

Chairman's Review

In 2023, the performance of your co-operative has been robust and resilient in the context of a volatile global market environment with significant shifts in demand and reduced market returns, in spite of which we ensured maximum level of support to our milk suppliers and our customers throughout the year.



Jerry Doody
Chairman

North Cork Creameries is deeply rooted in a proud dairy farming heritage, both regionally and nationally. This is a testament to the collaborative spirit that drives our success at home and abroad. Our operations, spanning value-added food ingredients to dairy consumer and foodservice products, alongside our agribusiness and advisory services, all reflect our commitment to excellence, sustainability, and innovation.

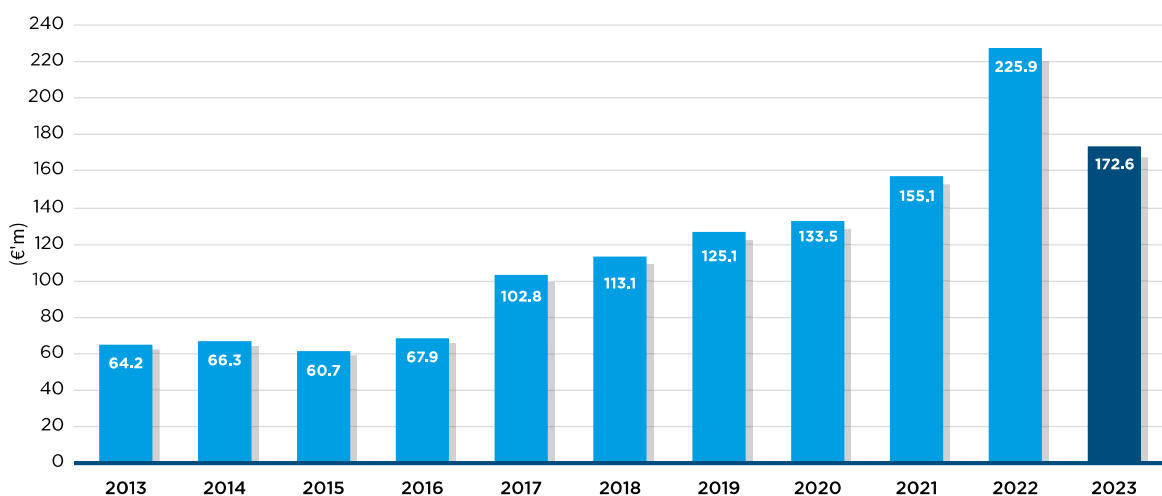
This past year was marked by a number of pressing challenges, with a global imbalance in supply and demand and a challenging global commodity market. Geo-political issues, including wars, and socio-economic factors including inflation and a rising basket of business and consumer costs, created considerable pressure for dairy buyers, processors and farmers alike, particularly in the back-half of the year.

Despite market circumstances, our core mission of supporting our dairy farmers and delivering high-quality dairy products remained steadfast. Strategic investments that we have made over the past decade and the resulting optimisation of our processing footprint, aligned to our milk supply profile, have resulted in economies of scale that have enabled us to add-value to milk and to remain as competitive as possible at every level.

Revenues

In line with market conditions, our annual revenues were €176.4m, a 22% reduction on the prior year, yielding an operating profit of €905k for the year. EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) was €2.45m. We closed the year with a strong balance sheet, shareholders' funds of €29.5m and zero bank debt.

Revenue History 2008 - 2022





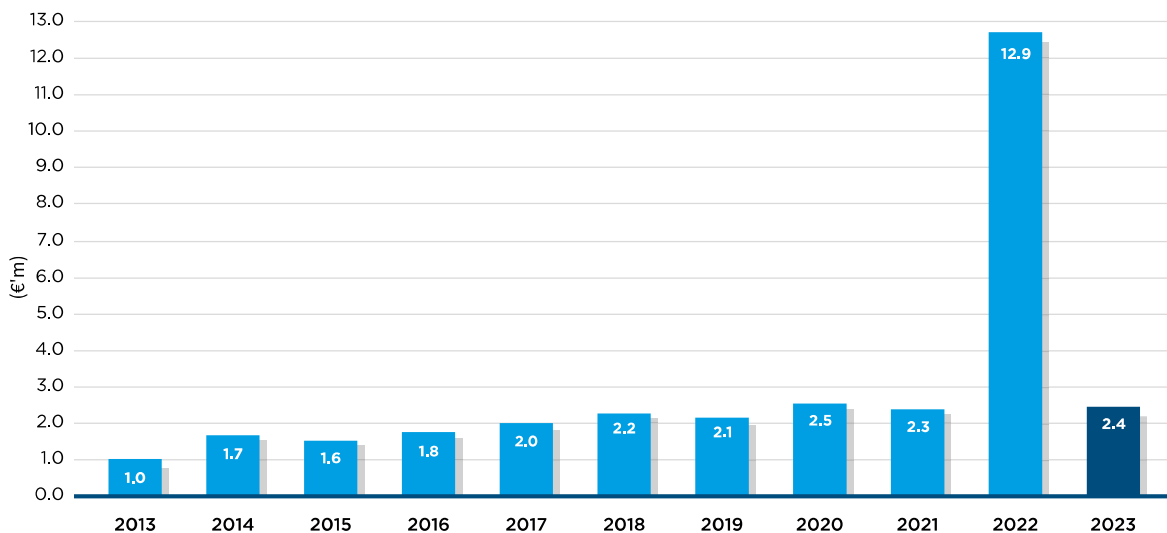
We processed some 218m litres of whole milk, including 82m litres supplied directly by our farm families. Our powder and butter operations faced market headwinds with lower export volumes and a reduction in revenue contributions. Indicatively, prices across some of our main bulk product segments saw average reductions of -€1,302/t for SMP; -€2,200/t for Casein -1,000/t for Butter and -€340/t for Whey.

Our Agribusiness operations also felt the ripple effects of market conditions as supply chain costs increased significantly. Nevertheless, we ensured the most competitive possible pricing of feed and fertiliser for our milk suppliers and wider customer base to support our farming communities.

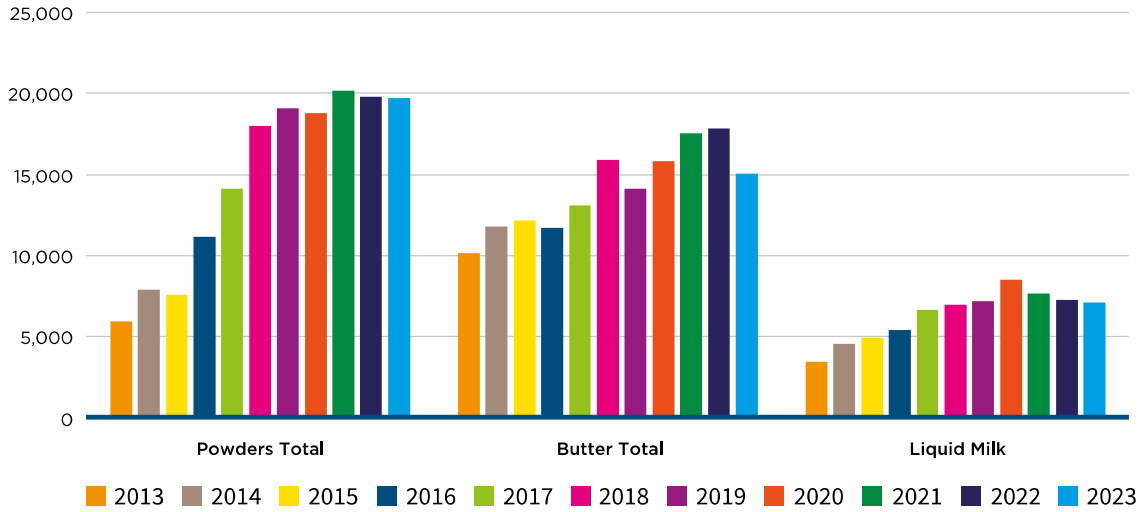
In a year when adverse market conditions necessitated adjustments in milk price, our dedication to our farm families was evident in the financial decisions made by the Board, aimed at ensuring on-farm economic stability.

Each month the Board decided on the highest possible milk price in line with market conditions, averaging 45.2 cents per litre, VAT inclusive, across the year. These decisions are rooted in a deep understanding of the pressures our farm families face, especially in leaner times when market fluctuations can significantly impact their livelihoods and wellbeing.

EBITDA History 2013 - 2023



Production Volumes 2013 - 2023 (Tonnes)



Recognising the hard work and quality involved in milk supplied in the previous year, we made payments totalling €3.56m to North Cork milk suppliers. This included a supplementary payment of 2 cpl for January to March 2023 milk, totalling €0.4m and 2.5cpl (a total of €2.3m, VAT included), drawn from our stability fund, including farm input support payments. A bonus payment of 1c per litre approved by the Board on all North Cork supplier milk totalling €0.9m was also paid for 2023.

While critically important, these measures weren't just about financial support; they represent a tangible expression of our appreciation for our milk suppliers' dedication, and commitment to excellence, despite the prevailing challenges. This underscores our mission to uphold a sustainable and prosperous dairy farming community, reinforcing our commitment to our farm families. It is also demonstrative of our role as a resilient and responsive enterprise capable of navigating challenges and promoting the collective interests of our members.



Consumer & Foodservice

The full 2023 revenue contribution from Catervision Food Ingredients (which we acquired in mid-2022) was €8.3m, a 10% increase year-on-year. The successful integration of Catervision into our operations has extended our reach into the wholesale dairy foodservice sector. This part of our business caters to a wide array of businesses and establishments—from restaurants and cafés to hotels and food manufacturing outlets.

This has enabled us to enhance our position in the supply chain for dairy-based food products, meeting demand for both convenience dairy products and high-quality dairy ingredients across the foodservice industry. We are committed to further exploring new opportunities in this sector by continuing to innovate in our product offerings.

Our retail operations for milk, butter, and cream have demonstrated resilience, maintaining a stable market presence in spite of rising cost of living and inflationary pressures for households and consumers. This is rooted in a number of key factors.

The very high quality of milk supplied by our farm families, produced in a beautiful natural environment, projects excellent qualities in terms of wholesome content and nutritional value. Our products are essential, everyday items in households, underpinning a steady demand even as consumers became more budget-conscious.

Our strategic pricing and cost management efforts have ensured that our products remain affordable to consumers, effectively navigating the fine balance between covering increased production costs and maintaining consumer accessibility. Additionally, our commitment to quality and the strength of our reputation (particularly through our flagship ÓR Real Irish Butter brand) have fostered customer loyalty, ensuring that consumer preference for our products remains high despite economic fluctuations. This combination of essential product status, strategic pricing, and brand loyalty has enabled our retail milk, butter, and cream operations to maintain a strong market position.

Golden Opportunity

First launched in October 2021, ÓR-Real Irish Butter is produced in Kanturk using traditional slow-churning methods and has rapidly established a strong position in the premium butter segment.

During the year, we expanded this product range including a new 227g pack size and an unsalted butter variant, catering for evolving consumer preferences, offering more convenience especially for baking enthusiasts and those seeking unsalted butter options. This will be launched in 2024.

The success of ÓR-Real Irish Butter reflects North Cork Creameries' commitment to quality, innovation, and community engagement. We have established over 90% distribution coverage with major retailers across Ireland and are further extending this reach through partnerships with additional retailers.

ÓR-Real Irish Butter has also distinguished itself in the competitive landscape through numerous awards, reinforcing its reputation for quality. It secured the Gold Award at the Irish Quality Food & Drink Awards for the second consecutive year and achieved similar honours at Blás na hÉireann. Recognition at the Great Taste Awards 2023 further validates our commitment to excellence. In the current year, ÓR-Real Irish Butter has been listed by retail trade publication Checkout as one of the Top 5 'Gold Standard' butters in Ireland. All of this is a great tribute to our farm families and the high quality milk that you supply.

Capital Investments

Our strategic capital investments continued during the year focused on upgrading our processing technologies and environmental management infrastructure, ensuring operational excellence, without overextending our financial resources.

This programme totalled €3.1m for the year, funded entirely through our own resources, bringing our investments to a cumulative €30.8m as of year-end 2023. Notably this is being implemented with no requirement for debt which is indicative of our overall prudent financial management and the underlying strength of our balance sheet.





Hands of Gold: Roisín Scully, retail supply chain graduate; Victor Moyo, butter maker; Urszula Stula, retail operations; and Stephen Daly, dairy commercial and operations manager pictured at our butter making centre in Kanturk. With newly launched pack sizes, salted and unsalted options, ÓR Real Irish Butter is proving very popular with consumers, now with 90% distribution in supermarkets and retailers nationwide. (Picture: Michael O'Sullivan).

Encouraging our Team

We have an excellent team of people working within our co-operative. To continually enhance our competitiveness, we are committed to nurturing their skills and talents, recognising that their dedication and hard work contribute very strongly to our achievements. Our organisational culture revolves around fostering an environment that is supportive of professional growth, learning opportunities and career progression, all within a framework that prioritises continuous personal and business improvement. This is also essential in an era of skills shortages in our economy.

We place paramount importance on the health, safety, and overall wellbeing of our employees and the communities that we are a part of. This is reflected in our daily operations and the positive impacts that we aim to create. Promoting diversity and inclusivity are key elements of our identity as a co-operative, fostering mutual respect and equal opportunities for all. This ethos enriches our workplace and enhances our ability to address the needs of our customers and to meet market demands.

Reinforcing our commitment to innovation and excellence, our Graduate Development Programme continued its progress in 2023, recruiting talented graduates from essential agrifood disciplines such as Agricultural Science, Food Science, Food Marketing, Information Technology, Logistics, Engineering, and Business, this programme is designed to bolster our organisational strength and sustained growth.



Marking the contribution of our farm families, our co-operative and our people in our communities and across our rural, regional and national economy, we were proud and delighted to be named Best Established Business and Overall Business of The Year at the IRD Duhallow Business Awards, having been nominated among several other highly esteemed enterprises.

Sustainable Prosperity

North Cork Creameries upholds the co-operative ideals of Better Farming, Better Business, and Better Living, now aligned with the modern principles of environmental sustainability, social purpose, and best practice corporate governance (or Environment, Social & Governance – ESG).

The present and long-term sustainability and prosperity of our farm families lies at the centre of all our strategies and processes, where we promote these goals throughout our society, our organisation and our operations.

Environmental sustainability is also at the core of our operations.

We operate highly modern processing facilities with a focus on efficiency and high environmental standards including renewable energy usage. Continual improvement in waste management, water usage, and emissions reduction is a priority and we are making considerable strides in this regard including an ongoing investment programme for our waste-water management systems to ensure high standards in this essential area of control.

We work with our business supply chain partners and customers to minimise environmental impact across our logistics and distribution operations, including packaging reduction, recycling and biodegradable materials.

Every litre of milk supplied by our farm families forms the building block of all our operations where our milk suppliers take pride in their milk production and participate in a wide range of programmes in support of sustainability and carbon reduction.

In the past year, we have continued to advance our climate action strategy, reducing our CO2 emissions by over 2,400 tonnes annually. These initiatives operate in tandem with the dedication of our milk suppliers whose grass-based farming practices contribute to a minimised carbon footprint. It's also noteworthy that 100% of our milk suppliers maintain accreditation under the Bord Bia Sustainable Dairy Assurance Scheme, underscoring our collective commitment to sustainability, and satisfying the interests of our customers and consumers. This is in addition to our adherence to the highest ISO international quality standards at processing level.

Your Board and management are adamant that sustainability must also mean sustainable prosperity for our farm families. As a farmer-owned and farmer-led co-operative we are pledged to supporting the economic viability and livelihoods of our milk suppliers. This must be in a manner that promotes our collective ability to take advantage of all market opportunities and that also underpins our resilience to withstand market volatility, maintaining our competitiveness for the future.

Bearing the above factors in mind, we continue to develop our farm advisory services, focusing on efficient, environmentally sustainable farming practices that ensure continuing stability in revenues and the best possible monetary return for dairy farmers.

Farm Profitability

On a practical level, our Farm Profitability Programme focuses on optimising efficiency and profitability for dairy farmers in a sustainable manner for the future. This programme uses local research findings that cater directly to the requirements of our milk suppliers. It provides this valuable information through our advisory services and agribusiness team, including technical advice on topics such as grassland management, increasing milk solids, breeding, nutrition, and sustainable farming.

Dairy farmers taking part in this programme over the past three years (2021-23) have experienced tangible benefits, including increased milk solids and overall improvements in milk quality, leading to higher milk price returns. Our primary goal is to offer a well-defined path for dairy farmers to help them achieve their objectives, while also reducing their carbon footprint as sustainably as possible.



NDC and Kerrygold Quality Milk Awards

The O’Riordan family (Kilbrin, Kanturk, Co. Cork) represented North Cork Creameries in the finals of the 2023 NDC & Kerrygold Quality Milk Awards. James O’Riordan (pictured with parents XXXXXX and Martin), is husband to Bríd and father to Lucy, Emily, Ellen, and Oliver. He originally started a career in engineering, venturing far and wide before his passion for the family farm brought him home. He farms with his Dad, a dedicated presence on the farm, reinforcing age-old farming traditions while warmly welcoming new ideas.

James is an advocate for biodiversity initiatives. He keeps bees and recognises the pivotal role of hedgerows on the farm.



James places emphasis on sustainability, balancing quality dairy production with environmental preservation, firmly rooted in the belief that farming is, above all, a family affair. (Picture: Dora Kazmierak).

CellCheck Champion



North Cork Creameries’ milk supplier Donald Sweeney (Rathmore, Co. Kerry) was one of 18 dairy farmers nationwide named as a CellCheck Champion, recognising his excellent work throughout the year, also marking the 10-year anniversary of this very important programme operated by Animal Health Ireland. The awards recognise excellence achieved by Irish dairy farmers in herd health, specifically those that achieve a consistently low somatic cell count (SCC) in their dairy herds. 500 dairy farmers from across the country with the lowest weighted annual average SCC for the previous year’s milk supply attended the awards.

North Cork milk suppliers also shortlisted were Connie Byrne (Cullen, Co. Cork), Mossie O’Connell (Abbeyfeale, Co. Limerick), Aaron O’Connor, Knocknagoshel, Co. Kerry) and John O’Keeffe jnr. (Boherbue, Co. Cork. Many congratulations to all on their excellent achievements.

Pictured (L - R): Aaron O’Connor, Catherina Noonan, Pat Sheahan, Donald Sweeney, Edmund McSweeney, Betty O’ Connell. XXXXXX

The programme includes farm visits, soil testing and the development of nutrient management plans for each farm. A focus has been placed on breeding and grassland management, and a financial management module is also included.

Each of the programme elements forms a key part of the overall goal to enhance sustainability and profitability, empowering and encouraging farmers with the tools and insights required to elevate herd performance and increase the quality and constituents of their milk. During this period, 40 milk suppliers actively participated in the programme and we are grateful to Teagasc for their advice and guidance in this very important initiative.

We can also bolster our 'co-operative economy' internally. Our continuous Agri Loyalty Programme aims to recognise and incentivise dairy farmers who, beyond supplying milk, consistently engage in transactions with the co-operative for buying feeds, fertilisers, and various farm essentials. This approach maintains business within the community and enhances our collective co-operative advancement. Additionally, our customers receive a great, personalised, friendly and supportive service.

Outlook

Markets in 2023 presented significant adversity including geo-political conflicts which exerted intense pressure on global supply chains. Economies worldwide grappled with inflation and a cost-of-living crisis, including continuing high energy prices and escalating costs.

As the year progressed, the dairy sector, in particular, felt the pinch of these economic pressures, with notable restraint among buyers affecting dairy market returns. Dairy markets in 2024 are expected to experience a slow recovery, with incremental demand driving moderate increases in prices for dairy products, subject to continuing balance in global supply and demand.

While global political uncertainties and economic fluctuations in key dairy regions could significantly impact market outcomes, we remain reasonably optimistic and, as noted earlier in my commentary, we will pay the highest milk price that market conditions will allow.

Thank You

Noting the challenges of the past year, on behalf of the Board I extend our warmest appreciation to all members, milk producers, customers, and business partners of our co-operative for their steadfast support. We have loyal customers both domestically and internationally, who have faced their share of challenges over the last year. We are very grateful to our customers and look forward to continuing our collaborative relationship.

As my term as your Chair of North Cork Co-Op draws to a close, I wish to thank the Board, Management, Staff and you the shareholders for the encouragement, support and courtesy shown to me over the last six years. I wish my successor the very best in the role and assure them of any support I can offer.

My gratitude goes out to Vice-Chairman Thomas O'Donoghue and each individual Board member for their invaluable advice and support during the past year. I'm pleased to welcome back Patrick O'Sullivan who returns to the Board, and offer our sincere thanks to Donal McSweeney as he concludes his tenure.

Our CEO, Pat Sheahan and his management team are deeply committed to advancing our business for the benefit of dairy farmers, supported by the highly diligent people who work throughout our organisation. Their readiness to tackle any challenges, especially noticeable over the past year, is recognised and appreciated.

Continuing our Mission

Our co-operative's primary goal is to provide maximum support to our dairy farmers. We're achieving this through our state-of-the-art processing facilities and the efficiencies we've established. Our success also hinges on our ability to secure stable market returns, enduring through both prosperous times and periods of uncertainty, always striving to advance the position of our farm families and our co-operative business.

We are confident that the outlook for North Cork Creameries is promising. Let us all maintain our strong collaboration, ready to embrace both the opportunities and challenges that lie ahead. We deeply appreciate your outstanding support and contribution to our co-operative.

Thank you and best wishes.

Jerry Doody
Chairman

