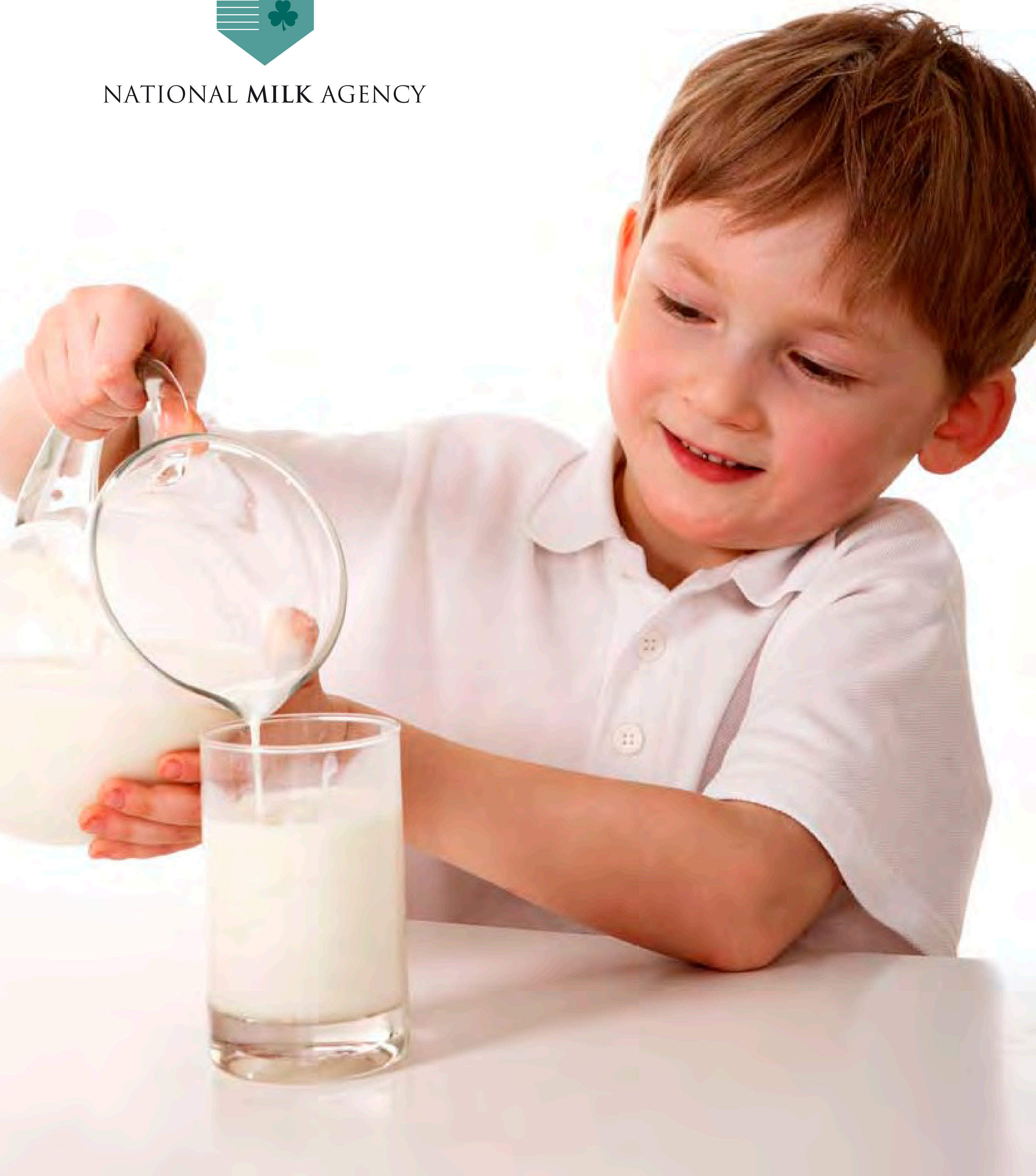
NATIONAL MILK AGENCY ANNUAL REPORT & ACCOUNTS 2011

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 2011, in accordance with Section 18 of the Milk (Regulation of Supply) Act, 1994.

The National Economy

Last year the new Government took action to put the economy back on the road to recovery and to steer it out of one of the worst recessions in Irish history in an environment of growing instability in the eurozone and in the global economy.

The sustainability of the public finances was improved, a large scale restructuring of the Irish banking sector was completed, the terms of the EU/IMF Programme of Financial Support were improved, inward investment was encouraged and domestic enterprises supported to expand, develop and create jobs. Concerns continue regarding the high level of unemployment, weak domestic demand and the low level of economic growth.

As a small and very open economy, Ireland is dependent on the economic performances of its EU and global trading partners and better able to withstand the contractionary effects of budgetary measures.

A Public Service Reform Plan was published in November, which is designed to deliver customer services more cost effectively, reduce staffing in the public service and rationalise and critically review State Agencies.

Ireland's decisive and pragmatic yes vote in the *Fiscal Stability Treaty Referendum 2012* enables the State to ratify the *Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union*, which will obligate member states to abide by strict budgetary limits and procedures and to bring about the co-ordination and convergence of their economic policies. The *Fiscal Treaty* is designed to strengthen the eurozone and the euro and its adoption will enable the State to access, if required, future external funding from the *European Stability Mechanism*.

Dairy Sector 2011

Farming incomes continued to recover during the year due to price and volume increases in almost all commodities, which were partially offset by rising input prices.

Global dairy commodity markets continued to be buoyant in 2011 although export prices weakened during the second half of the year.

For the Irish dairy sector the recovery, which had commenced in 2010, continued into 2011. Strong global demand for dairy products resulted in the combined benefits of a 14% increase in manufacturing milk prices and a 4% increase in milk output for milk producers. Favourable weather conditions boosted early season grass growth. As the year progressed controlling milk output to avoid a super levy liability became a very serious issue on some farms.

The annual, average, producer price, excluding vat, for manufacturing milk supplies increased by 14% or 4.15 c/litre to a record 33.77 c/litre, while the annual, average, producer price for milk for processing for liquid consumption increased by 9% or 3.07 c/litre to 35.51 c/litre.

Producer prices for milk supplies for liquid consumption under the Manufacturing Milk Price plus Bonus systems exceeded for the first time the price increases under the main Flat Price system.

While the annual average producer price for registered producers was the second highest on record the annual average price differential for all year round milk supplies over the annual average manufacturing price fell to 1.74 c/litre, its lowest on record.

The continued availability of all year round milk supplies from registered producers cannot be assured at this level of compensation given the rising costs of winter milk production and the growing attraction of a seasonal milk supply model in a post EU milk quota environment.

Domestic milk supplies, which reached a record level of 5,377 million litres in the calendar year 2011 exceeded the national quota level by 0.7% in the EU milk year 2011/12 thus resulting in a super levy liability for some producers.

In the liquid milk processing sector rising costs for energy and packaging, increased import penetration and retailer pressure shrunk processors' margins and led to further restructuring and consolidation. During the year Tullamore Dairies was sold to Glanbia plc and the milk business of Donegal Creameries plc was sold to Connacht Gold. In the past two years three liquid milk processors have exited the sector.

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

Fresh Milk Market

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

Consumption of fresh milk on the domestic market in 2011 increased by 2% to 578 million litres. The growing consumer preference for low fat and skimmed milks continued with these products now constituting 36% of total fresh milk sales.

While general consumer prices increased by 2.5% compared with the previous year, the national annual, average, retail price for fresh milk is estimated to have remained unchanged compared with the previous year.

Public Service Reform Plan 2011

Under the *Public Service Reform Plan 2011*, the members of the Agency were surprised and concerned to note that the Agency had been included in the list of State Agencies for Critical Review by end June 2012 with identified options of either the abolition of the Agency or the merger of the Agency with An Bord Bia.

The Agency, since its establishment in 1995, has been funded by registered milk processors and producers and has never been a recipient of Exchequer funding. Its abolition would not result in any financial saving to the Exchequer.

The Agency has presented a Submission to the Critical Review group, pointing out the benefits of the Agency to its stakeholders, the possible adverse consequences from the abolition of the Agency or its merger with An Bord Bia and recommending that the continuance of the Agency was in the best interests of all stakeholders in the liquid milk sector and in the overall dairy sector, of the national economy, of the Exchequer and of the public good.

Milk Imports for Liquid Consumption

The market share of indigenous milk supplies in the Irish fresh milk market fell to 74% as imports of fresh milk for liquid consumption, both in packaged form and in bulk for processing for liquid consumption in the State, increased by 6%.

Imports of fresh milk from Northern Ireland now represent more than one in every four litres of fresh milk being consumed in the State.

Fresh milk imports for liquid consumption, which include fresh milk in consumer packs and bulk milk imports for processing in the State, continued to increase and amounted to 151 million litres, an increase of 9 million litres or 6% on the import volumes in the previous year.

Fresh milk imports in consumer packs, which represented 57% of these imports increased by 2% while bulk milk imports for processing for liquid consumption in the State, which represented 43%, increased by 12%.

Fair Trade in the Supply Chain

Stakeholders in the indigenous fresh milk supply chain are awaiting the publication of the Consumer and Competition Bill which will make provision by way of Ministerial Order for a statutory Code of Practice for Grocery Goods undertakings.

Future Outlook

The weakening of international dairy product prices, which had commenced in mid 2011, has continued into 2012 as a result of increased global availability of dairy products for export and some softening of demand particularly in developed economies.

In contrast to 2010 and 2011 Irish milk prices for producers are likely to move downwards in 2012 and with higher feed, fertiliser and energy prices will result in lower margins from milk production.

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

Opportunity beckons in April 2015 with the abolition of EU milk quotas, which have shackled the growth potential of Irish milk production since 1984.

Increased milk production, however, will require substantial investment at production, processing and marketing levels to serve export markets, which will be characterised by highly volatile product and producer prices.

Registers

In the milk year 2010/11 the number of milk supply contracts registered with the Agency was 1,950 contracts and related to 442 million litres of milk for processing for liquid consumption. This represented a decrease of 45 contracts from the number registered in the previous year and an increase of 8.6 million litres in registered milk supplies. The number of registered processors remained at 15 with one new producer/processor being registered and one being deregistered.

Contracts

All Year Round (AYR) milk supply contracts numbered 1,790 contracts for supplies of 434 million litres of milk and represented 92% of contracts and 98% of milk supplies. The number of AYR contracts decreased by 114.

Winter contracts comprised 160 contracts and represented 8% of contracts and 2% of milk supplies. The number of winter contracts increased by 27 contracts.

Under the AYR contracts the Flat Price System continued as the main pricing system for registered milk supplies and was applied in 71% of the contracts and to 70% of the milk supplies. The Manufacturing Milk Price plus Bonus System was applied in 29% of the contracts and to 30% of milk supplies.

Milk Prices 2010/11

In the milk year 2010/11 the average milk price paid, excluding vat, under the 1,790 AYR contracts was 34.68 c/litre, an increase of 2.84 c/litre or 9% on the previous year.

For the first time on record the annual, average price under the Manufacturing Milk Price plus Bonus System, which reflected the increase in manufacturing milk prices, exceeded the annual, average price under the Flat Price System.

Under the Flat Price System the average price paid was 34.37 c/litre, an increase of 2.22 c/litre or 7% on the previous year, while under the Manufacturing Milk Price plus Bonus System the average price paid was 35.35 c/litre, an increase of 4.39 c/litre or 14% on the previous year.

Financial

The income of the Agency from milk levies in 2011 was €619,910, an increase of €10,145 or 2% on the previous year. Interest income of €24,199 decreased by 1%.

In the Financial Statements for 2011 the credit to Income in the Financial Statements for 2010 for Pension Related Deductions (PRDs) amounting to €36,598 was reversed thus reducing the Agency's total Income in 2011 to €607,511.

PRDs for 2009 and 2010 amounting to €36,598, which had been deducted from salaries under the *Financial Emergency Measures in the Public Interest Act 2009,* had with the approval of the Department of Agriculture, Food and the Marine been retained by the Agency and credited to Income in its Financial Statements in 2010. In November 2011, the Agency was advised by the Department of Finance, to pay all PRDs to the Department of Agriculture, Food and the Marine, which direction it complied with.

Operating costs of €509,859 decreased by €51,212 or 9%. Personnel and related costs, representing 55% of operating costs, decreased by €59,726 or 18%, while other costs increased by €8,514 or 4%.

The excess of income of €607,511 over costs of €509,859 resulted in an operating surplus for the year of €97,652, which was added to the Accumulated Fund.

At year end the Accumulated Fund amounted to €999,954 and was comprised of cash and deposits (net of creditors) of €884,731, debtors of €112,407 and fixed assets of €2,816.

Staff Superannuation Scheme 2010

The Staff Superannuation Scheme 2010 received Ministerial approval and the consent of the Minister for Finance on 30th November 2010.

On 30th March 2011, the Agency made a payment of €782,158 to the Department of Agriculture, Food and the Marine, which comprised all employer's contributions up to 30 November 2010 and all employee contributions, which were collected up to 31 December 2010.

The Agency, the Department of Agriculture, Food and the Marine and the Department of Finance are considering whether any further employer's contributions are to be made by the Agency to the Staff Superannuation Scheme.

The Agency has made no provision, subsequent to 30 November 2010, for further employer's contributions 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 appreciates the cooperation received during the year from liquid milk processors and the representative bodies of producers, processors, consumers, retailers and distributors.

The Agency thanks the officials of the Department of Agriculture, Food and the Marine and of other State Agencies consulted during the year for their support and advice.

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

Denis Murphy
Chairman

Chairman

*Denis Murphy**

Producers' Representatives

*Eamonn Bray**

Jerome Crowley

Donal Kelleher

Eamonn McEnteggart

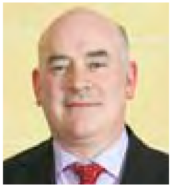
Padraig Mulligan

Processors' Representatives

*George Kearns**

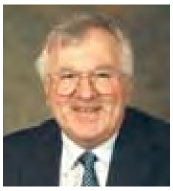
John O'Callaghan

Tony O'Driscoll



Frank Tobin

Distributors' Representative



Walter Maloney

Retailers' Representative

John Foster

Consumers' Representatives

*Richard Donohue**

Michael Kilcoyne

* Members of the Audit Committee.

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

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1. MILK SUPPLIES

Dr Muiris Ó Céidigh
Chief Executive

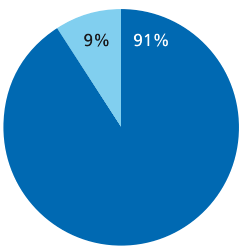
1.1 Domestic Milk Supplies

Domestic milk supplies to creameries and pasteurisers in 2011 were 5,377 million litres, an increase of 204 million litres or 4% on supplies of 5,173 million litres in 2010.

The number of active milk producers was 18,297 while the average annual milk supplies per producer were 294,000 litres. (Appendix 4 Table B).

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

FIG. 1.0 UTILISATION OF DOMESTIC MILK SUPPLIES 2011

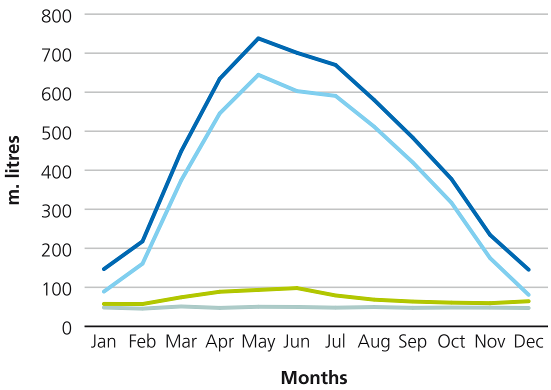


Manufactured Dairy Products
Liquid Consumption

Domestic milk supplies in 2011 continued to be characterised by a highly seasonal production pattern, based on grassland milk production and seasonal calving, with 79% of milk supplies being supplied in the seven months of March to September and 21% in the five months of October to February inclusive, which compared with 76% and 24% respectively in 2010.

The domestic milk supply profile had a peak to trough month ratio of 5.1/1 which was comprised of a peak to trough month ratio of 6.8/1 for milk supplies from manufacturing milk producers and of 1.8/1 for milk supplies from liquid milk producers.

FIG. 1.2 DOMESTIC SUPPLIES, MANUFACTURING MILK SUPPLIES, SUPPLIES BY REGISTERED PRODUCERS AND LIQUID MILK CONSUMPTION (MONTHLY) 2011



Domestic milk supplies
Manufacturing milk supplies (excluding supplies by registered producers)
Milk supplies by registered producers
Liquid Milk Consumption*

* 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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Peak to trough months' ratios									
Manufacturing	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	1.7	1.8	1.8	1.8	1.8	1.8	1.9	2.0
ALL	**5.1**	**5.8**	**4.9**	**5.4**	**5.6**	**5.7**	**5.5**	**5.5**	**5.6**	**6.1**

Source: DAFF/CSO.

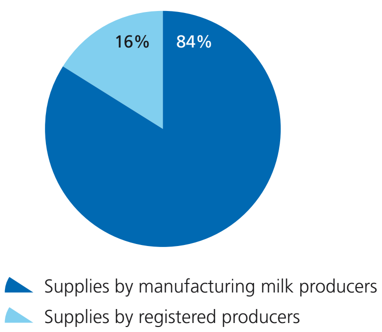
1.2 Milk Supplies by Registered Producers

Total milk supplies by the State's 1,950 registered producers, in 2010/11 amounted to 867 million litres (Appendix 4 – Table A), an increase of 52 million litres or 6% on supplies in 2009/10. Supplies for processing for liquid consumption amounted to 444 million litres or 51% of total supplies by liquid milk producers while supplies for processing into manufactured dairy products amounted to 423 million litres or 49% of total supplies.

Registered milk producers are a significant producer grouping in the domestic milk supply sector representing 11% of all milk producers and supplying 16% of domestic milk supplies.

They supply not only the all year round domestic milk requirements for liquid milk consumption but also 9% of domestic manufacturing milk supplies.

FIG. 1.3 DOMESTIC MILK SUPPLIES 2011



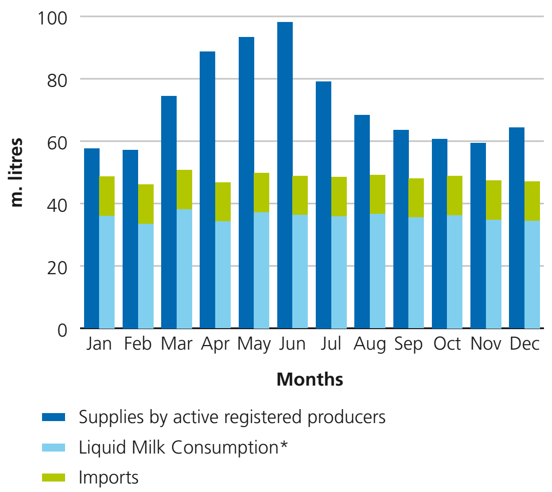
The average registered producer in 2010/11 had annual supplies of 445,000 litres compared with 401,000 litres in the previous year.

1.3 Winter Milk Supplies

In the five prescribed winter months of October 2011 to February 2012 total milk supplies by registered producers amounted to an estimated 303 million litres, a decrease of 13 million litres on 2010/11 and provided a supply cover of 128% for liquid milk consumption (including imports) of an estimated 237 million litres.

In the months of December 2011 and January 2012, total supplies by registered producers amounted to an estimated 124 million litres and were 29 million litres in excess of liquid milk consumption (including imports) of an estimated 95 million litres in those months, a supply cover of 131%.

FIG 1.4 MONTHLY MILK SUPPLIES BY ACTIVE REGISTERED PRODUCERS, LIQUID MILK CONSUMPTION AND MONTHLY IMPORTS 2011



* 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 356 million litres, a decrease of 32 million litres or 8% on 2010 and were mainly cross border movements of milk from Northern Ireland.

These bulk milk imports were equivalent to 7% of domestic supplies and to 18% of Northern Ireland's annual milk supplies.

Bulk milk imports for processing into manufactured dairy products represented 82% of these imports, while bulk imports for processing for liquid consumption in the State, namely 65 million litres, represented 18%.

TABLE 1.5 BULK MILK IMPORTS % DOMESTIC MILK SUPPLIES 1996-2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	millions of litres															
Supplies	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 (bulk)	356	388	427	464	473	566	550	377	349	278	209	304	361	282	–	–
Imports %	7	8	9	9	9	11	11	7	7	5	4	6	7	6	0	0

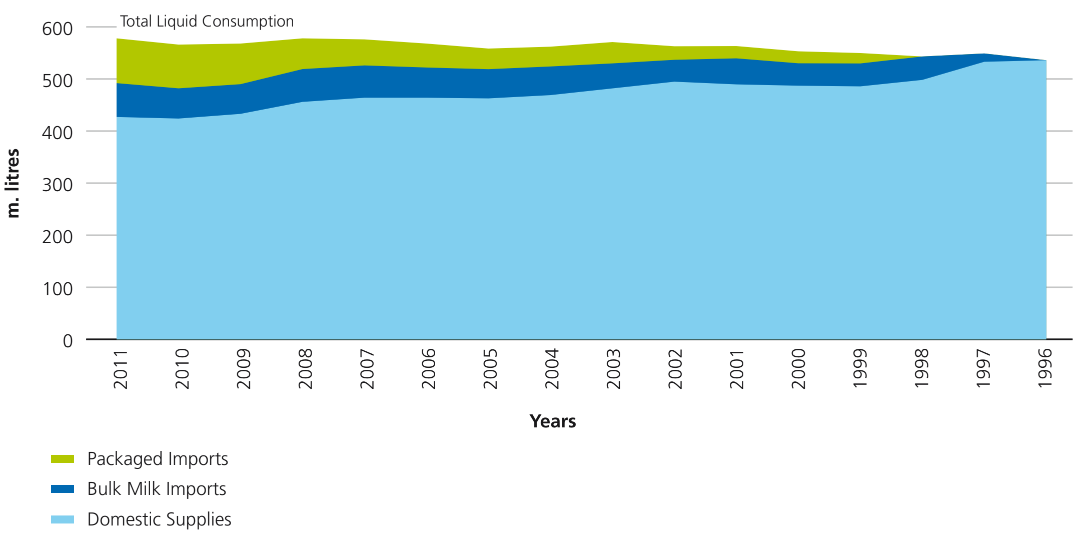
Total milk imports for liquid consumption in consumer packs and in bulk for processing in the State amounted to 151 million litres, an increase of 9 million litres or 6%, on the import volumes in the previous year.

Imports of fresh milk in consumer packs, were estimated at 86 million litres, an increase of 2 million litres or 2% on the previous year.

TABLE 1.6 PACKAGED AND BULK MILK IMPORTS FOR LIQUID CONSUMPTION 1996-2011

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

FIG 1.7 MARKET PENETRATION OF DOMESTIC LIQUID MILK MARKET BY IMPORTS 1996-2011



The market share of domestic supplies in the State's fresh milk market fell to 74% from 75% in 2010, while the market share of imports increased to 26% from 25% in 2010.

Since 1996 imports of fresh milk for liquid consumption have grown to 151 million litres absorbing all the increase of 42 million litres in consumption and displacing 109 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 2011 while the market share of imports has grown from zero to 26%.

Total milk imports from Northern Ireland by processors and pasteurisers and as packaged liquid milk, amounted to 442 million litres in 2011 and were equivalent to 8% of domestic milk supplies and 23% of Northern Ireland's annual milk supply.

TABLE 1.8 LIQUID MILK CONSUMPTION FROM DOMESTIC SUPPLIES AND IMPORTS 1996-2011

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

Source: CSO/NMA.

1.5 Northern Ireland – Milk Supplies/Milk Prices

Milk supplies in Northern Ireland in 2011 amounted to 1,964 million litres, an increase of 115 million litres or 6% on the previous year and were supplied by an estimated 2,753 dairy farmers. Milk supplies in Northern Ireland in 2011 were equivalent to 37% of the State's domestic milk supplies. Over 80% of Northern Irelands' annual milk supplies are exported as finished product or as raw milk.

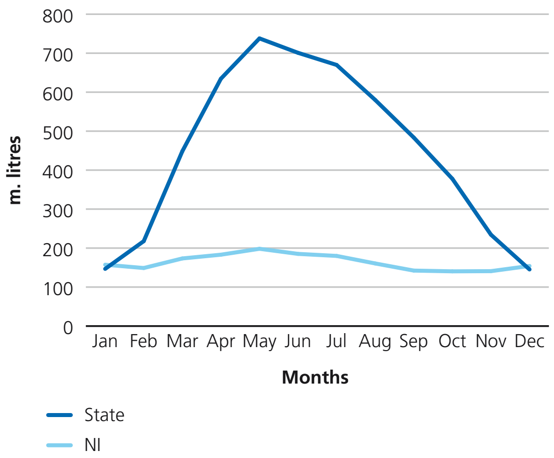
Average annual milk supplies per supplier in Northern Ireland in 2011 were 713,000 litres, which were considerably more than double the average milk supplies per supplier of 294,000 litres in the State.

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 2011 of 1.7/1 compared with 5.1/1 in the State.

TABLE 1.9 MILK SUPPLIES IN THE STATE & NORTHERN IRELAND 2011

	Republic of Ireland	Northern Ireland
Total Supplies – m. litres	**5,377**	**1,964**
Average Butterfat %	3.89	3.99
Average Protein %	3.37	3.24
Peak month/trough month ratio	5.1/1	1.7/1
Suppliers – number	18,297	2,753
Average supplies per supplier – litres	294,000	713,000

FIG. 1.10 MONTHLY MILK SUPPLIES – STATE & NORTHERN IRELAND 2011



Since 1993, annual milk supplies in Northern Ireland have increased by 655 million litres or 50% due to the purchase and transfer of additional milk quotas from Great Britain.

In 2011, 356 million litres or 18% of annual milk supplies in Northern Ireland were exported to the State as raw milk compared with 21% in 2010.

28% of milk supplies in Northern Ireland were traded by auction in 2011 and an estimated additional 30% of milk supplies are traded at prices based on auction prices. The annual average, auction price in 2011 was 28.32 p/l (32.55 c/l), an increase of 2.62 p/l (3 c/l) or 9% on the previous year.

TABLE 1.11 NORTHERN IRELAND MILK SUPPLIES 1993-2011

	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	1,964	151

Source: DARDNI.

The annual average net price to producers for all year round milk supplies in 2011 was 27.25 p/l (31.43 c/l), an increase of 2.21 p/l (3 c/l) or 8% on the previous year.

The Northern Ireland annual average, milk price for producers in 2011 was over 2 c/l lower than the annual average, milk price for manufacturing milk supplies in the State.

2. THE LIQUID MILK MARKET

The fresh milk market is the largest consumer market for milk and milk products in the State with an estimated retail value of €566m in 2011.

National consumption of fresh liquid milk last year was 578 million litres (127 million gallons), an increase of 11 million litres or 2% on consumption in 2011. Per capita consumption in the State of 0.35 litres per day was the highest in the EU.

The annual average retail price of whole milk in l litre packs in 2011 was 111 c/l, which was the same as in the previous year.

Since 1995, while consumer prices increased by 48% and the retail price of whole milk in one litre packs increased by 44%, the producer milk price per litre for supplies of milk for processing for liquid consumption increased by only 8%, if the EU dairy premium payment of 3.65 c/l in 2011 for eligible recipients is excluded or by 19% if the EU dairy premium payment is included.

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Consumer Price Index	148	144	145	153	147	140	135	132	129	124	119	113	107	106	103	102	100
Food Price Index	139	140	145	150	142	134	132	133	133	129	123	116	112	108	104	102	100
Retail Milk Price Index	144	144	145	144	118	110	110	110	112	110	108	105	104	104	104	104	100
Liquid Milk Price Index*	108	99	89	115	108	93	94	98	98	100	102	98	98	98	100	104	100

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

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

In 2011, an estimated 33% of sales of fresh milk were sold in one litre packs and an estimated 67% of sales were sold in 2 litre packs. The national average retail price of whole milk sold in two litre packs in 2011 was 183 c/2 litres, an increase of 3 c/2 litres or 2% on the previous year. Based on a mix of 33% of sales in one litre packs and 67% in 2 litre packs the national average retail milk price in 2011 was 98 c/litre, an increase of over 1% on 2010. Based on this estimate of the national average retail price of milk in 2011 the producers' share would be 36%, compared with 33% in 2010.

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

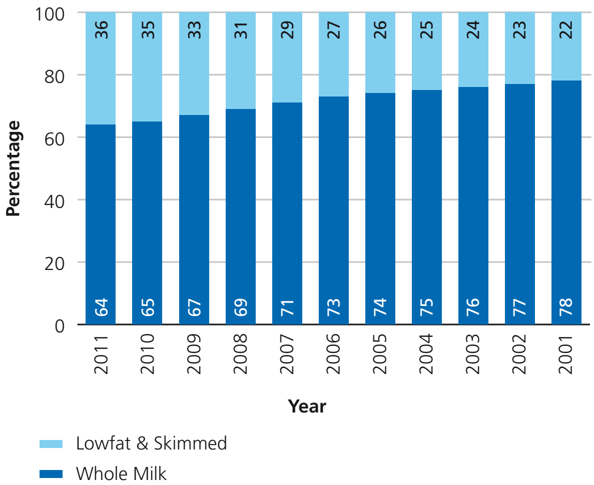
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l	c/l
Retail Prices[1]	111	111	112	111	91	85	85	85	86	85	83	81	80	80	80	80	77
Producer Prices[2]	35.5	32.4	29.2	37.6	35.3	30.5	31.0	32.3	32.3	32.7	33.3	32.1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

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

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

Last year sales of whole milk, which accounted for 64% of fresh milk sales, declined by 2% while sales of lowfat and skimmed milk increased by 4% to 36% of sales.

FIG. 2.2 FRESH MILK SALES PRODUCT PROFILE 2001-2011



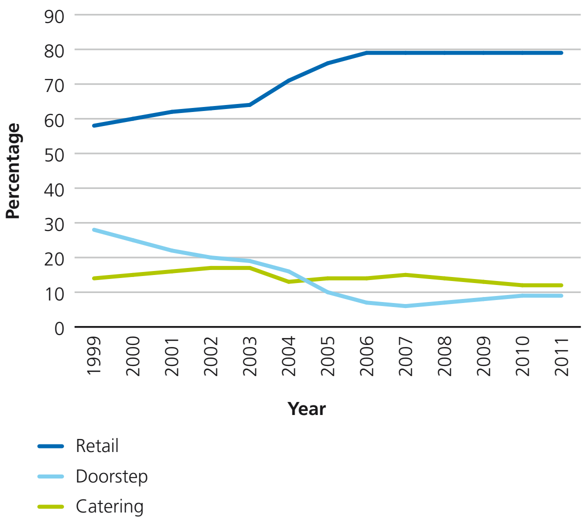
Source: CSO.

Retail Market

Retailers were the main distribution channel for fresh milk distributing 79% of all fresh milk. According to industry sources the catering channel and doorstep deliveries remained the same as 2010 at 12% and 9% respectively.

The three largest multiple groupings had an 80% share of the Irish grocery market in 2011.

FIG. 2.4 MARKET SHARES 1999-2011



Source: Industry Estimate.

Discount retailers, whose grocery market share was static at 12% in 2011 are among the main outlets for packaged fresh milk imports.

In the Irish fresh milk market an estimated 50% of milk sales in retail outlets is now sold as own label compared with 46% in the previous year according to industry sources.

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

TABLE 2.3 GROCERY MARKET SHARES

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

Source: RGDATA.

3. REGISTERED CONTRACTS/PRICES

3.0 Contract Types

TABLE 3.0 CONTRACT TYPES

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

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 1,950, a net decrease of 45 contracts on the previous year.
- 180 contracts were not renewed and 135 new contracts were entered into with 9 processors.
- All Year Round (AYR) contracts continued to be the main contract type representing 92% of contracts and 98% of milk supplies.
- Winter contracts represented 8% of contracts and 2% of milk supplies.
- The number of All Year Round (AYR) contracts decreased by 72 to 1,790 while the number of Winter contracts increased by 27 contracts to 160.

3.1 Contract Pricing Systems

- Two systems of milk pricing are used by processors when purchasing milk from producers for processing for liquid consumption namely the FLAT Price System (FLAT System) and the Manufacturing Milk Price plus Bonus System (MMP System).
- Under the FLAT System, milk is paid for at a flat price per litre with no price differentiation for milk constituents.
- Under the MMP System, a milk price usually, but not always, linked to monthly manufacturing milk prices, with and without price differentials for constituents, is paid with the addition of variable or fixed winter bonus payments.

TABLE 3.1 CLASSIFICATION OF REGISTERED CONTRACTS BY TYPE/SUPPLIES

	Contracts				Supplies			
	2010/11		2009/10		2010/11		2009/10	
	Number	%	Number	%	m litres	%	m litres	%
All Year Round	1,790	92	1,862	93	433.8	98	427.5	98
Winter	160	8	133	7	10.4	2	8.1	2
Total	**1,950**	**100**	**1,995**	**100**	**444.2**	**100**	**435.6**	**100**

TABLE 3.2 ALL YEAR ROUND CONTRACTS BY TYPE AND PRICING SYSTEMS

Pricing Systems	Contracts				Milk Supplies			
	2010/11		2009/10		2010/11		2009/10	
FLAT SYSTEM	Number	%	Number	%	m litres	%	m litres	%
Primary	1,042	58	1,069	57	247.3	57	256.6	60
Non Primary	222	13	244	13	55.7	13	56.0	13
TOTAL FLAT	**1,264**	**71**	**1,313**	**70**	**303.0**	**70**	**312.6**	**73**
MMP SYSTEM	526	29	549	30	130.8	30	114.9	27
TOTAL AYR	**1,790**	**100**	**1,862**	**100**	**433.8**	**100**	**427.5**	**100**

- In the AYR contracts the FLAT System was applied in 71% of the contracts and to 70% of the milk supplies while the MMP System was applied in 29% of the contracts and to 30% of the milk supplies.
- The number of FLAT System contracts and supplies thereunder decreased by 49 contracts and 9.6 million litres respectively while the number of MMP System contracts decreased by 23 contracts with the supplies thereunder increasing by 15.9 million litres.

FIG. 3.3 PRICING SYSTEMS/CONTRACTS 2010/11

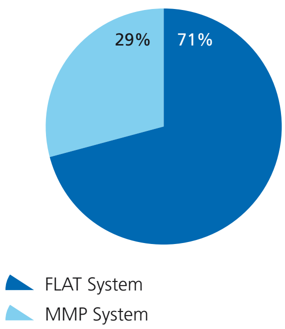
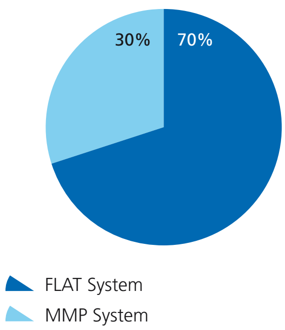


FIG. 3.4 PRICING SYSTEMS/MILK SUPPLIES 2010/11



- Under the AYR contracts the 1,042 Primary Contracts, which operated a FLAT System with seven winter premium months were the main contract type and represented 58% of AYR contracts and 57% of milk supplies.
- Non Primary AYR contracts, which operated a FLAT System with varying premium months, numbered 222 and represented 13% of AYR contracts and milk supplies.
- In 2010/11 the MMP System was applied in 29% of the AYR contracts and to 30% of milk supplies compared with 30% of the AYR contracts and milk supplies in 2009/10.

FIG 3.5 AYR CONTRACTS – PRICING SYSTEMS/ SUPPLIES 1999/00-2010/11

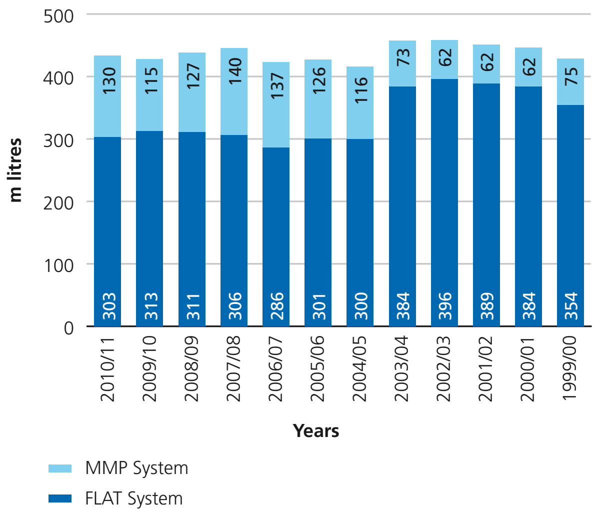


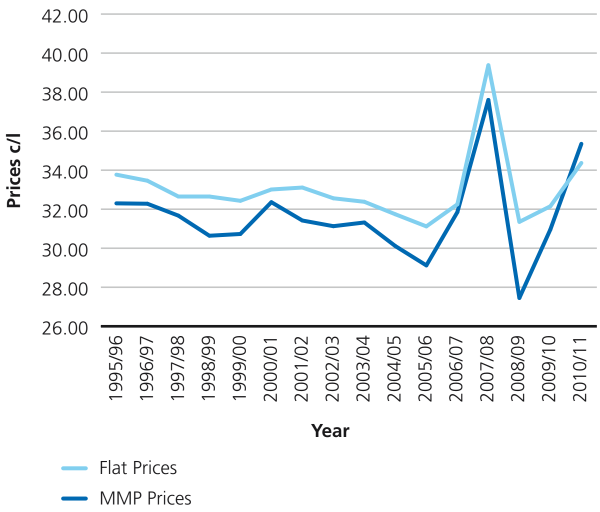
TABLE 3.6 ALL YEAR ROUND CONTRACTS – AVERAGE ANNUAL PRICES PAID

FLAT SYSTEM	2010/11 1,264 contracts 303.0 m. litres	2009/10 1,313 contracts 312.6 m. litres
	c/litre	c/litre
Winter months, September-March (7)	36.02	34.88
Summer months, April-August (5)	32.08	28.49
Annual Average	**34.37**	**32.15**
MMP SYSTEM	**526 contracts 130.8 m. litres**	**549 contracts 114.9 m. litres**
Winter months, September-March (7)	37.07	32.37
Summer months, April-August (5)	32.66	28.71
Annual Average	**35.35**	**30.96**
COMBINED	**1,790 contracts 433.8 m. litres**	**1,862 contracts 427.5 m. litres**
Winter months, September-March (7)	36.35	34.18
Summer months, April-August (5)	32.25	28.54
Annual Average	**34.68**	**31.84**

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

- The average price paid under the AYR FLAT System contracts in 2010/11 was 34.37 c/l, an increase of 2.22 c/l or 7% on the previous year.
- The average price paid under the AYR MMP System contracts in 2010/11 was 35.35 c/l, an increase of 4.39 c/l or 14% on the previous year.
- The annual average price paid under all AYR contracts in 2010/11 was 34.68 c/l, an increase of 2.84 c/l or 9% on the previous year.
- The price paid during the seven winter months was 36.35 c/l, an increase of 2.17 c/l or 6% on the previous year. The price paid during the five summer months was 32.25 c/l, an increase of 3.71 c/l or 13% on the previous year.
- For the first time on record the annual average price of 34.37 c/l under the FLAT System contracts was less than the annual average price of 35.35 c/l under the MMP System contracts by 0.98 c/l.
- Eight processors purchased supplies using the FLAT System in their contracts.
- Eight processors purchased supplies using the MMP System in their contracts.
- Three processors purchased supplies using both FLAT and MMP Systems.

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



See Appendix 3.

3.2 Prices Paid 2011 – Main AYR Contracts

- A table of the annual average milk prices paid under the thirteen highest volume AYR contracts representing 88% of the AYR contracts and 91% of AYR milk supplies is set out opposite.

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

FLAT SYSTEM CONTRACTS

Contract Types	Annual Average Prices*		Winter Prices		Summer Prices		Change in Annual Average Prices
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Increases
PRIMARY TYPE	c/l	c/l	c/l	c/l	c/l	c/l	c/l
B	34.12	32.46	35.67	35.22	32.04	28.65	1.66
D	35.92	32.33	35.92	34.92	35.92	28.51	3.59
F	34.14	32.33	35.98	35.00	31.51	28.59	1.81
G	32.05	29.27	34.53	32.45	29.50	25.03	2.78
NON PRIMARY TYPE							
D1	36.64	32.02	38.83	34.19	32.32	28.30	4.62
J	34.13	33.05	35.50	36.55	32.57	29.15	1.08
H	35.15	32.46	37.00	35.22	32.29	28.65	2.69

MMP SYSTEM CONTRACTS

Contract Types	Annual Average Plus Bonus		Annual Average – Monthly Bonus		Base Prices		Change in Annual Average Prices
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Increases
	c/l	c/l	c/l	c/l	c/l	c/l	c/l
A1	35.97	32.19	3.25	6.51	32.72	25.68	3.78
B1	32.90	30.65	1.89	3.08	31.01	27.57	2.25
B2	35.72	31.31	4.88	4.84	30.84	26.47	4.41
C2	35.57	30.37	4.24	3.47	31.33	26.90	5.20
C3	35.75	30.37	4.14	4.08	31.61	26.29	5.38
C4	34.49	29.02	4.63	3.80	29.86	25.22	5.47

* Excluding VAT.

3.3 Prices Paid – Winter Contracts

TABLE 3.9 WINTER CONTRACTS – PRICES/SUPPLIES

	Contracts		Milk Supplies		2010/11	2009/10
Pricing Systems	Number	%	m. litres	%	Average Price – Winter Months c/litre	Average Price – Winter Months c/litre
MMP System	127	79	8.8	85	40.03	38.14
FLAT System	33	21	1.6	15	36.40	35.55
Total	**160**	**100**	**10.4**	**100**	**39.47**	**37.66**

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 160 winter contracts related to 10.4 million litres of milk (an increase of 2.3 million litres on the previous year) and represented 8% of all contracts and 2% of milk supplies.

3.4 Prices Paid – All Contracts – Milk Years

The average price paid under all contracts, both All Year Round and Winter Months Only in 2010/11 was 34.78 c/l (158 c/g), an increase of 2.84 c/l (13 c/g) or 9% on the previous milk year.

TABLE 3.10 PRICES PAID UNDER ALL CONTRACTS AND PRICING SYSTEMS

Period	2010/11 1,950 contracts 444.2 ml	2009/10 1,995 contracts 435.6 ml
	c/litre	c/litre
Winter months, September-March (7)	36.47	34.28
Summer months, April-August (5)	32.25	28.54
Annual Average	**34.78**	**31.94**
	158 c/g	**145 c/g**

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

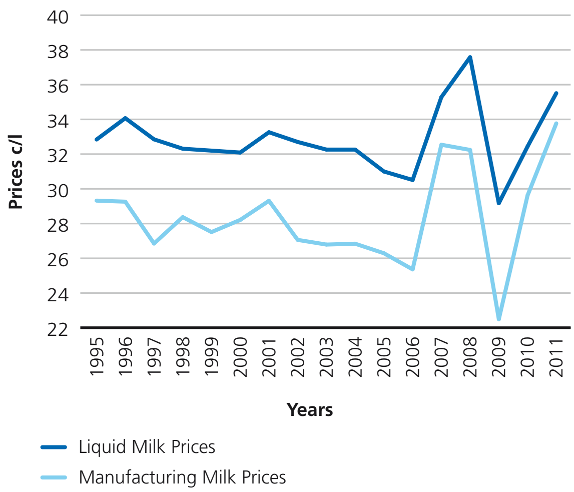
A Schedule showing the annual average prices since 1995/96 is set out in Appendix 3 (Table A).

3.5 Milk Prices 2011

ANNUAL AVERAGE LIQUID MILK PRICES AND MANUFACTURING PRICES

- In calendar year 2011, which includes the first three months of the 2011/12 milk year, the annual average price of 35.51 c/l paid under all registered contracts was 0.73 c/l higher than the annual average price of 34.78 c/l paid during the 2010/11 milk year due to the higher liquid prices paid by processors in October to December 2011 in comparison with the same period in 2010.
- In calendar year 2011 the annual average price paid under all registered contracts was 35.51 c/l, an increase of 3.07 c/l or 9% on the price of 32.44 c/l paid in 2010.
- In 2011 the estimated annual average price for manufacturing milk supplies, excluding vat and after collection charges, was 33.77 c/l, an increase of 4.15 c/l or 14% on the price (revised) of 29.62 c/l in 2010.
- The differential in 2011 between the annual average producer price for milk supplies for liquid consumption of 35.51 c/l and the estimated annual average producer price for manufacturing milk supplies of 33.77 c/l, was 1.74 c/l, a decrease of 1.08 c/l compared with the differential (revised) of 2.82 c/l in 2010. The price differential in 2011 was the lowest differential on record.
- 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 1995-2011



4. PROCESSORS

TABLE 4.0 STRUCTURE OF REGISTERED PRODUCERS BY REGISTERED PROCESSORS' SUPPLY BANDS 2010/11

MILK SUPPLY BANDS	NUMBER OF PROCESSORS	ACTIVE REGISTERED PRODUCERS		ANNUAL SUPPLIES*	
m. litres		number	%	m. litres	%
0-20	10	318	16	51	11
20-40	3	403	21	102	23
Over 40	2	1,229	63	291	66
TOTAL	**15**	**1,950**	**100**	**444**	**100**

As at 31 December 2011.

* 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 63% of active registered producers and 66% of annual milk supplies.
- The number of heat treatment establishments licensed to process milk for liquid consumption in the State in 2011 was 18, of which 16 plants were operated by the 15 processors registered with the Agency.
- Two processors operating plants in the State for the processing of milk for liquid consumption (including UHT milk) were not registered with the Agency. These processors imported all their supplies of milk for processing and packaging for liquid consumption, in the State.
- Average annual milk supplies processed per plant operated by registered processors were 27 million litres.

APPENDIX 1 MEETINGS OF THE AGENCY

Members	Meetings Attended 2011
Denis Murphy – Chairman	7
Eamonn Bray	7
Jerome Crowley	7
Donal Kelleher	4
Padraig Mulligan	6
Eamonn McEnteggart	7
George Kearns	7
John O'Callaghan	6
Tony O'Driscoll	7
Frank Tobin	6
Walter Maloney	7
John Foster	7
Richard Donohue	5
Michael Kilcoyne	7

The Agency held seven meetings during the year and the attendance ratio was 92%.

The Chairman and Chief Executive held three 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.

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

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

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

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

APPENDIX 2 REGISTER OF PRODUCERS/MILK SUPPLIES

A. REGISTER OF PRODUCERS

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

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		% FLAT	% MMP
		FLAT	MMP		
1995/96	3,206	2,735	471	85	15
1996/97	3,151	2,696	455	86	14
1997/98	2,783	2,410	373	87	13
1998/99	2,708	2,291	418	85	15
1999/00	2,642	2,269	373	86	14
2000/01	2,725	2,375	350	87	13
2001/02	2,620	2,282	338	87	13
2002/03	2,583	2,239	344	87	13
2003/04	2,510	2,075	435	83	17
2004/05	2,199	1,686	513	77	23
2005/06	2,104	1,589	515	76	24
2006/07	1,908	1,448	460	76	24
2007/08	1,861	1,386	475	75	25
2008/09	1,849	1,370	479	74	26
2009/10	1,862	1,313	549	70	30
2010/11	1,790	1,264	526	71	29

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

D. ALL YEAR ROUND CONTRACTS/ SUPPLIES AND PRICING SYSTEMS

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

APPENDIX 3 ANNUAL AVERAGE MILK PRICES/DIFFERENTIALS

TABLE A. ALL YEAR ROUND CONTRACTS MILK YEARS – 1995/96 TO 2010/11 – ANNUAL AVERAGE PRICES/FLAT SYSTEM/MMP SYSTEM/DIFFERENTIALS

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

TABLE B. PRODUCER MILK PRICES ANNUAL AVERAGES – 1995-2011 LIQUID PRICES/MANUFACTURING PRICES/ANNUAL PRICE DIFFERENTIALS

Calendar Years	Prices – Liquid[1]	Prices – Manufacturing[1]	Price Differentials
	c/l	c/l	c/l
1995	32.84	29.32	3.52
1996	34.07	29.26	4.81
1997	32.85	26.85	6.00
1998	32.31	28.37	3.94
1999	32.20	27.51	4.69
2000	32.09	28.21	3.88
2001	33.26	29.31	3.95
2002	32.70	27.06	5.64
2003	32.26	26.79	5.47
2004	32.26	26.84	5.42
2005	31.00	26.29	4.71
2006	30.51	25.36	5.15
2007	35.28	32.54	2.74
2008	37.58	32.24	5.34
2009	29.17	22.49*	6.68
2010	32.44	29.62*	2.82*
2011	35.51	33.77	1.74

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

* Revised to CSO Annual Average Price.

APPENDIX 4 STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS

TABLE A – STRUCTURE OF MILK SUPPLIES OF REGISTERED PRODUCERS 2010/11 AND 2009/10

Annual Supply Bands	Active Registered Producers*		Total Supplies		Supplies for Liquid Consumption		Supplies for Manufacturing		Average Supplies for Liquid		% of Active Registered Producers		% of Total Supplies		% of Liquid Supplies		Liquid Supplies % Total Supplies	
Litres	number		m litres		m litres		m litres		'000s litres									
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<50,000	85	105	1.4	2.0	0.8	1.3	0.6	0.6	9	13	4	5	0	0	0	0	55	67
50,000-99,999	80	131	6.2	9.8	3.4	5.9	2.8	3.9	43	45	4	6	1	1	1	1	55	60
100,000-149,999	107	147	13.5	18.4	6.7	9.1	6.8	9.3	63	62	5	7	2	2	2	2	50	49
150,000-199,999	118	173	20.8	30.5	10.7	15.7	10.0	14.8	91	91	6	9	2	4	2	4	52	52
200,000-249,999	145	177	32.9	40.0	15.7	19.1	17.1	20.9	108	108	7	9	4	5	3	4	48	48
250,000-299,999	175	202	48.3	55.4	21.9	26.7	26.3	28.7	125	132	9	10	6	7	5	6	45	48
300,000-349,999	170	166	55.1	53.8	26.8	24.7	28.3	29.1	158	149	9	8	6	7	6	6	49	46
350,000-399,999	167	179	62.9	67.2	26.7	33.7	36.1	33.5	160	188	9	9	7	8	6	8	43	50
400,000-449,999	157	121	66.6	51.8	32.6	25.0	34.0	26.8	208	207	8	6	8	6	7	6	49	48
450,000-499,999	117	111	55.4	52.5	25.4	28.8	30.0	23.7	217	259	6	6	6	7	6	7	46	55
500,000-599,999	194	154	105.5	84.7	51.2	44.7	54.4	40.1	264	290	10	8	12	10	12	10	48	53
600,000-699,999	127	104	82.2	66.8	38.0	38.2	44.3	28.6	299	368	7	5	10	8	8	9	46	57
Over 700,000	308	262	316.0	281.8	184.4	169.4	131.7	112.5	599	646	16	12	36	35	42	37	58	60
Total	**1,950**	**2,032**	**866.8**	**814.7**	**444.3**	**442.3**	**422.4**	**372.5**	**228**	**218**	**100**	**100**	**100**	**100**	**100**	**100**	**51**	**54**

Source: NMA.

Figures adjusted for rounding.

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

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 2010/11 AND 2009/10

	Producers										Milk Quotas/Supplies									
Annual Supply Bands	All Active Producers		Active Registered Producers*		All Producers		Active Registered Producers*		Active Registered Producers % All Producers		Domestic Milk Quotas		Supplies of Registered Producers		% of Domestic Quotas All Producers		% of Registered Producers' Supplies		Supplies of Registered Producers' % of Domestic Supplies	
Litres	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	Number		Number		%	%	%	%	%	%	ml	ml	ml	ml	%	%	%	%	%	%
<50,000	446	447	85	105	2	2	4	5	19	23	15	15	1.2	2	1	1	0	0	9	13
50,000-100,000	1,369	1,438	80	131	7	8	4	6	6	9	107	113	6.2	9.8	2	2	1	1	6	9
100,001-200,000	4,483	4,657	225	320	25	26	12	16	5	7	694	717	34.3	48.9	13	14	4	6	5	7
200,001-250,000	2,764	2,801	145	177	15	15	7	9	5	6	625	631	32.9	40	12	12	4	5	5	6
250,001-300,000	2,412	2,402	175	202	13	13	9	10	7	8	662	662	48.3	55.4	12	13	6	7	7	8
300,001-350,000	1,838	1,799	170	166	10	10	9	8	9	9	596	585	55.1	53.8	11	11	6	7	9	9
350,001-400,000	1,437	1,415	167	179	8	8	9	9	12	13	536	527	62.9	67.1	10	10	7	8	12	13
400,001-450,000	937	889	157	121	5	5	8	6	17	14	397	376	66.6	51.8	7	7	8	6	17	14
Over 450,000	2,611	2,447	746	631	15	13	38	31	29	26	1,696	1,578	559.3	485.9	32	30	64	60	33	31
Total	**18,297**	**18,295**	**1,950**	**2,032**	**100**	**100**	**100**	**100**	**11**	**11**	**5,328**	**5,204**	**866.8**	**814.7**	**100**	**100**	**100**	**100**	**16**	**16**

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

Sources: Department of Agriculture Food and the Marine – EU milk years 2009/10 and 2010/11 ended 31 March 2010 and 2011 respectively.

NMA – Milk years 2009/10 and 2010/11 ended 30 September 2010 and 2011 respectively.

APPENDIX 5

REPORTS AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE NATIONAL MILK AGENCY

We have audited the financial statements of the National Milk Agency for the year ended 31 December 2011 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of members and auditors

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of affairs of the Agency as at 31 December 2011 and of the surplus for the year then ended.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin

13 March 2012

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 €	2010 €
INCOME			
Milk levy – continuing operations	*2*	**619,910**	609,765
Deposit interest		**24,199**	24,411
Pension related deduction	*3*	**(36,598)**	36,598
		607,511	670,774
EXPENDITURE			
Salaries and superannuation		**281,204**	340,930
Administration costs	*4*	**226,374**	217,974
Depreciation		**2,281**	2,167
		509,859	561,071
Surplus for the year	*10*	**97,652**	109,703

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 13 March 2012.

Denis Murphy
Chairman

Eamonn Bray
Member

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 €	2010 €
FIXED ASSETS			
Tangible assets	*6*	**2,816**	3,500
CURRENT ASSETS			
Debtors	*7*	**112,407**	140,984
Cash at bank and in hand	*8*	**931,751**	1,569,601
		1,044,158	1,710,585
CREDITORS (Amounts falling due within one year)	*9*	**(47,020)**	(811,783)
NET CURRENT ASSETS		**997,138**	898,802
NET ASSETS		**999,954**	902,302
FINANCED BY:			
Accumulated fund	*10*	**999,954**	902,302

The financial statements were approved by the Members on 13 March 2012.

Denis Murphy	**Eamonn Bray**
Chairman	*Member*

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	€	€
OPERATING ACTIVITIES		
Net cash (Outflow)/inflow from operating activities (Note (a))	**(660,452)**	112,961
Returns on investments and servicing of finance		
Interest received	**24,199**	24,411
Capital expenditure		
Payments to acquire tangible fixed assets	**(1,597)**	(3,112)
(Decrease)/Increase in cash at bank and in hand (Note (b))	**(637,850)**	134,260

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

	2011	2010
	€	€
(Decrease)/Increase in cash at bank and in hand	**(637,850)**	134,260
Movement in net funds for the year	**(637,850)**	134,260
Net funds at beginning of year	**1,569,601**	1,435,341
Net funds at end of year (see Note (b))	**931,751**	1,569,601

RECONCILIATION OF CASH FLOW STATEMENT TO MOVEMENT IN NET FUNDS

Note (a)

Reconciliation of operating surplus to Net cash inflow from operating activities

	2011	2010
	€	€
Surplus for year	**97,652**	109,703
Depreciation	**2,281**	2,167
Decrease/(Increase) in debtors	**28,577**	(36,205)
(Decrease)/Increase in creditors	**(764,763)**	61,707
Net interest received	**(24,199)**	(24,411)
	(660,452)	112,961

Note (b)

	At 1 January 2011	Cash flows	At 31 December 2011
	€	€	€
Analysis of changes in net funds			
Cash at bank and in hand	95,568	(18,174)	**77,394**
Cash deposits	1,474,033	(619,676)	**854,357**
Net funds	1,569,601	(637,850)	**931,751**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

National Milk Agency Staff Superannuation Scheme 2010

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

The National Milk Agency made a payment of €782,158 on 22 March 2011, to the Department of Agriculture, Food and the Marine, in respect of the National Milk Agency Staff Superannuation Scheme 2010, being all the Agency's contributions up to 30 November 2010 and all employee contributions up to 31 December 2010.

2. MILK LEVY

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. PENSION RELATED DEDUCTION (PRD)

	2011	2010
	€	€
PRD – 2010	**(17,997)**	17,997
PRD – 2009	**(18,601)**	18,601
	(36,598)	36,598

In November 2011, the Agency was advised by the Department of Agriculture, Food and the Marine that the Department of Finance had decided that the PRD, which had been collected by the Agency since January 2009, under the Financial Emergency Measures in the Public Interest Act 2009 and credited to the Agency's Income and Expenditure Account in 2010, should now be paid to the Department of Agriculture, Food and the Marine. An amount of €54,363 was then paid by the Agency in respect of all PRD collected being €18,601 (2009), €17,997 (2010) and €17,765 (2011).

4. ADMINISTRATION COSTS

	2011	2010
	€	€
Staff expenses	**35,393**	34,685
Training and education	**–**	285
Members' expenses	**23,592**	25,646
Chairman's remuneration	**8,978**	8,978
Stationery	**3,212**	2,638
Annual report	**18,220**	20,309
Telephone	**9,639**	10,309
Postage	**3,644**	3,758
Publications	**2,271**	1,330
Legal fees	**10,963**	30,311
IT review	**30,177**	–
Consultancy fees	**3,504**	3,015
Audit fees	**3,975**	3,908
Rent	**45,216**	44,853
Insurance	**3,700**	3,653
Accounting and professional fees	**5,388**	3,839
Repairs and renewals	**4,240**	5,440
Miscellaneous	**14,262**	15,017
	226,374	217,974

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. TAXATION

The Agency is included as an exempt body under the Taxes Consolidation Act, 1997 (Amendment of Schedule 4) Order, 2002, effective from 30 December 1994. Under Section 227 of the Taxes Consolidation Act, 1997, however, deposit interest arising to specified non-commercial state sponsored bodies, including the National Milk Agency is not entitled to exemption from deposit interest retention tax. Deposit interest is presented net of deposit interest retention tax of €8,950 (2010: €8,779).

6. TANGIBLE FIXED ASSETS

	Furniture	Office equipment	Computer equipment	Total
	€	€	€	€
Cost:				
At 1 January 2011	12,658	21,303	69,562	103,523
Additions	–	–	1,597	1,597
At 31 December 2011	**12,658**	**21,303**	**71,159**	**105,120**
Depreciation:				
At 1 January 2011	11,879	20,425	67,719	100,023
Charged in year	367	235	1,679	2,281
At 31 December 2011	**12,246**	**20,660**	**69,398**	**102,304**
Net book amounts:				
At 31 December 2011	**412**	**643**	**1,761**	**2,816**
At 31 December 2010	779	878	1,843	3,500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7. DEBTORS (Amounts falling due within one year)

	2011	2010
	€	€
Milk levy receivable	**105,328**	111,056
Prepayments	**1,310**	10,721
Other debtors	**5,769**	19,207
	112,407	140,984

8. CASH AT BANK AND IN HAND

The Agency made a payment of €782,158 on 22 March 2011, to the Department of Agriculture, Food and the Marine, in respect of the National Milk Agency Staff Superannuation Scheme 2010, being all the Agency's contributions up to 30 November 2010, and all employee contributions up to 31 December 2010.

9. CREDITORS (Amounts falling due within one year)

	2011	2010
	€	€
Superannuation contributions	**–**	782,158
Accruals and other creditors	**40,566**	25,496
PAYE/PRSI	**6,454**	4,129
	47,020	811,783

10. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUND

	2011	2010
	€	€
Accumulated surplus brought forward	**902,302**	792,599
Surplus for the year	**97,652**	109,703
Accumulated fund carried forward	**999,954**	902,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11. NATIONAL MILK AGENCY STAFF SUPERANNUATION SCHEME 2010

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 paid an amount of €782,158 on 22 March 2011, to the Department of Agriculture, Food and the Marine, in respect of the National Milk Agency Staff Superannuation Scheme 2010 being all the Agency's contributions up to 30 November 2010 and all employee contributions up to 31 December 2010.

The Agency, the Department of Agriculture, Food and the Marine and the Department of Finance are considering whether any further employer contributions are to be made by the Agency to the National Milk Agency Staff Superannuation Scheme 2010.

The Agency has made no provision for further employer contributions to the National Milk Agency Staff Superannuation Scheme 2010, subsequent to 30 November 2010.

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 2011, 162 payments were made by the Agency of which 137 were paid within 15 days and 25 were paid between 16 to 30 days.

The Agency is reporting annually from 1st January 2011 on its energy usage and 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 2011 the Agency's usage of electricity was 16,900 kWh. 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 2012 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. 472 of 2009 – National Milk Agency (Conduct of Elections) (Amendment) Regulations, 2009

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

NATIONAL **MILK** AGENCY

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