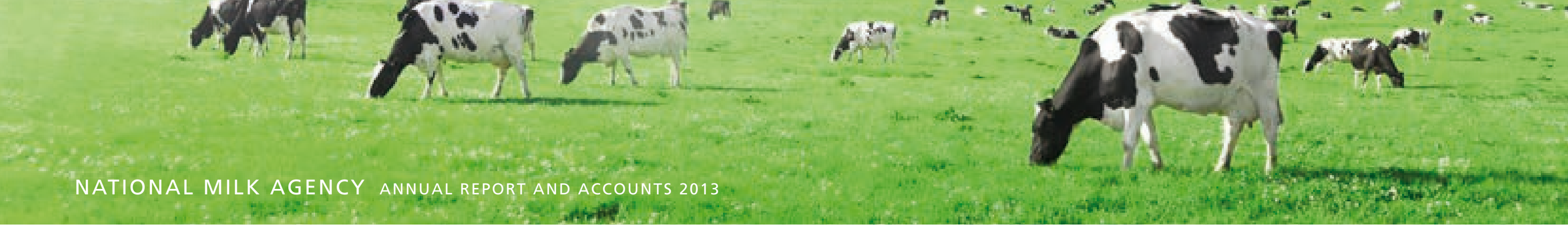
During the year the Agency held seven meetings and the Audit Committee held two meetings.

Conclusion

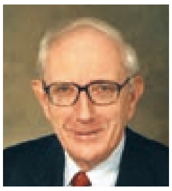
The Agency is thankful for the cooperation received during the year from liquid milk processors and the representative bodies of producers, processors, consumers, retailers and distributors. The support and advice received from the officials of the Department of Agriculture, Food and the Marine and from other State Agencies consulted during the year is very much appreciated

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

Denis Murphy
Chairman



Chairman


Denis Murphy*

Producers' Representatives


Jerome Crowley


Eamonn McEnteggart


Padraig Mulligan*


Timothy Cashman


Denis Fagan

Processors' Representatives

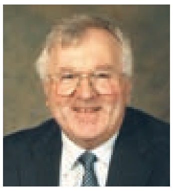

George Kearns*


Tony O'Driscoll

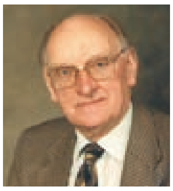

Frank Tobin


Eoghan Sweeney

Distributors' Representative


Walter Maloney

Retailers' Representative

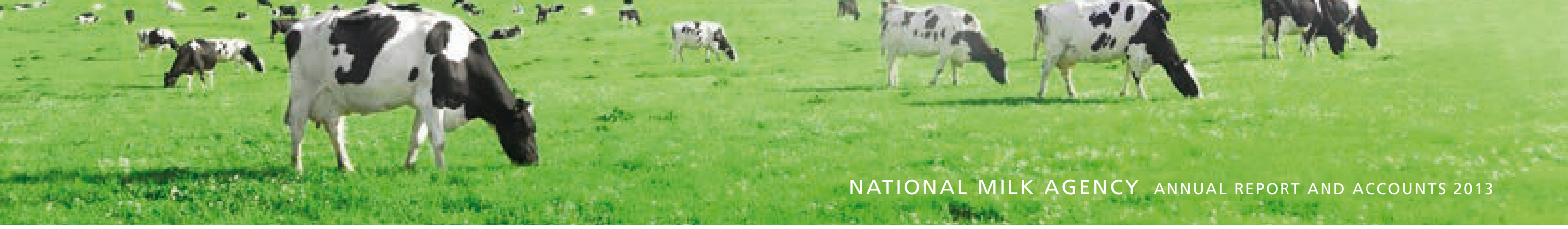

John Foster*

Consumers' Representatives


Richard Donohue

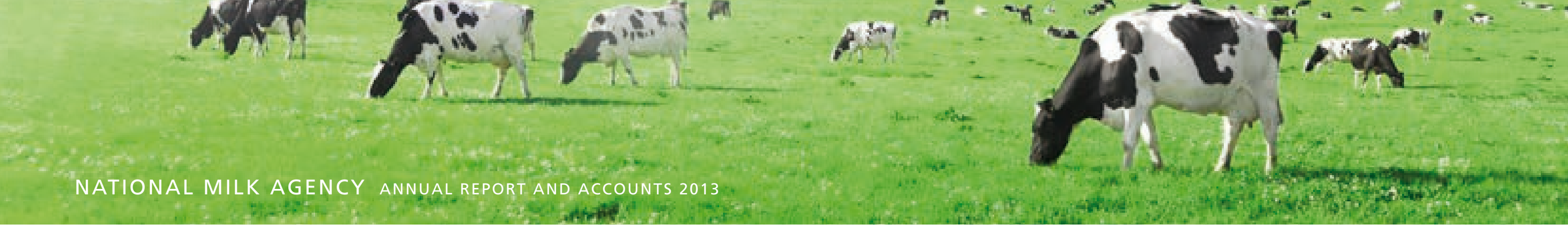

Michael Kilcoyne

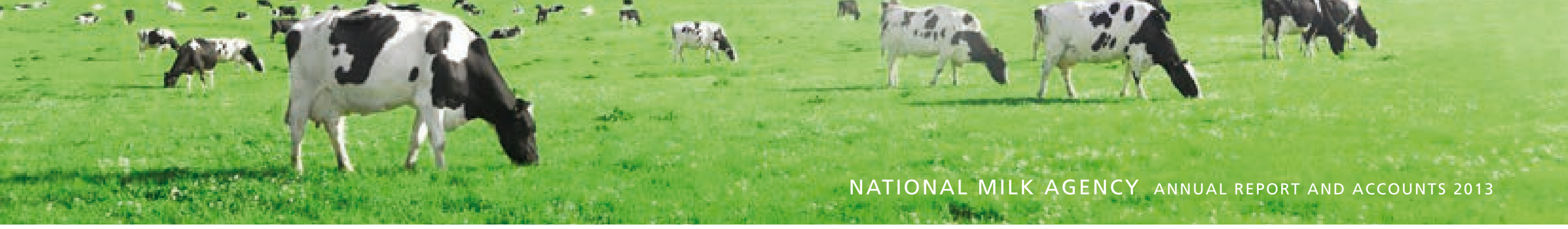
* Members of the Audit Committee (2013).



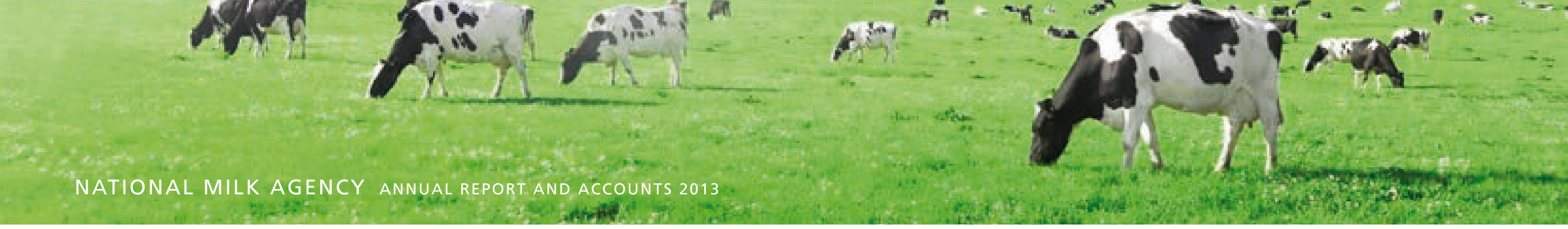
Chairman	Denis Murphy[1]
Producers' Representatives	Timothy Cashman Jerome Crowley Denis Fagan Eamonn McEnteggart Padraig Mulligan[1]
Processors' Representatives	George Kearns[1] Tony O'Driscoll Frank Tobin Eoghan Sweeney
Distributors' Representative	Walter Maloney
Retailers' Representative	John Foster [1 2]
Consumers' Representatives	Richard Donohue Michael Kilcoyne
Chief Executive	Muiris Ó Céidigh
Secretary	Joan Shannon
Office	IPC House, 35/39 Shelbourne Road, Ballsbridge, Dublin 4.
Email	natmilk@eircom.net
Website	www.nationalmilkagency.ie
Solicitor	Frank Mulvey, Frank Mulvey Solicitors, Morrison Chambers, 32 Nassau Street, Dublin 2.
Bankers	Allied Irish Banks plc., Bankcentre Branch, Ballsbridge, Dublin 4. Bank of Ireland, 39 St. Stephen's Green, Dublin 2.
Auditor	Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

[1] Members of the Audit Committee (2013).
[2] Chairman of the Audit Committee (2013).





CONTENTS



1. MILK SUPPLIES

Dr. Muiris Ó Céidigh
Chief Executive

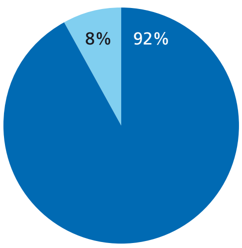
1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2013 were 5,420 million litres, an increase of 195 million litres or 3.7% on supplies of 5,225 million litres in 2012.

The number of active milk producers was 17,985 while the average annual milk supplies per producer were 301,000 litres. (Appendix 4 Table B).

92% of domestic milk supplies were utilised in the manufacture of dairy products, which were mainly for export, while 8% of supplies were processed for liquid consumption on the domestic market.

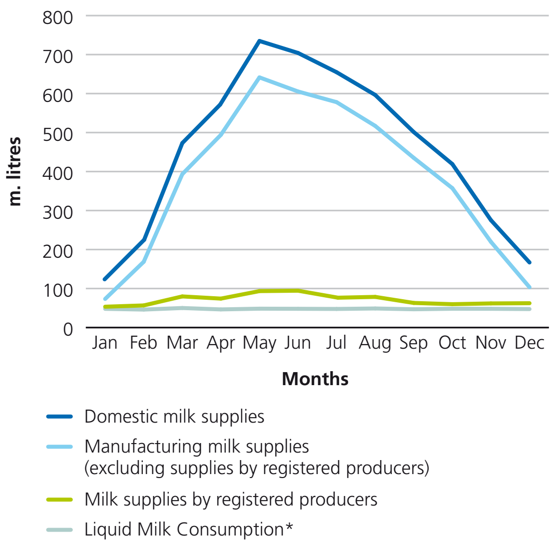
FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2013



Domestic milk supplies in 2013 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 78% of milk supplies being supplied in the seven months of March to September and 22% in the five months of October to February inclusive.

The domestic milk supply profile had a peak to trough month ratio of 5.8/1 which was comprised of a peak to trough month ratio of 8.6/1 for milk supplies from manufacturing milk producers and of 1.9/1 for milk supplies for processing for liquid consumption from registered milk producers.

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2013

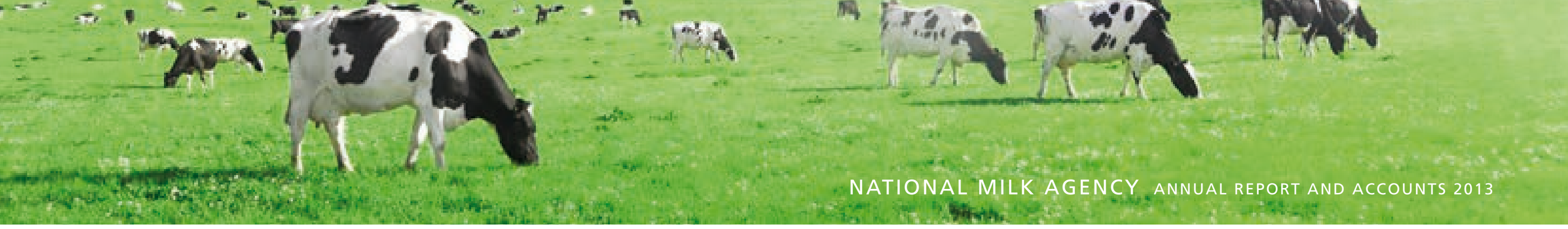


* Milk sold for liquid consumption within the State including packaged milk imports.
Sources: CSO/NMA.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios											
Manufacturing	8.6	9.1	6.8	8.7	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.9	1.8	1.8	1.9	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
All	5.8	5.6	5.1	5.8	4.9	5.4	5.6	5.7	5.5	5.5	5.6	6.1

Source: DAFM/CSO.



1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 1,883 registered producers in 2012/13 amounted to 830 million litres (Appendix 4 – Table A), compared to 829 million litres in 2011/12.

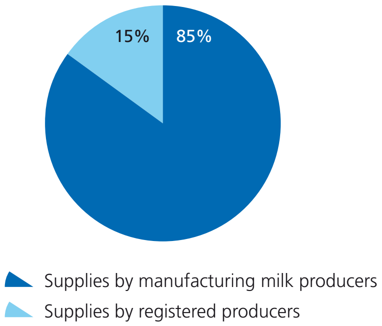
Supplies for processing for liquid consumption amounted to 455 million litres or 55% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 375 million litres or 45% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 10% of all milk producers and supplying 15% of domestic milk supplies.

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

Milk supplies purchased under registered contracts for processing for liquid consumption exceeded processor's fresh milk sales by 8% in 2013 compared to 4% in 2012, mainly due to transitional purchase arrangements.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2013



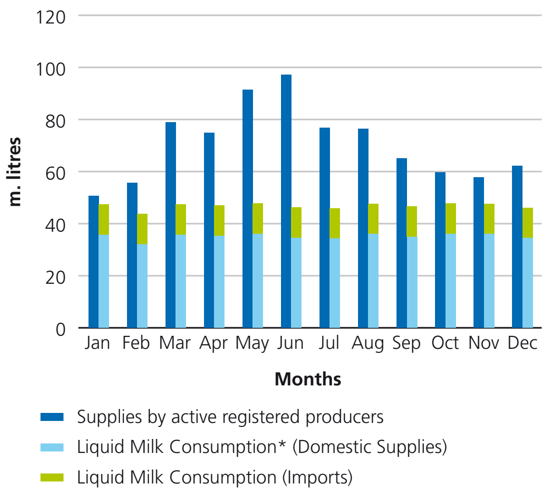
The average registered producer in 2012/13 had annual supplies of 441,000 litres compared with 428,000 litres in the previous year, an increase of 3%.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2013 to February 2014 total milk supplies by registered producers amounted to an estimated 296 million litres, an increase of 12 million litres on 2012/13 and provided a supply cover of 132% for liquid milk consumption (including imports) of an estimated 225 million litres.

In the months of December 2013 and January 2014, total supplies by registered producers amounted to an estimated 117 million litres and were 25 million litres in excess of liquid milk consumption (including imports) of an estimated 92 million litres in those months, a supply cover of 127%.

FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2013



* 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 411 million litres, an increase of 5 million litres or 1% on 2012 and were mainly cross border movements of milk from Northern Ireland.

These bulk milk imports were equivalent to 8% of domestic supplies and to 20% of Northern Ireland's annual milk supplies.

Bulk milk imports of 354 million litres for processing into manufactured dairy products in the State represented 86% of these imports, while bulk milk imports for processing for liquid consumption in the State, estimated at 57 million litres, represented 14%, being a reduction of 2 million litres or 3% on the previous year.

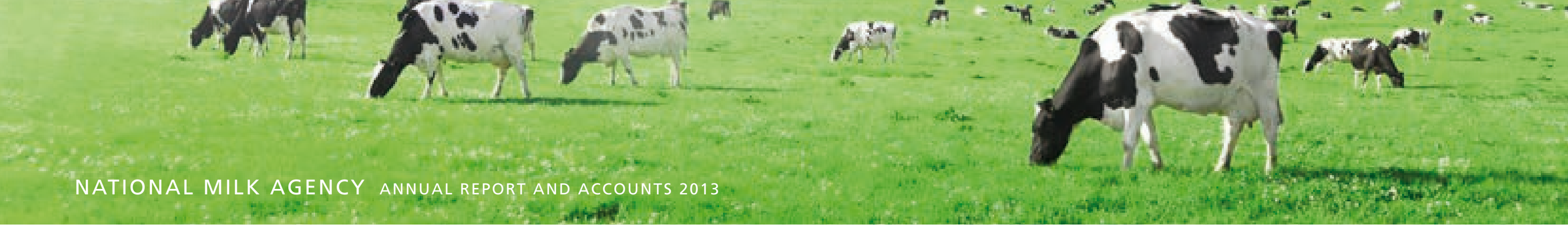


TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	Millions of litres																	
Supplies	5,420	5,225	5,377	5,173	4,801	4,959	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	4,973	4,944	5,105	5,144
Imports[1] (bulk)	411	406	356	388	427	464	473	566	550	377	349	278	209	304	361	282	–	–
Imports %	8	8	7	8	9	9	9	11	11	7	7	5	4	6	7	6	–	–

[1] CSO.

Imports of fresh milk in consumer packs, were estimated at 89 million litres, an increase of 3 million litres or 3% on the previous year.

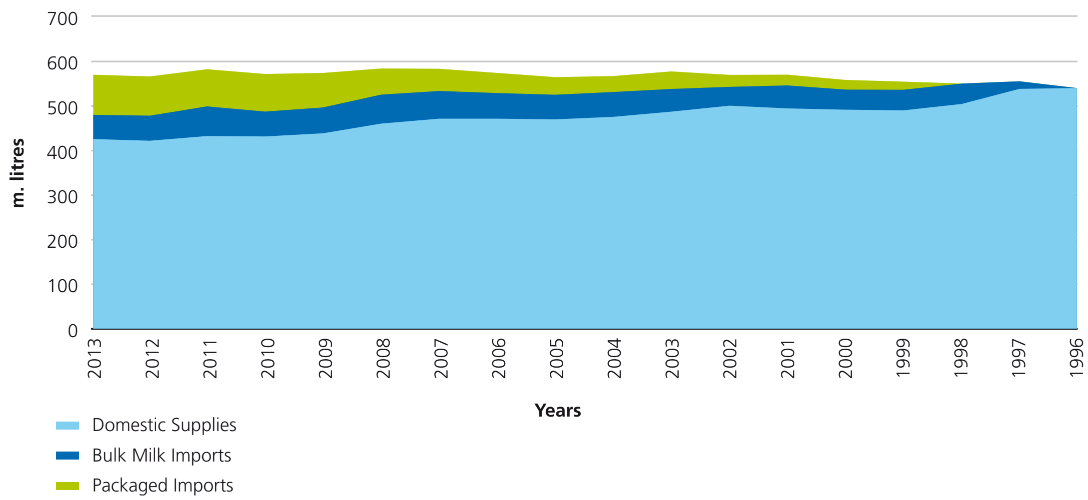
Total milk imports for liquid consumption in consumer packs and in bulk for processing for liquid consumption in the State amounted to 146 million litres, an increase of 1 million litres or 1%, on the import volumes in the previous year.

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2013

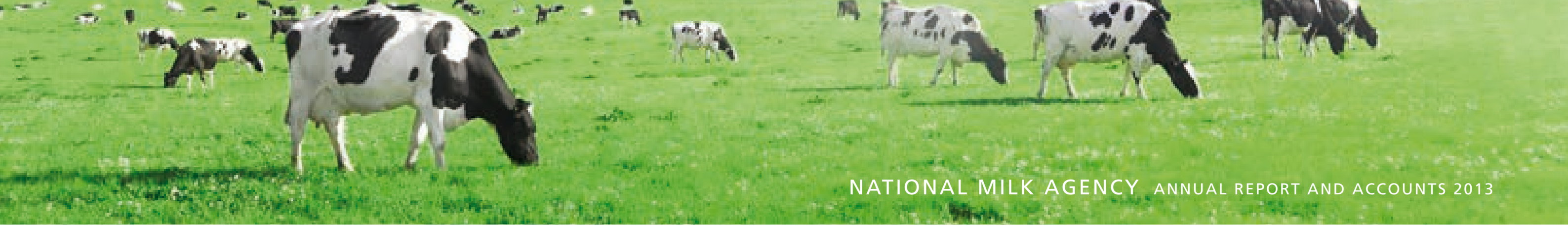
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	Millions of litres																	
Consumer Packs	89	86	86	84	78	59	50	46	40	38	41	26	24	23	20	–	–	0
Bulk	57*	59	65	58	57	63	62	58	55	55	48	42	50	43	44	45	16	0
Total Imports	**146**	**145**	**151**	**142**	**135**	**122**	**112**	**104**	**95**	**93**	**89**	**68**	**74**	**66**	**64**	**45**	**16**	**0**

* NMA estimate.

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2013



Domestic supplies had a 74% market share and imports had a 26% market share of the State's fresh milk market, the same as in 2012.



Since 1996 imports of fresh milk for liquid consumption have grown to an estimated 146 million litres absorbing all the increase of 29 million litres in consumption and displacing 117 million litres of domestic supplies.

The market share of domestic supplies in the liquid milk market has fallen from 100% in 1996 to 74% in 2013 while the market share of imports has grown from zero to 26%.

Total milk imports from Northern Ireland by processors and pasteurisers as packaged liquid milk, amounted to 500 million litres in 2013 and were equivalent to 9% of domestic milk supplies and to 25% of Northern Ireland's annual milk supplies.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	Millions of litres																	
Consumption	565	563	578	567	568	578	577	568	559	556	571	563	564	553	549	543	533	536
Domestic supplies	419	418	427	425	433	456	465	464	464	463	482	495	490	487	485	498	517	536
Total Imports	146	145	151	142	135	122	112	104	95	93	89	68	74	66	64	45	16	0
Domestic Supplies % Consumption	74	74	74	75	76	79	81	82	83	83	84	88	87	88	88	91	97	100
Imports % Consumption	26	26	26	25	24	21	19	18	17	17	16	12	13	12	12	9	3	0

Source: CSO/NMA.

Northern Ireland – Milk Supplies/ Milk Prices

Milk supplies in Northern Ireland in 2013 amounted to 2,008 million litres, an increase of 13 million litres on the previous year and were supplied by 2,684 dairy farmers. Northern Ireland's milk supplies were equivalent to 37% of the State's domestic milk supplies. Over 80% of Northern Ireland's annual milk supplies are exported as finished product or as raw milk.

Average annual milk supplies per supplier in Northern Ireland in 2013 were 748,000 litres, which were more than double the average milk annual supplies of 301,000 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 2012 of 1.4/1 compared with 5.8/1 in the State.

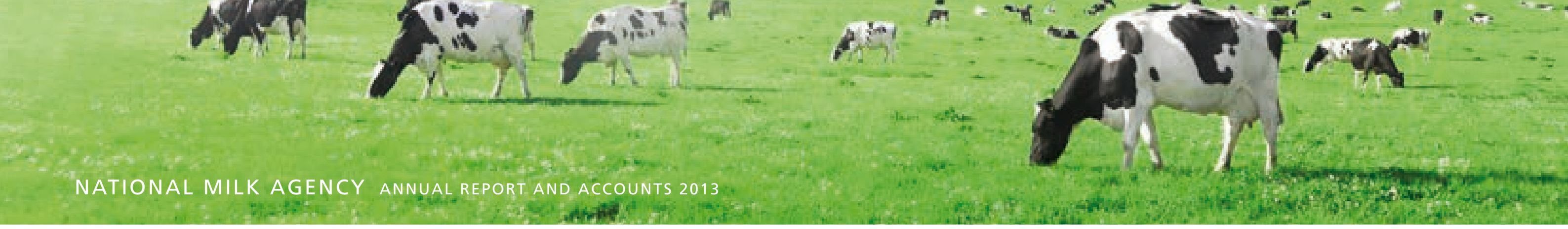
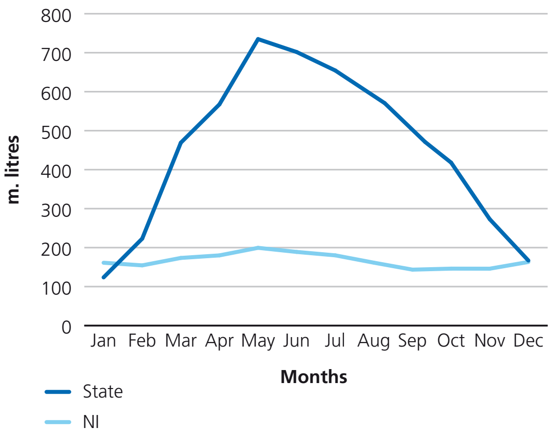


TABLE 1.9 MILK SUPPLIES IN THE STATE & IN NORTHERN IRELAND 2013

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	5,420	2,008
Average Butterfat %	3.94	4.01
Average Protein %	3.39	3.24
Peak month/trough month ratio	5.8/1	1.4/1
Suppliers – number	17,985	2,684
Average supplies per supplier – litres	301,000	748,000

FIG 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2013



Since 1993, annual milk supplies in Northern Ireland have increased by 699 million litres or 53% facilitated by the purchase and transfer of EU milk quotas from Great Britain.

In 2013, 411 million litres or 20% of annual milk supplies in Northern Ireland were exported to the State as bulk raw milk, an increase of 5 million litres or 1% on 2012.

The auction system for milk in Northern Ireland was discontinued in January 2013 due to concerns that it was not delivering a competitive price in the market place, especially during the spring and early summer peak production period.

TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993-2013

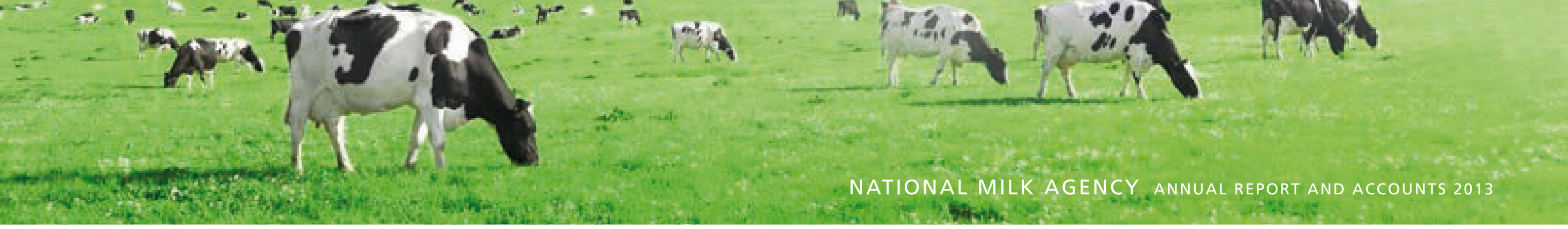
	MILK SUPPLIES	
	m. litres	**Index**
1993	1,309	100
2002	1,764	135
2003	1,772	135
2004	1,776	136
2005	1,865	142
2006	1,902	145
2007	1,918	146
2008	1,902	145
2009	1,772	135
2010*	1,850	141
2011*	1,977	150
2012*	1,995	151
2013	2,008	153

Source: DARDNI.

* Revised.

The annual average net price to producers for all year round milk supplies in 2013 was 31.32 p/l (36.84 c/l), an increase of 5.5 p/l (6.4 c/l) or 21% on the previous year.

This price was 1.23 c/l or 3% lower than the annual average milk price of 38.07 c/l for manufacturing milk supplies in the State.



2. THE FRESH LIQUID MILK MARKET

The fresh liquid milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €531m in 2013.

National consumption of fresh liquid milk last year was 565 million litres, an increase of 2 million litres or 0.4% on consumption in 2012. Per capita consumption in the State of 0.34 litres per day was the second highest in the EU.

Last year sales of whole milk represented 60% of fresh milk sales while sales of low fat and skimmed milk represented 40% of sales compared with 62% and 38% respectively in 2012.

The national average retail prices of low fat milk in l litre packs and of whole milk in 2 litre packs in 2013, as reported by the CSO, were 106 c/l and 180 c/2l respectively, being increases of 1 c/l and 3 c/2l over 2012.

An estimated 75% of sales of fresh milk were sold in 2 litres or greater size packs while an estimated 25% of sales were sold in 1 litre or smaller packs.

Based on this sales mix the National Milk Agency estimates that the national average retail price of milk in all pack sizes was 94 c/l in 2013 compared with 93 c/l in 2012, an increase of 1 c/l or 1%.

From 1995 to 2011 the CSO reported on the monthly average price of whole milk in 1 litre packs over which time the price increased by 34 c/l or 44%. From January 2012 the CSO ceased to report on the monthly average price of whole milk in 1 litre packs and commenced to report on the price of low fat milk in 1 litre packs.

In Table 2.0 the Agency has used the average price of low fat milk in 1 litre packs to calculate the retail price index in 2013 and 2012. Generally the prices of own label whole milk and own label low fat milk in 1 litre packs in retail multiples are the same. It should be noted, however, that in some instances the retail prices of processors' brands of low fat milk in 1 litre packs may be higher than the prices of processor's brands of whole milk in 1 litre packs.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	151	150	148	144	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	140	142	139	140	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index																			
– low fat milk[1]	138	136	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– whole milk[2]	–	–	144	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Producer Price Index[3]	119	104	108	99	89	115	108	93	94	98	98	100	102	98	98	98	100	104	100

Sources CSO/NMA

1 CSO – National average retail price of low fat milk in 1 litre packs (CSO from January 2012).

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

3 EU dairy premium payments payable to eligible recipients since 2004 are not included.

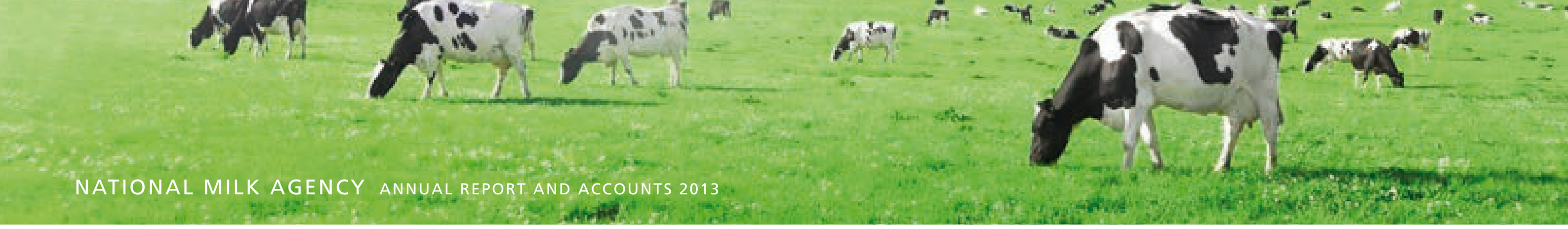
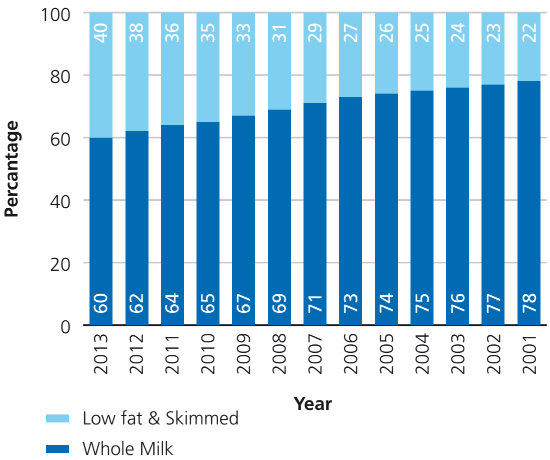


TABLE 2.1 ANNUAL AVERAGE RETAIL MILK PRICES – ANNUAL PRODUCER MILK PRICES/PRODUCERS' SHARE OF RETAIL MILK PRICE

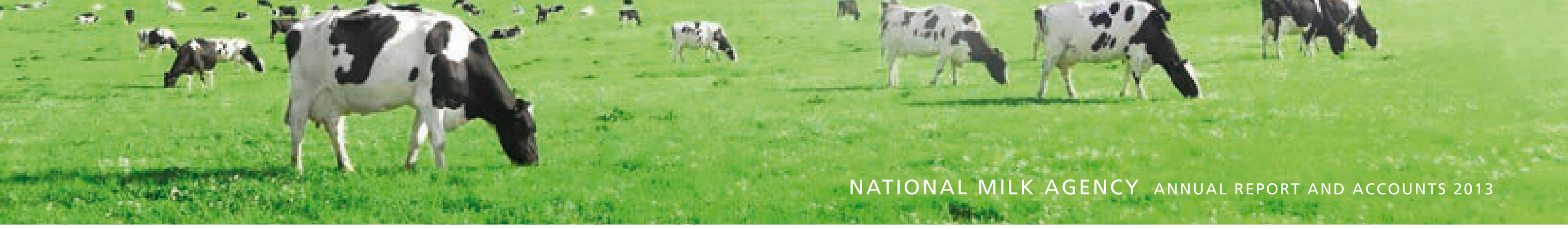
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Retail Prices																			
– low fat milk[1]	106	105	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– whole milk[2]	–	–	111	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices[3]	38.9	34.1	35.5	32.4	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1	32.2	32.3	32.8	34.1	32.8
Producer Price % Retail[4]	37%	32%	32%	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

1 CSO – national average retail price of low fat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk only since January 2012).
2 CSO – national average retail price of whole milk in 1 litre packs.
3 NMA – national average producer price of milk for processing for liquid consumption.
4 NMA – Based on the NMA estimate of 94 c/l as the national average retail price for fresh milk the producers' price as a percentage of the retail price would be 41% in 2013 compared with 37% in 2012.

FIG 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2013



Source: CSO.



Retail Market

Retailers are the main distribution channel for fresh milk distributing 79% of all fresh milk. According to industry sources the catering channel decreased to 11% while the doorstep channel remained static at 10%.

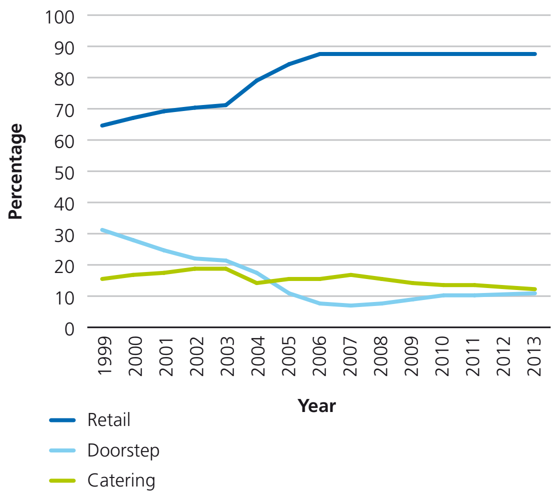
TABLE 2.3 GROCERY MARKET SHARES

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%	%	%
Tesco	26	27	28	27	26	26	26	26	26	25	23	24
Dunnes	24	23	23	23	25	24	24	22	22	22	21	22
SuperValu	20	20	20	20	20	20	20	20	20	19	19	19
Superquinn	5	6	5	7	7	8	8	8	8	9	8	9
Lidl/Aldi	14	12	12	12	11	10	7	6	6	5	6	1
Centra	4	4	4	2	2	2	2	3	2	3	3	3
Spar	4	4	4	2	2	2	2	2	2	3	3	2
All others	3	4	4	7	7	8	11	13	14	14	17	20
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: RGDATA – estimated.

The three largest multiple groupings had a 79% share of the Irish grocery market in 2013 and the five largest multiple groupings had a market share of 93%.

FIG 2.4 MARKET SHARES 1999-2013

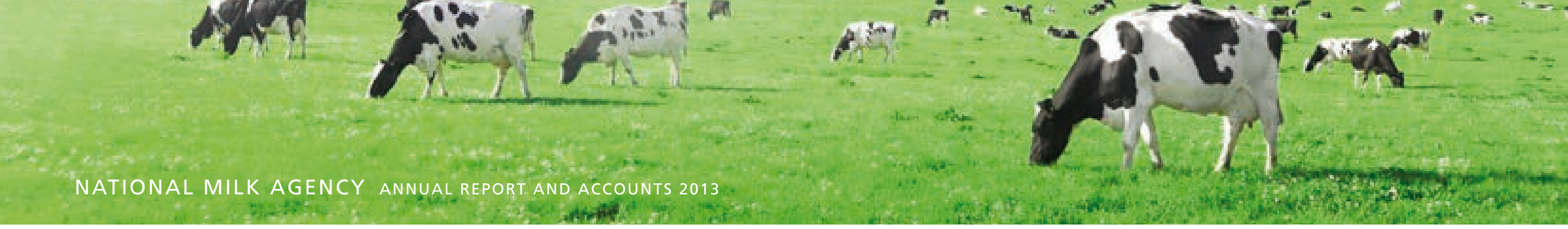


Source: Industry Estimate.

Discount retailers, whose grocery market share increased to 14% in 2013 have been among the main outlets for packaged fresh milk imports but in recent times have sourced increasing supplies from registered processors and registered producers.

In the Irish fresh milk market it is estimated that over 55% of milk sales in retail outlets is now sold as 'own label' according to industry sources.

Own label sales in 2 litre packs were retailed at an average discount of 25% on processors' brands.



3. REGISTERED CONTRACTS/PRICES

TABLE 3.0 CONTRACT TYPES

Milk Year	Total Contracts	All Year Round	Winter Months
1995/96	3,344	3,206	138
1996/97	3,284	3,151	133
1997/98	2,908	2,783	125
1998/99	2,833	2,709	124
1999/00	2,762	2,642	120
2000/01	2,837	2,725	112
2001/02	2,720	2,620	100
2002/03	2,736	2,583	153
2003/04	2,656	2,510	146
2004/05	2,336	2,199	137
2005/06	2,282	2,104	178
2006/07	2,079	1,908	171
2007/08	2,008	1,861	147
2008/09	1,992	1,849	143
2009/10	1,995	1,862	133
2010/11	1,950	1,790	160
2011/12	1,936	1,824	112
2012/13	1,883	1,769	114

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

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

- The number of registered milk supply contracts decreased to 1,883, a net decrease of 53 contracts on the previous year.
- All Year Round (AYR) contracts continued to be the main contract type representing 94% of contracts and 99% of milk supplies.
- Winter contracts represented 6% of contracts and 1% of milk supplies.
- The number of All Year Round (AYR) contracts decreased by 55 to 1,769 while the number of Winter contracts increased by 2 contracts to 114.

3.1 Contract Pricing Systems

- Two systems of milk pricing are used by processors when purchasing milk from producers for processing for liquid consumption namely the Manufacturing Milk Price plus Bonus System (MMP System) and the FLAT Price System (FLAT System).
- Under the MMP System, a milk price linked to the processors monthly manufacturing milk price, with price differentials for constituents, is paid with the addition of fixed or variable winter bonus payments.
- Under the FLAT System, milk is paid for at a monthly flat price per litre with higher prices paid in the winter months and no price differentiation for milk constituents.
- In 2012/13 the MMP System was applied in 86% of the AYR contracts compared with 82% in 2011/12 and to 87% of milk supplies compared with 81% of milk supplies in 2011/12.
- The FLAT System was applied in 14% of the AYR contracts compared with 18% in 2011/12 and to 13% of the milk supplies compared with 19% in 2011/12.

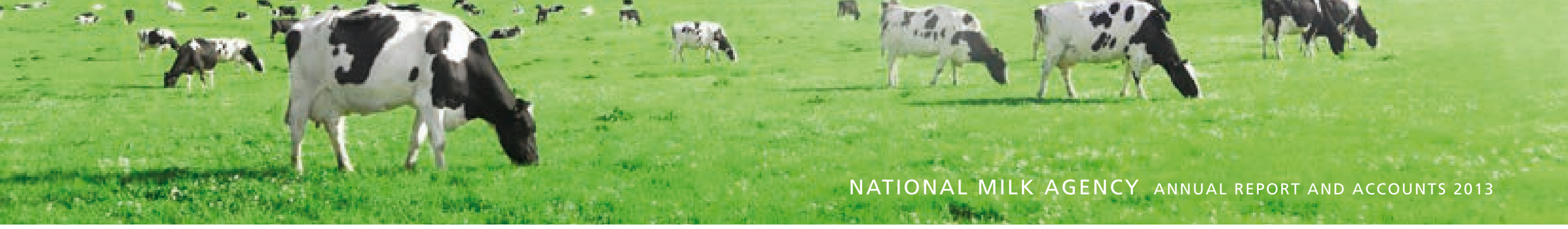


TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	Contracts				Supplies			
	2012/13		2011/12		2012/13		2011/12	
	Number	**%**	**Number**	**%**	**m litres**	**%**	**m litres**	**%**
All Year Round	1,769	94	1,824	94	449.0	99	428.5	98
Winter	114	6	112	6	6.1	1	6.5	2
Total	1,883	100	1,936	100	455.1	100	435.0	100

Source: DAFM/CSO.

- Milk supplies purchased under registered contracts in 2013 were 8% higher than domestic fresh milk sales compared with 4% in 2012, mainly due to transitional arrangements.

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2012/13		2011/12		2012/13		2011/12	
	Number	**%**	**Number**	**%**	**m litres**	**%**	**m litres**	**%**
MMP SYSTEM	1,524	86	1,499	82	389.5	87	346.0	81
FLAT SYSTEM	245	14	325	18	59.5	13	82.5	19
TOTAL AYR	1,769	100	1,824	100	449.0	100	428.5	100

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2012/13

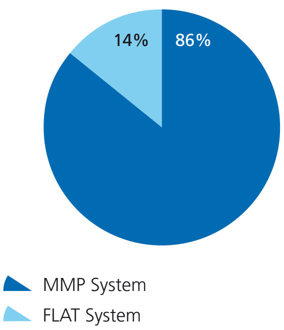
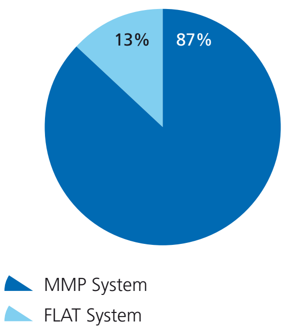


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2012/13



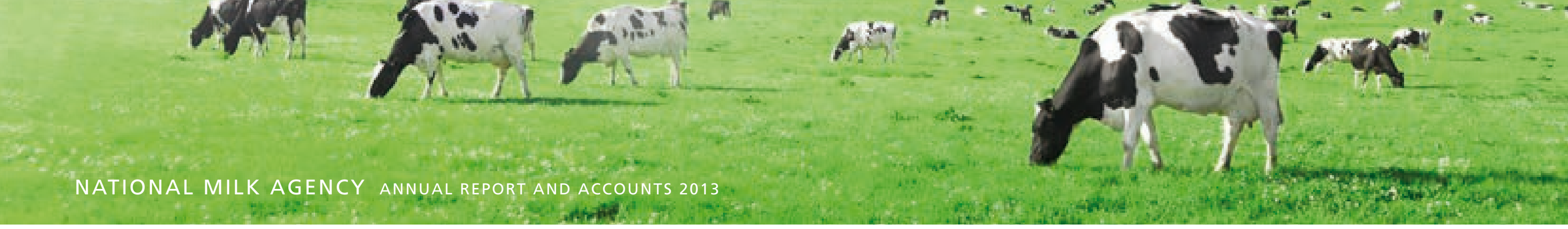


Fig 3.5 AYR CONTRACTS – PRICING SYSTEMS/SUPPLIES 1999/00-2012/13

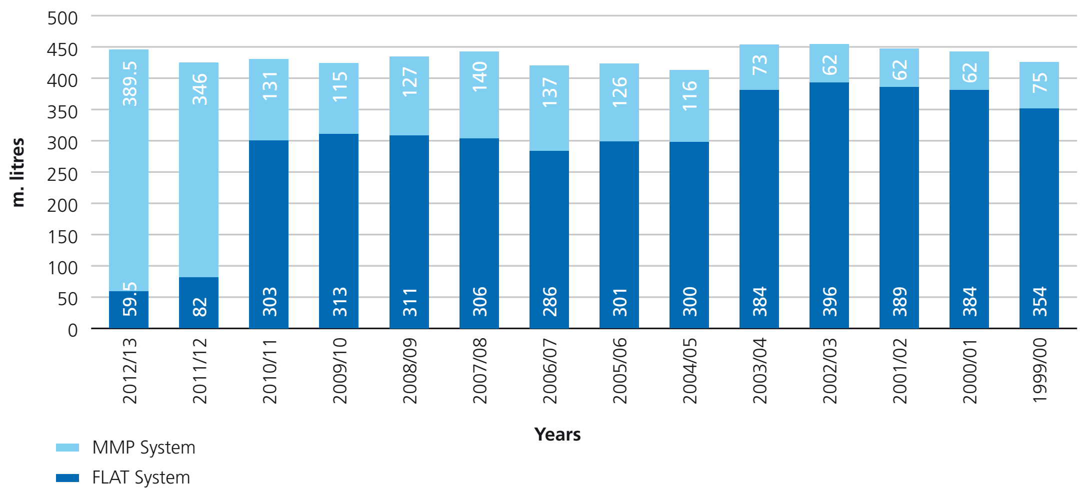


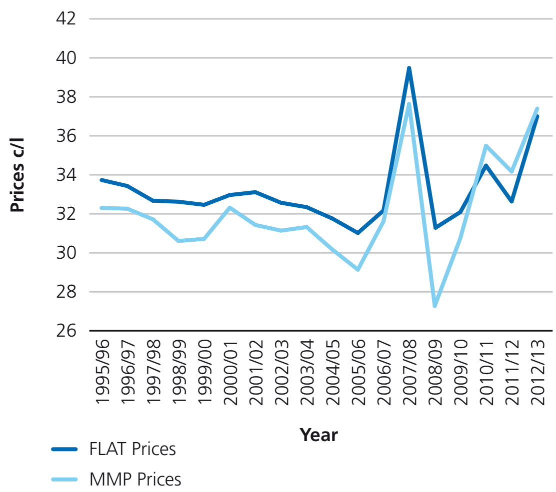
Table 3.6 ALL YEAR ROUND CONTRACTS ANNUAL AVERAGE MILK PRICES PAID – 2012/13 & 2011/12

Pricing Systems	Prices		Price Increases	Contracts	Milk Supplies
	2012/13	2011/12	2012/13	2012/13	2012/13
	c/litre	c/litre	c/litre	number	m. litres
MMP	37.44	34.25	3.19	1,524	389.5
FLAT	37.19	32.66	4.53	245	59.5
AYR Contracts	37.42	33.94	3.48	1,769	449.0

Prices are in respect of AYR contracts which apply the MMP System and the FLAT system and are ex farm attainable prices, exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties and statutory levies. Prices are weighted by monthly volumes purchased. In the case of contracts applying the MMP System, prices are linked to monthly manufacturing prices with fixed and variable winter bonuses added. Where the Pricing System in a contract changed during the milk year the contract has been classified in accordance with the main Pricing System applied.

- The average price paid under the AYR MMP System contracts in 2012/13 was 37.44 c/l, an increase of 3.19 c/l or 9% on the previous year.
- The average price paid under the AYR FLAT System contracts in 2012/13 was 37.19 c/l, an increase of 4.53 c/l or 14% on the previous year.
- The average price paid under all AYR contracts in 2012/13 was 37.42 c/l, an increase of 3.48 c/l or 10% on the previous year.
- The annual average price of 37.44 c/l under the MMP System was 0.25 c/l higher than the annual average price paid under the FLAT System.
- Nine processors purchased supplies using the MMP System in their contracts.
- Four processors purchased supplies using the FLAT System in their contracts.
- Two processors purchased supplies using both FLAT and MMP Systems.
- A Schedule showing the annual average prices in AYR contracts since 1995/96 is set out in Appendix 3 (Table A).

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



See Appendix 3.

3.2 Main AYR Contracts – Prices Paid 2012/2013 & 2011/12

A table of the annual average milk prices paid under the twelve highest volume AYR contracts representing 87% of the AYR contracts and 92% of AYR milk supplies is set out below.

TABLE 3.8 ALL YEAR ROUND CONTRACTS – PRICES PAID – 12 HIGHEST VOLUME CONTRACTS

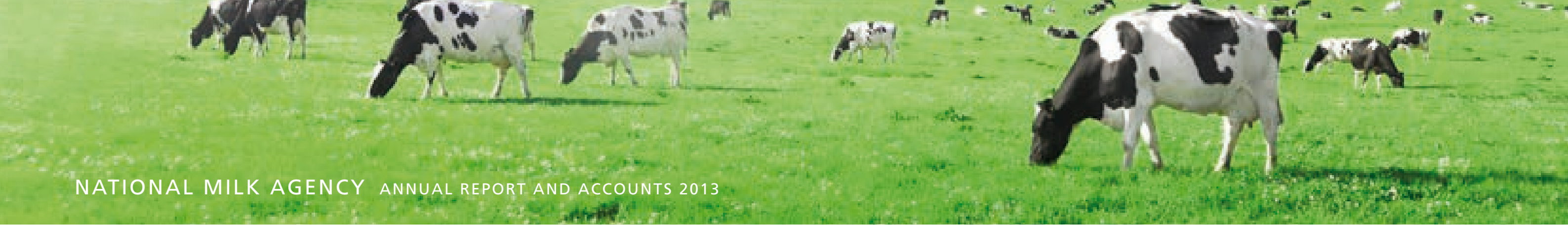
MMP System Contracts

Contract Types	Annual Average Prices Plus Bonus[2]		Annual Average Monthly Bonus		Base Prices		Change in Annual Average Prices
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	37.83	33.90	2.37	2.48	35.46	31.42	3.93
B1	36.15	31.81	1.93	1.80	34.22	30.01	4.34
B2	38.66	35.19	4.86	4.88	33.80	30.31	3.47
C2	38.06	35.88	4.26	4.23	33.80	31.65	2.18
C3	39.26	37.16	4.93	4.12	34.33	33.04	2.10
D	37.58	34.19	3.95	3.34	33.63	30.85	3.39
F	36.94	33.82	3.85	3.34	33.09	30.48	3.12

FLAT System Contracts

Contract Types[1]	Annual Average Prices[2]		Winter Prices		Summer Prices		Change in Annual Average Prices
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	38.11	32.94	38.62	36.86	37.55	28.86	5.17
G	35.47	30.93	35.15	33.92	35.89	26.17	4.54
D1	37.23	31.12	38.21	33.52	36.01	28.04	6.11
J	36.91	32.13[3]	37.14	36.30	36.63	27.52	4.78
H	39.43	35.22[3]	40.93	39.29	37.40	29.11	4.21

[1] During the year two types of Flat System contracts changed to MMP System contracts.
[2] Excluding VAT.
[3] Revised.



3.3 Winter Contracts – Prices Paid

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

Pricing Systems	Contracts		Milk Supplies		2012/13	2011/12
	Number	**%**	**m. litres**	**%**	**Average Price – Winter Months c/litre**	**Average Price – Winter Months c/litre**
MMP System	91	80	5.1	84	45.16	44.09
FLAT System	23	20	1.0	16	39.70	38.84
Total	114	100	6.1	100	44.39	42.96

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 114 winter contracts related to 6.1 million litres of milk (a decrease of 0.4 million litres on the previous year) and represented 6% of all contracts and 1% of milk supplies.

3.4 All Contracts – Prices Paid – Milk Years

The average price paid under all contracts, both All Year Round and Winter Months Only in 2012/13 was 37.50 c/l an increase of 3.42 c/l or 10% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

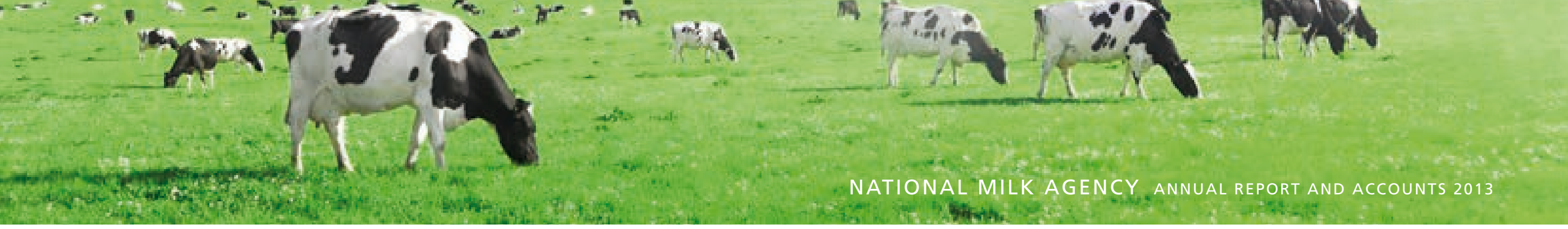
Period Contracts Supplies	2012/13 1,883 455 ml	2011/12 1,936 435 ml
	c/litre	**c/litre**
Winter months, September-March (7)	39.02	37.96
Summer months, April-August (5)	35.40	28.52
Annual Average	37.50	34.08

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

3.5 Milk Prices 2013

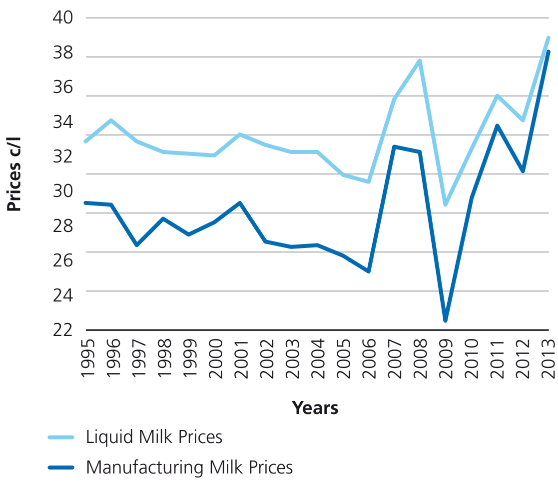
ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

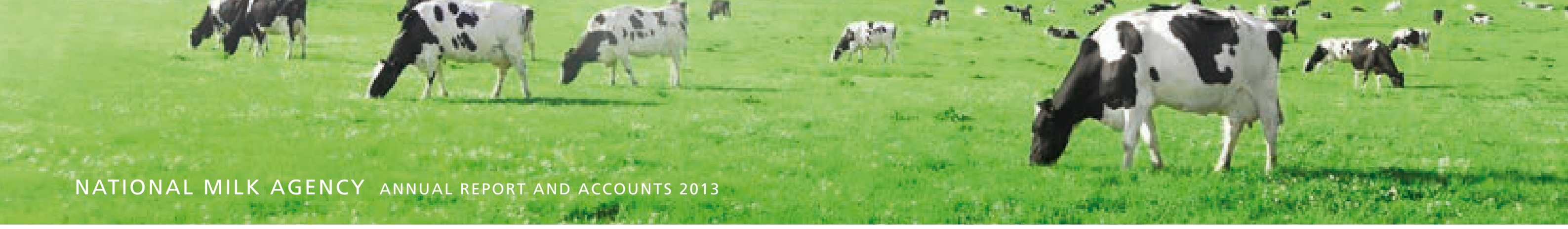
- In calendar year 2013, which includes the first three months of the 2013/14 milk year, the annual average price paid under all registered contracts (AYR and Winter) was 38.87 c/l. This calendar year price was 1.37 c/l higher than the annual average price of 37.50 c/l paid in the 2012/13 milk year due to the higher liquid prices paid by processors in the last quarter of 2013 compared with the same quarter in 2012.
- In 2013 the annual average price of 38.87 c/l paid under all registered contracts was 4.77 c/l or 14% higher than the annual average price of 34.10 c/l paid in 2012.
- The incentive premia per litre payable on winter milk supplies in 2013 and in 2012 were virtually the same.
- The annual average price for manufacturing milk supplies, excluding vat and after collection charges in 2013, was 38.07 c/l, an increase of 6.92 c/l or 22% on the annual average manufacturing price of 31.15 c/l in 2012.
- The annual average producer prices of 38.87 c/l for liquid milk and 38.07 c/l for manufacturing milk were the highest on record.



- The differential in 2013 between the annual average producer price for milk supplies for liquid consumption of 38.87 c/l and the annual average producer price for manufacturing milk supplies of 38.07 c/l, was 0.80 c/l, a decrease of 2.15 c/l compared with the differential of 2.95 c/l in 2012. This differential was the lowest on record.
- Based on a standard milk composition of 3.30% protein and 3.60% butterfat, the differential between the annual average producer price for milk supplies for liquid consumption and the annual average producer price for manufacturing milk supplies in 2013 was 1.27 c/l compared with 3.10 c/l in 2012.
- 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 1995-2013





4. PROCESSORS

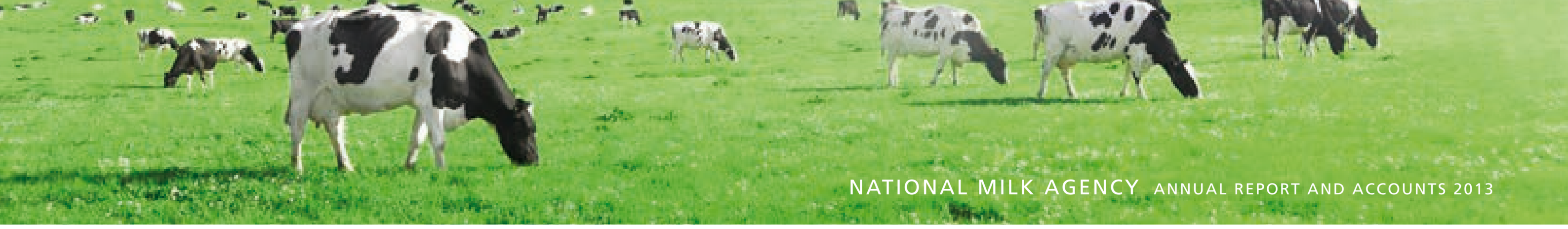
TABLE 4.0 STRUCTURE OF REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2012/13

Milk Supply Bands	Number of Processors	Registered Producers		Registered Supplies*	
m. litres		**number**	**%**	**m. litres**	**%**
0-20	10	292	16	49	9
20-40	3	382	20	106	23
Over 40	2	1,209	64	300	68
TOTAL	15	1,883	100	455	100

As at 31st December 2013.

* 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 40 million litres of milk for processing for liquid consumption accounted for 64% of active registered producers and 68% of registered milk supplies. The 15 registered processors include 3 producer processors.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2013 was 18, of which 16 establishments 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.
- Average annual milk supplies processed per establishment operated by registered processors were 28.5 million litres.



APPENDIX 1 MEETINGS OF THE AGENCY

Members	Meetings Attended 2013
Denis Murphy – Chairman	7
Teddy Cashman	5
Jerome Crowley	6
Padraig Mulligan	7
Eamonn McEnteggart	7
George Kearns	7
Denis Fagan	6
Tony O'Driscoll	7
Eoghan Sweeney	4
Frank Tobin	5
Walter Maloney	6
John Foster	7
Richard Donohue	7
Michael Kilcoyne	5

The Agency held seven meetings during the year and the attendance ratio was 87%.

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

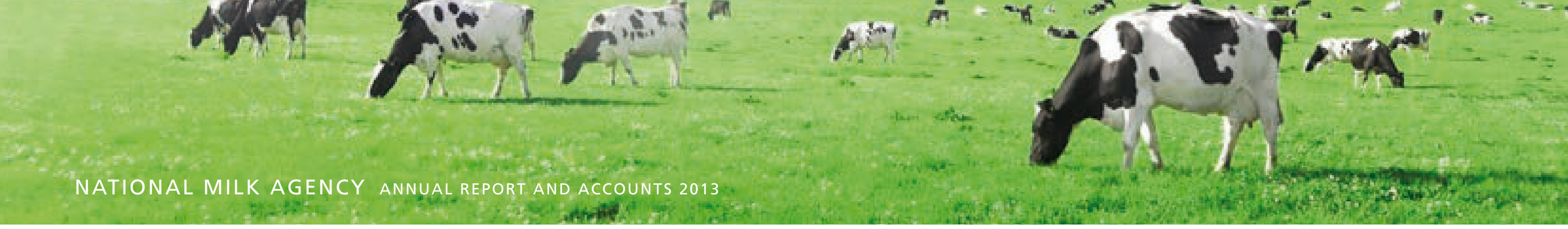
In May, the Chairman, Chief Executive and five members of the Agency met with the Joint Oireachtas Committee on Agriculture, Food and the Marine in relation to the proposed Code of Conduct for the grocery goods sector, pricing and impact on primary and secondary suppliers, support for local produce and labelling.

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.

Mr. Eamonn McEnteggart was the Agency's representative on the Board of the National Dairy Council in 2013.

In 2013 the members of the Audit Committee John Foster (Chairman), George Kearns, Padraig Mulligan and Denis Murphy held two meetings.



APPENDIX 2 REGISTER OF PRODUCERS/MILK SUPPLIES/ PRICING SYSTEMS

A. REGISTER OF PRODUCERS

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

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.

C. ALL YEAR ROUND CONTRACTS AND PRICING SYSTEMS

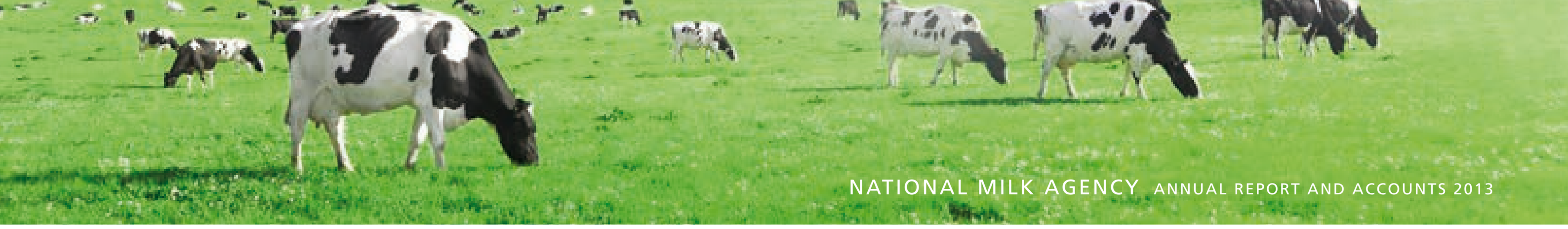
Milk Years	Contracts	Pricing Systems		% MMP	% FLAT
		MMP	FLAT		
1995/96	3,206	471	2,735	15	85
1996/97	3,151	455	2,696	14	86
1997/98	2,783	373	2,410	13	87
1998/99	2,708	418	2,290	15	85
1999/00	2,642	373	2,269	14	86
2000/01	2,725	350	2,375	13	87
2001/02	2,620	338	2,282	13	87
2002/03	2,583	344	2,239	13	87
2003/04	2,510	435	2,075	17	83
2004/05	2,199	513	1,686	23	77
2005/06	2,104	515	1,589	24	76
2006/07	1,908	460	1,448	24	76
2007/08	1,861	475	1,386	25	75
2008/09	1,849	479	1,370	26	74
2009/10	1,862	549	1,313	30	70
2010/11	1,790	526	1,264	29	71
2011/12	1,824	1,499	325	82	18
2012/13	1,769	1,524	245	86	14

B. REGISTERED MILK SUPPLIES BY CONTRACT TYPES

Milk Years	Total	All Year Round	Winter Months Only
	m.litres	m.litres	m.litres
1995/96	497.3	488.4	8.9
1996/97	474.6	467.3	7.3
1997/98	434.6	427.3	7.3
1998/99	433.2	426.4	6.8
1999/00	436.9	428.7	8.2
2000/01	452.6	446.1	6.5
2001/02	458.7	451.6	7.1
2002/03	468.1	458.0	10.1
2003/04	465.5	457.4	8.1
2004/05	425.7	416.3	9.4
2005/06	438.7	427.4	11.3
2006/07	432.3	423.1	9.2
2007/08	454.8	446.3	8.5
2008/09	447.8	438.2	9.6
2009/10	435.6	427.5	8.1
2010/11	444.2	433.8	10.4
2011/12	435.0	428.5	6.5
2012/13	455.1	449.0	6.1

D. ALL YEAR ROUND CONTRACTS/SUPPLIES AND PRICING SYSTEMS

Milk Years	Supplies	Pricing Systems		MMP	FLAT
		MMP	FLAT		
	m. litres	m. litres	m. litres	%	%
1995/96	488.4	44.8	443.6	9	91
1996/97	467.3	72.7	395.5	15	85
1997/98	427.3	62.3	364.6	15	85
1998/99	426.4	76.4	350.0	18	82
1999/00	428.7	75.0	353.7	17	83
2000/01	446.1	62.5	383.6	14	86
2001/02	451.6	62.1	389.5	14	86
2002/03	458.0	61.6	396.4	13	87
2003/04	457.4	73.1	384.3	16	84
2004/05	416.3	116.3	300.0	28	72
2005/06	427.4	126.4	301.0	30	70
2006/07	423.1	136.8	286.2	32	68
2007/08	446.3	139.9	306.4	31	69
2008/09	438.2	126.9	311.3	29	71
2009/10	427.5	114.9	312.6	27	73
2010/11	433.8	130.8	303.0	30	70
2011/12	428.5	346.0	82.5	81	19
2012/13	449.0	389.5	59.5	87	13



APPENDIX 3 ANNUAL AVERAGE MILK PRODUCER PRICES/DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS MILK YEARS – 1995/96 TO 2012/13 – ANNUAL AVERAGE PRICES/MMP SYSTEM/FLAT SYSTEM/DIFFERENTIALS

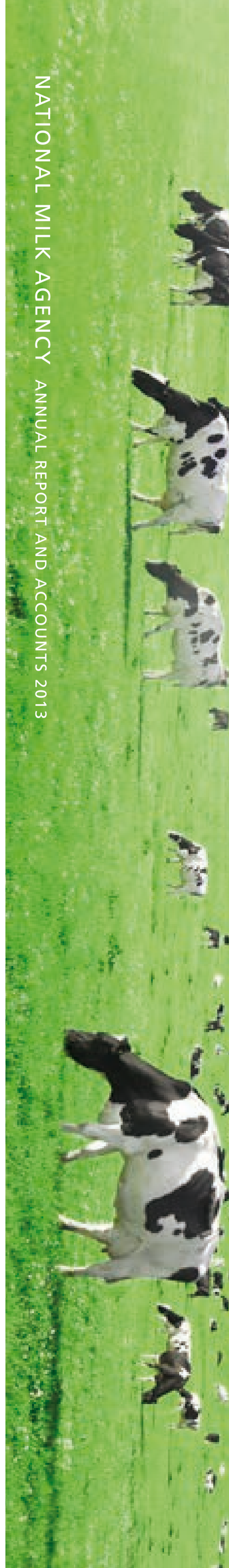
Milk Years	Average Prices	Average MMP Prices	Average FLAT Prices	Price Differentials MMP Price v FLAT Price
	c/l	c/l	c/l	c/l
1995/96	N/A	32.30	33.77	(1.47)
1996/97	N/A	32.28	33.46	(1.18)
1997/98	32.50	31.67	32.65	(0.98)
1998/99	32.19	30.64	32.65	(2.01)
1999/00	32.15	30.73	32.43	(1.70)
2000/01	32.93	32.36	33.01	(0.65)
2001/02	32.92	31.42	33.11	(1.69)
2002/03	32.28	31.13	32.56	(1.43)
2003/04	32.25	31.32	32.38	(1.06)
2004/05	31.30	30.11	31.74	(1.63)
2005/06	30.56	29.12	31.12	(2.00)
2006/07	32.11	31.85	32.25	(0.40)
2007/08	38.84	37.60	39.38	(1.78)
2008/09	30.24	27.45	31.35	(3.90)
2009/10	31.84	30.96	32.15	(1.19)
2010/11	34.68	35.35	34.37	0.98
2011/12	33.94	34.25	32.66	1.59
2012/13	37.42	37.44	37.19	0.25

TABLE B. PRODUCER MILK PRICES ANNUAL AVERAGES – 1995-2013 LIQUID PRICES/MANUFACTURING PRICES/ANNUAL PRICE DIFFERENTIALS

Calendar Years	Prices – Liquid[1]	Prices – Manufacturing[1]	Price Differential
	c/l	c/l	c/l
1995	32.84	29.32	3.52
1996	34.07	29.26	4.81
1997	32.85	26.85	6.00
1998	32.31	28.37	3.94
1999	32.20	27.51	4.69
2000	32.09	28.21	3.88
2001	33.26	29.31	3.95
2002	32.70	27.06	5.64
2003	32.26	26.79	5.47
2004	32.26	26.84	5.42
2005	31.00	26.29	4.71
2006	30.51	25.36	5.15
2007	35.28	32.54	2.74
2008	37.58	32.24	5.34
2009	29.17	22.49	6.68
2010	32.44	29.62	2.82
2011	35.51	34.10	1.41
2012	34.10	31.15	2.95
2013	38.87	38.07	0.80

Sources NMA/CSO.

[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 2012/13 AND 2011/12

Annual Supply Bands	Registered Producers		Total Supplies		Supplies for Liquid Consumption		Supplies for Manu-facturing		Average Supplies for Liquid		% of Registered Producers		% of Total Supplies		% of Liquid Supplies		Liquid Supplies % Total Supplies	
Litres	number		m litres		m litres		m litres		'000s litres									
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
<50,000	95	83	1.8	1.3	1.1	0.8	0.7	0.5	11	9	5	4	0	0	0	0	64	62
50,000-99,999	78	87	5.7	6.3	3.4	3.4	2.3	2.9	43	39	4	4	1	1	1	1	60	54
100,000-149,999	86	99	10.4	12.0	5.1	5.9	5.3	6.1	59	59	6	5	1	2	1	2	50	49
150,000-199,999	132	124	22.9	21.7	12.1	11.4	10.8	10.3	91	92	7	6	3	3	3	3	53	53
200,000-249,999	148	156	33.4	35.2	18.7	17.8	14.7	17.4	126	114	8	8	4	4	4	4	56	51
250,000-299,999	167	167	46.1	46.0	22.8	20.9	23.3	25.1	136	125	9	9	5	6	5	5	49	45
300,000-349,999	178	210	57.7	67.9	28.4	32.1	29.3	35.8	159	153	9	11	7	8	6	7	49	47
350,000-399,999	155	190	58.1	71.4	29.8	35.0	28.3	36.4	192	184	8	10	7	8	7	8	51	49
400,000-449,999	146	126	61.9	53.4	31.9	25.2	30.0	28.2	218	200	8	7	7	6	7	6	52	47
450,000-499,999	117	115	55.8	54.5	28.0	27.6	27.8	26.9	239	240	6	6	7	7	6	6	50	51
500,000-599,999	154	171	84.3	93.0	44.8	46.7	39.5	46.3	291	273	8	9	10	11	10	11	53	50
600,000-699,999	122	132	78.3	85.4	42.8	41.1	35.5	44.3	350	311	6	7	10	10	9	9	55	48
Over 700,000	305	276	313.9	281.3	186.2	167.1	127.7	114.2	610	605	16	14	38	34	41	38	59	59
Total	1,883	1,936	830.3	829.4	455.1	435.0	375.2	394.4	241	225	100	100	100	100	100	100	55	52

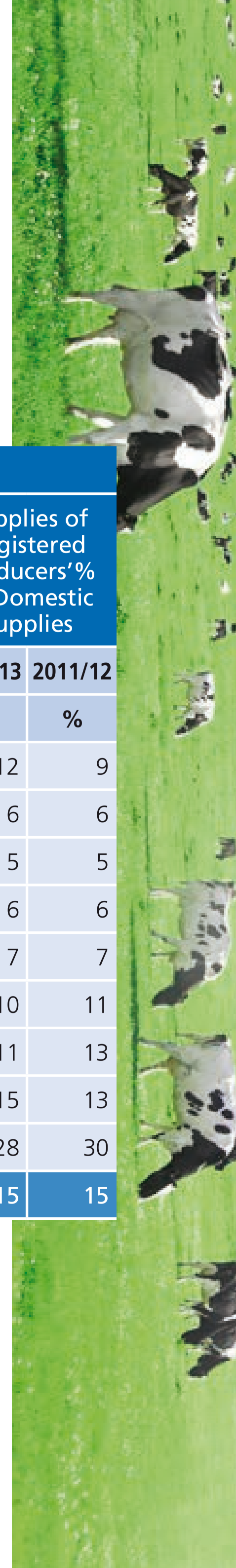
Source: NMA.
Figures adjusted for rounding.

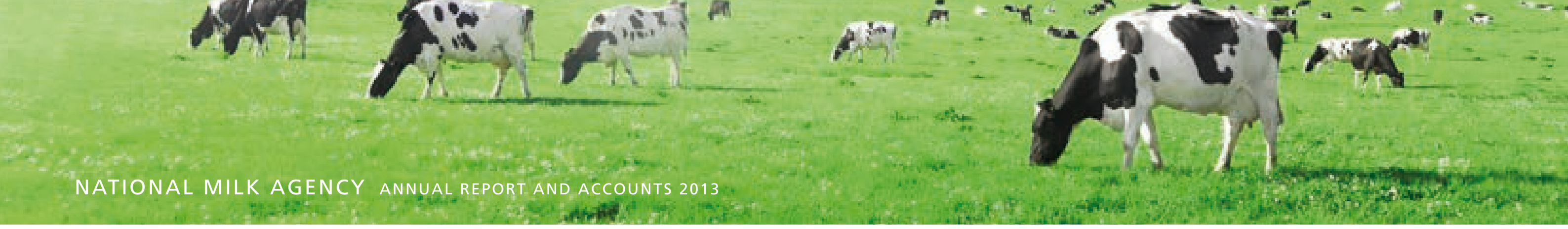
APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

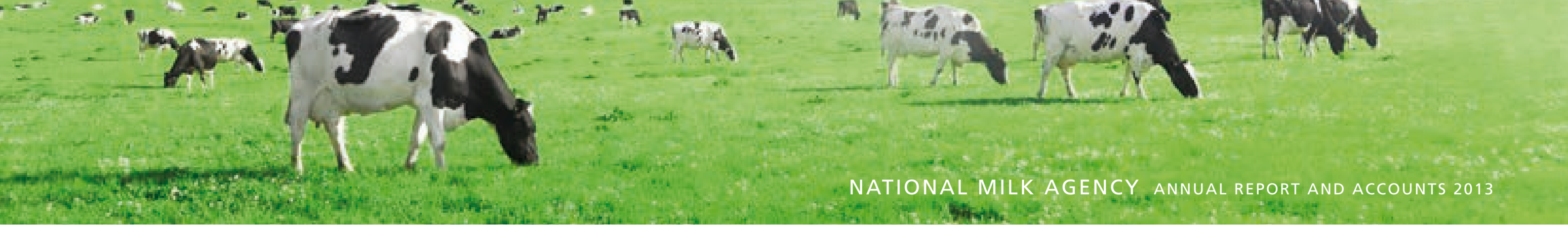
TABLE B. STRUCTURE OF DOMESTIC MILK SUPPLIES AND LIQUID MILK SUPPLIES CLASSIFIED BY ANNUAL QUOTA SUPPLY BANDS 2012/13 AND 2011/12

	Producers										Milk Quotas/Supplies									
Annual Supply Bands	All Active Producers		Registered Producers		All Producers		Registered Producers		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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Litres	Number		Number		%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	440	438	95	83	2	2	5	4	22	19	15	15	1.8	1.3	0	1	0	0	12	9
50,000-100,000	1,206	1,344	78	87	7	7	4	4	6	6	97	108	5.7	6.3	2	2	1	1	6	6
100,001-200,000	4,190	4,343	218	223	24	25	13	12	5	5	652	683	33.3	33.7	12	13	4	4	5	5
200,001-250,000	2,676	2,742	148	156	15	15	8	8	6	6	604	624	33.4	35.2	11	12	4	4	6	6
250,001-300,000	2,389	2,388	167	167	13	13	9	9	7	7	660	658	46.1	46.0	12	12	5	6	7	7
300,001-350,000	1,831	1,864	178	210	10	10	9	10	10	11	594	606	57.7	67.9	11	11	7	8	10	11
350,001-400,000	1,407	1,442	155	190	8	8	8	10	11	13	526	539	58.1	71.4	9	10	7	9	11	13
400,001-450,000	983	944	146	126	5	5	8	7	15	13	418	401	61.9	53.4	8	7	7	6	15	13
Over 450,000	2,863	2,633	698	694	16	15	36	36	24	26	1,886	1,728	532.3	513.8	35	32	65	62	28	30
Total	17,985	18,138	1,883	1,936	100	100	100	100	10	11	5,452	5,362	830.3	829.0	100	100	100	100	15	15

Sources: Department of Agriculture Food and the Marine – EU milk years 2011/12 and 2012/13 ended 31 March 2012 and 2013 respectively.
National Milk Agency – Milk years 2011/12 and 2012/13 ended 30 September 2012 and 2013 respectively.



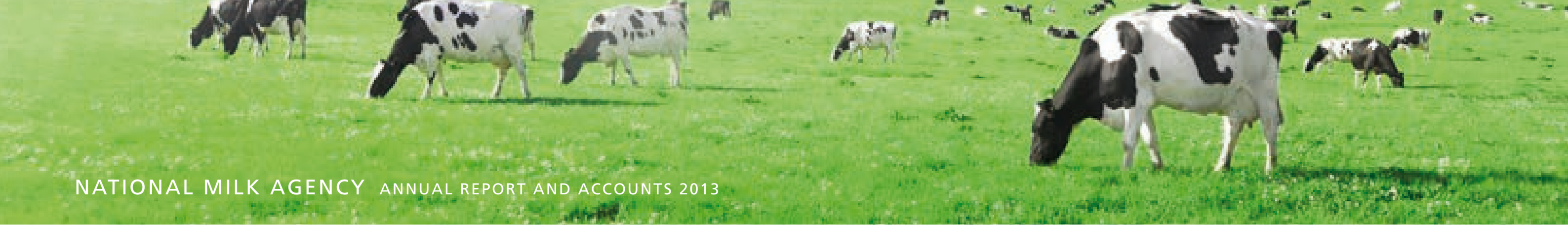




APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

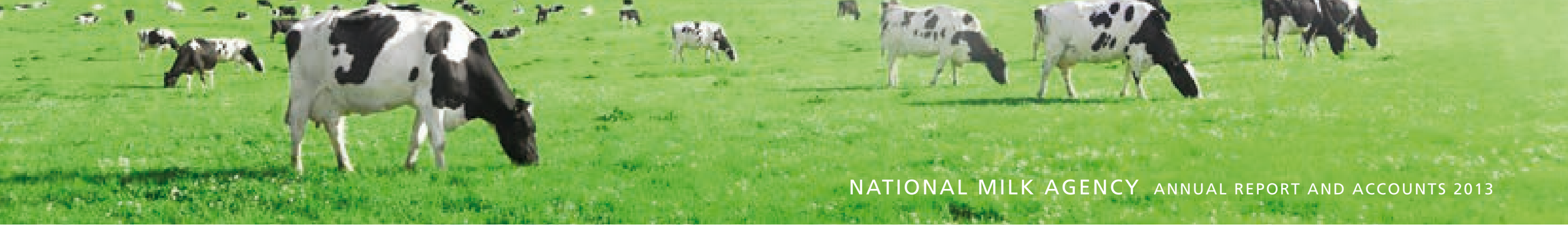


STATEMENT OF MEMBERS' RESPONSIBILITIES

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 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and the Agency's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

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

Scope of the audit of the financial statements

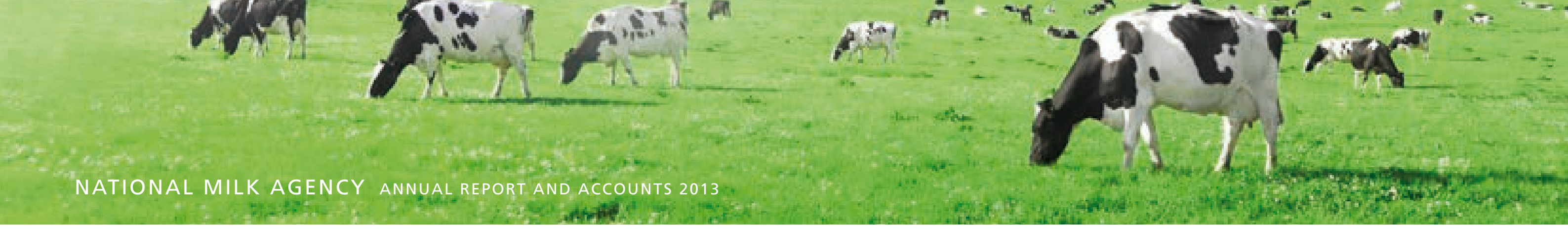
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 31 December 2013 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the Agency as at 31 December 2013 and of the deficit for the year then ended.

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

26 March 2014



INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

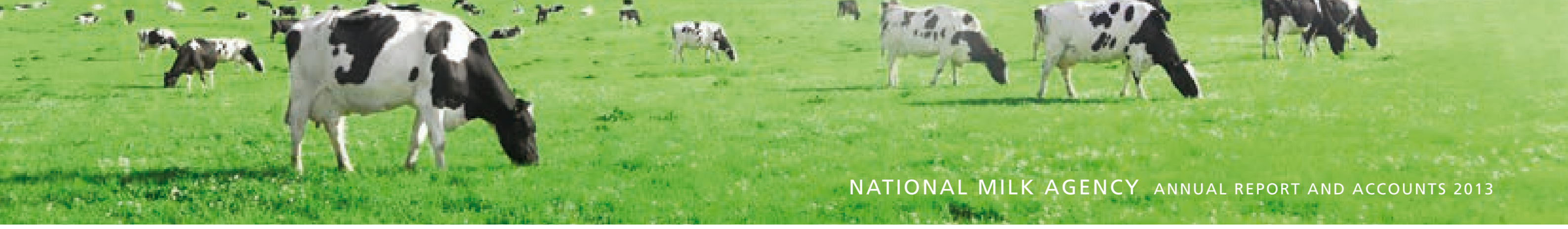
	Notes	**2013** €	2012 €
INCOME			
Milk levy – continuing operations	*2*	**515,062**	605,182
Deposit interest		**13,726**	20,851
		528,788	626,033
EXPENDITURE			
Salaries and superannuation	*9*	**357,591**	367,289
Administration costs	*3*	**178,723**	182,681
Depreciation		**2,281**	1,934
		538,595	551,904
(Deficit)/surplus for the year	*8*	**(9,807)**	74,129

The deficit 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 26 March 2014.

Denis Murphy
Chairman

John Foster
Member



BALANCE SHEET

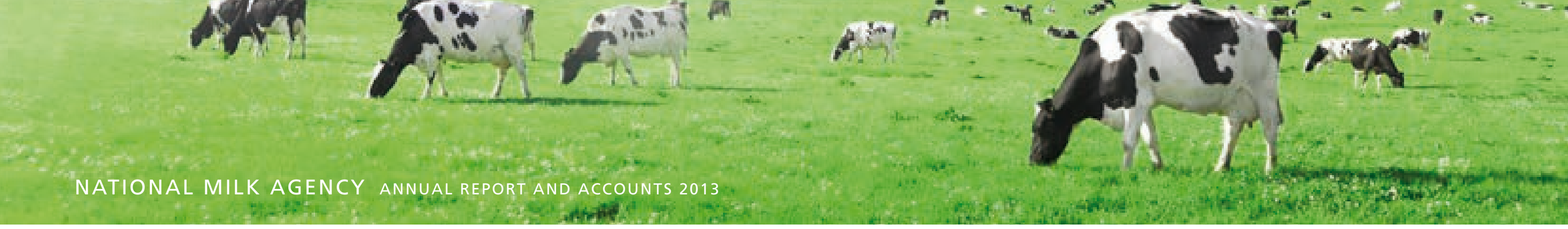
AS AT 31 DECEMBER 2013

	Notes	2013 €	2012 €
FIXED ASSETS			
Tangible assets	*5*	**5,351**	4,294
CURRENT ASSETS			
Debtors	*6*	**103,313**	134,265
Cash at bank and in hand		**1,029,744**	1,053,797
		1,133,057	1,188,062
CREDITORS (Amounts falling due within one year)	*7*	**(74,132)**	(118,273)
NET CURRENT ASSETS		**1,058,925**	1,069,789
NET ASSETS		**1,064,276**	1,074,083
FINANCED BY:			
Accumulated fund	*8*	**1,064,276**	1,074,083

The financial statements were approved by the Members on 26 March 2014

Denis Murphy
Chairman

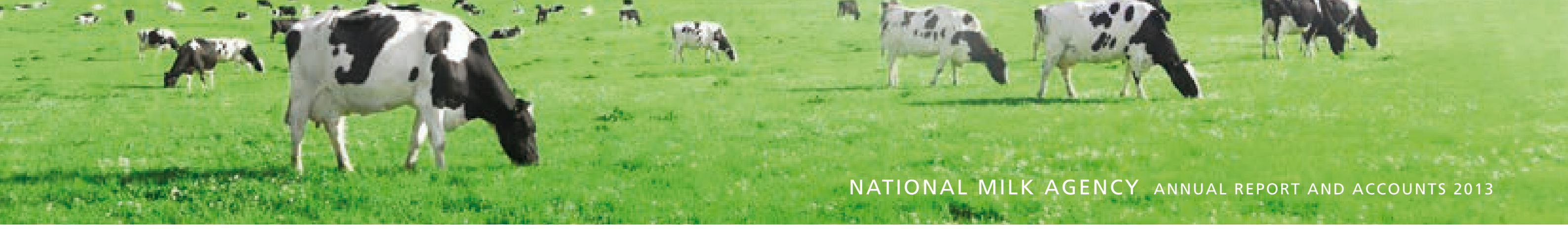
John Foster
Member



CASH FLOW STATEMENT AND RELATED NOTES

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	€	€
OPERATING ACTIVITIES		
Net cash (outflow)/inflow from operating activities (Note (a))	**(34,441)**	104,607
Returns on investments and servicing of finance		
Interest received	**13,726**	20,851
Capital expenditure		
Payments to acquire tangible fixed assets	**(3,338)**	(3,412)
(Decrease)/increase in cash at bank and in hand (Note (b))	**(24,053)**	122,046



RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2013	2012
	€	€
(Decrease)/increase in cash at bank and in hand	**(24,053)**	122,046
Movement in net funds for the year	**(24,053)**	122,046
Net funds at beginning of year	**1,053,797**	931,751
Net funds at end of year (see Note (b))	**1,029,744**	1,053,797

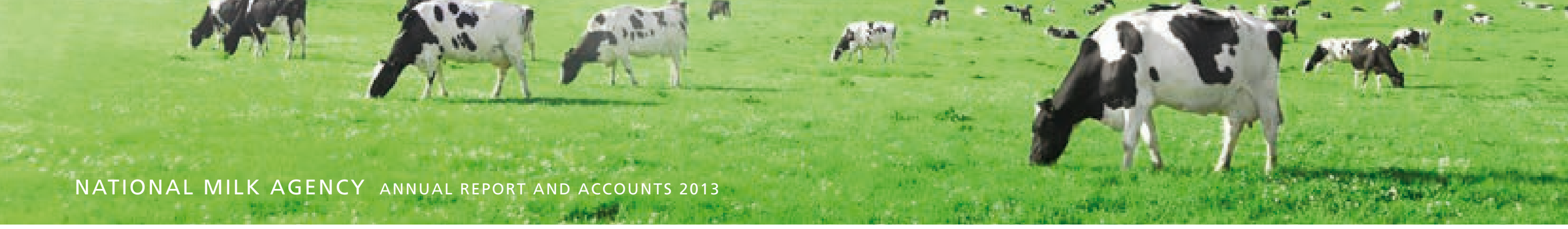
Note (a)

Reconciliation of operating (deficit)/surplus to Net cash (outflow)/inflow from operating activities

	2013	2012
	€	€
(Deficit)/surplus for year	**(9,807)**	74,129
Depreciation	**2,281**	1,934
Decrease/(increase) in debtors	**30,952**	(21,858)
(Decrease)/increase in creditors	**(44,141)**	71,253
Net interest received	**(13,726)**	(20,851)
	(34,441)	104,607

Note (b)

	At 1 January 2013	Cash flows	**At 31 December 2013**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	80,432	(20,108)	**60,324**
Cash deposits	973,365	(3,945)	**969,420**
Net funds	1,053,797	(24,053)	**1,029,744**



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

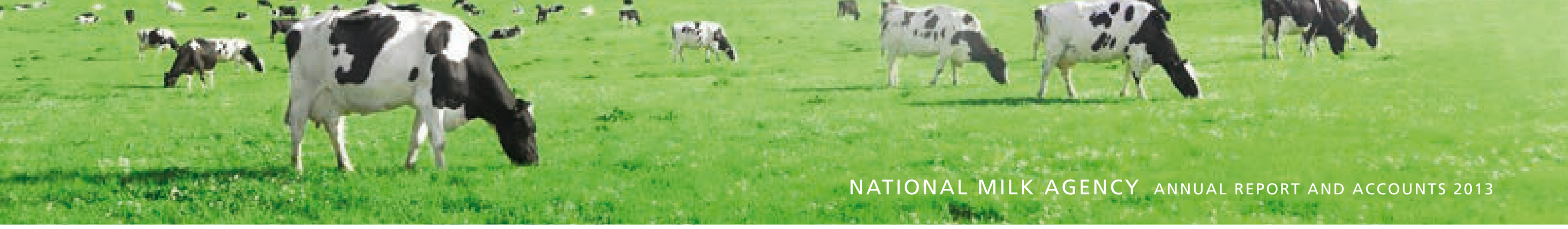
2. MILK LEVY

A levy of 0.115 cent per litre of milk purchased for processing for liquid consumption is payable by milk processors under Section 8 of the Milk (Regulation of Supply) Act, 1994. This levy was decreased from 0.145 cent per litre of milk from the 1 April 2013.

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.

3. ADMINISTRATION COSTS

	2013	2012
	€	€
Staff expenses	**30,446**	33,514
Members' expenses	**22,900**	21,220
Chairman's remuneration	**8,978**	8,980
Stationery	**2,245**	2,746
Annual report	**14,189**	17,922
Telephone	**7,642**	8,719
Postage	**3,677**	3,451
Producers' election	**–**	5,903
Publications	**1,958**	1,536
Legal fees	**13,741**	12,840
Consultancy fees	**9,179**	7,653
Audit fees	**3,992**	4,031
Rent and rates	**33,652**	27,346
Insurance	**4,465**	4,140
Accounting and professional fees	**5,680**	5,344
Repairs and renewals	**4,557**	3,401
Miscellaneous	**11,422**	13,935
	178,723	182,681



NOTES TO THE FINANCIAL STATEMENTS

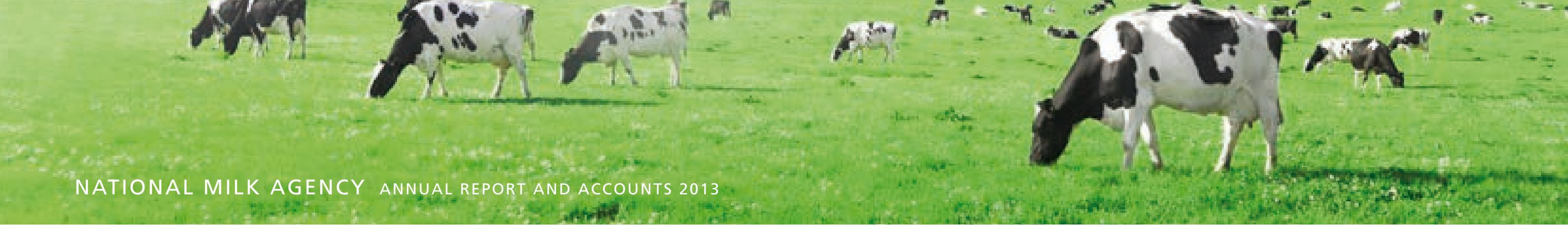
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

4. 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 €6,784 (2012: €9,054).

5. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
Cost:				
At 1 January 2013	12,658	23,711	72,163	108,532
Additions	–	–	3,338	3,338
At 31 December 2013	**12,658**	**23,711**	**75,501**	**111,870**
Depreciation:				
At 1 January 2013	12,658	21,270	70,310	104,238
Charged in year	–	716	1,565	2,281
At 31 December 2013	**12,658**	**21,986**	**71,875**	**106,519**
Net book amounts:				
At 31 December 2013	**–**	**1,725**	**3,626**	**5,351**
At 31 December 2012	–	2,441	1,853	4,294



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

6. DEBTORS

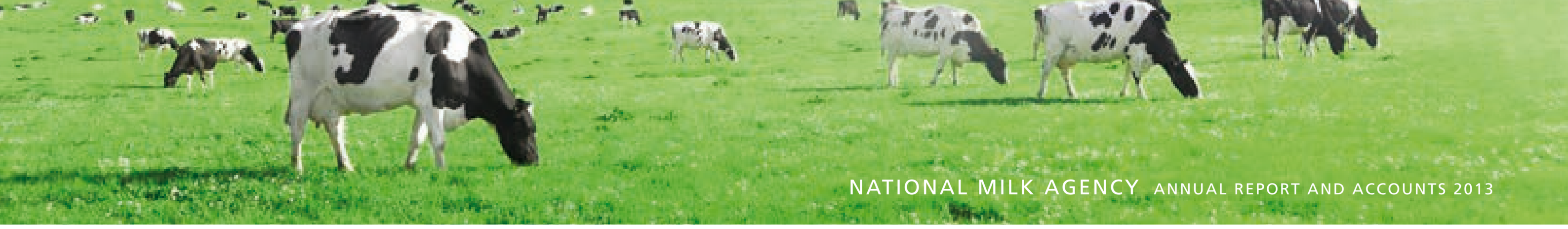
(Amounts falling due within one year)	2013	2012
	€	€
Milk levy receivable	**87,736**	125,077
Prepayments	**8,747**	1,934
Other debtors	**6,830**	7,254
	103,313	134,265

7. CREDITORS

(Amounts falling due within one year)	2013	2012
	€	€
Employer superannuation contributions	**34,237**	84,222
Accruals and other creditors	**31,991**	27,524
PAYE/ PRSI/ USC	**7,904**	6,527
	74,132	118,273

8. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2013	2012
	€	€
Accumulated surplus brought forward	**1,074,083**	999,954
(Deficit)/surplus for the year	**(9,807)**	74,129
Accumulated fund carried forward	**1,064,276**	1,074,083



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

9. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

	2013	2012
	€	€
Salaries	**280,773**	283,067
Employer superannuation contributions	**76,818**	84,222
	357,591	367,289

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.

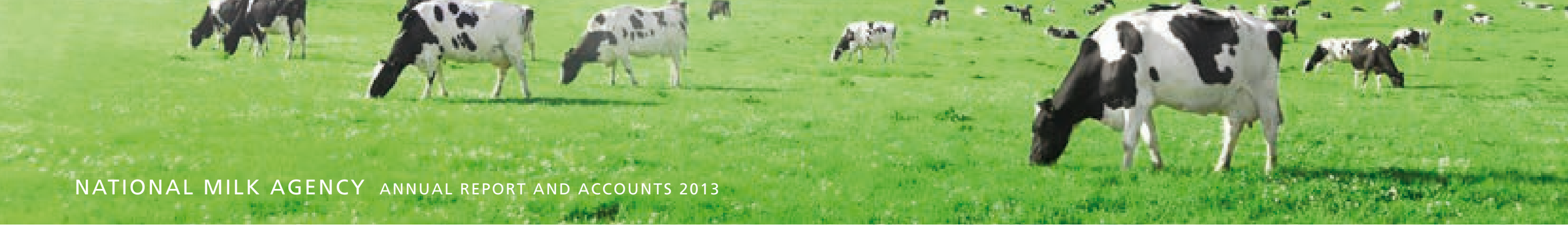
The Agency, on actuarial advice, has provided, since 1995, for an annual employer's pension contribution of 15.5% of gross salaries. In the current year, a further provision has been made to increase the annual employer's contributions to $16\frac{2}{3}$% with effect from March 2003.

In March 2003, the Department of Finance confirmed to the Agency that, subject to the payment by the Agency to the Department of Agriculture and Food (by way of Appropriation in Aid) of all employer/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 (including the CEO), of the Agency. The Department of Finance confirmed that the rate of employer's contribution would not exceed $16\frac{2}{3}$%. The Department of Agriculture and Food, also confirmed that subject to the payment by the Agency to the Department of Agriculture and Food, of all employer and employee contributions collected to date and for the future, the Department will accept responsibility for meeting the superannuation entitlements of the members of the proposed Scheme in respect of their membership of that Scheme and of the former Dublin District Milk Board Pension Scheme.

In February 2014, the Department of Agriculture, Food and the Marine advised the Agency of a possible increase in the Agency's employer's contribution rates, effective from 3 October 2005. If the proposed increased contribution rates were applied retrospectively, a potential liability of approximately €241,000 would arise. The Agency will be reviewing with the Department of Agriculture, Food and the Marine, the appropriateness and liability, if any, of the Agency for the possible increase in the Agency's employer's contribution rates from 3 October 2005.

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.

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. During 2013, 151 payments were made by the Agency which were all paid within 15 days.

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

The National Milk Agency is committed to making every possible effort to improve energy efficiency. In 2013 the Agency's usage of electricity was included in its rental cost and was not separately metered from the usage of the main office block in which the Agency's office is located. This usage was associated with heating, air conditioning, lighting and office equipment. There were no other fuel supplies to the premises, and no onsite renewable sources of energy.

The Agency will work with the Sustainable Energy Authority of Ireland (SEAI) in 2014 to identify opportunities for energy saving on the premises.

![header photo]

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

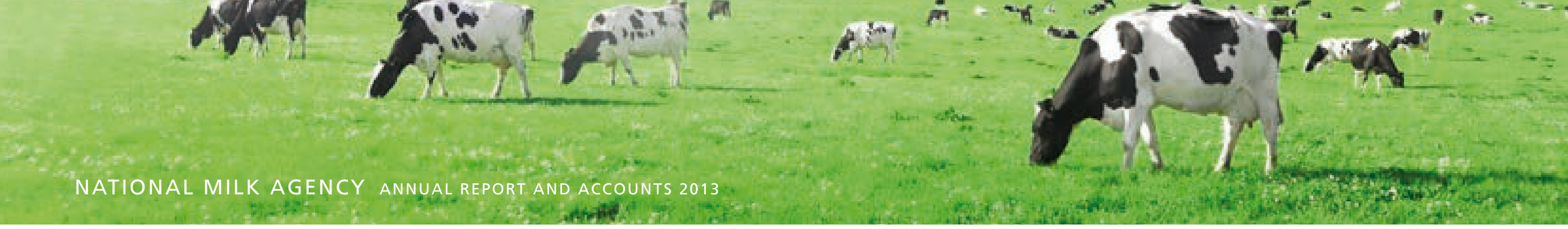
S.I. No. 371 of 2009 – National Milk Agency (Election Day) Regulations, 2009

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

S.I. No. 450 of 2012 – National Milk Agency (Election Day) Regulations, 2012

S.I. No. 451 of 2012 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2012



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