

Business update

By Shelagh Hancock, Chief Executive



Another festive season is over as we head into the new decade hopefully leaving behind the political stalemate of Brexit. Whatever your views may be on the subject, at least we should start to gain some clarity on the future now, although the challenge of securing a positive trade deal with the EU by the end of 2020 remains.

Further afield, the political situation remains uncertain, with protectionism still very much on the US agenda, although they appear to be making progress with China, at least. As we move forward through this decade, it will be crucial for the dairy industry to ensure the terms of specific trade agreements the UK Government negotiates with countries outside the EU ensure we can compete on a level playing field and protect our farming and manufacturing standards.

Looking closer to home, the new cheddar tower installed at Haverfordwest in November was the final phase of a two-year, £6.5m capital investment aiming to bring site capacity up to 40,000 tonnes, enabling us to grow cheese sales over the same period. We are also running a major investment programme at Lake District Creamery. This will allow us to process more milk, improving efficiency and productivity and taking the site up to a similar 40,000 tonne capacity over a number of years, which we can then use to grow sales volume of both cheese and WPC80. As part of this, during our annual shutdown in December we completed the installation of new duplex pasteurisers.

These allow us to run the site for longer periods while maintaining quality, underpinning our future growth aspirations.

As we approach our financial year end on 31st March, we anticipate the accounts will demonstrate the business has continued to strengthen and performance improved. This has enabled us to make good progress on our relative milk price, providing a degree of stability as dairy markets and returns weakened. I am pleased to say our milk price will remain unchanged for March. Our focus is now on the year ahead, with our aim to develop our customer relationships further, capturing even greater value and with a continued emphasis on efficiency. We will share our plans in more detail at the upcoming round of Spring member meetings.

This month has seen the now annual Veganuary campaign encouraging consumers to try following a vegan diet during January. It once again strengthens the need for us to protect and promote the dairy industry. While the overall number of vegans is still low, their campaign call is impacting on all consumers, as our article later in this issue explains. We are also seeing increased interest in climate change, with the recent Davos talks highlighting the need for businesses to take action, and the Committee on Climate Change report calling for a 20% reduction in dairy consumption. With this comes the need to demonstrate the excellent standards achieved by First Milk members and to reinforce our ambition to drive progress in the areas of animal welfare and

environmental performance. We'll continue to do this through our responsible sourcing programme, First4Milk, which underpins our work with you and across the business in the areas most often under scrutiny.

I look forward to seeing as many of you as possible at our March meetings. This is your business and we're keen to hear your views.

PHOTO COMPETITION

We'd like your help!

We are continuing to build our library of photos, including those from member farms, but are always looking out for more.

We'd love to see eye-catching photos of your farm, surrounding scenery, your stock, crops and any typical farm activities. The sky's the limit – literally. In return, you'll go into a prize draw for a First Milk body warmer. Please send photos of 1-5MB in size, stating your permission for their use on the website and in our publications, to membershipteam@firstmilk.co.uk



Council election results



Louise Davies

The recent Council elections saw Scott Calderwood and David Walker re-elected and Louise Davies elected as a new Council member. Louise will undergo an induction process before beginning her first term on 1st April 2020.

Louise Davies brings a rich and varied experience to the table. She grew up on her family farm near Caerleon, north of Newport, and now farms alongside her husband, Dylan, on his family dairy farm in Cardigan. But far from simply moving along the M4, Louise has worked on several dairy farms in the UK and New Zealand, as well as holding positions as a regional officer and extension officer with AHDB Dairy. She says this experience has taught her the importance of paying attention to detail to ensure business efficiency and sustainability, together with a willingness to adapt and change. In 2018, Louise gained a place on the Agri Academy Business and Innovation Programme for next generation farmers in Wales. This helped her look at the wider influences on the industry, as well as the day-to-day operation of farming businesses. As a result, Louise now feels ready to bring her knowledge and experience to First Milk as a Council member.

"I believe First Milk is concentrating efforts on increasing production in an efficient manner and continuing to grow the business in a manageable and sustainable way. The business has a good team not only improving the business strategy for today but ensuring the future for its members," says Louise. "I hope to become a line of communication members feel they can come to with any concerns and queries. I am keen to enable members' ideas and opinions to be heard as well as ensuring members have a clear understanding of what the business is striving to achieve."

Séan Rickard, Chairman of the Member Council, is delighted with the results of the recent elections. "Congratulations to Scott and David whose in-depth knowledge of dairy farming and First Milk will continue to benefit Council's activities. I want to say a particular welcome to Louise who brings not only a wealth of experience to Council, but she has also progressed through First Milk's Next Generation group where she has impressed. Ensuring Council attracts younger, dynamic farmers like Louise is critical and I know both Council and First Milk will be richer for her involvement," he said.

Dates for your diary – March member meetings

Come and hear what's happening in the business; we're keen to share our plans and listen to your views. First Milk is your business and we value your input.



Date	Time	Venue
Tuesday 10th March	11am	Carmarthen Golf Club, Blaenycloed Road, Carmarthen, SA33 6EH
	7.30pm	Wolfscastle Country Hotel, Wolf's Castle, Haverfordwest, SA62 5LZ
	7.30pm	The Fenwick Hotel, Kilmarnock, KA3 6AU (M77 Junction 8)
Wednesday 11th March	7.30pm	The Bentley Brook, Fenny Bentley, Ashbourne, DE6 1LF
	7.30pm	Woodlands Hotel, Woodlands Avenue, Newbridge, Dumfries, DG2 0HZ
Thursday 12th March	7.30pm	The Hired Lad, Penrith Auction Mart, Penrith, CA11 0DN (M6 Junction 40)

For more information contact the membership team on 0141 847 6800 or membershipteam@firstmilk.co.uk

Consumer attitudes to dairy farming, how should we respond?

Research shows over a third of consumers have concerns about dairy farming, a quarter are thinking about cutting back on dairy and the dairy alternatives market continues to grow year-on-year. Membership Director, Mark Brooking, explains why we ignore consumer opinion at our peril.

It's easy to dismiss current consumer concerns as media hype, scaremongering by a vocal minority and inaccurate accusations, but true or false, they are being voiced by our consumers and therefore can't be ignored. We cannot simply rely on others to counter this; we must all play our part.

Reasons given for cutting back on dairy centre around animal welfare and the environment, with environmental concerns increasing most rapidly. It's hardly surprising given the current political climate (excuse the pun!) and public consciousness.

About to start his role as United Nations special envoy for climate action and finance, Mark Carney has described us as 'being in a climate crisis' and climate change being a 'tragedy on the horizon'. The devastating Australian bushfires have, rightly or wrongly, been attributed to changing weather patterns as the extremes appear to become

increasingly normal. They've provided a graphic illustration of what many believe is the result of rising average temperatures. Carney has also warned companies and sectors not adapting towards a zero-carbon world face financial ruin. We must be able to counter the arguments and clearly promote how dairy farming can be part of a solution.

Alongside the environment, animal welfare remains front of mind for many consumers while for others is taken as a given. But there is often a disconnect between a consumer's perception of good animal welfare and the reality. It is our responsibility to listen to their thoughts and concerns, and address them.

Perceptions and opinion aside, dairy remains a central part of the British diet. Dairy foods are found in 99.9% of households, almost half our grocery baskets and around two thirds of our meals. It is imperative therefore we continue to provide what consumers are demanding, proud of our high production standards and always striving to improve.

Improving is not necessarily about introducing more standards but being explicit about what is already being achieved. We know from our independently-collected data, our members' cows have above average welfare outcomes, antibiotic use is lower than the national targets (RUMA) and cows on First Milk farms are more likely to be grazed. These are important attributes we need to demonstrate to our customers and other stakeholders to protect and promote both our business and the wider industry. First Milk's responsible sourcing programme, First4Milk, is focusing our work in the three key areas of People, Animals and Earth, and continues to be the framework for which our targets in sustainable practices were set at its launch last year. First Milk is proud of its members and firmly believes the way they produce milk is closely aligned with mainstream consumer wishes. We also believe there will be opportunities for businesses, such as ours, that adapt quickly to consumers' changing needs.



Farmer Director Selection

As part of our governance structure, farmer directors retire after a two-year term by rotation so one of the two farmer director board positions becomes eligible for selection each year.

Our rules allow farmer directors to hold office for a maximum of six years (or seven to ensure an orderly rotation). This year, vice-chair Jim Baird is retiring from the board having served since 2013. Accordingly, we are inviting nominations for members to become farmer directors. Members can nominate themselves or be nominated by another member.

The farmer director selection process is overseen by a Nominations Committee comprising the chair of the First Milk Nomination and Remuneration Committee, Carl Ravenhall, farmer director, Robert Craig, and Council members, Willie Campbell and David Walker.

The deadline for nominations is Friday 27th March 2020. Nomination forms, which must be countersigned by 10 other members supporting the nomination, are available from First Milk company secretary, Angus Waugh, at anguswaugh@firstmilk.co.uk. Nominated members will be asked to submit a CV and complete a questionnaire.

All nominations are reviewed by the Nominations Committee to ensure they meet the eligibility criteria. The eligible

candidates are then asked to present to the Member Council, which provides feedback to the Nominations Committee. The Nominations Committee interviews each candidate before making a recommendation to the board as to which one is to be appointed as the new farmer director. Members are then asked to ratify the appointment at the AGM. If you'd like to discuss becoming a farmer director, please contact Carl Ravenhall, chair of the Nominations and Remuneration Committee at carlravenhall@firstmilk.co.uk

ELECTION TIMETABLE:

Friday 27th March	Deadline for nominations
April	Completion of questionnaires, interviews and assessment of eligibility
Early May	Presentation to Council by eligible candidates; Council feedback to the Nominations Committee
End of May	Nominations Committee recommendation to board; Board selection decision
Early August	Members asked to ratify appointment at AGM



Executive profile: Stuart Donald

The business is working hard, delivering more for less, but First Milk still has greater potential and the desire to keep improving. To help us find the growth opportunities to continue pushing forward and meet our vision of

'delivering dairy prosperity', we welcome Stuart Donald into the new role of Corporate Development Director.

Stuart comes from a farming background, growing up on a sheep and beef farm in North Ayrshire, and is the son of a vet. He studied economics at the University of Aberdeen before heading south to leading consultancy firm, Deloitte, to work as a Strategy Consultant. Before joining First Milk, Stuart was Head of Strategy for Digital Entertainment at Virgin Media, having worked in commercial and product strategy with the company. His time with both companies involved assessing and

developing business strategy, including the vetting of potential partnerships to respond to changes in consumer behaviour and market dynamics. The exposure to a wide range of industries during his career equips Stuart well for his new job.

Talking about his role and what it brings to the team, Stuart said, "This new position allows First Milk to make faster, effective and more informed responses to changing trends and opportunities. We need to be an Apple or Amazon, not a Kodak or BlackBerry. I believe I bring a good blend of specialist skills together with a fresh perspective, complementing the dairy expertise already within First Milk."

Stuart says longer term he hopes to see First Milk create new and successful revenue streams, giving more value back to its members.

Outside work, Stuart is sport mad. He's a keen 'marathon plodder', has recently taken up golf and enjoys watching all sport, particularly his brother-in-law playing football for Queen's Park.



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