National Milk Agency

Annual Report and Accounts 2014

NATIONAL MILK AGENCY

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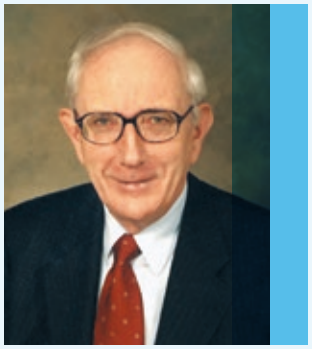
Bhunaigh an tOireachtas an Gníomhaireacht Náisiúnta Bainne le soláthar bainne chun óil sa Stát a rialáil mar a leagtar amach san Acht Bainne (Soláthar a Rialáil), 1994.

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

CHAIRMAN'S STATEMENT

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



Denis Murphy
Chairman

I am pleased to present the Annual Report of the National Milk Agency for 2014, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the national economy continued to recover led by strong growth in exports and investment, the resumption of growth in domestic consumer spending and by growing employment in the economy.

Fiscal and financial policies have created the conditions for sustained economic recovery and have enabled the State and the domestic banks to benefit from very favourable funding rates. While the Budget deficit fell to 4% of GDP, Government debt levels still remain very high.

Farming/Dairy Sectors

Gross agricultural output at producer prices last year decreased by 3% to €7 billion mainly due to lower prices for cattle, milk and cereals.

Excellent weather conditions during the year boosted grass growth and reduced input costs on all grassland enterprises due to the combined effect of lower usage of feed and fertiliser and lower prices for feed, fertiliser and fuel. Family farm income rose by 6% compared with 2013 mainly due to lower input costs due to good weather.

Dairying was the leading farm enterprise ranked by gross output and with an average income level, which was more than a twofold multiple of its nearest competing farm enterprise. Dairy income rose by 9% compared with 2013.

Domestic milk supplies increased by 4% on 2013 to a record 5,635 million litres driven by excellent weather conditions, strong milk prices and a larger dairy herd. Milk solids reached record levels.

The increased volume of milk supplies in 2014, however, has bequeathed a negative legacy with the State being more than 4% over its EU milk quota in the final year of the EU milk quota system, which has resulted in a super-levy liability of an estimated €69 million, which will be collected from producers in three equal, interest free, instalments over three years.

Markets & Milk Prices

Last year the value of Irish dairy exports increased to over €3 billion mainly due to a significant increase in exports to markets outside the EU, which accounted for 40% of all Irish dairy exports last year.

A strong downward cycle in the environment and export markets for dairy products emerged in mid year due to the combined impact of increased global milk supplies, the slow down in demand from China and the Russian retaliatory ban on EU dairy imports in August.

Monthly manufacturing milk prices, which had remained at high levels during the peak supply months, fell sharply in the second half of the year, reflecting the decline in product prices for dairy exports. In December 2014 the monthly price for manufacturing milk was 9 cent per litre or 20% less than it had been in December 2013.

The eleventh 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.

The annual average producer price for manufacturing milk supplies, which was the second highest milk price on record, decreased to 37 cent per litre, excluding vat, or by just over 1 cent per litre for milk containing

record average constituent levels of 3.43% protein and 3.99% butterfat.

On the domestic fresh milk market while consumption increased marginally, the average retail milk price fell by an estimated 2 cent per litre or 2%.

The annual, average, producer price of milk for processing for liquid consumption, which was the second highest price on record, fell to just over 38 cent per litre, excluding vat, or by almost 1 cent per litre.

Prices for registered milk supplies are now predominantly based on processors' monthly compositional prices for supplies of milk for manufacturing, which are mainly derived from export market returns, with the addition of incentives for contracted supplies during the winter months.

For registered supplies paid under compositional pricing systems in 2014 the additional incentives averaged 3.3 cent per litre for the year. The base manufacturing price element of the annual liquid compositional price, however, was lower than the annual average manufacturing price due to the lower milk solids content of contracted supplies, the punctuated adjustment of some base manufacturing prices and the average level of base manufacturing prices paid.

For registered supplies paid for at flat prices, the annual average price was almost 1 cent per litre lower than the annual average liquid compositional price.

These factors deflated the annual differential between the national average liquid price under all payment systems and the national average manufacturing price to 1.2 cent per litre or based on the same solids content for liquid and manufacturing milk supplies to an estimated annual differential of 1.6 cent per litre.

Fresh Milk Market

Fresh milk is a nutrient-rich liquid food which is used daily in almost every Irish household.

The Irish fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €530 million in 2014.

Consumption of fresh milk on the domestic market increased by almost 2% to 576 million litres.

Irish consumers' preference for low fat and skimmed milks continued to grow and last year these products constituted 41% of total fresh milk sales.

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

Imports of fresh milk from Northern Ireland, in consumer packs and as bulk milk for processing for liquid consumption in the State, amounted to 145 million litres and continued to represent one in every four litres of fresh milk, which is consumed in the State.

Intense price competition between retailers to maintain market share continued to exert strong downward pressure on domestic market returns for fresh milk.

The national average retail price for fresh milk in all pack sizes in 2014 was estimated at 92 cent per litre, a decrease of 2 cent per litre or 2% on 2013.

Registers, Contracts & Prices 2013/14

In the 2013/14 milk year 1,867 milk supply contracts were registered with the Agency in respect of 475 million litres of milk for processing for liquid consumption.

All Year Round (AYR) contracts comprised 94% of these contracts and 99% of supplies while Winter Months only contracts represented the remainder.

In the AYR contracts the Manufacturing Milk Price plus Bonus System (MMP System) is the main pricing system and was applied in 85% of contracts and to 84% of supplies. The Flat Price System (FLAT System) was applied in 15% of the contracts and to 16% of supplies.

In the 2013/14 milk year the average price paid under the MMP System was 39.6 cent per litre while under the FLAT System the average price paid was 38.2 cent per litre.

In the Register of Processors 14 processors were registered including 3 producer processors.

Milk supplies purchased under registered contracts were 9% higher than domestic fresh milk sales mainly due to transitional arrangements between processors.

In the five prescribed winter months 2014/15, the level of cover of total milk supplies of registered producers over fresh milk consumption (including imports) was 117%.

Registered producers are a distinct producer group in Ireland's milk production structure representing 10% of all milk producers and supplying 15% of domestic milk supplies on an all year round basis.

While the number of registered producers with contracts has fallen by over 40% since 1995 the total annual supplies of these producers has remained remarkably stable at over 800 million litres with 58% being supplied for the fresh milk market and 42% for manufacturing in 2013/2014.

Abolition of EU milk quotas

The abolition of EU milk quotas in April 2015 was a defining event in the history of the Irish dairy sector. The Irish dairy sector now has the capability, for the first time since 1984, to achieve its unrealised potential.

Since the imposition of milk quotas, 31 years ago, the Irish dairy sector has evolved through a process of attrition into a smaller number of larger processors and larger dairy farms. Since then the domestic milk supply has been static, 40,000 milk producers or 70% of milk producers have exited the sector, the national dairy herd has fallen by over 30% while milk solids have increased significantly and milk prices have increased by over 80%.

The end of EU milk quotas marks the commencement of a new era for the Irish dairy sector. The forecast growth of 50% in domestic milk supplies by 2020 is all destined for export to customers in expanding emerging markets.

This revitalisation of the Irish dairy sector will result in transformational changes in the strategies, structures, systems and scale of the sector at marketing, processing and production levels.

Ireland's dairy sector is now positioned to be the fastest growing dairy sector in the fastest growing economy in the EU.

Following current and future investment of over €2.5 billion the growth and expansion of the dairy sector will have a positive multiplier effect on the national economy.

Increased market price volatility will be a feature of this post quota world, a volatility that was already evident in the sharp fall in export product prices and producer milk prices since mid 2014 and which is still continuing into the first five months of 2015.

New pricing instruments will be required by processors to counteract this volatility and to create price stability for producers in uncertain market conditions.

In this post quota era most manufacturing milk producers will increase their milk supplies based on a low cost, grass based, seasonal milk production system with earlier, compact, spring calving, longer lactation periods, and higher yields from existing and additional cow numbers.

Most registered producers are also likely to increase their annual milk supplies from existing and additional cow numbers. Their increased supplies are likely to be on a seasonal basis and to be utilised for manufactured dairy products for export. For most registered producers their seasonal milk supplies for manufacturing will overtake their all year round milk supplies for the domestic fresh milk market.

Future Outlook

In the medium term continuing global population growth, urbanisation and increasing disposable incomes will drive a growing demand for global dairy markets.

Price volatility will be a key issue and will impact right through the dairy supply chain.

The EU Central Bank Quantitative Easing (QE) programme commenced in March 2015 and is designed to spur economic growth, counter deflation and reduce interest rates. This programme has weakened the euro against the US dollar and sterling and will be of particular benefit to the Irish dairy sector given the high proportion of dairy exports, which are shipped to customers outside the eurozone.

Other favourable external factors underpinning the growth of the dairy sector are the current historically low interest rates and the fall in oil prices.

Quality fresh milk will continue as a dominant and iconic product in Ireland's home market for dairy products, highly appreciated and supported by Irish consumers. It is also a product that may be the first introduction to Irish dairy products for the growing numbers of foreign tourists, who are visiting Ireland.

The continued confidence and commitment of registered milk producers in supplying quality milk for the domestic fresh milk market on an all year round supply basis is contingent on the availability of adequate price incentives relative to the prices paid for seasonal milk supplies for manufacturing.

Competition and Consumer Protection Act 2014

The Competition and Consumer Protection Act 2014 established the Competition and Consumer Protection Commission and came into force on 31 October 2014. An initial set of draft Regulations under the Act to regulate certain practices in the supply of food and drink between retailers/wholesalers and suppliers has been circulated by the Department of Jobs, Enterprise and Innovation to stakeholders for observations. The Agency has observed that no provision has been made to prevent below cost selling, that an Ombudsman has not been appointed to support the implementation of the Regulations and that the special position of fresh perishable products has not been recognised.

Financial

The Agency's total income was €504,560, a decrease of €24,228 or 5% on its income in 2013. Milk levy income decreased by €18,514 or 4% to €496,548 reflecting the combined effect of the reduction in the milk levy rate from April 2014 and an increase in leviable milk supplies in 2014. Interest income decreased by 42% to €8,012 due to lower interest rates and the increase in the deposit interest retention tax.

Operating costs of €496,656 decreased by €41,939 or 8%. Personnel and staff related costs decreased by €35,705 or 3% while other operating costs decreased by 4%.

The Department of Agriculture, Food and the Marine has, following its review, advised the Agency that with effect from 19th March 2003, the rate of employer's contribution to the Staff Superannuation Scheme is 16⅔%. The Agency has made appropriate provision for employer's contributions at this rate.

The excess of income of €504,560 over costs of €496,656 resulted in an operating surplus for the year of €7,904.

At year-end, the Accumulated Fund amounted to €1,072,180 and was comprised of cash and deposits of €1,007,599, debtors less creditors of €59,345 and fixed assets of €5,236.

Joint Oireachtas Committee on Agriculture, Food and the Marine

In November 2014, the Chief Executive and I attended a meeting of the Joint Oireachtas Committee to discuss the Agency's Annual Report for 2013.

Agency Membership/Meetings

During the year the Agency held seven meetings and the Audit Committee held two meetings. Mr. George Kearns resigned as a processor member of the Agency in March 2015. I wish to acknowledge, with appreciation, the contribution of Mr. Kearns to the working of the Agency, of which he was a member since 2002.

Conclusion

The Agency values the cooperation that it 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 also very much appreciated.

My thanks are due to the members of the Agency for their wise counsel and commitment during the year and to Muiris and his team for their diligence.

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 (2014).

Chairman	Denis Murphy[1]
Producers' Representatives	Timothy Cashman Jerome Crowley Denis Fagan Eamonn McEnteggart Padraig Mulligan[1]
Processors' Representatives	George Kearns[1] *(ceased office 13th March 2015)* 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, DDR Centre, Distillery Building, 145-151 Church Street, Dublin 7.
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 (2014)
2 Chairman of the Audit Committee (2014)

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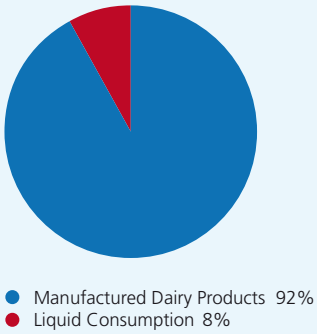
1. MILK SUPPLIES

Dr. Muiris Ó Céidigh
Chief Executive

FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2014



1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2014 were 5,635 million litres, an increase of 212 million litres or 3.9% on 2013.

The number of active milk producers was 17,881, slightly less than in the previous year, while the average annual milk supplies per producer were 315,000 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.

Domestic milk supplies in 2014 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 80% of milk supplies being supplied in the seven months of March to September and 20% in the five months of October to February inclusive.

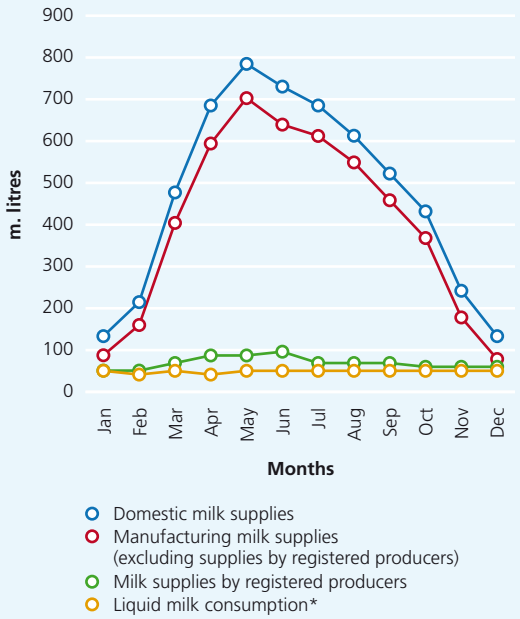
The domestic milk supply profile had a peak to trough month ratio of 5.9/1 which was comprised of a peak to trough month ratio of 8.6/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from registered milk producers.

TABLE 1.1 SEASONALITY OF DOMESTIC MILK SUPPLIES (BY SECTOR)

Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Peak to trough months' ratios													
Manufacturing	8.6	8.6	9.1	6.8	8.7	8.1	7.1	8.2	8.7	8.2	8.0	8.2	8.9
Liquid	1.8	1.9	1.8	1.8	1.9	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
All	5.9	5.8	5.6	5.1	5.8	4.9	5.4	5.6	5.7	5.5	5.5	5.6	6.1

Source: DAFM/CSO

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2014



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

Sources: CSO/NMA

1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 1,867 registered producers in 2013/14 fell to 814 million litres (Appendix 4 – Table A), compared to 830 million litres in 2012/13. This reduction was mainly due to a revised contractual arrangement by a processor for milk supplies during the summer period of 2014, which was reinstated in the 2014/15 milk year.

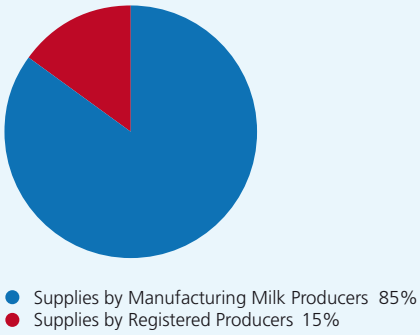
Supplies for processing for liquid consumption amounted to 475 million litres or 58% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 339 million litres or 42% of total supplies.

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

They supply not only the all year round domestic milk requirements for liquid milk consumption but also over 7% of domestic manufacturing milk supplies.

Milk supplies purchased under registered contracts for processing for liquid consumption exceeded processor's fresh milk sales by 9% in 2014 compared to 8% in 2013, mainly due to transitional purchase arrangements between processors and producers following industry consolidation.

FIG. 1.3



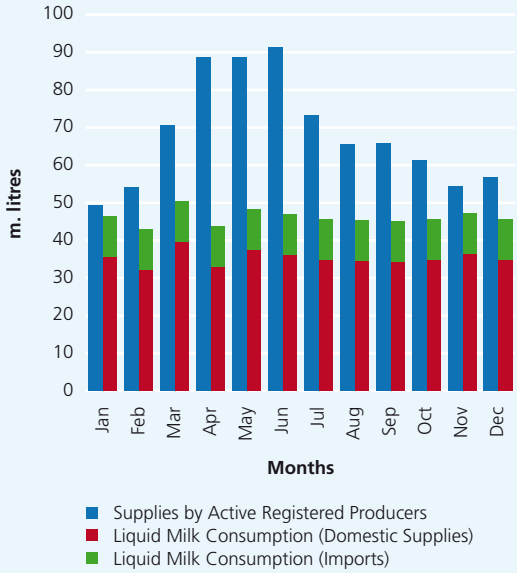
The average registered producer in 2013/14 had annual supplies of 436,000 litres compared with 441,000 litres in the previous year, a decrease of 1%.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2014 to February 2015 total milk supplies by registered producers amounted to an estimated 277 million litres, a decrease of 19 million litres or 6% on 2013/14 and provided a supply cover of 117% for liquid milk consumption (including imports) of an estimated 237 million litres.

In the months of December 2014 and January 2015, total supplies by registered producers amounted to an estimated 105 million litres a decrease of 12 million litres on 2014 or 10% and were 9 million litres in excess of liquid milk consumption (including imports) of an estimated 96 million litres in those months, a supply cover of 109%.

FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION 2014



* 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 were the third highest on record and amounted to 511 million litres, representing an increase of 100 million litres or 24% on 2013. Bulk milk imports and were mainly cross border movements of milk from Northern Ireland and were equivalent to 9% of domestic supplies and to 23% of Northern Ireland's annual milk supplies.

Bulk milk imports of 459 million litres for processing into manufactured dairy products in the State represented 90% of total imports. Bulk milk imports of 52 million litres, for processing for liquid consumption in the State, represented 10% of imports and were a reduction of 5 million litres or 9% on the previous year.

Imports of fresh milk in consumer packs, were estimated at 93 million litres, an increase of 4 million litres or 4% 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 145 million litres, a decrease of 1 million litres or 1%, on the import volumes in the previous year.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 2000-2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	*1996*
	Millions of litres															
Supplies	5,635	5,423	5,225	5,377	5,173	4,801	4,959	5,090	5,083	4,915	5,116	5,157	5,032	5,179	5,012	*5,144*
Imports[1] (bulk)	511	411	406	356	388	427	464	473	566	550	377	349	278	209	304	–
Imports %	9	8	8	7	8	9	9	9	11	11	7	7	5	4	6	–

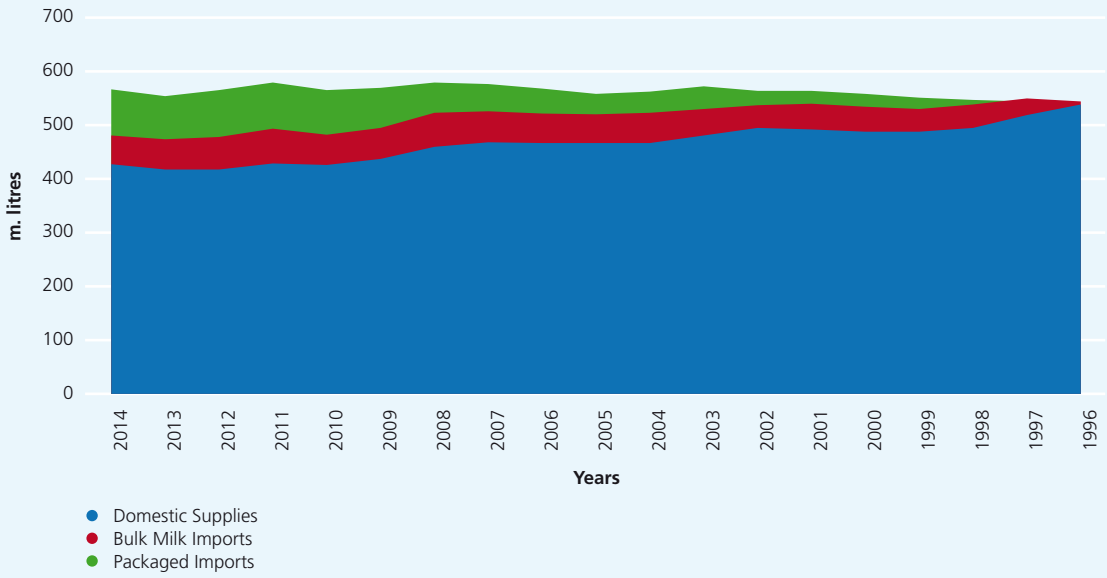
[1] CSO

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 2000-2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	*1996*
	Millions of litres															
Consumer Packs	93*	89	86	86	84	78	59	50	46	40	38	41	26	24	23	*0*
Bulk	52	57	59	65	58	57	63	62	58	55	55	48	42	50	43	*0*
Total Imports	145*	146	145	151	142	135	122	112	104	95	93	89	68	74	66	*0*

* NMA estimate

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2014



Domestic supplies had a 75% market share and imports had a 25% market share of the State's fresh milk market.

Since 1996 imports of fresh milk for liquid consumption have grown to an estimated 145 million litres capturing all the increase of 40 million litres in consumption and displacing 105 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 2014 while the market share of imports has grown from zero to 25%.

Total milk imports from Northern Ireland by processors and pasteurisers amounted to 604 million litres in 2014 and were equivalent to 11% of domestic milk supplies and of 27% of Northern Ireland's annual milk supplies.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 2000-2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	*1996*
	Millions of litres															
Consumption	576	565	563	578	567	568	578	577	568	559	556	571	563	564	553	*536*
Domestic supplies	431	419	418	427	425	433	456	465	464	464	463	482	495	490	487	*536*
Total Imports	145	146	145	151	142	135	122	112	104	95	93	89	68	74	66	*0*
Domestic Supplies % Consumption	75	74	74	74	75	76	79	81	82	83	83	84	88	87	88	*100*
Imports % Consumption	25	26	26	26	25	24	21	19	18	17	17	16	12	13	12	*0*

Source: CSO/NMA

Northern Ireland – Milk Supplies/ Milk Prices

Milk supplies in Northern Ireland in 2014 amounted to 2,198 million litres, an increase of 190 million litres on the previous year and were supplied by 2,655 dairy farmers. Northern Ireland's milk supplies were equivalent to 39% 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.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2014

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	5,635	2,198
Average Butterfat %	3.99	3.98
Average Protein %	3.43	3.24
Peak month/trough month ratio	5.9/1	1.4/1
Suppliers – number	17,881	2,655
Average supplies per supplier – litres	315,000	828,000

Average annual milk supplies per supplier in Northern Ireland in 2014 were 828,000 litres, which were more than double the average milk annual supplies of 315,000 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 2013 of 1.4/1 compared with 5.9/1 in the State.

FIG 1.10 MILK SUPPLIES MONTHLY – STATE & NI 2014

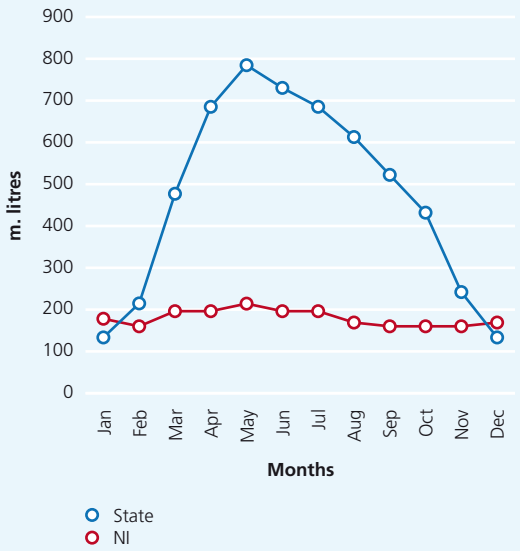


TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES

	MILK SUPPLIES	
	m. litres	Index
1993	*1,309*	*100*
2002	1,764	135
2003	1,772	135
2004	1,776	136
2005	1,865	142
2006	1,902	145
2007	1,918	146
2008	1,902	145
2009	1,772	135
2010*	1,850	141
2011*	1,977	150
2012*	1,995	151
2013	2,008	153
2014	2,198	168

Source: DARDNI
* Revised

Since 1993, annual milk supplies in Northern Ireland have increased by 889 million litres or 68% facilitated by the purchase and transfer of EU milk quotas from Great Britain.

In 2014, 511 million litres or 23% of annual milk supplies in Northern Ireland were exported to the State as bulk raw milk, an increase of 100 million litres or 24% on 2013.

The annual average net price to producers for all year round milk supplies in 2014 was the equivalent of 36 c/l, a decrease of 1 c/l or 3% on the previous year.

This price was 1 c/l or 3% lower than the annual average milk price of 37 c/l 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 €530m in 2014.

National consumption of fresh liquid milk last year was 576 million litres, an increase of 11 million litres or 2% on consumption in 2013. Per capita consumption in the State of 0.34 litres per day was the third highest in the EU.

Last year sales of whole milk represented 59% of fresh milk sales while sales of lowfat and skimmed milk represented 41% of sales which compared with 60% and 40% respectively in 2013.

The national average retail prices of lowfat milk in 1 litre packs and of whole milk in 2 litre packs in 2014, as reported by the CSO, were 105 c/l and 175 c/2l respectively, being decreases of 1 c/l and 5 c/2l from 2013.

An estimated 75% of sales of fresh milk were sold in 2 litres or larger 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 92 c/l in 2014 compared with 94 c/l in 2013, a decrease of 2 c/l or 2%.

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 2014 and 2013. Generally the prices of own label whole milk and own label low fat milk in 1 litre packs in retail multiples are the same. In some instances, however, the retail prices of processors' brands of low fat milk in 1 litre packs may be higher than the retail prices of processors' brands of whole milk in 1 litre packs.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	151	151	150	148	144	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	136	140	142	139	140	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index																				
– lowfat milk[1]	136	138	136	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– whole milk[2]	–	–	–	144	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Producer Price Index[3]	116	118	104	108	99	89	115	108	93	94	98	98	100	102	98	98	98	100	104	100

Sources CSO/NMA

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

2 CSO – National average retail price of whole milk in 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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Retail Prices																				
– lowfat milk[1]	105	106	105	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– whole milk[2]	–	–	–	111	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices[3]	38.1	38.9	34.1	35.5	32.4	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1	32.2	32.3	32.8	34.1	32.8
Producer Price % Retail[4]	36%	37%	32%	32%	29%	26%	34%	39%	36%	36%	38%	38%	38%	40%	40%	40%	40%	41%	43%	43%

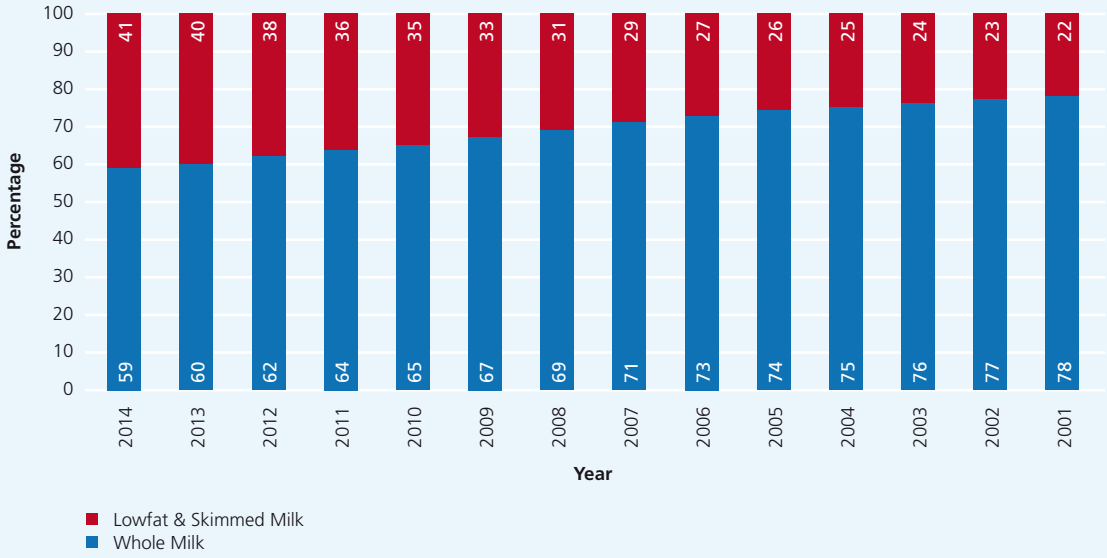
1 CSO – national average retail price of lowfat milk in 1 litre packs (CSO reports on 1 litre pack of low fat milk only since January 2012).

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 92 c/l as the national average retail price for fresh milk in all pack sizes the producers' price as a percentage of the retail price would be 41% in 2014, the same as in 2013.

Fig. 2.2 FRESH MILK SALES – PRODUCT PROFILE 2001-2014



Source: CSO

Retail Market

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

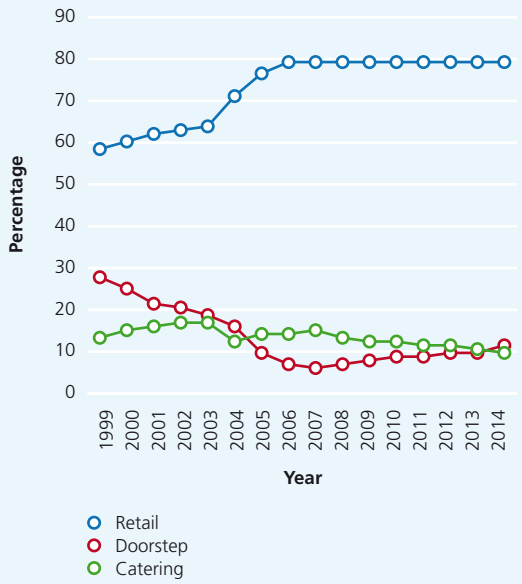
The three largest multiple groupings had a 78% share of the Irish grocery market in 2014 and the five largest multiple groupings had a market share of 94%.

TABLE 2.3 GROCERY MARKET SHARES

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%	%	%	%
Tesco	25	26	27	28	27	26	26	26	26	26	25	23	24
SuperValu	25	20	20	20	20	20	20	20	20	20	19	19	19
Dunnes	24	24	23	23	23	25	24	24	22	22	22	21	22
Superquinn	–	5	6	5	7	7	8	8	8	8	9	8	9
Lidl/Aldi	16	14	12	12	12	11	10	7	6	6	5	6	1
Centra	4	4	4	4	2	2	2	2	3	2	3	3	3
Spar	4	4	4	4	2	2	2	2	2	2	3	3	2
All others	2	3	4	4	7	7	8	11	13	14	14	17	20
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: RGDATA – estimate

FIG 2.4 MARKET SHARES 1999-2014



Source: Industry Estimate

Discount retailers, whose grocery market share increased to 16% in 2014 are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market it is estimated that over 64% 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
2013/14	1,867	1,759	108

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 1,867, a net decrease of 16 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, similar to the previous year.
- Winter contracts represented 6% of contracts and 1% of milk supplies.
- The number of All Year Round (AYR) contracts decreased by 10 to 1,759 and the number of Winter contracts decreased by 6 to 108.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	Contracts				Supplies			
	2013/14		2012/13		2013/14		2012/13	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,759	94	1,769	94	469.2	99	449.0	99
Winter	108	6	114	6	6.2	1	6.1	1
Total	1,867	100	1,883	100	475.4	100	455.1	100

- Milk supplies purchased under registered contracts in 2014 were 9% higher than domestic fresh milk sales compared with 8% in 2013, mainly due to purchasing arrangements between processors and producers following consolidation.

3.1 Contract Pricing Systems

- Two systems of milk pricing are used by processors when purchasing milk from producers for processing for liquid consumption namely the Manufacturing Milk Price plus Bonus System (MMP System) and the FLAT Price System (FLAT System).
- Under the MMP System, a milk price linked to a processor's monthly manufacturing milk price, with price differentials for constituents, is paid with the addition of fixed or variable 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 with no price differentiation for milk constituents.
- In 2013/14 the MMP System was applied in 85% of the AYR contracts compared with 86% in 2012/13 and to 84% of milk supplies compared with 87% of milk supplies in 2012/13.
- The FLAT System was applied in 15% of the AYR contracts compared with 14% in 2012/13 and to 16% of the milk supplies compared with 13% in 2012/13.

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2013/14		2012/13		2013/14		2012/13	
	Number	%	Number	%	m litres	%	m litres	%
MMP SYSTEM	1,503	85	1,524	86	394.3	84	389.5	87
FLAT SYSTEM	256	15	245	14	74.9	16	59.5	13
TOTAL AYR	1,759	100	1,769	100	469.2	100	449.0	100

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2013/14

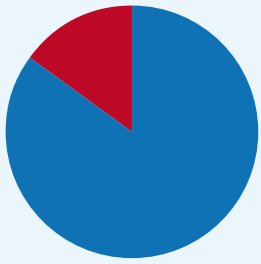


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2013/14

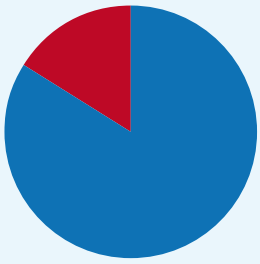


FIG. 3.5 AYR CONTACTS – PRICING SYSTEMS/SUPPLIES 1999/00-2013/14

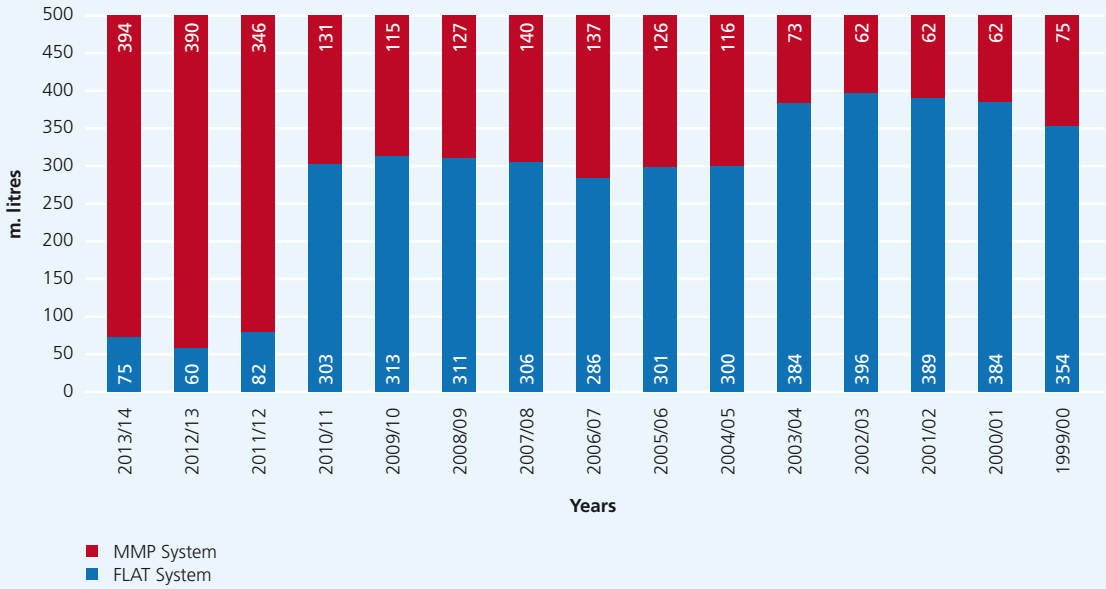


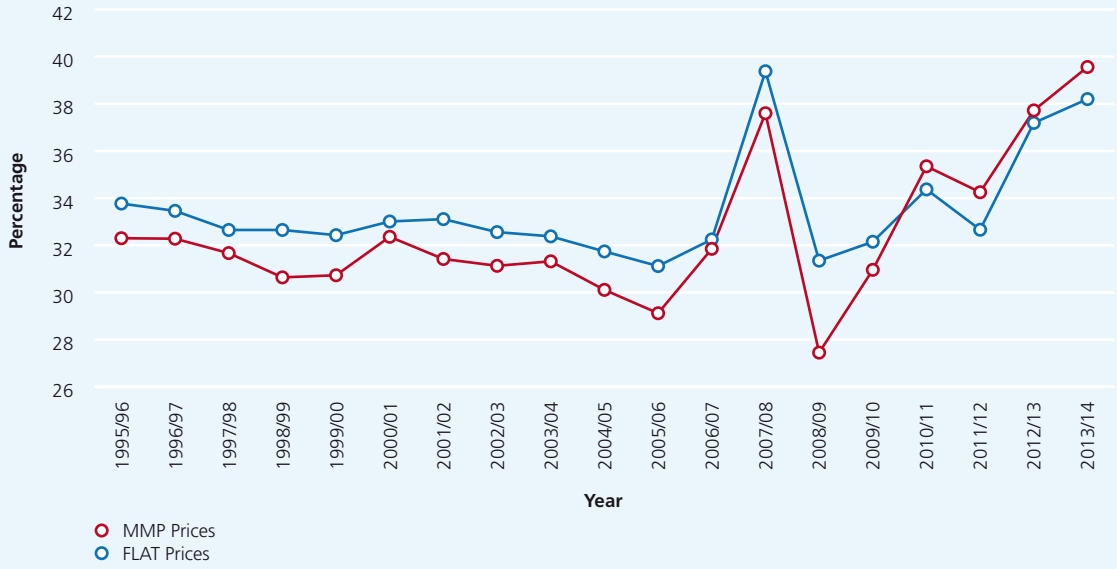
TABLE 3.6 ALL YEAR ROUND CONTRACTS ANNUAL AVERAGE MILK PRICES PAID – 2013/14 & 2012/13

Pricing Systems	Prices		Price Increases	Contracts	Milk Supplies
	2013/14	2012/13	2013/14	2013/14	2013/14
	c/litre	c/litre	c/litre	number	m. litres
MMP	39.56	37.44	2.12	1,503	394.3
FLAT	38.21	37.19	1.02	256	74.9
AYR Contracts	39.35	37.42	1.93	1,759	469.2

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 2013/14 was 39.56 c/l, an increase of 2.12 c/l or 6% on the previous year.
- The average price paid under the AYR FLAT System contracts in 2013/14 was 38.21 c/l, an increase of 1.02 c/l or 3% on the previous year.
- The average price paid under all AYR contracts in 2013/14 was 39.35 c/l, an increase of 1.93 c/l or 5% on the previous year.
- The annual average price of 39.56 c/l under the MMP System was 1.35 c/l higher than the annual average price paid under the FLAT System.
- Nine processors purchased supplies using the MMP System in their contracts.
- Five 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 1995/96 – 2013/14



See Appendix 3.

3.2 Main AYR Contracts – Prices Paid 2013/2014 & 2012/13

- A table of the annual average milk prices paid under the twelve highest volume AYR contracts representing 86% of the AYR contracts and 87% 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[1]		Annual Average Monthly Bonus		Base Prices		Change in Annual Average Prices
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	40.29	37.83	2.49	2.37	37.80	35.46	2.46
B1	38.41	36.15	1.55	1.93	36.86	34.22	2.26
B2	40.57	38.66	4.86	4.86	35.71	33.80	1.91
C2	39.16	38.06	2.25	4.26	36.91	33.80	1.10
C3	41.30	39.26	3.94	4.93	37.36	34.33	2.04
D	40.12	37.58	3.91	3.95	36.21	33.63	2.54
F	39.28	36.94	3.75	3.85	35.53	33.09	2.34

FLAT SYSTEM CONTRACTS							
Contract Types	Annual Average Prices[1]		Winter Prices		Summer Prices		Change in Annual Average Prices
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	Increases/ Decreases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	38.50	38.11	41.78	38.62	35.17	37.55	0.39
G	37.68	35.47	38.90	35.15	36.29	35.89	2.21
D1	36.70	37.23	37.88	38.21	35.19	36.01	(0.53)
J	38.49	36.91	40.53	37.14	36.63	36.63	1.58
H	39.43	39.43	43.20	40.93	35.01	37.40	0

[1] Excluding VAT

3.3 Winter Contracts – Prices Paid

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

Pricing Systems	Contracts		Milk Supplies		2013/14	2012/13
	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	88	81	5.2	84	49.03	45.16
FLAT System	20	19	1.0	16	45.36	39.70
Total	108	100	6.2	100	48.59	44.39

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 108 winter contracts related to 6.2 million litres of milk (an increase of 0.1 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 2013/14 was 39.47 c/l an increase of 1.97 c/l or 5% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

Period	2013/14 1,867 contracts 475 ml	2012/13 1,883 contracts 455 ml
	c/litre	c/litre
Winter months, September-March (7)	42.35	39.02
Summer months, April-August (5)	35.78	35.40
Annual Average	39.47	37.50

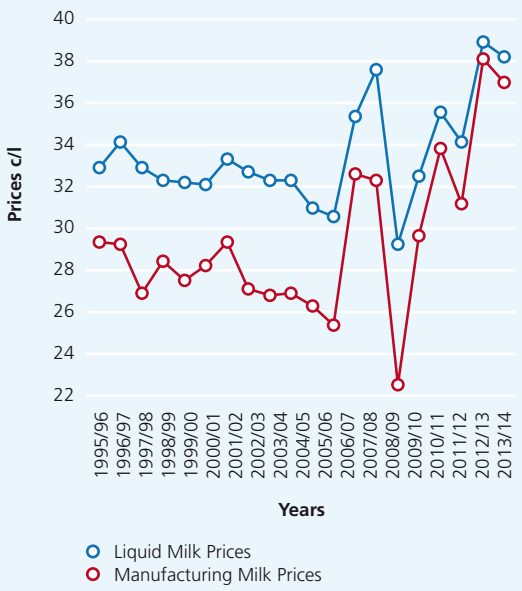
Prices are in respect of both AYR and Winter contracts utilising the MMP System and the FLAT System and are ex farm attainable prices exclusive of VAT and inclusive of all quality and other bonuses and before deductions of penalties and statutory levies. Prices are weighted by monthly volumes purchased.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

3.5 Milk Prices 2014

Annual Average Liquid Milk Prices and Manufacturing Prices

- In calendar year 2014, which includes the first three months of the 2014/15 milk year, the annual average price paid under all registered contracts (AYR and Winter) was 38.15 c/l. This calendar year price was 1.32 c/l lower than the annual average price of 39.47 c/l paid in the 2013/14 milk year due to the lower liquid prices paid by processors in the final quarter of 2014 compared with the final quarter of 2013.
- In 2014 the annual average price paid under all registered contracts of 38.15 c/l was the second highest on record and was 0.72 c/l lower than the annual average price of 38.87 c/l paid in 2013.
- The annual average incentive paid under the Manufacturing Milk Price plus System in 2014 was 3.32 c/l, the same as in 2013.
- For registered supplies paid for under Manufacturing Milk Price plus System the manufacturing price element of the annual compositional price was lower than the annual manufacturing price due to the lower milk solids content of registered supplies, the punctuated adjustment of some base manufacturing prices and the average level of base manufacturing prices paid.
- For supplies paid for under the FLAT Price System the annual average price was almost 1 c/l lower than the annual average compositional price.
- The annual average price for manufacturing milk supplies, excluding vat and after collection charges in 2014, was 36.92 c/l, a decrease of 1.15 c/l or 3% on the annual average manufacturing price of 38.07 c/l in 2013.
- The differential in 2014 between the annual average producer price for milk supplies for liquid consumption of 38.15 c/l and the annual average producer price for manufacturing milk supplies of 36.92 c/l, was 1.23 c/l, an increase of 0.43 c/l compared with the differential of 0.80 c/l in 2013.
- Based on the same solids content for liquid and manufacturing milk supplies the annual differential between the national average liquid price and the national average manufacturing price was an estimated 1.64 c/l in 2014 compared with 1.20 c/l in 2013.
- 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 (i)).

FIG. 3.11 PRODUCER MILK PRICES – ANNUAL AVERAGES – LIQUID MILK/ MANUFACTURING MILK 1995-2014



4. PROCESSORS

TABLE 4.0 STRUCTURE OF REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2013/14

Milk Supply Bands	Number of Processors	Registered Producers		Registered Supplies	
m. litres		number	%	m. litres	%
0-20	9	233	13	55	12
20-40	2	250	13	64	13
Over 40	3	1,384	74	356	75
TOTAL	14	1,867	100	475	100

As at 31st December 2013

- The industry structure is highly concentrated. Three processors with annual supplies in excess of 40 million litres of milk for processing for liquid consumption accounted for 74% of active registered producers and 75% of registered milk supplies. The 14 registered processors include 3 producer processors.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2014 was 18, of which 16 establishments were operated by the 14 processors registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency.
- Average annual milk supplies processed per establishment operated by registered processors were 29.7 million litres.

APPENDIX 1

MEETINGS OF THE AGENCY

Members	Meetings Attended 2014
Denis Murphy – Chairman	7
Teddy Cashman	5
Jerome Crowley	6
Padraig Mulligan	7
Eamonn McEnteggart	7
George Kearns*	7
Denis Fagan	5
Tony O'Driscoll	7
Eoghan Sweeney	2
Frank Tobin	6
Walter Maloney	7
John Foster	5
Richard Donohue	7
Michael Kilcoyne	6

* Ceased office 13th March 2015

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

The Chairman and Chief Executive held two meetings with officials of the Department of Agriculture, 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 November, the Chairman and Chief Executive met with the Joint Oireachtas Committee on Agriculture, Food and the Marine and answered questions on the Agency's Annual Report and Financial Statements for 2013.

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 2014.

In 2014 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
2013/14	2,039	32	27

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
2010/11	444.2	433.8	10.4
2011/12	435.0	428.5	6.5
2012/13	455.1	449.0	6.1
2013/14	475.4	469.2	6.2

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
2013/14	1,759	1,503	256	85	15

D. ALL YEAR ROUND CONTRACTS/SUPPLIES AND PRICING SYSTEMS

Milk Years	Supplies	Pricing Systems		MMP	FLAT
		MMP	FLAT		
	m. litres	m. litres	m. litres	%	%
1995/96	488.4	44.8	443.6	9	91
1996/97	467.3	72.7	394.6	15	85
1997/98	427.3	62.3	365.0	15	85
1998/99	426.4	76.4	350.0	18	82
1999/00	428.7	75.0	353.7	17	83
2000/01	446.1	62.5	383.6	14	86
2001/02	451.6	62.1	389.5	14	86
2002/03	458.0	61.6	396.4	13	87
2003/04	457.4	73.1	384.3	16	84
2004/05	416.3	116.3	300.0	28	72
2005/06	427.4	126.4	301.0	30	70
2006/07	423.1	136.8	286.3	32	68
2007/08	446.3	139.9	306.4	31	69
2008/09	438.2	126.9	311.3	29	71
2009/10	427.5	114.9	312.6	27	73
2010/11	433.8	130.8	303.0	30	70
2011/12	428.5	346.0	82.5	81	19
2012/13	449.0	389.5	59.5	87	13
2013/14	469.2	394.3	74.9	84	16

APPENDIX 3

ANNUAL AVERAGE MILK PRODUCER PRICES/DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS MILK YEARS – 1995/96 TO 2013/14 – ANNUAL AVERAGE PRICES/MMP SYSTEM PRICES/FLAT SYSTEM PRICES/ PRICE 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
2013/14	39.35	39.56	38.21	1.35

TABLE B (i). PRODUCER MILK PRICES ANNUAL AVERAGES – 1995-2014
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
2014	38.15	36.92	1.23

Sources NMA/CSO

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

TABLE B (ii). PRODUCER MILK PRICES ANNUAL AVERAGES – 2013 and 2014
LIQUID PRICES/MANUFACTURING PRICES/ANNUAL PRICE DIFFERENTIALS

Calendar Years	Prices – Liquid[1]	Prices – Manufacturing[1]	Price Differential
	c/l	c/l	c/l
2013	38.87	37.67*	1.20*
2014	38.15	36.51*	1.64*

Sources NMA/CSO

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

* Adjusted to equivalent average butterfat% and protein%

APPENDIX 4

STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A. STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2013/14 AND 2012/13

Annual Supply Bands	Registered Producers		Total Supplies		Supplies for Liquid Consumption		Supplies for Manufacturing		Average Supplies for Liquid		% of Registered Producers		% of Total Supplies		% of Liquid Supplies		Liquid Supplies % Total Supplies	
Litres	number		m litres		m litres		m litres		'000s litres									
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
<50,000	96	95	1.6	1.8	1.1	1.1	0.5	0.7	11	11	5	5	0	0	0	0	69	64
50,000-99,999	115	78	8.5	5.7	6.6	3.4	1.9	2.3	57	43	6	4	1	1	1	1	78	60
100,000-149,999	108	86	13.5	10.4	8.0	5.1	5.5	5.3	74	59	6	6	2	1	2	1	59	50
150,000-199,999	100	132	17.5	22.9	10.4	12.1	7.1	10.8	104	91	5	7	2	3	2	3	59	53
200,000-249,999	127	148	28.8	33.4	15.9	18.7	12.9	14.7	125	126	7	8	4	4	3	4	55	56
250,000-299,999	145	167	39.7	46.1	20.9	22.8	18.8	23.3	144	136	8	9	5	5	4	5	53	49
300,000-349,999	156	178	50.3	57.7	26.7	28.4	23.6	29.3	171	159	8	9	6	7	6	6	53	49
350,000-399,999	180	155	67.2	58.1	36.4	29.8	30.8	28.3	202	192	10	8	8	7	8	7	54	51
400,000-449,999	129	146	54.8	61.9	28.7	31.9	26.1	30.0	222	218	7	8	7	7	7	7	52	52
450,000-499,999	126	117	59.8	55.7	30.3	28.0	29.5	27.8	240	239	9	6	7	7	6	6	51	50
500,000-599,999	178	154	97.1	84.3	55.8	44.8	51.3	39.5	313	291	7	8	12	10	12	10	52	53
600,000-699,999	107	122	69.2	78.3	38.9	42.8	30.3	35.5	363	350	6	6	8	10	8	9	56	55
Over 700,000	300	305	306.1	313.9	195.6	186.2	110.6	127.7	652	610	16	16	38	38	41	41	64	59
Total	1,867	1,883	814.1	830.3	475.4	455.1	338.7	375.2	254	241	100	100	100	100	100	100	58	55

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 2013/14 AND 2012/13

	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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Litres	Number		Number		%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	450	440	96	95	3	2	5	5	21	22	14	15	1.6	1.8	0	0	0	0	11	12
50,000-100,000	1,160	1,206	115	78	6	7	6	4	10	6	90	97	8.5	5.7	2	2	1	1	9	6
100,001-200,000	4,018	4,190	208	218	22	24	11	13	5	5	618	652	31.0	33.3	11	12	4	4	5	5
200,001-250,000	2,688	2,676	127	148	15	15	7	8	5	6	603	604	28.8	33.4	11	11	4	4	5	6
250,001-300,000	2,420	2,389	145	167	14	13	8	9	6	7	668	660	39.7	46.1	12	12	5	5	6	7
300,001-350,000	1,823	1,831	156	178	10	10	8	9	9	10	590	594	50.3	57.7	11	11	6	7	9	10
350,001-400,000	1,423	1,407	180	155	8	8	10	8	13	11	528	526	67.2	58.1	10	9	8	7	13	11
400,001-450,000	954	983	129	146	5	5	7	8	14	15	403	418	54.8	61.9	7	8	7	7	14	15
> 450,000	2,945	2,863	711	698	17	16	38	36	24	24	1,949	1,886	532.2	532.3	36	35	65	65	27	28
Total	17.881	17,985	1,867	1,883	100	100	100	100	10	10	5,463	5,452	814.1	830.3	100	100	100	100	15	15

Sources: Department of Agriculture Food and the Marine – EU milk years 2012/13 and 2013/14 ended 31 March 2013 and 2014 respectively.
National Milk Agency – Milk years 2012/13 and 2013/14 ended 30 September 2013 and 2014 respectively.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 for the company financial statements 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 2014 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; 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 2014 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 2014 and of its surplus for the year then ended.

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

20 March 2015

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €	2013 €
INCOME			
Milk levy – continuing operations	2	**496,548**	515,062
Deposit interest		**8,012**	13,726
		504,560	528,788
EXPENDITURE			
Salaries and superannuation	9	**321,536**	357,591
Administration costs	3	**172,655**	178,723
Depreciation		**2,465**	2,281
		496,656	538,595
Surplus/(deficit) for the year	8	**7,904**	(9,807)

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 20 March 2015.

Denis Murphy
Chairman

John Foster
Member

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	2014 €	2013 €
FIXED ASSETS			
Tangible assets	5	**5,236**	5,351
CURRENT ASSETS			
Debtors	6	**123,830**	103,313
Cash at bank and in hand		**1,007,599**	1,029,744
		1,131,429	1,133,057
CREDITORS (Amounts falling due within one year)	7	**(64,485)**	(74,132)
NET CURRENT ASSETS		**1,066,944**	1,058,925
NET ASSETS		**1,072,180**	1,064,276
FINANCED BY:			
Accumulated fund	8	**1,072,180**	1,064,276

The financial statements were approved by the Members on 20 March 2015.

Denis Murphy
Chairman

John Foster
Member

CASH FLOW STATEMENT AND RELATED NOTES

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	€	€
OPERATING ACTIVITIES		
Net cash (outflow)/inflow from operating activities (Note (a))	**(27,807)**	(34,441)
Returns on investments and servicing of finance		
Interest received	**8,012**	13,726
Capital expenditure		
Payments to acquire tangible fixed assets	**(2,350)**	(3,338)
Decrease in cash at bank and in hand (Note (b))	**(22,145)**	(24,053)

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2014	2013
	€	€
Decrease in cash at bank and in hand	**(22,145)**	(24,053)
Movement in net funds for the year	**(22,145)**	(24,053)
Net funds at beginning of year	**1,029,744**	1,053,797
Net funds at end of year (see Note (b))	**1,007,599**	1,029,744

Note (a)

Reconciliation of operating surplus/(deficit) to Net cash outflow from operating activities	**2014**	2013
	€	€
Surplus/(deficit) for year	**7,904**	(9,807)
Depreciation	**2,465**	2,281
(Increase)/decrease in debtors	**(20,517)**	30,952
Decrease in creditors	**(9,647)**	(44,141)
Net interest received	**(8,012)**	(13,726)
	(27,807)	(34,441)

Note (b)

	At 1 January 2014	Cash flows	**At 31 December 2014**
	€	€	**€**
Analysis of changes in net funds			
Cash at bank and in hand	60,324	(32,497)	**27,827**
Cash deposits	969,420	10,352	**979,772**
Net funds	1,029,744	(22,145)	**1,007,599**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

	2014	2013
	€	€
Staff expenses	**30,796**	30,446
Members' expenses	**20,549**	22,900
Chairman's remuneration	**8,978**	8,978
Stationery	**2,149**	2,245
Annual report	**8,737**	14,189
Telephone	**4,803**	7,642
Postage	**3,021**	3,677
Publications	**2,550**	1,958
Legal fees	**19,233**	13,741
Consultancy fees	**5,809**	9,179
Audit fees	**4,305**	3,992
Rent and rates	**35,185**	33,652
Insurance	**3,101**	4,465
Accounting and professional fees	**7,868**	5,680
Repairs and renewals	**3,851**	4,557
Miscellaneous	**11,720**	11,422
	172,655	178,723

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 €5,568 (2013: €6,784).

5. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
Cost:				
At 1 January 2014	12,658	23,711	75,501	111,870
Additions	–	–	2,350	2,350
At 31 December 2014	**12,658**	**23,711**	**77,851**	**114,220**
Depreciation:				
At 1 January 2014	12,658	21,986	71,875	106,519
Charged in year	–	280	2,185	2,465
At 31 December 2014	**12,658**	**22,266**	**74,060**	**108,984**
Net book amounts:				
At 31 December 2014	**–**	**1,445**	**3,791**	**5,236**
At 31 December 2013	–	1,725	3,626	5,351

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. DEBTORS

(Amounts falling due within one year)	2014	2013
	€	€
Milk levy receivable	**117,977**	87,736
Prepayments	**2,495**	8,747
Other debtors	**3,358**	6,830
	123,830	103,313

7. CREDITORS

(Amounts falling due within one year)	2014	2013
	€	€
Employer superannuation contributions	**37,281**	34,237
Accruals and other creditors	**20,055**	31,991
PAYE/ PRSI/ USC	**7,149**	7,904
	64,485	74,132

8. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2014	2013
	€	€
Accumulated surplus brought forward	**1,064,276**	1,074,083
Surplus/(deficit) for the year	**7,904**	(9,807)
Accumulated fund carried forward	**1,072,180**	1,064,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

9. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

	2014	2013
	€	€
Salaries	**278,346**	280,773
Employer's superannuation contributions	**43,190**	76,818
	321,536	357,591

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.

In February 2015, following a review, the Department of Agriculture, Food and the Marine advised the Agency that the rate of employer's contribution to the Scheme applicable to the staff of the Agency is 16⅔% with effect from 19 March 2003.

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 the Scheme 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 2014, 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 2014 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 2015 to identify opportunities for energy saving on the premises.

APPENDIX 7

STATUTES AND STATUTORY INSTRUMENTS RELATING TO THE AGENCY

Statutes

Milk (Regulation of Supply) Act, 1994
Milk (Regulation of Supply) (Amendment) Act, 1995
Milk (Regulation of Supply) (Amendment) Act, 1996
Freedom of Information Act, 1997 (Prescribed Bodies) (No. 2) Regulations, 2002

Statutory Instruments

S.I. No. 409 of 1994 – Milk (Regulation of Supply) (Establishment of National Milk Agency) Order, 1994
S.I. No. 460 of 1994 – National Milk Agency (Election Day) Order, 1994
S.I. No. 234 of 1995 – National Milk Agency (Members) Regulation, 1995
S.I. No. 252 of 1995 – Milk (Regulation of Supply) Act, 1994 (Section 5) (Commencement) Order, 1995
S.I. No. 253 of 1995 – Milk (Regulation of Supply) (Levy) Order, 1995
S.I. No. 254 of 1995 – National Milk Agency (Winter Months) Regulations, 1995
S.I. No. 309 of 1995 – National Milk Agency (Revocation of Election Day) Regulations, 1995
S.I. No. 347 of 1995 – Milk (Regulation of Supply) (Levy Returns) Regulations, 1995
S.I. No. 348 of 1995 – Milk (Regulation of Supply) (Application for Registration) Regulations, 1995
S.I. No. 265 of 1996 – National Milk Agency (Fees) Regulations, 1996
S.I. No. 184 of 1997 – National Milk Agency (Election Day) Regulations, 1997
S.I. No. 185 of 1997 – National Milk Agency (Conduct of Elections) Regulations, 1997
S.I. No. 271 of 2000 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2000
S.I. No. 272 of 2000 – National Milk Agency (Election Day) Regulations, 2000
S.I. No. 368 of 2003 – National Milk Agency (Election Day) Regulations, 2003
S.I. No. 369 of 2003 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2003
S.I. No. 471 of 2006 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2006
S.I. No. 472 of 2006 – National Milk Agency (Election Day) Regulations, 2006
S.I. No. 371 of 2009 – National Milk Agency (Election Day) Regulations, 2009
S.I. No. 372 of 2009 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2009
S.I. No. 588 of 2010 – National Milk Agency Staff Superannuation Scheme, 2010
S.I. No. 450 of 2012 – National Milk Agency (Election Day) Regulations, 2012
S.I. No. 451 of 2012 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2012

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