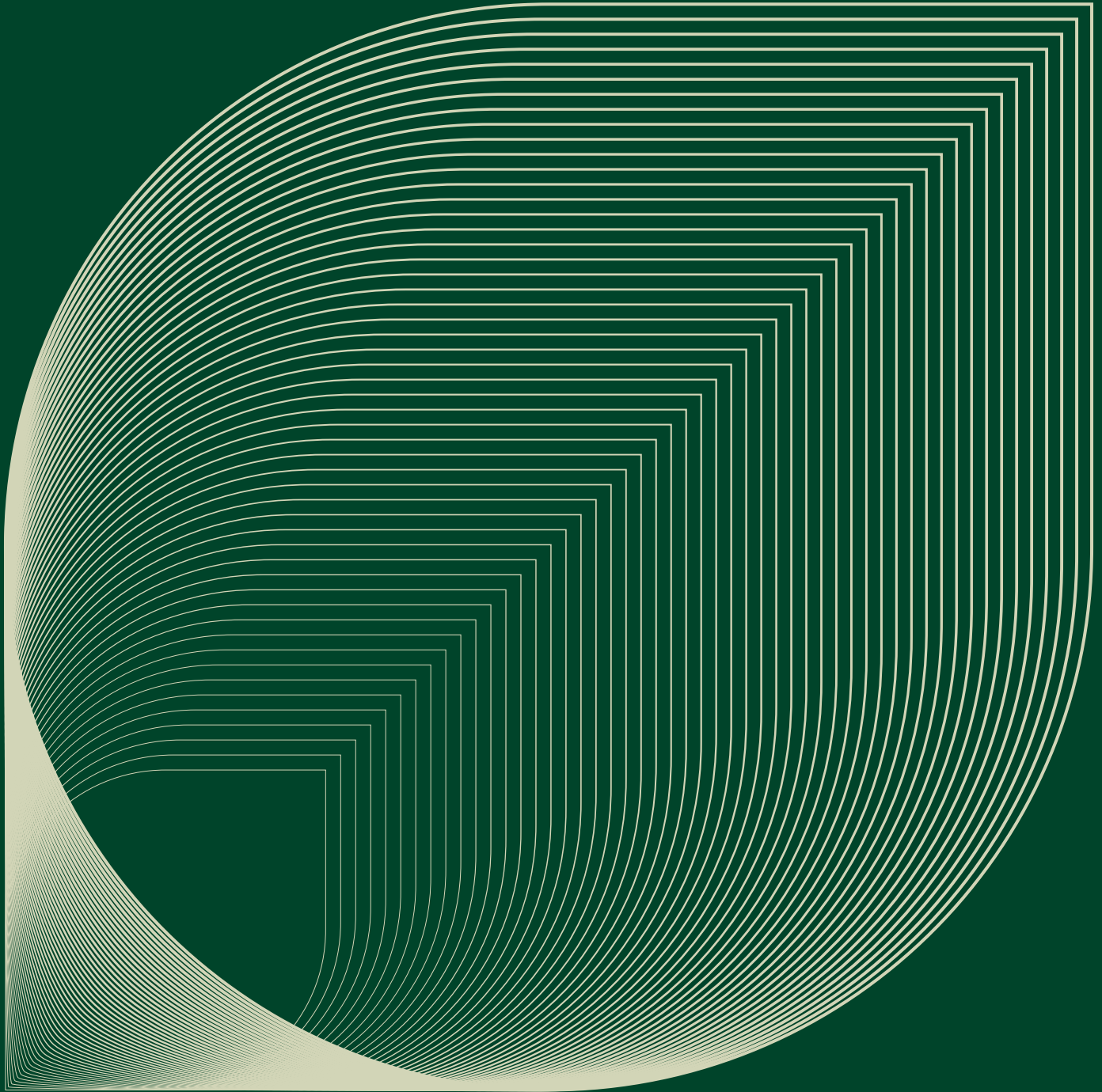


Regenerate through  
every drop



**firstmilk**<sup>™</sup>

The Regenerative Co-op

Executive Summary  
Review of the Year  
Ending 31 March 2023

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# Summary

Enriching life every day to secure the future. In the year ending 31 March 2023, First Milk delivered:

- Average milk price paid to members up 14.4ppl
- Operating profit of £5.1m
- Turnover up by 38% to £456m
- Capital investment of £7.4m
- New partnership with Arla Foods Ingredients



Golden Hooves regenerative cheddar launched



Women in leadership programme started

+20%

+20% capacity at Haverfordwest Creamery following capital investment

93%

93% of the land farmed by our members has at least one regenerative intervention

9.6%

9.6% reduction in CO<sub>2</sub>e emissions since 2021



+7% land under regenerative intervention year-on-year



215 young members involved in Next Generation programme

£78m

Member capital increased to £78m

CO<sub>2</sub>

On track to sequester +100,000 tonnes CO<sub>2</sub>e/year in soil by 2025



Creameries improve energy efficiency - reducing energy consumed per tonne of milk handled by 6%



More than 12% of colleagues promoted or changed roles within the business



Members planning to plant 38km of hedgerow in the next 12 months



**Chris Thomas**  
Chairman

# Chairman's Report

“I don't think anyone could have foreseen the way the year ending 31 March 2023, would develop – a year in which the word ‘unprecedented’ became overused.”

Following the outbreak of war in Ukraine, significant cost inflation put huge pressure on all businesses, with fuel, fertiliser and energy prices having an immediate impact on our farmer members. Food prices increased on the back of supply challenges, and dairy markets responded with price changes of the kind never seen before, with farmgate milk prices increasing by around 50%.







## Introduction

Coming on the back of the COVID-19 pandemic, this was one of the most challenging years for a long time, with turbulent market conditions.

Yet I'm pleased to report that First Milk adapted rapidly to the changing dynamics of the marketplace. Through difficult and unpredictable times your co-operative displayed agility and commitment to maximise member milk prices, whilst continuing to deliver our long-term vision. Whilst we have seen profits reduce in the year as a result, we have continued to invest in our people and facilities, as well as further developing our position around regeneration. First Milk has demonstrated resilience in difficult circumstances, ensuring we are well placed for future success.

## Governance

In line with our rules, our Board members are required to retire by rotation. During the year, Mike Smith, Michael Fletcher and I were required to retire, and all stood for re-election at the AGM in August 2022. All were re-elected. Following the AGM, Brian Mackie stepped down from the board having served his maximum three terms of office. I would like to thank Brian for the huge contribution he has made to First Milk, including a short period as Chief Operating Officer. Following a selection process, the board appointed Frank Colhoun to replace Brian. Frank brings a wealth of knowledge and experience to the board and his financial acumen in particular will be invaluable to the business.

Post year end, Robert Craig will reach the end of his time as a farmer director and Vice-Chairman and will stand down at the 2023 AGM. Robert has made a huge contribution to First Milk in his time on the Board and I would like to personally wish him well for the future. Robert's retirement creates a vacancy on the Board for a Farmer Director, and I am delighted to report that we have appointed Scott Calderwood. Scott will be well known to many First Milk members, having previously served for three terms on Council and I look forward to working with him as he joins the Board.

During the period, we also held contested Member Council elections. Existing Council members Willie Campbell and Christine Kelsall had served the maximum three terms of office and retired from the Council, whilst Jess Mills was due to step down by rotation and decided not to stand for re-election due to personal commitments. Alan Trainer was also due to step down by rotation and decided to stand for re-election.

After the election, which featured six candidates, we were pleased to welcome back Alan, along with new Council members James Macpherson from Staffordshire, Peter Rees from South Wales, and Robert Young from Ayrshire. I look forward to

working with all of the Council – new and existing – who do a fantastic job representing member views as an integral part of the governance of the co-operative.

With member engagement at the heart of how your co-operative operates, we continued to run both farmhouse meetings and our seasonal member meetings, which were well attended.

## Outlook

Throughout the last year, despite all of the economic uncertainty and turmoil around cost inflation, one thing has remained constant – the growing acknowledgement of the climate emergency and the pressing need for action. What has also been further reinforced is that global issues can and will impact markets, causing volatility.

This means that to be successful long term, all businesses need to be resilient and be working on climate change mitigation. In this respect, First Milk is well placed. We have strong customer relationships – if anything only strengthened in the last twelve months – we have well-invested processing facilities, we have a motivated and skilled group of colleagues and we have a regeneration programme which is gaining external recognition.

In challenging circumstances, the benefits of collaboration also become clearer. Working together in a co-operative provides strength and resilience and I am confident that we will thrive moving forward, delivering our vision of enriching life every day to secure the future.

I would like to take this opportunity to thank our members, Council, colleagues and the Board for their commitment and drive during the last year and look forward to continuing to work together.



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“In challenging circumstances, the benefits of collaboration also become clearer. Working together in a co-operative provides strength and resilience and I am confident that we will thrive moving forward.”

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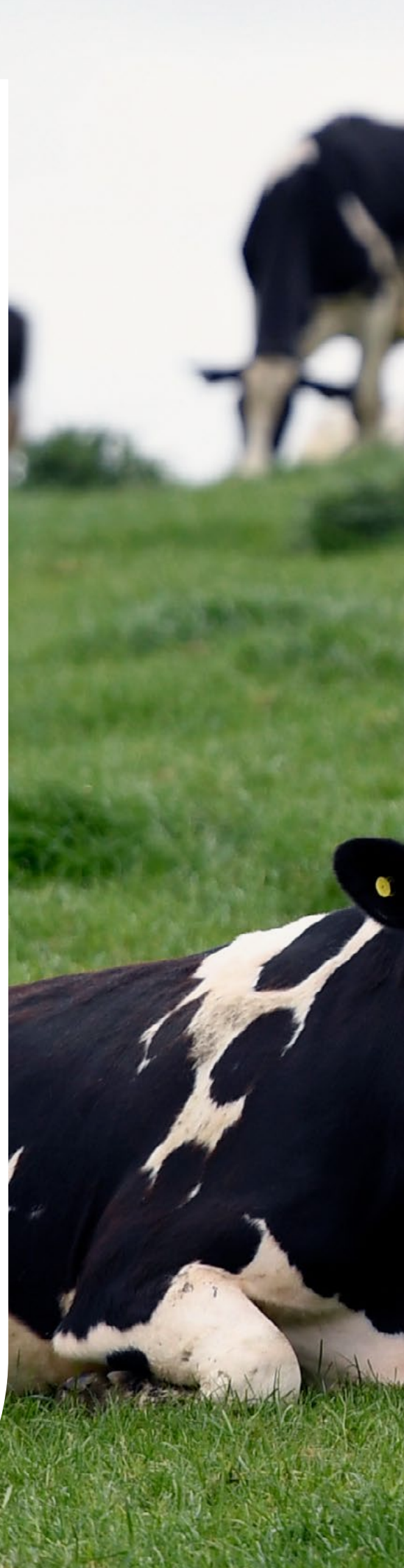


**Shelagh Hancock**  
CEO

# Chief Executive's Report

The last year has been tumultuous, with a roller coaster ride on milk prices and energy costs, creating challenges across the whole dairy supply chain, from farm to consumer. Global dairy supply limitations led to rapidly rising milk prices through the first three quarters of the year, at a rate and scale no-one could have foreseen at the start of the year.

The ongoing war in Ukraine led to global economic disruption, resulting in the worst energy crisis for generations, giving rise to double-digit inflation and rapid interest rate rises.







## Chief Executive's Report

This situation has not been helped by the political instability we saw during the year in the UK Government, with the series of short-lived Prime Ministers doing nothing to provide economic certainty or stability at an already difficult time.

With all these external factors combined, the net effect has been a significant impact on consumer spending power, hitting consumer confidence and, inevitably, constricting consumer demand, particularly for food, where inflation has been above average.

In the last quarter of the year, we saw this begin to negatively impact milk prices and, regrettably, this has continued post year-end, with prices having dropped at a rate and scale unseen previously.

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“We have talked of volatility in markets in the past, but this year has stretched the definition of that term.”

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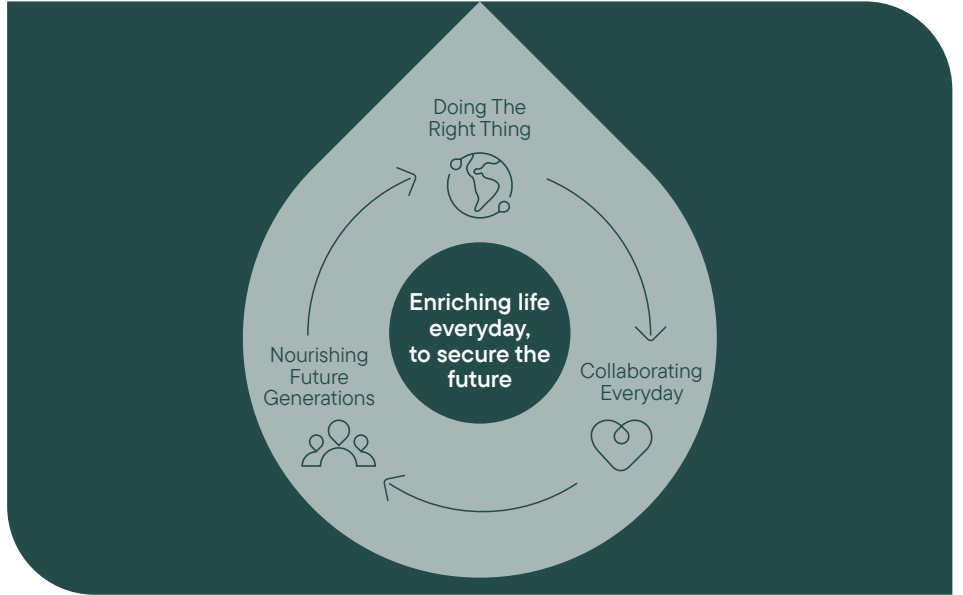
Unfortunately, the pinch in consumer spending power is unlikely to be fixed quickly. Most consumers have not seen wage increases keep up with inflation, so they have experienced a genuine reduction in living standards and the impact of that is likely to be felt in the medium term.

When it comes to First Milk, the rapidly changing market dynamics have been challenging. Volatility on this scale has a significant financial impact, as increasing prices put pressure on our working capital requirements, as cheese going into stock had a much higher value. It is proof of how far we've come as a business, and the resilience that is now built into your co-operative, that our lenders, Wells Fargo, were supportive of our additional finance requirements and, as the size of the facility grew, we were pleased to introduce a new lender, HSBC, into our banking

relationship. Due to the secured value we have in our contractual relationships, we were able to refinance quickly, and this ensured we could maximise the milk price paid to members as quickly as possible during a period of such considerable change.

### Commercial relationships

Of course, times of economic and supply uncertainty are also when commercial relationships are key, and I'm pleased to say that our customer relationships have never been stronger. We have worked together through the many challenges that the year brought to find positive ways to recover inflationary costs and meet each party's commercial needs. There is a strong sense of having lived through it together, and I know that our partnerships are further enhanced as a result of this.



“We have continued to build on our successful long-term partnership with Ornuu, supporting them in securing growth.”

In particular, our cheese business has continued to grow, both in the UK and overseas. We have continued to build on our successful long-term partnership with Ornuu, supporting them in securing growth and ensuring we continue to deliver a robust and efficient supply chain for quality product during the cost-of-living crisis.

Beyond our Ornuu relationship, we have also extended our export partnership, increased sales with in-country partners, and are increasingly making bespoke cheese and curd products for specific customer requirements, helping us create additional value. Our cheese continues to win awards, most notably last autumn our cheddar scooped Supreme Champion at the 2022 Global Cheese Awards. This built on our unequalled success at major cheese awards earlier in the year.



**Focused on the Future**

The year also saw us complete a major investment programme at Haverfordwest, seeing the installation of two new cheese vats and additional silos for milk, whey and cream, increasing capacity at the site by a further 20%.

This is evidence that, despite the uncertainties and short-term pressures of the year, our focus on the future is undiminished.

Last year we updated our vision to ‘enriching life every day to secure the future’ to reflect our broader purpose and positioning around doing the right thing, collaborating every day and nourishing future generations. We are confident that with this focus, we will deliver stability and security for the long term, ensuring a positive future for all.

As well as our well-established Women in Agriculture and Next Generation groups, during the year we have worked on the development of a Women in Leadership group for colleagues,

“Times of economic and supply uncertainty are when commercial relationships are key, and I’m pleased that our customer relationships have never been stronger.”



Supreme Champion at the 2022 Global Cheese Awards



20% capacity increase delivered at Haverfordwest Creamery



Substantial organisational design project completed

## Chief Executive's Report



addressing concerns about climate change and nature depletion through their relationship with us and with our members. This has seen video campaigns run for Quality Street, Nescafé and the main Nestlé corporate brand, which have brought to life stories about First Milk members and the regenerative activity they are undertaking to ensure long-term sustainability.

During the year, we have also agreed a new partnership with Arla Foods Ingredients to produce a specialist whey powder at our Lake District Creamery. This will see us manufacture Nutrilac® FO-7875 on behalf of Arla Foods Ingredients using the company's proprietary process, with Arla Foods Ingredients marketing and selling the product internationally. The market for protein enrichment of food is growing, and we are confident that this will deliver real value for you, our members, enabling you to be part of a worldwide dairy supply chain. This partnership

will also drive our main capital investment in FY24, as we work to adapt the current processing equipment to enable us to manufacture the new product, with production expected to start towards the end of the year.

But our collaboration hasn't only been with customers. We are delighted to be a key partner in the Digital Dairy Chain project, a UKRI Strength in Places project working over the next five years across Cumbria and Southwest Scotland. This aims to establish the area as a world leader in advanced, sustainable and digitally connected dairy manufacturing, with focus areas around digital connectivity and state-of-the-art research and development and innovation to support business growth and attract new talent to the sector. The project will deliver this through nine individual initiatives, including STEM (science, technology, engineering and mathematics) engagement with local schools.

which was launched post year-end. We have also undertaken a substantial organisational design project focused on our operational structure.

This has seen us complete a review of all our operational structures to develop, recognise and reward colleagues' ability to multi-skill at the sites, provide clear progression opportunities within our structures, and ensure that the business is fit for the future. Not only has this provided the opportunity to make sure we have the skills and experience required to effectively move the business forward, with more engaged and motivated colleagues, but it will help make our employment offer more attractive, something that is essential in the recruitment and retention of staff in a difficult labour market.

We also continued to invest in technology and automation of processes to improve operational efficiency. During the year we successfully completed a significant upgrade of our Milk Management System, which is used to manage data from farm collection through to customer delivery and member payments. This is already bringing benefits such as reduced manual inputs, as well as improved accuracy and speed, and contains additional functionality that will facilitate further automation and streamlining of processes in the year ahead.

### Collaborating for success

Collaboration is at the heart of any co-operative business, but we pride ourselves on our collaborative approach with members, colleagues and customers to deliver long-term success. In the last year, our long-term partnership with Nestlé has seen us work even more closely on the evolution of their Milk Plan, and in telling the story of regenerative agriculture to their customers and consumers. What this has highlighted is that customers see the value of our regenerative story in helping demonstrate how Nestlé is



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“We are delighted to be a key partner in the Digital Dairy Chain project”

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**“I want to thank all our members for their enthusiasm and support for our regenerative programme, which we believe is critical in securing the future.”**

## Doing the right thing

Doing the right thing is not something new to us, but such activity is coming under closer scrutiny as consumer awareness of the climate emergency, human rights, animal welfare and nature depletion grow. We have a well-established programme of activity across the business, and our regenerative farming programme has evolved during the year as we've developed a regenerative index score for each member to enable visibility around how choosing different regenerative interventions can change the overall impact across the farm. I want to thank all of our members for their enthusiasm and support for our regenerative programme, which we believe is critical in securing the future.

But we aren't just limiting our focus to factors within the business, and we have made great strides during the year in terms of our approach to procurement. As well as the obvious impact of better procurement in terms of cost control together with quality and service improvements, our suppliers also have a significant part to play in our achievement of our net zero targets, as their activity falls within our Scope 3 emissions. We also have an obligation as a responsible business to ensure that our suppliers are also following similar approaches to our own in terms of human rights, the environment and responsible business, and so we have introduced a Code of Conduct, which all core suppliers have been asked to commit to as part of doing business with us.



Keeping the right things in focus



“We’re one of only 15 businesses across the UK to be recognised in this award in 2023”

We have also been focused on making a difference in wider society, and our team has had a record-breaking year fundraising, with over £20,000 raised for Macmillan Cancer Support – a worthy cause that is close to the hearts of so many.

With all the progress we’ve made and positive impact we have had, it has been particularly heartening in the year to see your efforts, and those of our colleagues across the business, recognised externally.

Firstly, we were delighted to be confirmed as a Certified B Corporation. Certification is a rigorous process, which addresses the entirety of a business’ operations and covers five key impact areas of Governance, Workers, Community, Environment and Customers. There are more than 6,000 B Corps certified globally, and the B Corp community in the UK includes more than 1,100 companies including well-regarded businesses such as innocent, Patagonia, The Body Shop and Abel & Cole.

It means that we join a growing group of companies that are using business as a force for good, leading a global movement for an inclusive, equitable and regenerative economy. Whilst awareness of B Corps is still growing, this certification has been noted very positively by customers and other industry stakeholders, and we look forward to building on this in the future.

On top of this, we were honoured to be a recipient of the first ever King’s Award for Enterprise,



recognising the outstanding achievements being made across our members’ farms and the wider business in the area of Sustainable Development. One of only 15 businesses across the UK to be recognised in this award in 2023, it is a celebration of the progress we have made in this area, and a tribute to the commitment that you all have made to deliver real change.

#### Golden Hooves

Building on our strengthening positioning around regeneration, we have seen Golden Hooves develop into a platform for direct engagement with consumers, allowing us to tell our story about regeneration and nature positive farming, and to build differentiation for the business. We have a desire to grow Golden Hooves and, post year-end, we launched Golden Hooves regenerative cheddar at the Farm Shop and Deli Show, where it was well received. This all helps make what we are doing more distinctive and valuable in the long-term.

#### Looking forward

As part of wanting to ensure we are distinctive, towards the end of the year we refreshed our corporate brand, which aligns our visual identity and messaging with our overall direction and long term purpose and goals. The new brand reflects our first-rate collaboration, our co-operative values and our work to make the highest quality products whilst making a positive impact with our regenerative practices. It has been well received and reflects the business you own today

– a confident, well-invested co-operative with regenerative thinking at its core, working to secure the future for members whilst addressing the challenges facing wider society.

So, despite a challenging year, we continue to make good progress. Looking ahead, volatility will remain the norm. Whilst this creates short term uncertainty, we have focused on building your co-operative to be resilient through challenging times, and that has certainly been road tested in the last twelve months. That resilience will only be more important in the future.

But the fundamentals remain good. Dairy continues to play an important role in human nutrition, and dairy farming, when approached





regeneratively, has an important role in the community, and in nourishing the earth and supporting nature and biodiversity. The underlying trend remains for increased global demand for dairy from a growing consumer base. I am confident that First Milk can take advantage of this from a position of resilience and strength, with growing recognition of our approach to regeneration helping to differentiate our offer.

We are on the right path and the external acknowledgement that the business has received in recent months demonstrates that. We should all take heart from the fact that our approach is being noticed and resonates externally, with audiences as diverse as customers, consumers, politicians and broader industry stakeholders taking notice.

I would like to end by thanking the Board, our Member Council representatives, Executive team and colleagues and, most of all, you, our members, for all your support and I look forward to continuing to work with you to enrich life every day to secure the future.



Corporate rebrand completed



First Milk confirmed as Certified B Corporation



Underlying trend remains for increased global demand for dairy





# Case Study

## First Milk Completes £20m Capital Investment at Lake District Creamery

In 2022 we completed an ambitious investment programme at our Lake District Creamery, which finished a £20m investment programme at the plant. This marked part of a wider capital investment programme across First Milk to increase capacity, productivity and to build operational resilience within the business, helping to deliver a profitable and secure future for First Milk members.

The investment saw the installation of five new high-capacity cheese block-formers, with a capability of packing cheese at a rate of 7 tonnes per hour. It also allowed for upgraded milk intake and milk storage, the installation of two new milk pasteurisers, two new whey pasteurisers, an end-of-line robotised stacking and palletisation system, and a 120-tonne automated cooling store.

This significant investment has allowed the Lake District Creamery to process up to a million litres of milk a day and is the latest step in a four-year site upgrade, which has seen capacity increase by 40%.

The completion of the works was celebrated with a grand opening by His Majesty's Lord Lieutenant of Cumbria, Mrs Claire Hensman, who visited the Creamery and unveiled a plaque to commemorate the multi-million-pound investment, and paid tribute to Cumbria's rich dairying history.



**“58 awards.  
Amazing!”**



# Cheese to be proud of

During the financial year, First Milk entered the two major cheese shows on the calendar - the International Cheese and Dairy Awards (ICDA), which is the largest show in the world attracting around 5,000 entries every year, and the Global Cheese Awards (GCA), held in Frome, which is one of the oldest cheese shows in the world, dating back to 1861.

We were proud to win a total of 58 awards across the two shows, with nine major trophies including the outright Supreme Champion Cheese at the Global Cheese Awards and the ICDA Home International Champion trophy.

# Case Study

## First Milk Gets Behind Macmillan Cancer Support

Last year, First Milk colleagues raised funds for Macmillan Cancer Support, generating a grand total of £21,744 across the year. With cancer touching so many of our lives, colleagues decided to select Macmillan as the chosen charity and individuals across the country got to work raising money to support the work of this fantastic organisation. From family fun days, cocktail masterclasses, bake sales, charity auctions and sporting challenges – people across the business got stuck in to fundraising to support those living with cancer.

### Charity Champions

Robert Craig (Farmer Director) and Lee Truelove (Responsible Sourcing Manager) undertook a 354 mile bike ride from our Haverfordwest Creamery to our Lake District Creamery in Aspatria, riding an average of 70 miles per day.

Elsewhere, the Lake District Creamery Hiking Club took on the M.I.L.K 5000 challenge, hiking 14 miles of the scenic Lake District in one day, navigating 16,000 ft of elevation along the way.

Project Manager, Ian Wilson, ran the Lakeland Four Passes to raise money; the race is a gruelling 19-mile route through the Lake District's four valleys and passes.

Customer Services Manager, Sheena Kelly, alongside her daughter Jillian, helped raise a huge £1,725 as part of a tandem skydive for Macmillan, jumping out of a plane from 10,000 ft.





# Case Study

## Working in Partnership with Tesco to Deliver for Members

First Milk plays a vital role within the Tesco Cheese Group, in partnership with our biggest customer - Ornuu. This Group is a supply chain initiative aiming to support British dairy farmers with equitable returns, whilst ensuring the long-term supply of quality British cheeses.

Tesco originally founded the group as part of a two-year trial, before officially launching the Tesco Cheese Group in 2017, with First Milk making up the bulk of the supply group. The partnership consists of a dedicated but non-segregated supply group, who benefit from a premium payment for completing a number of set requirements for the milk pool.

Working closely with both Ornuu and Tesco, we share our unique cheese processing knowledge, as well as farm and sustainability expertise with all the farmers within the group, which protects and promotes high quality milk to be used in cheese production.

The higher premium offered to members of the group also supports investment and innovation on farm. Members can also benchmark themselves against other supplying farms in the Group and share best practice in a range of key areas – including on animal welfare and environmental measures.

First Milk's environmental expertise is a key aspect of our involvement in the Tesco Cheese Group.

The aim is to successfully support our farmer members to achieve reductions in their environmental impact, and enhance metrics including biodiversity, soil health and animal welfare on farm, building the long-term future of dairy production.

This year we stepped up our engagement with the Group further, working with Tesco to actively promote the great work of the partnership to consumers. First Milk Farmer Director, Mike Smith, took part in an in-depth feature on the Tesco Cheese Group, which reached over 1 million people through the Daily Mail website – talking through the partnership itself, the excellent cheeses produced by First Milk, and our approach to sustainable farming.

First Milk, alongside Tesco, was pleased to host local MP Stephen Crabb at our Haverfordwest site this year and bring to life the work of the Cheese Group. We explained how we're sharing our regenerative expertise and building the sustainability of the cheese industry, whilst producing top quality dairy products for our customers.







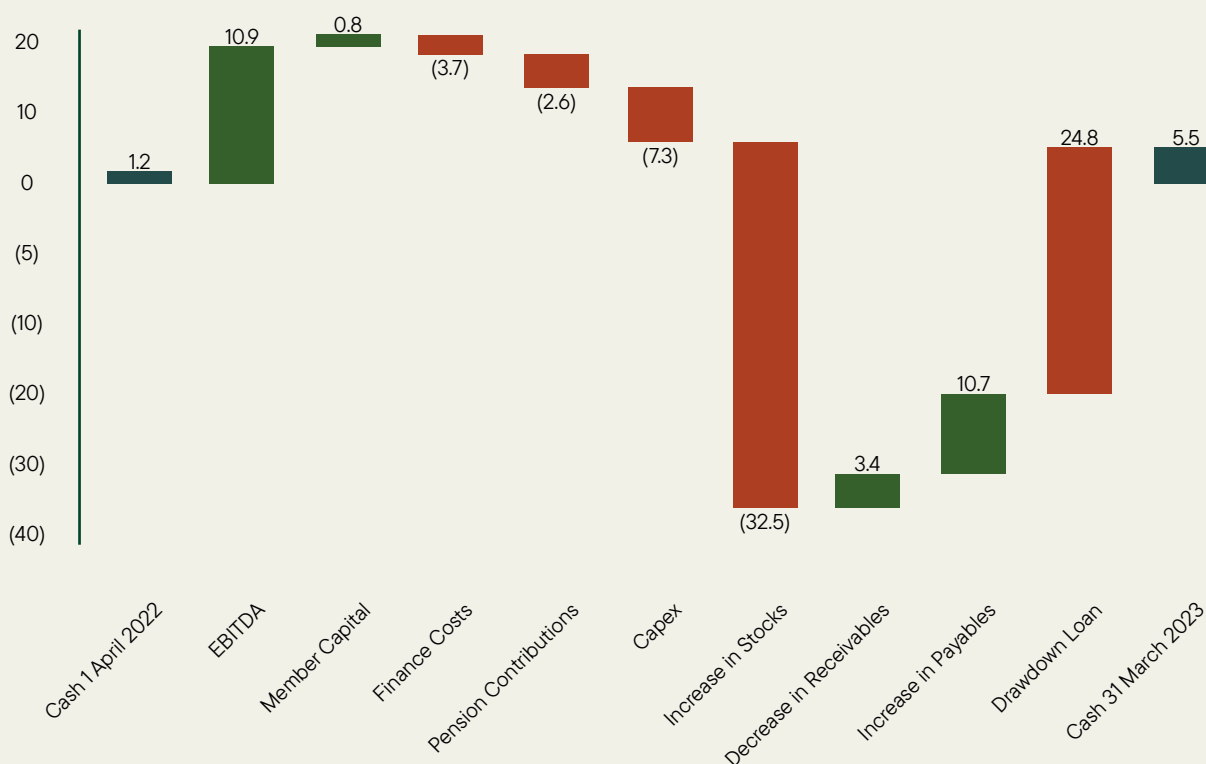
**Greg Jardine**  
Chief Financial Officer

# Chief Financial Officer's Report

In the year ended 31 March 2023 we continued to deliver against our strategic objectives, improving total returns to our farmer members through milk price and net asset value. During the year, milk price increased on average by 14.4ppl and we have also continued to increase turnover, deliver profitable growth, and progress our capital investment programme. Rapidly rising costs increased our working capital needs significantly during the year and we were delighted with the support provided by our lenders, Wells Fargo, as we increased the size of our debt facility and introduced HSBC into our banking relationship.

Financial highlights	FY23	FY22
Turnover	£456m	£331m
Operating profit (before exceptional items)	£5.1m	£5.1m
Profit before tax	£1.0m	£3.0m
Net bank borrowings	£63.9m	£43.4m
Capital investment across our sites	£74m	£15.5m
Total group capital and reserves	£46.7m	£48.7m

## Cash flow for year ended 31 March 2023



### Turnover

Sales for 2022-2023 increased by 38% to £456m. Sales volumes increased year-on-year, especially cheese and whey co-products and cheese sales now account for over 75% of the milk handled. Whilst volumes increased, most of the turnover increase relates to the recovery of rising milk prices through our selling prices to customer.

### Profitability

We continue to deliver profitable growth and, despite the economic and supply uncertainty, our customer relationships have never been stronger. We have worked together through the many challenges that the year brought to find positive ways to recover inflationary costs and meet each party's commercial needs. Our cheese business has continued to grow, both in the UK through our long-term partnership with Ornuu, and overseas through our export partnership. Additional value

has been created through making bespoke cheese and curd products for specific customer requirements.

Whilst our operating profit is the same as last year, we've seen a deterioration in profit before tax due to higher interest costs. Both the value of our debt and interest rates rose that meant our interest costs were £2m higher. Whilst interest costs have increased, we will recover these higher costs through the future selling prices of our maturing cheese.

Our strategic objective remains to improve total returns to our farmer members, including milk price. During the year to March 23, our milk price paid to members was on average 14.4ppl higher than the previous year, paying out an additional £105m in the year. Our member premium remained at 0.5ppl for all litres supplied in the year to 31 March 2023 for fully paid-up members, and was paid out post year-end, on 20 April 2023, with

the average payment per member being just over £5,200.

### Capital investment

During the year our capital expenditure at sites was £7.4m (2022: £14.9m), investing in processing capacity, efficiencies and operational stability. At Haverfordwest we increased cheese production capacity by approximately 20% to meet the growing demand for our cheddar. This was delivered through a £5.5m investment and the addition of two cheese vats and additional silos for milk, whey and cream. At Lake District Creamery we started a capital investment to adapt the current whey processing equipment to enable us to manufacture Nutrilac® FO-7875 on behalf of Arla Foods Ingredients using the company's proprietary process, which they will market and sell internationally. This project will complete in FY24, with production expected to start towards the end of the year.

**Balance sheet, cash flow and net debt**

Our balance sheet, excluding the pension asset, weakened slightly with net assets falling by £0.6m. Whilst we delivered profits along with capital expenditure ahead of depreciation, our cash contributions to the pension deficit were offset by actuarial losses resulting in a smaller pension asset at the 31 March 2023.

Net debt increased significantly by £20.5m to £63.9m as rising milk prices resulted in higher working capital. Whilst debt has increased, our asset base grew in value too. Stocks, without a significant change in volume, have risen in value by £32.5m as milk price rises have increased the cost of production, which will be recovered when the maturing cheese is sold profitably in the future.

**Cash earnings (EBITDA)**

The cash earnings within our operating profit were £10.9m. EBITDA is defined as operating profit of £5.1m, with the addition of non-cash depreciation of £5.8m charged to the profit and loss.

**Member investment**

At the end of the year, Member Capital stood at £78.0m compared to £77.2m the previous year. Members made cash contributions of £0.8m in the year to 31 March 2023 through the retention of 0.5 ppl until they reach their capital target of 7ppl. Our share trading platform, Asset Match, offers members an alternative to the 0.5ppl retention and the opportunity to buy shares to help reach their targets.

In the year to March 2023, £37k of New Preference shares held by former members were cancelled as they were not sold within the three-year period following termination of membership.

**Pensions**

The Group operates a defined contribution scheme – a Stakeholder Group Pension Plan with Standard Life. All employees have access to the stakeholder plan under which the company contributions are charged to the profit and loss account as they fall due each year. Contributions to the defined contribution scheme charged to the profit and loss account in the year ended 31 March 2023 were £0.5m (2022: £0.5m).

In addition, First Milk Limited operates the Scottish Milk Limited Retirement Benefits Plan

“Despite the challenging circumstances of FY23, the business has continued to perform, delivering on our long-term commitment to improve total returns to members.”

**38%** Turnover increased by 38%

**75%** Cheese sales now account for more than 75% of milk handled



Refinanced, introducing an additional lender, HSBC, alongside Wells Fargo





and participates in The Milk Pension Fund, an industry scheme in which all participating employers report only their share of assets, liabilities and obligations whilst legally holding joint and several liabilities for the scheme. Both schemes are closed to accrual of benefits.

Both these pension funds were subject to triennial actuarial valuations as at 31 March 2021. These were completed during FY22, and the financial position of both funds had improved since the last valuation. The Milk Pension Fund had a slight surplus, so the trustees do not require any deficit payment to be made to the scheme and only £0.1m of expense contributions will be made annually.

In January 2022, following the finalisation of the Scottish Milk Limited Retirement Benefits Plan triennial valuation of 2021, a revised schedule of contributions was agreed by the trustees and First Milk. Shortfall contributions from 1 January 2022 to 31 May 2026 will be paid of at least £2.1m per annum, increasing by RPI each year from April 2023, plus a £348k contribution to expenses.

In the year to 31 March 2023, total contributions of £2.5m (2022: £2.9m) were paid to the Scottish Milk Limited Retirement Benefits Plan, while contributions of £0.1m (2022: £0.2m) were paid to the Milk Pension Fund.

During the year our pension assets deteriorated slightly from £2.3m to £0.9m, despite our cash contributions of £2.6m, due to actuarial losses of £6.7m. Whilst the accounting valuation at year-end shows a worse position, this does not change our contributions to the schemes and the latest funding report for both schemes demonstrates that the hedging policies in place for inflation and interest rates are ensuring the deficit is reducing due to the contributions we make.

We do not have rights to any surpluses within the Milk Pension Fund and no surplus has been recognised for this fund.

#### **Interest and debt facility**

Interest costs in the year to 31 March 2023 increased as both the value of our debt and interest rates rose. Net finance charges totalled £4.1m, with £3.9m paid to the debt facility and £0.2m relating to finance costs associated with the pension deficit. Whilst interest costs have increased, we will recover these higher costs through the future selling prices of our maturing cheese.

#### **Working capital**

Working capital consumed £18.5m during the year. Our stock levels did not change significantly,

with over 99% of the stock held to fulfil committed future sales. However, cheese stock value increased by £32.5m as higher milk prices increased the value of cheese and co-product stocks. The stock increase was offset by a £10.7m release due to an increase in the outstanding payables due to members and suppliers. As milk price rises the balance due to members, paid the following month, increases.

To support the increasing working capital cash demands on the business we extended our debt facility through to 31 July 2026 and increased the maximum available from £74m to £90m in April 2022. In November 2022, as working capital demands continued to rise, we increased the facility further to £120m and introduced a new lender, HSBC, into our banking relationship. The amount available to borrow is dependent on the value of stock and debtors and is based on a percentage draw-down specified in the facility agreement, and a term loan on our fixed assets.

# Profit and Loss Account

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	Group	Group
	£'000	£'000
Turnover	456,243	331,077
Cost of sales	(442,047)	(317,446)
<b>Gross profit</b>	<b>14,196</b>	<b>13,631</b>
Administrative expenses	(9,330)	(9,194)
Other operating income	217	667
<b>Operating profit</b>	<b>5,083</b>	<b>5,104</b>
Finance income	14	9
Finance costs	(4,101)	(2,091)
Profit before taxation	996	3,022
Tax on profit	(915)	(699)
<b>Profit for the financial year</b>	<b>81</b>	<b>2,323</b>

# Balance Sheet

AS AT 31 MARCH 2023

2023

2022

Group

Group

£'000

£'000

## Fixed assets

Property, plant and equipment

48,641

47,095

Other investments

500

500

### Total fixed assets

49,141

47,595

## Current assets

Inventories

88,506

55,973

Trade and other receivables

30,682

34,010

Cash and cash equivalents

5,469

1,219

### Total current assets

124,657

91,202

Trade and other payables amounts falling due within one year

(59,142)

(49,031)

### Net current assets

65,515

42,171

## Total assets less current liabilities

114,656

89,766

Trade and other payables amounts falling due after more than one year

(68,880)

(43,389)

### Total net assets employed excluding pension liability

45,776

46,377

Pension asset

924

2,279

### Net assets

46,700

48,656

## Capital and reserves

Called up share capital

77,962

77,204

Profit and loss reserve

(31,262)

(28,548)

### Total capital and reserves

46,700

48,656

# Statement of cash flow for the year

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	Group	Group
	£'000	£'000
Net cash (outflow) / inflow from operating activities	(10,265)	5,624
Taxation paid	-	-
<b>Net cash generated from / (used in) operating activities</b>	<b>(10,265)</b>	<b>5,624</b>
<b>Cash flow from investing activities</b>		
Finance income	14	9
Purchase of property, plant and equipment	(7,415)	(14,938)
Investment in Agricarbon	-	(500)
Proceeds from sale of assets	104	20
<b>Net cash used in investing activities</b>	<b>(7,297)</b>	<b>(15,409)</b>
<b>Cash from financing activities</b>		
Finance costs	(3,761)	(1,354)
Net proceeds from members	795	677
Increase in loans	24,778	11,111
<b>Net cash generated from financing activities</b>	<b>21,812</b>	<b>10,434</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,250</b>	<b>649</b>
Cash and cash equivalents at the beginning of the year	1,219	570
<b>Cash and cash equivalents at the end of the year</b>	<b>5,469</b>	<b>1,219</b>



## Summary and Outlook

Despite the challenging circumstances of FY23, the business has continued to perform, delivering on our long-term commitment to improve total returns to members.

It is clear the market volatility that was so disruptive in the period remains, and we have seen marked reductions in global milk price since year-end, as well as continued economic uncertainty as a result of political turmoil in the UK and Europe and the slow post-Covid global recovery.

Despite this, the long-term outlook remains strong. Global demand for dairy continues to look positive as it plays a key role in feeding a growing population. We are also well placed with our regenerative activity to play our part in addressing the challenges of climate change, ensuring that dairy is seen as a force for good. With our well-invested facilities, and our strong commercial relationships, we will continue to work tirelessly to deliver our vision of enriching life every day to secure the future.





# Impact Report



**Mark Brooking**  
Chief Impact Officer

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**“What is clear is that despite the external pressures we’ve seen in the last year, the need for meaningful action on climate change, nature and biodiversity remains front of mind.”**

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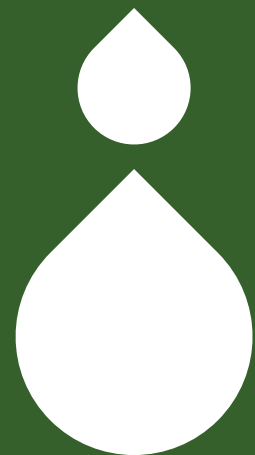
There can be no doubt that the huge volatility of the last twelve months has preoccupied everyone’s thinking. Our farmer members have seen cost inflation for fuel, fertiliser, feed and energy, whilst also facing challenges with recruitment of farm workers. Meanwhile, the weather added further trials, with a dry spring and drought conditions through the summer months of 2022 putting pressure on forage availability not only during the grazing season but also in terms of conserved forage for the winter period.

Whilst these factors have, of course, been front of mind for farmers, the significant cost of living pressure has impacted consumer spending and reduced consumer confidence. Rising interest rates combined with static economic growth and significant inflation have knocked consumer demand and changed consumer priorities.

Yet what is clear is that despite these external pressures, the need for meaningful action on climate change, nature and biodiversity is increasingly urgent. During the year we have seen increased customer interest and scrutiny of our regenerative programme, as well as external recognition of our activities through the completion of B Corp certification and the presentation of the King’s Award for Enterprise for Sustainable Development. We have also seen

customers proactively sharing stories about our on-farm regenerative programme with consumers, helping reinforce the value of our actions and providing differentiation in the marketplace. As such, I’m pleased to say that we continue to make good progress towards our impact goals.

These goals fall under the three key pillars of People, Animals and Earth. This report outlines the key activities of the last year under each heading. As before, our carbon emissions have been externally verified by SLR Consulting to ensure full transparency and accuracy.



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**“We have seen increased customer interest and scrutiny of our regenerative farming programme, as well as external recognition of our activities.”**

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# Regenerate through every drop



Livestock integration



Protect soil surface

Healthy people

Healthy animals

Regenerative Agriculture

Healthy soils



Minimise soil disturbance



Maintain living roots

Healthy plants



Encourage plant diversity

# “We continue to make good progress towards our impact goals”

10%

The intention to reduce antibiotic use by a further 10% by 2025.

50%

A commitment to Net Zero carbon emissions by 2040 at the latest, with a target to reduce carbon footprint at farm level by 50% by 2030 and achieve Net Zero in milk transport and processing by 2035.



CO<sub>2</sub>

# 2030

The aim for all transport and processing activity to be using renewable fuel sources by 2030.



# 100,000 tonnes of CO<sub>2</sub>

A target to sequester 100,000 tonnes of CO<sub>2</sub> per annum on members' farms by 2025

# 10%

A target to increase milk from forage by 10% by 2025 to reduce members' reliance on imported feeds.











# People

## Building Social Capital

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**We make our biggest impact through the actions of our people and through the influence that we can have with others. We can only achieve our impact goals with the engagement and support of our members, colleagues, customers and suppliers.**

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Our established member initiatives have continued in the last year, with our Next Generation programme, continuing to attract participation from around 215 young members. We continue to encourage further involvement, as this group is an important way of engaging young people in the dairy sector and the many challenges and opportunities ahead.

We have also sustained our support for the Entrepreneurs in Dairying programme run by RABDF, with six young members going through the programme during the year. This successful dairy industry training programme includes focus on the milk market, future opportunities, people management, finance, tax and trading structures, business planning and funding and succession planning, giving participants a thorough understanding of the main factors that can impact the successful operation of a dairy farming enterprise.

Our Women in Agriculture group also continues, with four groups across the country and 63 active participants. During the year the groups held events covering topics such as succession and team dynamics as well as parliamentary visits.

Looking at our colleague initiatives, our people agenda remains ambitious as we work to embed our culture to secure the future. Our 'Lunch and Learn' programme has continued throughout the year, and these informal training events have been well supported and will continue in the future, as they provide an effective way to build knowledge.

As part of the ongoing development of our business, we completed an independent review of the Organisational Design at our sites in conjunction with Organisational Health Partner, Q5. The outcome of this is we now have a simple Organisational Design for both creameries, clear job grading structures, concise job role profiles and a pay & reward package for our Operational colleagues that is aligned to our culture.

When it comes to people development, we have ramped up our learning and development agenda, and have delivered more than 3,000 hours of training across the business during the



year, investing in our people to build resilience. We are also committed to providing meaningful work and career opportunities, and so we are delighted that 28 colleagues have either been promoted or changed roles during the year – more than 12% of our workforce. Post year-end, we have also launched our first 'Empower Me' Women in Leadership course. We have 10 of our female leaders across the business undertaking this personal development which is designed to create an empowering workplace where women can assess their strengths and values and develop their brand whilst forging a career pathway through targeted learning, support and networking.

The last year also saw us continue our focus on celebrating success across the business, with our annual Gold Star awards recognising colleagues who have gone above and beyond to deliver our vision.

We continued our partnership with Mates in Mind, with all new colleagues continuing to receive 'Start the Conversation' training which has helped us continue to raise awareness, promote and lead on the development of positive mental wellbeing at work. We also continued with our Employee Assistance Programme through BUPA and the development of our Mental Health First Aid team to ensure appropriate representation across the business.

Post year-end we have conducted our employee survey on a new platform, We Thrive, to support our transition to more continuous listening. This will make it simpler to conduct employee surveys on a more regular basis. We have also introduced an employee benefits package.









# Animals

## A life worth living

Animal welfare continues to be a key concern for consumers, but looking after the animals in their care is also at the heart of how our members farm. The vast majority (>95%) of our members have signed up to our Milk Pledge, which embeds high welfare practices in everyday farm operations, whilst guaranteeing that cows have access to pasture for at least 120 days during the spring and summer.

We have continued to hold a series of member workshops as well as distributing bi-monthly technical newsletters, covering parasite control,

TB and worm control. The Dairy Sensors Feasibility Study that we supported came to an end during the year, which saw welfare data collected using Quantitative Behavioural Assessment (QBA) alongside activity sensors. This concluded that more positive behaviours were seen in animals at pasture compared to when housed, as well as higher herd synchrony (when animals in the herd show the same behaviours at the same time) which is a known positive indicator of welfare in cattle. Whilst this specific project has come to an end, the work will continue as part of the Digital Dairy Chain project.











# Earth

## Enriching life everyday

Dairy production and processing are recognised as having a significant environmental impact and we have set out a clear commitment to address this, through a focus on achieving Net Zero by 2040 and through the adoption of regenerative practices to support nature and biodiversity.

We have clear targets in place to achieve net zero by 2040 across the following areas:

**Scope 1 – direct emissions from owned or controlled sources**

**Scope 2 – indirect emissions from the generation of purchased energy**

**Scope 3 – indirect emissions not included in Scope 2 that occur in the value chain**



SLR Consulting Limited has undertaken limited assurance of First Milk's greenhouse gas (GHG) emissions (Scope 1, 2 and 3), for the 2022-23 reporting year (1st April 2022 – 31st March 2023), against the WRI / WBCSD 'GHG Protocol Corporate Accounting and Reporting Standard', 2015 revised edition, and the GHG Protocol 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'.

To date, we have delivered a reduction on base year (FY21) of 82,969 tonnes of CO<sub>2</sub>e, or a 9.6% reduction in total CO<sub>2</sub>e emissions. This has been largely driven by reductions in on-farm carbon

output (covered in 3.1 in the table on p53), where we have seen emissions factor for milk drop from 1.22 in FY21 to 1.05 in FY23 (measured in KgCO<sub>2</sub>e/ Kg FPCM).

We have seen an increase in absolute Scope 1 emissions as a result of a significant increase in manufacturing volume handled during the year, which also impacts on Scope 3.4 results due to increased volumes requiring transportation. Whilst insignificant in the overall scheme of things, business travel has increased during the year as we are no longer subject to the COVID-19 restrictions that were previously in place.

Our work with Agricarbon to accurately measure soil carbon is ongoing, although having results that demonstrate statistical significance in terms of soil carbon change will take approximately five years from initial sampling. Work undertaken independently by the Farm Carbon Toolkit to measure our progress against our 2025 target of sequestering 100,000 tonnes of CO<sub>2</sub>e in soil per year suggests that we are making good progress towards this target as a result of the regenerative interventions that are being carried out by our members. This work has examined the current anticipated sequestration from the range of land use types and interventions being undertaken.



<b>GHG Reporting Scope</b>	<b>FY23 GHG emissions (Tonnes CO<sub>2</sub>e)</b>	<b>FY22 GHG emissions (Tonnes CO<sub>2</sub>e)</b>	<b>Difference (Tonnes CO<sub>2</sub>e)</b>
Scope 1 (total)	19,176	18,426	750
Scope 2 (total)	1,290	1,623	(333)
Scope 3			
3.1 Purchased goods and services	782,566	819,336	(36,770)
3.2 Capital goods	6,353	14,387	(8,034)
3.3 Other fuel and energy related activities	3,723	3,759	(36)
3.4 Upstream transportation and distribution	10,631	10,207	424
3.5 Waste generated in operations	1,201	1,146	55
3.6 Business travel	75	64	11
3.7 Employee commuting	141	142	(1)
Scope 3 total	804,689	849,040	(44,351)
Total emissions (gross)	825,155	869,089	(43,934)
Benefit from biogas*	4,060	3,797	263
Total emissions (net)	821,094	865,292	(44,198)

\*Net benefit from Lake District Biogas Limited

# Case Study

## Restoring Soil Health at Brisco Hill, Carlisle

Like many of our members, First Milk member Bruce Coulthard of Brisco Hill, north of Carlisle, has been busy on his regenerative journey to further enhance his soil health. Recognised as a winner in the First Milk Regenerative Farming Awards 2022, Bruce's efforts to restore soil health have been impressive and have shown added benefits to cow health and wellbeing.

In 2012, Bruce first identified mineral deficiencies in his soil and increasingly began to value the vital role of soil health in his production system. After years of cultivating perennial ryegrass, he diversified his grass by introducing a GS4 herbal ley mix, including plantain, chicory, red clover, and yarrow.

Starting with 30 acres, Bruce gradually expanded the herbal leys during each reseeding, and they now cover 120 acres – or one third – of his entire grazing area. While ryegrass remains important, the deep-rooting herbal leys efficiently seek out nutrients and synergise with other species. Bruce was pleased to see huge improvements in soil biology, including increased organic matter content, and a less compacted soil structure. As an added bonus, by relying solely on slurry and chicken muck, Bruce has also reduced the need for purchased fertilisers, leading to beneficial cost savings.

The diverse forage has also been advantageous for the cows, resulting in improved well-being, and reduced mineral use. Although formal milk yield and quality analyses are pending, positive outcomes are expected.

Bruce Coulthard's commitment to enhancing soil health serves as an example of the great work happening on First Milk farms across the country. His strategic approach, long term planning and careful management has not only benefitted his herd, but increased sustainability and soil health on his farm. His efforts are a testament to the positive impact of prioritising soil health in modern farming practices.



# “Our members are implementing regenerative practices across an additional 7% of land area compared to last year.”

Our regenerative farming programme launched at the start of the year, with our members receiving a 0.5 ppl bonus from 1 April 2022, for completion of regenerative farming plans through our unique, field-level mapping tool.

This programme sees each member complete a field-level plan for their farm, including crop type and the regenerative farming interventions that they intend to complete. During the year we developed an index scoring system as part of this tool, with our average member score at the end of the financial year being 31. More than 93% of our members have completed their FY24 plans, with an indicated average score of 44 for the year ahead, it suggests that members are embarking on even more ambitious activities.

When it comes to specific actions, our members are implementing regenerative practices across an additional 7% of land area compared to last year, with added emphasis on biodiversity, crucial for a more natural approach to food production.

Members are committing to regenerative practices on a wider area this year with members committing to 163,834 interventions over 84,118 Ha, with an average of seven interventions per land parcel. In 2022, members committed to 130,873 interventions on 78,399 Ha of land, with an average of six interventions per land parcel. Interventions are based across the principles of regeneration, including:







### Minimise soil disturbance

Although ploughing has benefits where surface compaction has occurred, mechanical cultivations expose the top layer of soil causing oxidation and release of carbon. Soil disturbance also disrupts the network of mycorrhizal fungi attached to plant roots, which help crops to access nutrients.

**14,965 Interventions**

This year, members have committed to 14,965 interventions aimed at minimising soil disturbance over 56,598 Ha. Last year, members committed to 12,762 interventions linked to minimising soil disturbance over 49,396 Ha.



### Maintain living roots

As plants photosynthesise, they remove carbon from the atmosphere and some of this carbon is transferred to the roots and exuded to feed soil biodiversity in a symbiotic relationship exchanging these plant sugars for nutrients. Soil biology would decline without the availability of these sugars.

This year, members have committed to interventions linked to maintaining a living root all year on 68,794 Ha. With the assumption that permanent pasture not to be ploughed would also have all year around living root, then this area increases to 73,709 Ha. Last year, members committed to interventions that maintain living roots across 41,762 Ha, increasing to 65,847 Ha using the same assumption.



### Increase species diversity

Above ground diversity of crops leads to below ground diversity, as different species of plants associate with different soil organisms, providing food for the natural food web. Different organisms are responsible for different nutrient cycles and the soil food web functions at its best when as many of these relationships are present as possible.

**15,606 Interventions**

This year, members have committed to 15,606 interventions linked to encouraging plant diversity across 57,681 Ha. 13.5% of land with species diversity interventions will have more than six species of grass, herbs or legumes. Last year, members committed to 14,295 interventions linked to encouraging plant diversity across 54,946 Ha.



### Integrate livestock

Members have this year committed to graze 69,098 Ha of land for an average of 6.7 months.

Last year, members pledged to graze 63,335 Ha of land for an average of 7.1 months.

This integration of livestock is key to regenerating soils through the addition of organic matter via dung and the action of 'golden hooves' trampling it into the soil surface. Soils with higher organic matter benefit from increased soil health and structure, allowing improved water infiltration, an increased water-holding capacity and greater ability to store nutrients and carbon.

To benefit from the maximum impact of livestock integration, carefully managed rotational grazing, (i.e., short grazing bouts of less than three days followed by longer rest periods of over 21 days) is crucial.

This year, grazing system interventions have been altered to reflect this. As expected, this has caused a short-term negative impact on total land area rotationally grazed while members adjust to integrating rotational and mob grazing into their systems.

This year, members have pledged to rotationally graze 37,973 Ha with a weighted average of three days grazed and 20 days' rest. The most popular rotational grazing system is 'up to three days graze, with 21 to 29 days' rest, which is being carried out across 18,291 Ha.

# Wider biodiversity interventions

“Our members have more than 4,200km of hedgerow on their farms and plan to plant an additional 38km in the year ahead.”

## Hedges

We are now able to measure the length of hedges on members' land and these hedges come with many benefits. They provide shade and shelter to livestock during weather extremes, help to increase water infiltration, provide habitat for ecosystems and sequester carbon.

Hedgerows support over 500 plant species, 60 species of nesting birds and almost all of the native UK small mammal species as well as over 1,500 species of insects, including those that undertake pollination or act as natural controllers of other pest species.

Our members have more than 4,200km of hedgerow on their farms and plan to plant an additional 38km in the year ahead.

## Biodiversity

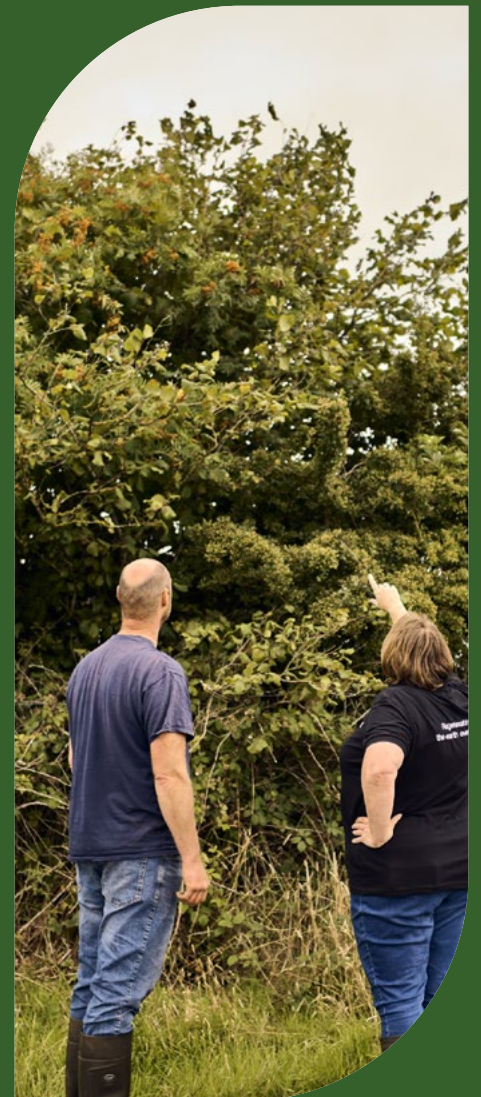
The more natural a farming system is, the more biodiversity it will attract – and the more biodiverse the farm is, the more balanced it'll be, resulting in a healthy, thriving system. Creating habitats for a range of different wildlife will help create balance and encourage beneficial insects to work in tandem to pollinate crops and prey on pests. Increasing dung beetles will cut parasite populations, increase soil organic matter and aeration, increasing soil fertility and help reduce methane emissions by breaking down dung. Over 93% of land in members' 2023 plans have at least one intervention aimed at increasing biodiversity either above or below ground.

## Silvopasture

There are many benefits to silvopasture, or in-field trees, which help to build healthy soils by releasing carbon deep into the ground, they also help prevent flooding and protect water sources, provide shelter for livestock, sequester carbon and encourage greater biodiversity. Members have recorded that 15% of farmed land benefits from silvopasture, with an average of nearly six trees/Ha.

## Protected watercourses

Livestock use rivers for a variety of reasons; to drink, to cross to neighbouring grazing and for shelter or shade, causing problems such as poaching and soil erosion on riverbanks. Livestock also introduce faecal bacteria, downgrading water quality. A fenced buffer strip next to water courses will prevent livestock access and poaching, and allow plant growth, helping to provide a buffer strip to reduce diffuse pollution entering the water whilst also benefitting farm biodiversity and flood risk. Members have indicated that 24,647 Ha of grassland has watercourses and that more than 64% of this will be protected.



# Reducing water and energy use at our sites

## Water

We are committed to reducing the amount of extracted water that we utilise at our processing sites. In the last twelve months we have continued to drive this down per tonne of milk handled, delivering a reduction of 5.5% as a result of reusing more water within our processing activities.

	FY23	FY22	Change (%)
Water – m <sup>3</sup> extracted water per tonne of milk	0.879	0.930	(5.5)

## Energy

We are committed to reducing the total amount of energy consumed per tonne of milk handled, and have delivered progress on this in the year, delivering a reduction of 6% cent as a result of more energy efficient operations. In particular, we have reduced mains electricity use whilst increasing use of our Combined Heat and Power plants.

Overall, our operational energy use has increased, however, by 8.1% to 24,233,870 kWh as a result of an increase in manufacturing volume handled. We continue to explore options to achieve our goal of 100% renewable energy use by 2030.

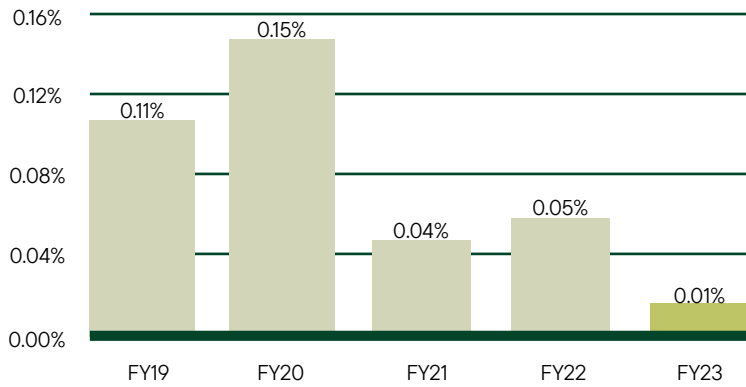
	FY23	FY22	Change (%)
Energy - kWh per tonne of milk	160.4	170.6	(6.0)

We can only achieve our impact goals with the engagement and support of our members, colleagues, customers and suppliers.



### Waste to landfill

We monitor waste to landfill from our sites each year, with the intention of minimising any waste. The chart demonstrates our progress in recent years. FY22 saw a small increase as a result of capital investment and the removal and disposal of old equipment but FY23 has seen us continue the long-term downward trend, with zero waste direct to landfill from Haverfordwest and just a small tonnage from LDC.



### Food Waste

Long term we are looking to minimise our effluent loading from our sites through ongoing operational efficiency savings. During the year, our food waste measured in kg of Chemical Oxygen Demand (COD) increased by 0.9% to 5.042 kgCOD per tonne of milk

### Protecting watercourses

We take our responsibilities as part of the community seriously and have continued to operate our Haverfordwest Nutrient Group to offset the nitrates, phosphates and sediment from the creamery effluent treatment plant. 33 of our farmers in the area are involved in this group, employing mitigation measures on their farms to reduce the amount of these nutrients entering watercourses around their land.

We have also initiated a similar group to offset our discharge at our Lake District Creamery.

Good for  
everyone

Certified



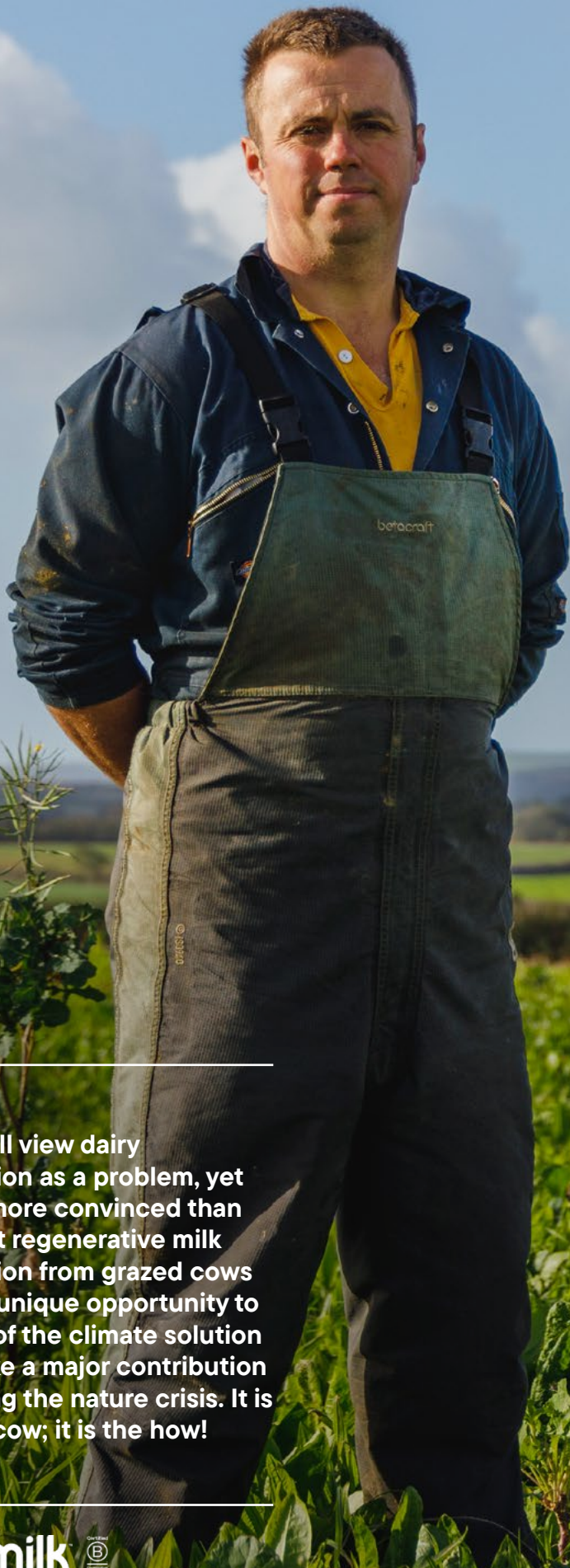
Corporation

#### Other Activities

At the end of the year, we were delighted to be confirmed as a Certified B Corporation. B Corp certification is a rigorous process, which addresses the entirety of a business' operations and covers five key impact areas of Governance, Workers, Community, Environment and Customers.

Our successful certification as a B Corp is recognition of our hard work around sustainability and regenerative thinking and will be an important part of our journey in the future.

We join an extensive worldwide community of like-minded organisations with shared values, and this development will help us communicate our story more effectively, inspiring future action as we work to deliver our vision of enriching life every day to secure the future.



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Many still view dairy production as a problem, yet we are more convinced than ever that regenerative milk production from grazed cows offers a unique opportunity to be part of the climate solution and make a major contribution to solving the nature crisis. It is not the cow; it is the how!

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# The Regenerative Farming Award Winners

JP Baird, Nether Affleck Farm, Lanark

JW Coulthard and Son, Brisco Hill, Longtown, Carlisle

D and C Murdoch, High Park, Coylton, Ayr

WS and A Winnington, Ranton Hall Farm, Stafford

Andrew Rees, Moor Farm, Haverfordwest - Recipient of the Chairman's Award

## Recognising success

This year we announced a new approach to member awards, with the launch of our Regenerative Farming Awards. Winners were announced immediately post year-end at our member meetings in April 2023. These awards are determined from a combination of a farm's regenerative farming plan scores, milk from forage percentage, milk quality parameters and antibiotic stewardship figures.

We also celebrated exceptional milk quality from our members, with our winner, WAC Gilbert and Sons from Leicestershire achieving a bactoscan average of just nine during the year, with a somatic cell count average of 55 – a fantastic result!

## Summary

The climate emergency becomes more obvious as each year passes, with drought conditions becoming more prevalent across much of the globe, and more extreme weather becoming the norm. We don't have a choice whether to act or not – it is a moral imperative and, at the same time, in our own interests if we are to survive and thrive.

Many still view dairy production as a problem, yet we are more convinced than ever that regenerative milk production from grazed cows offers a unique opportunity to be part of the climate solution and make a major contribution to solving the nature crisis. It is not the cow; it is the how!

We are making great progress and I would like to thank our members and colleagues for their support and commitment as we work to reduce our impact. But there is still so much more to achieve, from sourcing renewable energy across our business, to decarbonising our transport operations and continuing down the path towards truly regenerative milk production.

What is so encouraging is that we are building momentum across the business, among members, colleagues and those we interact with. Our external recognition through B Corp certification and, post year-end, with the King's Award for Sustainable Development, will only help us forward on this journey, as we work to enrich life every day and secure the future.

# How our sustainability activity matches the UN Sustainable Development Goals

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Whilst some of the UN Sustainable Development goals are not directly relevant to our business activity, our regenerative programme reflects the following:

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Zero Hunger – by promoting sustainable agriculture we are securing future food supply to meet the growing global demand arising from growing population numbers.



Good Health and Wellbeing – we are supporting mental health at work and in the community through our partnership with Mates in Mind.



Quality Education – by offering apprenticeships and personal development opportunities for colleagues, we are promoting lifelong learning and supporting the development of meaningful and rewarding careers. Our Next Generation programme is also supporting the development of young farmers, helping them become more resilient.

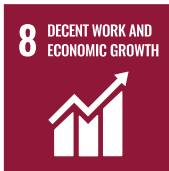


Gender equality - our Women in Agriculture and Women in Leadership programmes are supporting and encouraging women to get more involved in dairy farming businesses and in the governance and leadership of our cooperative. We also monitor gender pay to drive equality among colleagues.





Clean water and sanitation – our unique nutrient offset programmes at Haverfordwest and at our Lake District Creamery are helping protect the natural water supplies of Pembrokeshire and Cumbria.



Decent work and economic growth – our investment in recent years, as well as our commitment to securing a better future for our colleagues and our farmer members ensures that we'll deliver long-term prosperity and employment in rural areas.



Industry, innovation and infrastructure – we are investing to ensure that our food manufacturing facilities are resilient, energy and water efficient and meet the highest production standards. We are also supporting the Digital Dairy Chain project, supporting innovation across the supply chain.



Responsible consumption and production – we are working hard to reduce the environmental impact of dairy farming and milk processing, reducing the carbon footprint, energy and water use, eliminating food waste and reducing plastic use.



Climate action – our commitments see us make a bold commitment to achieving Net Zero by 2040 at the latest, with significant reductions in emissions from farm and processing activity before that.



Life on land – our commitment to rolling out regenerative agricultural action plans with all our members will ensure we protect and enhance the natural habitats in which we operate, promoting biodiversity.



Partnerships for the goals – we know that we can't make real progress on sustainability by working alone. That's why we are partnering with our farmer members, our suppliers and customers, and other industry contacts to drive our sustainability agenda further, faster.

# The Board

FOR THE YEAR ENDED 31 MARCH 2023



From left to right: Robert Craig, Angus Waugh, Frank Colhoun, Greg Jardine, Shelagh Hancock, Michael Fletcher, Michael Smith, Chris Thomas



**Robert Craig, FARMER DIRECTOR**

Robert is a partner in three dairy farms. He is past county chairman of Cumbria NFU and a Nuffield scholar. In 2012, he became chairman of Penrith & the Border Conservative Association and in 2013 he jointly won the Farmers Weekly Dairy Farmer of The Year Award. Robert is also a trustee of RABDF.

**Angus Waugh, GENERAL COUNSEL AND COMPANY SECRETARY**

Angus qualified as a solicitor in 1991 and worked first in private practice then in local government before becoming First Milk's general counsel and company secretary in 2004. In his role, Angus provides corporate governance, legal and secretariat support to the business and oversees the member capital structure.

**Frank Colhoun, NON-EXECUTIVE DIRECTOR**

Frank is an experienced finance professional having held Chief Financial Officer roles in multinational manufacturing and industrial businesses including Lafarge, Honeywell and Novar Plc. He is now the Chief Financial Officer of family-run property development and investment business, Surplus Property Solutions.

**Greg Jardine, CHIEF FINANCIAL OFFICER**

Greg joined First Milk in 2010 and held several senior management and executive roles in finance and commercial before being appointed as Chief Financial Officer and joining the Board in September 2017. Greg has more than 15 years dairy experience, having previously worked for Lactalis McLelland as Industrial Finance Director.

**Shelagh Hancock, CHIEF EXECUTIVE**

Shelagh has more than 30 years' experience in the food and agricultural supply sectors. Prior to joining First Milk as CEO in 2017 she held several senior executive positions in UK dairy food companies including at the farmer-owned co-operative Milk Link and Glanbia Foods and in a family-owned business, Medina Dairy. She originally trained as an animal nutritionist and worked for more than 10 years in the agricultural supply sector.

**Michael Fletcher, NON EXECUTIVE DIRECTOR**

Michael joined the First Milk board in 2021. He brings a wealth of senior commercial experience, having previously been Chief Executive at NISA and, before this, Chief Commercial Officer at Co-op Food. In addition, prior to joining the Co-op, he worked at Tesco in a number of senior director-level commercial roles, both in the UK, Europe and Asia.

**Mike Smith, FARMER DIRECTOR**

Mike farms in partnership with his brother, Peter, at Pelcomb Farm near Haverfordwest. The 650-acre farm runs a 450-cow autumn block calving herd. Mike has previously Chaired the Welsh Assembly Dairy Strategy Group and been a member of its Dairy Task Force.

**Chris Thomas, CHAIRMAN**

Chris Thomas became First Milk Chairman on 1 August, 2018. Chris has a strong track record of successful leadership in the food and dairy sectors, having held senior executive and non-executive positions across a range of businesses including Tulip UK, Adelle Foods, Bakkavor, St. Ivel, PepsiCo and Mars.

# Member Council


FOR THE YEAR ENDED 31 MARCH 2023



From left to right: Robert Young, James Macpherson, Sean Rickard, Andrew Smith, Louise Davies, Alan Trainer, David Walker, Peter Rees



**The Member Council oversees the Board to ensure the business acts in the best interest of its members, the planet and our people, whilst maintaining its co-operative principles. The Council also support communication between our farmers, the Board and Executive, ensuring members' views are represented. The Member Council consists of seven farmer members and an independent chair, Sean Rickard.**

An aerial photograph of a vast, lush green cornfield. In the foreground, a paved road runs horizontally across the frame, with a gravel shoulder and a small tree on the left. The background shows rolling green hills and scattered trees under a clear sky.

**“Here’s to another  
year of working  
together to enrich  
life every day to  
secure the future.”**



