The Mid Term Review of the Common Agricultural Policy made provision to review milk quota policy in the “2008 Health Check” with a view to abolishing quotas by 2015. Domestic policy governing the transfer of milk quota in Ireland was radically reformed in 2006. These reforms present opportunities for increased milk production for efficient producers allowing them to compete in a more open market environment. Results from a recent survey of suppliers of the largest milk processor in Ireland (Glanbia) shows that 50% of dairy farmers are planning to expand their milk production activities. Ireland’s low cost seasonal milk production system has traditionally given Irish producers and advantage over its international counterparts. However this will require investing in additional processing capacity to utilize peak milk production for the two months May and June. This project will develop an optimum milk supply profile for the dairy industry taking cognizance of processing costs, farm costs and product portfolio. This model will facilitate the estimation of the effect of a policy reform on commodity markets in Ireland, farm level production and the processing sector. It will answer questions such as; will milk production in Ireland increase when quotas are abolished, if so where will it be produced, is the current structure of the processing sector adequate to process it, can the processing sector continue to process at a peak to trough ratio of 6.5 to 1, should there be more plant capacity constructed, and if so where? Therefore this project will develop the optimum strategies for the dairy industry in the context of changing policies.