

Glossary

Note: In the context of this report the terms, expressions and abbreviations below have the meanings attributed to them. They may have different meanings in other contexts.

90 per cent threshold	The threshold set in the assurances that Milk Marque gave to the OFT in August 1996 about the operation of its selling processes . Milk Marque was required to hold another bidding round at lower indicative prices if it received bids for less than 90 per cent of the milk on offer in a bidding round and the price of the lowest-priced contract was greater than the IMPE . Widely referred to in the industry as the 90 per cent rule.
ADAS	The trading name of ADAS Consulting Limited. An independent agricultural consultancy (formerly an Executive Agency of MAFF).
ADCV	Average daily contract volume. In Milk Marque's contracts, the contract volume divided by the number of days in the contract period.
Adjustment factor	The factor for each month in Milk Marque's term contracts by which the ADCV needs to be multiplied to calculate daily volume for the month.
ADMMB	Aberdeen and District MMB .
AMCO	Aberdeen Milk Company Limited. The successor to the Aberdeen and District MMB .
Approved purchaser	A purchaser of milk approved by the Intervention Board . Widely referred to in the industry as the first purchaser.
Assurances	The assurances that the OFT secured from Milk Marque in August 1996 in lieu of making a reference to the MMC. They related to aspects of Milk Marque's selling processes .
AWG	Avonmore Waterford Group plc. Towards the end of the inquiry AWG announced that it intended to change its name to Glanbia plc from March 1999. We refer to it as AWG throughout this report.
Bactoscan	A measure of the hygienic quality of raw milk that may be used in place of the TBC (which it is increasingly replacing throughout Europe).
Bidding round	One of the stages of a Milk Marque selling process , in which buyers submit volume bids at indicative prices announced by Milk Marque for that round. There may be several bidding rounds in a selling process .
Broker movement	Milk Marque's term for a redirection of milk to an alternative delivery point at a customer's request.
BS 5750	British Standard of quality assurance.
BSE	Bovine Spongiform Encephalopathy.
Butterfat	The fat content of milk or milk products. The butterfat content of raw milk is established when milk is sampled and analysed.
CAP	Common Agricultural Policy (of the EC).
Capacity contract	One of Milk Marque's standard supply-led contract types. See Appendix 5.2.

Casein	A protein in milk and cheese.
Claymore	Claymore Dairies Ltd. The successor to the North of Scotland MMB . In December 1998 Claymore entered into an agreement to sell 51 per cent of its liquid milk business to Express Dairies Ltd. All of this business was transferred to a new company that took over the Claymore Dairies Ltd name. The parent society, which retains a 49 per cent interest, changed its name to North Milk Co-operative. The information in this report pre-dates these changes, and describes the position of Claymore before December 1998.
Commodity products	Those products, typically butter, SMP and some standard types of hard cheese, that are internationally traded commodities.
Contract processing	The processing of milk into dairy products under contract to a milk group, the ownership of the milk and resulting products remaining with the person supplying the milk.
Creamery	A plant for processing raw milk and cream into longer-life dairy products such as butter and cheese.
Daily volume	In a Milk Marque Ex-farm Profile, Fluctuating Supply or Varying Supply contract, the ADCV multiplied by the adjustment factor for the month concerned. In a Premier Service contract, the daily requirement specified by the processor subject to the terms of the contract.
Dairy	A plant for processing and packaging raw milk into fresh liquid milk and liquid dairy products . Also used more loosely to include creameries .
Dairy farmers' co-operative	An organization constituted under the Independent and Provident Societies Act 1965 or similar. It markets its members' milk to processors . Milk Marque is a dairy farmers' co-operative but in this report we have not differentiated between co-operatives and other milk groups . Milk Marque is therefore included as a milk group .
Dairy products	Fresh liquid milk, cheese, butter, cream, condensed milk, yogurt, ice cream, milk powders, chocolate crumb, and other derivatives of milk.
DGFT	Director General of Fair Trading.
DGIV	Directorate-General IV of the European Commission, concerned with competition law and policy.
DGVI	Directorate-General VI of the European Commission, concerned with agricultural law and policy.
DIF	Dairy Industry Federation. The main trade association for processors in England and Wales.
Direct (compensatory) payments	A system of payments intended to compensate farmers for reductions in market support prices under the European Commission's Agenda 2000 proposals for reform of the CAP .
Direct sales quota	The quantity of dairy produce which may be sold by direct sale to the public by a producer in a quota year without the direct seller being liable to pay the levy .
Direct supply	The sale of milk by producers direct to processors , ie without the use of an intermediary supplier.
DTF	Dairy Trade Federation. The former name of the trade association for processors in England and Wales. The DTF changed its name to the DIF

following deregulation in November 1994.

EC Treaty	The Treaty of Rome 1957.
Ecu	A monetary unit formerly used by the EC for accounting purposes. Agricultural prices throughout the EC were set in ecus until the end of 1998. See Euro .
EODC	Every other day collection.
ESU	Enterprise standard unit.
Euro	The new European single currency, introduced on 1 January 1999. It replaces the ecu for all purposes.
EVPA	Excess Volume Price Adjustment. The price premium that purchasers were required to pay under the assurances if their bids increased by more than 10 per cent between one round and the next.
EWMMB	The MMB for England and Wales.
Ex-farm profile	The seasonal pattern of milk production on a farm or across a number of farms. Also refers to Milk Marque's Ex-farm Profile basic contract type.
FAO	Food and Agriculture Organization of the United Nations.
Farm gate price	A price paid to producers for the purchase of their milk ex-farm. It includes all bonus payments, but excludes transport costs.
Fat content	See Butterfat .
Forward contract	A sales contract for milk to be delivered a greater number of months in the future than is normal.
GATT	General Agreement on Tariffs and Trade. Institution with responsibility for overseeing international negotiations promoting the liberalization of global trade. GATT was dissolved in 1992 and replaced by the WTO , which was itself established under GATT's provisions.
HHI	Herfindahl-Hirschman Index. A measure of market concentration. The HHI is calculated as the sum of the squares of the percentage market shares of each supplier. The 1992 merger guidelines adopted by the US Department of Justice and Federal Trade Commission indicate that a merger between two firms would not raise competition concerns if the post-merger HHI in the industry was below 1,000.
IMPE	Intervention Milk Price Equivalent. A derived price for raw milk equivalent to the intervention prices for the butter and SMP that could be produced from it.
Ingredients	Dairy products , for example butter and SMP , used as ingredients in the manufacture of other food products.
Intervention Board	The government agency responsible for administering certain agricultural support measures under the CAP within the UK. Its responsibilities include the administration of the milk quota system, export refunds, import levies and the intervention purchasing of butter and SMP .
Joint Committee	A committee established after 1978 with representatives from the EWMMB (mostly farmers) and the EWMMB milk purchasers, under a chairman appointed by the committee itself, responsible for agreeing all aspects of the

supply and prices of raw milk.

Lease of quota	The temporary transfer of unused quota without land from one producer to another. The leased quota reverts to its original owner at the start of the next quota year .
Levy	An amount charged on milk or milk equivalent produced in excess of quota . It is collected from direct sellers and approved wholesale purchasers and is intended to contribute towards the cost of the disposal of surplus milk and milk products.
Levy rate	The levy rate is set at 115 per cent of the target price of milk.
MAFF	Ministry of Agriculture, Fisheries and Food.
Market-led contract	One of Milk Marque's higher-priced contracts, designed to meet particular customer needs by providing a predictable supply of milk to the purchaser or allowing the customer to vary the amount supplied.
Milk group	A company or other association of producers acting as a milk wholesaler, agent or intermediary between its members and one or more purchasers. For the purposes of our report, we include dairy farmers' co-operatives , for example Milk Marque, in milk groups. Quota-holding milk groups purchase milk and then resell it to processors . Non-quota-holding milk groups do not purchase the milk but may negotiate the sale of milk to processors .
mlpd	Million litres per day.
MMB	One of the Milk Marketing Boards for England and Wales; Scotland; Aberdeen and District; the North of Scotland; or Northern Ireland.
NIMMB	Northern Ireland MMB .
NSMMB	North of Scotland MMB .
Option milk	Milk made available on a call option to previous customers of the seller. The volume of milk is usually based on the amount purchased in the previous year.
PDO	Protected Designation of Origin. A designation in EC law (EC Regulations 2081/92 and 2082/92) which provide for the protection of food names or traditional recipe bases. PDO is open to products which are produced, processed and prepared within a particular geographical area, and with features and characteristics which must be due to the geographical area. The methods used to produce the product must be unique in that area. Currently there are 11 dairy products so designated, 10 of which are cheeses, and 2 PGIs (Protected Geographical Indication which must also be produced, processed or prepared within a given geographical area) (both of which are cheeses).
ppl	Pence per litre.
Processor	A manufacturer which processes raw cows' milk into dairy products .
Producer Quota (wholesale or direct sales)	A dairy farmer who produces milk from dairy cows on a commercial basis. The amount of milk (or milk equivalent) which may be marketed by a producer in a quota year without incurring a levy liability. Quota does not place a physical limit on milk production. It is not illegal to produce milk in excess of quota as long as levy is paid. Quota operates at the national level

and at the level of the individual **producer**. There are two types: wholesale and direct sales.

Quota-holding milk groups	Milk groups that manage, and keep records of, the wholesale quota registered with them by their producer members and account for it to the Intervention Board .
Quota register	The details, held by the Intervention Board , of all quota -holders and the amount of quota registered to them.
Quota year	Runs from 1 April until 31 March of the following year.
Raw cows' milk	Defined in EC Council Regulation 2597/97 as milk which has not been heated above 40°C or subjected to treatment having equivalent effect. We refer to raw cows' milk throughout this report as 'milk' and to processed milk as 'fresh liquid milk'.
Residual contracts	The former Residual, Residual A and Residual B contracts were standard supply-led contracts previously available from Milk Marque (see Appendices 5.1 and 5.2).
Ring-fenced areas	Certain Scottish Island areas; within these areas producers may only lease or transfer quota to or from producers within the same area.
ROF	Rationalisation of Facilities. A series of three agreements made in 1987, 1989 and 1992, initiated by the Joint Committee , under which dairy farmers through the EWMMB reimbursed dairy companies for the costs of closing excess butter, SMP and cheese manufacturing capacity.
Sale of quota	The permanent transfer of quota from one quota -holder to another.
SDA	Scottish Dairy Association. The principal representative body for processors in Scotland.
SDTF	Scottish Dairy Trade Federation. The former name of the trade association for processors in Scotland. The SDTF changed its name to the SDA following deregulation in 1994.
Secondary market	Trade in raw milk between processors .
Selling process	Milk Marque's regular volume-bid sale of medium-term contracts for milk which is usually held every six months. May include several bidding rounds .
Selling system	Milk Marque's entire system for selling milk, including its six-monthly selling processes and its short-term markets .
Service contract	A contract to supply milk at specified service levels, such as particular levels of supply tolerances .
Standard gross margin	SGM. A financial measure used to classify farms by type and size. It is based upon the concept of the gross margin which, for any enterprise, is given by enterprise output less variable costs. Standards or norms have been calculated based upon average results from a variety of sources for the reference period 1978 to 1980. Each farm can be assigned a total SGM by aggregating the SGM of its various enterprises. The farm can also be classified to a farm type according to the distribution of its SGM between enterprises.
Short-term market	A market for the sale of milk for early delivery (as opposed to milk sold on medium- or long-term contracts).
Skimmed milk	Milk whose fat content has been reduced to no more than 0.5 per cent.

SMMB	Scottish MMB .
SMP	Skimmed milk powder. Skimmed milk which is concentrated under vacuum and spray dried.
SOAEFD	The Scottish Office Agriculture, Environment and Fisheries Department.
Somatic cell count	A measure of the concentration of cells in milk, such cells having arisen in the cow itself (rather than invading bacterial cells). High counts are usually associated with mastitis.
Spring flush	The seasonal peak in milk production.
Supply-led contract	One of Milk Marque's lower-priced contracts, designed to provide a less predictable supply of milk to purchasers to enable Milk Marque to clear the market each day.
Supply tolerances	The amounts by which Milk Marque is able to vary the quantities of milk it supplies under its contracts within the specified contract terms.
Tailored contract	A private contract based on a Milk Marque standard contract that has been adapted to meet particular customer requirements in exchange for an additional payment.
Target price	Article 3(2) of EC Council Regulation 804/68 defines the target price as: '... that price which it is aimed to obtain for the aggregate of producers' milk sales, on the Community market and on external markets, during the milk year'.
TBC	Total bacterial count. A measure of the hygienic quality of milk.
TMG	The Milk Group. A quota-holding milk group .
Traceability	The ability to trace milk back to the individual farm on which it was produced.
UHT	Ultra heat-treated. High-temperature processed milk products with several months ambient shelf life.
Varying Supply contract	One of Milk Marque's supply-led contract types (see Appendix 5.2).
Vesting day	The day on which deregulation of the dairy industry came into effect with the MMBs in England, Wales and Scotland ceasing to collect and market milk. Vesting day was 1 November 1994 in Great Britain (1 March 1995 in Northern Ireland).
Wholesale quota	The quantity of milk or milk products which a producer may sell wholesale, ie to approved purchasers , in a quota year without the producer being liable to pay the levy .
WMP	Whole milk powder. Whole milk which is concentrated under vacuum and spray dried.
WTO	World Trade Organisation (formerly GATT).