



## Business update By Shelagh Hancock, Chief Executive



It is somewhat of an understatement to say we live in unprecedented times. The developing situation with COVID-19 has led to significant changes across society and, inevitably, this has impacted our own business too. It was with regret we cancelled this month’s member meetings as a result, but we felt it was the right decision in the circumstances. Our primary responsibility is to do everything we can to limit the spread of the virus and to maintain business continuity, particularly at our processing sites. We are following government advice, limiting non-essential contact, restricting visitors to our sites and have asked staff to work from home where practical and efficient. It seems clear the restrictions we face are likely to be here for the long-haul, but we will continue to act responsibly to protect your co-operative.

As we weren’t able to meet with you face-to-face to update on the business, we’ve summarised the key points we planned to cover in this newsletter. If you have any questions having read it, please do not hesitate to contact us.

We also planned to launch our new First4Milk Pledge at the member meetings. The Pledge represents our commitment to sustainable dairy production, and I believe it will become a fundamental part of our First4Milk responsible sourcing initiative aimed to promote and protect your business. I

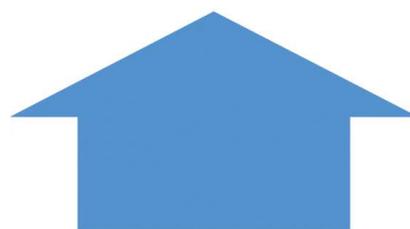
urge you to read the Pledge documents you have received and sign up to the Pledge by 30th June.

### A look back at the last year

As we’ve talked about previously, the last year has been one of growth, investment and strengthened relationships. We’ve grown our UK cheese sales with our partner Ornuu, and through export, we’ve started the new WPC80 partnership with Havero Hoogwegt and created the new milk supply group for Yeo Valley. Meanwhile, we have finished a significant investment programme at Haverfordwest Creamery, which has unlocked

additional capacity and improved efficiency, and we’ve completed a major IT infrastructure project. We have also started a major programme of investment at LDC to improve production capacity and renew facilities. When it comes to our membership, we have recruited 175m litres of additional milk, had no resignations for more than a year and around 3m shares have been traded on our new share trading platform.

Our trading and financial performance has been solid during FY20 and we’ve improved our relative milk price further (although as always, there is still more to



## Delivering long-term benefit

**Solid financial performance**

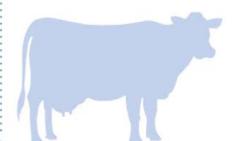


**Efficient, well-invested manufacturing**



**Strong relationships**

**Improved returns to members**



(Business update continued from page 1)

do). We've also introduced the member premium, with the first payment coming soon on 20th April this year. What's more, we've been able to increase the premium to 0.5ppl from April 2020 for those members who are fully paid up, further strengthening member returns and rewarding loyalty.

Ultimately, our vision remains resolute – we are working together to deliver dairy prosperity. We are making good progress, but delivering long-term prosperity will take time. We need to go further, strengthening our balance sheet to allow us to provide additional stability and security for the long term while accelerating our capital plans so we continue to invest in the future. The good news is that we have a stable foundation and a clear plan.

#### Today's major focus areas

Our plan for the future involves five focus areas, which we'll continue to work on in the year ahead, with specific projects in each area to drive business performance:

#### 1. Being indispensable to our customers and partners

We will remain agile and responsive to both customers and the market, delivering great service, with the mechanisms that will deliver mutual benefit. We are also demonstrating and enhancing our responsible business practices through First4Milk.

#### 2. Capturing greater value

We are working with customers to maximise returns, moving our focus more towards value than volume. We are driving productivity by improving efficiency, and reducing waste and energy consumption to deliver a least-cost focused operation.

#### 3. Building longer term financial resilience

We are managing our cash proactively to maximise headroom and where possible reduce exposure from our volatile and unpredictable marketplace. Our capital investment projects will ensure best-in-class competitiveness.

#### 4. Preparing and supporting our members for the future

We need to address areas of concern surrounding dairy and livestock-based food production proactively. The First4Milk programme is our commitment to responsible sourcing and sustainable dairy farming with the First4Milk Pledge the latest development within this initiative.

#### 5. Developing our people capability

Investing in our people is key to the future of our business. Our investment in training will help to create a team working smarter, and with a positive mind-set to drive the business forward. As well as investing in our staff, we will continue to sponsor the RABDF apprenticeship places for members and focus on further developing our Next Generation programme - contact the membership team if you are interested.

As well as these focus areas, it's important to mention other activities relating to our TOGETHER business priorities. Having raised over £10,000 for Alzheimer Scotland and the Alzheimer Society, we will continue our charity activities in FY21 and have decided to support the Mental Health Foundation. Mental health affects everyone, and we believe it is a very worthwhile charity to support in the year ahead. We would like to hold a walking challenge like last year but plans for this are on hold until Coronavirus has passed.

#### Changing landscape

Beyond what's happening within our business, subject to the impact of COVID-19 and any associated impact on markets, we continue to monitor the changing marketplace dynamics. While liquid milk sales are falling here in the UK, beyond the UK, there are growing markets in areas with growing populations developing a taste for dairy, e.g. Asia, Africa, Middle East. As a business we have already grown our export business and so are in a good position to take advantage of these new opportunities. We are well placed to move forward through our strong and collaborative relationships, while looking for opportunities to broaden our base. We remain agile and adaptable and have the scale to be relevant and competitive.

## Capital investment project: Lake District Creamery (LDC)

The second phase of our major capital investment project at LDC is underway. The new duplex milk pasteurisers and raw milk CIP system allow us to reduce time between cleans and will enable longer cheesemaking run times reflecting our business growth aspirations. They also deliver quality and product-security benefits through better automation and ensure the primary food safety task of pasteurising milk is securely controlled. The pasteurisers use less energy than previously with savings expected.

Phase 3, scheduled for the coming year, includes the installation of a rapid chill store and robotic palletiser. This will support the longer run times by allowing greater storage capacity and facilitating more uptime. Product quality is also enhanced through more efficient cooling of cheese and inhibition of spoilage organisms.

Next year's phase 4 will see the cheese blockformers renewed and a duplex whey clarifier installed. The resulting operational efficiencies will reduce cost/tonne, improve quality and increase cheese output.

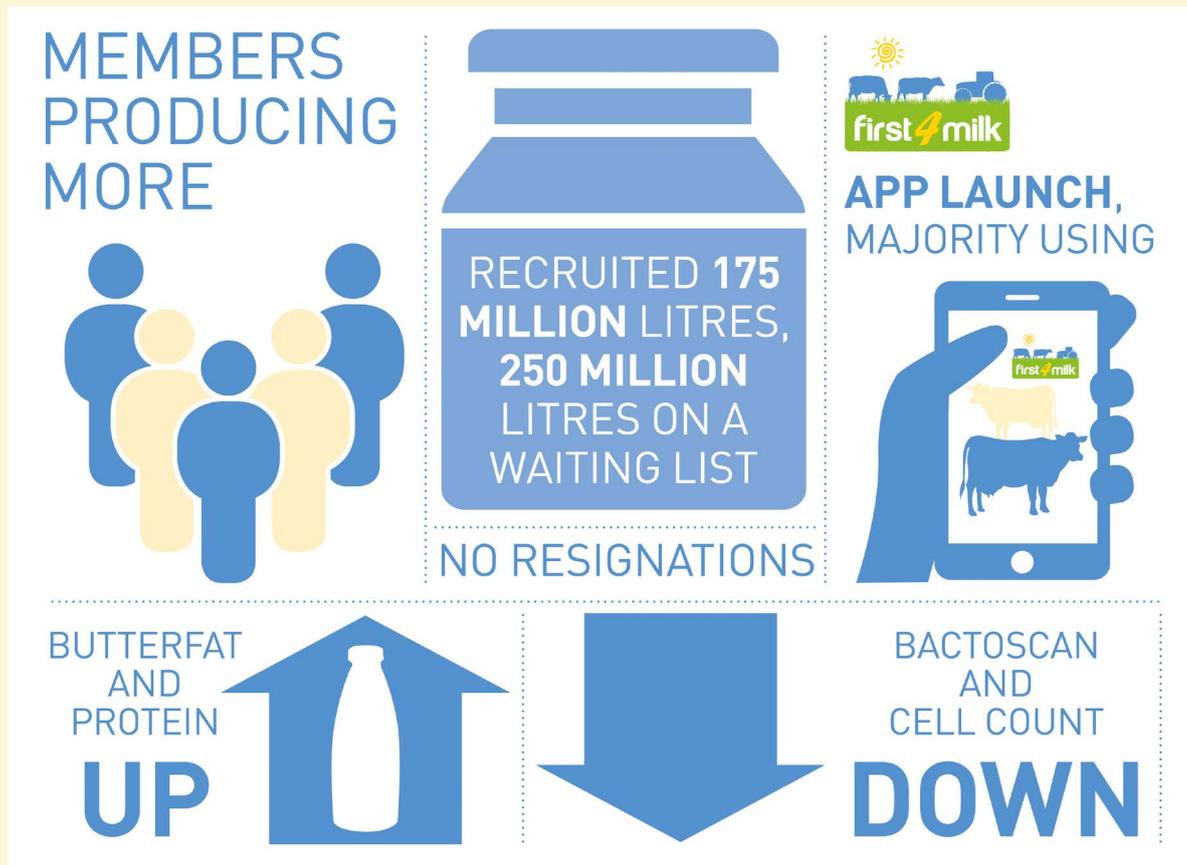
# Membership Update

My First Milk March 2020

Mark Brooking, MEMBERSHIP DIRECTOR

The graphic below illustrates the encouraging 'headlines' relating to member activity over the last year. You are certainly delivering more milk with better butterfat and protein to make more cheese, and better hygienic quality with lower bactoscans and cell counts. It is good to see the majority of members are using our unique First4Milk app, giving you easy access to information about your business.

It is also pleasing to have so many dairy farmers wanting to become members and not have any members wishing to leave for over a year. We do not take this loyalty for granted and continue to strive for long-term prosperity.



## First4Milk Pledge

As we've discussed in recent newsletters, the dairy industry continues to be challenged by consumers on several fronts, particularly around animal welfare and the environment. Our First4Milk programme builds on the great work members are already doing and demonstrates our dedication to responsible sourcing and producing sustainable, healthy food. Our new First4Milk Pledge forms the foundation of our ability to demonstrate we are addressing concerns proactively and enables us to promote our commitment to sustainable dairy farming to our customers and the public.

You will have received a number of First4Milk Pledge documents and if you can meet the requirements of the Pledge, we are asking you to sign up to the Pledge

between now and 30th June 2020. All members signed up by 30th June continue to receive the monthly £12.50 co-operator rebate. If you feel unable to sign the Pledge, you won't receive the rebate, but we will provide guidance on how you might be able to achieve the required criteria. In return for signing the Pledge, you will receive a plaque to display on farm, and we will promote your business through subsequent media activity. We will also be promoting the Pledge to customers, illustrating our position as responsible supply chain partners.

If you have any questions or concerns about details of the Pledge, please speak to your Area Manager or Member Council representative or call the Membership team on 0141 847 6800.

*(First4Milk Pledge continued on page 4)*

PLEDGE VISION AND COMMITMENTS	
<b>Animal Welfare</b>	<i>Cows are at the beginning of our supply chain and their health and wellbeing is key to our success. We believe all animals in the First Milk supply chain deserve a life worth living.</i>
	Ensure cows have access to pasture during periods when the weather and ground conditions are suitable for them
	Implement an annual Animal Health and Welfare plan drawn up in conjunction with my vet
	Record, monitor and share total use of antibiotics with First Milk
	Guarantee no healthy animal, including calves, shall be euthanised on farm
<b>Earth</b>	<i>We all share the responsibility of protecting and enhancing the environment we live and work in and our members aim to farm in an environmentally sustainable way. Our members are custodians of their farms, protecting the land for future generations.</i>
	Implement a soil and nutrient management plan designed to demonstrate responsible use of fertilisers and manures and maintain levels of soil organic matter to improve soil health and carbon storage
	Take measures on the farm to enhance and promote biodiversity
<b>People</b>	<i>Our members are proud to be part of a co-operative and work together with the next generation and their staff in order to deliver prosperity to all involved. We treat each other and everyone we deal with fairly.</i>
	Ensure all individuals are appropriately trained in order to carry out their duties
	Help promote a positive image of the dairy industry and, where possible, support consumer/community engagement
	Ensure the working environment on farm is safe

# 2019 Milk Quality Awards

Once again, this year we are recognising those farmers fulfilling the awards criteria and with the lowest average bactoscan and somatic cell counts.

This year's winning group shows three returning to the 'top table'. Last year's winner, John Steven, continues to produce good results but has been replaced in top spot, by 2017 winners, A and AM Burrow of Whin Yeats Farm in Lancashire. The Burrows have retained an average bactoscan (BSC) score of 9, while reducing their average somatic cell count (SCC) from 70 to 57. W & G Owen and Co also remain among the leaders with the Gowers and Duncans joining the top six.



Tom and Claire Noblet

The average scores over 12 months' production across the top six were 12 for bactoscan and 67 for somatic cell count. The award criteria also include freezing point depression (FPD) levels > 509, no antibiotic residue fails and no tanker rejections for failing to meet customer requirements.

Tom Noblet, share farmer with the Burrows at Whin Yeats Farm, puts their success down to continued attention to detail and consistency in the milking parlour. "We never cut corners and don't scrimp on chemicals," said Tom. He is also a strong advocate of milk recording. "What we learn through milk recording is invaluable. If cell counts creep up, we can always spot the problem cows. Winning the award again is testament to all we do. We strive to have the cleanest milk and this reinforces we're doing it right."

<b>Winner</b>
<b>A and AM Burrow</b> , Whin Yeats Farm, Carnforth, Lancashire
<b>Highly commended</b>
<b>Mr and Mrs K Gower</b> and <b>Mr A Gower</b> , Gletwyn Farm, Carmarthenshire
<b>K and A Duncan</b> , Mewith Head, Bentham, Nr Lancaster
<b>WK, JA, DA and MM Howells</b> , Gwarallt, Llanllwni, Dyfed
<b>WGM and GS Owen and Co</b> , Pantygwai, Lampeter, Ceredigion
<b>John Steven</b> , High Craig Farm, Eaglesham, nr Glasgow



Telephone: 0141 847 6800

Email: [membershipteam@firstmilk.co.uk](mailto:membershipteam@firstmilk.co.uk)

First Milk, Cirrus House, Glasgow Airport Business Park, Marchburn Drive, Paisley, Renfrewshire, Scotland, PA3 2SJ

© First Milk Ltd 2020. All rights reserved.