

Business update By Shelagh Hancock, Chief Executive



The months pass by and the COVID-19 pandemic continues across the world. As lockdown eases here, following the reduction in infection rate, the pandemic's longer-term impact on the global economy is becoming more evident.

After an initial period of downturn, dairy markets have largely recovered during the last couple of months, with an encouraging uplift in early July, driven largely by the WMP price index. This has resulted in some stability in the market and a recovery of some farmgate prices that had fallen sharply during April and May. The market outlook remains less certain in the months ahead, however, as economies strive to recover from the pandemic. We face the potential for local and regional lockdowns impacting demand, particularly in the foodservice sector. Just to add to the complexity, we have the ongoing saga of Brexit negotiations and the lack of clarity remaining on the UK's trading position beyond December.

In such a time of uncertainty your co-operative has continued to perform well and to plan – a reflection of the commitment of the people working on your behalf in especially challenging circumstances. You will have received our latest annual report executive summary with the AGM papers, and this shows another year of progress as we deliver growth, investment and improved relative returns for you, our members.

You'll also have read of our acquisition of Lake District Biogas, situated on our creamery site at Aspatria. This important development safeguards the treatment of our effluent at LDC and offers environmental benefits through its large-scale anaerobic digester. There is work to do for this operation to perform as we want, but we are working with Future Biogas, an experienced AD plant operator, to drive this operation forward in the months ahead.

Despite the additional challenges of operating through the lockdown, our capital expenditure projects at both LDC and Haverfordwest remain on schedule and on budget, and we look forward to sharing more on these as they approach completion later in the year. This ongoing investment in our manufacturing sites helps grow capacity, improve operating efficiency and further enhance product quality. It is testament to our site colleagues, as well as the contractors involved, that we've not seen any material delays to these projects during the lockdown.

We are currently engaged in the government's consultation on contract regulations and developing our position with your elected representatives. While in favour of robust contracts, we mustn't allow them to restrict how co-operatives can operate to add value to farmer members. We'll be communicating more on this as the consultation continues.

We are delighted to announce this year's Responsible Farming Awards and encourage nominations showcasing your tremendous work in the three areas of Animals, Earth and People. These elements underpin the First4Milk initiative and the Pledge which so many of you have signed.

We are also announcing details of our 2020 charity activity. This year, we are supporting the Mental Health Foundation and I encourage you to become involved and help us to surpass our significant level of fundraising last year.

Finally, a reminder of our AGM on Thursday 6th August. Please do join us, we look forward to 'seeing' you.

First Milk
2020 Annual
General Meeting

Thursday 6th August 2020
at 11.30am

It's not too late to register for this year's AGM being held by video conference call.

To register and receive a link to join the meeting, contact the secretary at anguswaugh@firstmilk.co.uk or on 0141 847 6895.

Register
now



First4Milk Pledge

We are delighted over 85% of members have signed the First4Milk Pledge. This demonstrates to our customers that members are committed to farming in a way which helps promote dairy to consumers. This sign-up also enables us to respond positively to recent customer sustainability and responsible sourcing assessments. We're now developing plans to use the Pledge in partnership with customers to add greater value to their dairy products. By working together, we ensure our approach is aligned with the aim of extracting additional market value for Pledge-compliant members.

2020 Responsible Farming Awards

**Deadline for nominations
Friday 28th August 2020.**

The Responsible Farming Awards form part of the First4Milk initiative celebrating members demonstrating excellence in the three categories of Animals, Earth and People.



Animals: Members who demonstrate best practice, use of new technology, or extremely high levels of stockmanship, to help improve the care of their animals.



Earth: Members who farm efficiently and in harmony with the environment, such as enhancing habitats for wildlife, significantly reducing carbon emissions or protecting watercourses from pollution.



People: Nominees demonstrate leadership by investing in the training and development of their team, actively engage with their community and welcome visitors onto their farm or go out and promote dairy farming to others.

Chairman's award: An additional award made to the member demonstrating their professionalism and dedication to dairy farming.

Each category winner is awarded £500.

To make a nomination, please send a short summary (max 100 words) of the nominee's achievements to membershipteam@firstmilk.co.uk by **Friday 28th August 2020**. Members can nominate themselves or others. We also invite those from allied industries, e.g. consultants, feed suppliers, vets, to nominate a member.

Shortlisted nominees are visited by a member of the independent judging panel comprising representatives from the retail and agricultural industries.

Award winner performance us

Michael Williams embraced technology to improve herd performance and welfare. In winning the Animals category of the 2019 Responsible Farming Awards, he impressed the judge with his attention to detail and decision-making based on the data he generates.

Michael farms with his parents not far from Haverfordwest. His wife is a GP and they have three small children. Four years ago, Michael wanted to increase the herd size but, with a young family, achieving this goal was only going to be possible by employing more staff or increasing pressure on family labour. Neither was an attractive option, so they chose to install three robots. The intention is to average 50 cows per robot; the current herd size sitting at 140. That said, targets are set primarily around litres/robot – aiming for 2000l/robot/day – rather than the number of cows. They are all-year calving, averaging 18-20 dry cows at a time. Michael believes robots suit a family farm, giving greater flexibility. He's enjoying being more 'hands on' with the children and spent time home schooling during the pandemic.

Increased cow management

But the cows have benefitted too. Michael actually spends more time with the milking herd now but is able to focus on management not milking. Management is far more controlled. The milking cows are in one group of mixed lactation. The milking shed bedding is renewed daily and brushed down twice a day. Cow brushes in the shed also keep the cows cleaner. Michael has noticed the cows appear far more 'chilled', their main stimulants being appetite and the urge to milk. His viewing gallery above the shed gives an ideal vantage point for monitoring behaviour and health, e.g. lameness. The foot trimmer visits monthly, but the balance of his work has moved to trimming rather than treatment. Michael thought the cows' feet would wear quicker on the concrete floor compared to grass, but this isn't the case, possibly because they are walking less distance and not on farm tracks. "The farm's high rainfall means the cow tracks need constant repair," says Michael. "We encountered a lot of problems in the boundaries between the tracks and concrete."

Improved herd health

Antibiotic use has reduced by roughly 50% across the whole farm, with the greatest reduction in the calf shed. Before installing the robots, Michael's mother and father looked after the calves on top of milking. Now they can concentrate on the calves alone. As a

improves herd management technology

As a result of this closer management, antibiotic use in the calf shed has reduced by up to 60%. Michael is now working on dry cow therapy. Antibiotics are still required for mastitis, although incidence has reduced from 1-2 cases/month to about 4 cases/year, another positive noted by the Awards judge. Michael puts this down to the robotic system. Conductivity is measured per quarter, giving the first indication of mastitis before the cow shows any clinical signs. By recording each quarter separately, no quarter is over milked, helping to control incidence. Michael suspects hygiene practices are also better than when carried out by humans! "As well as sanitising the teats, the robots judge the optimum time for let-down more accurately, minimising the opportunity for infection," comments Michael. There is also a back flush of cold water through the milking line between cows. When mastitis does occur, it can be more severe. It's *e.coli* not *staphylococcus*, but Michael is trying to treat with NSAIDs and fluids rather than antibiotics. The results have been very positive, with better cure and recovery rates. The use of drenched fluids has been key to reducing antibiotic use and, in many cases, has resulted in better outcomes.

Average milking time is seven minutes at approximately 10 cows/hour and continues through the night. With the robots providing live, readily-available yield information per quarter, feed intakes are matched accordingly. Blood readings are also displayed via the robotic software giving opportunity to generate action lists around AI, PD and drying off. Cull cow decisions are now data-driven, based on yield vs feed. Michael feels they may have held on to cows too long previously. "The cows now leave earlier in a better condition and weighing more, so we're gaining a better price for them," he says. Barren cows average less than 20/year and are removed from the herd, Michael preferring to cull poor breeders or those with poor robot performance.

Forage management

Michael's increased use of technology has extended beyond milking sheds to improve the returns from his pastures. With a masters in Exploration Geology, this is an area of particular interest for him. By soil-sampling the farm he determines exactly what needs to be applied where and has used less fertiliser as a result. In their west Wales location, spring can be cold and wet, and autumn is wet, so grazing is not an easy option. By housing the cattle and taking multiple silage cuts every 30-32 days from mid-May, there are more opportunities to spread slurry during the summer increasing both soil quality and kg DM.

Because the robotic system uses less water for washing down, the slurry is more concentrated, dropping into a lagoon by an auto-scraper every two hours. "Fertility used to dip in spring due to a change in diet and cold temperatures at turnout and was similar in autumn. Using a fixed ration has made this much easier to manage," explains Michael.



First4Milk Pledge

Most recently, Michael has added an automated grazing gate to his use of technology. He was keen to sign up to the First4Milk Pledge, but using a fully housed system, giving adequate access to pasture was a potential barrier. In these early stages, the grazing gate allows cows to leave the shed 7am – 7pm. Once fully established, it will give 24-hour access. It's set up so milked cows can leave, whereas cows with a milking permission are turned back until they've milked. So far it seems the same cows go out each day. Those choosing to stay inside tend to be the older cows, preferring to return to cubicles after milking. Even when Michael has sent them out, they return to the shed – ultimately the cows choose. "The cows have adapted to the new access to pasture well. It's exciting to see the younger cows and heifers entering the herd and using the gate successfully so quickly. We hope next year the cows will have full 24hr access and become truly free ranging," concludes Michael.



2020 First Milk Charity: Mental Health Foundation



This year, First Milk's charity is the Mental Health Foundation, the UK's leading charity for mental health. "With prevention at the heart of what we do, we aim to find and address the sources of mental health problems so that people and communities can thrive."

Having raised in excess of £10,000 for Alzheimer's Society and Alzheimer Scotland last year, we're keen to continue our impressive fundraising efforts in 2020 for mental health. Last summer groups of staff, members, friends and families climbed the three highest peaks in the UK. We're now aiming even higher - for the top of the world!

Over two weeks, we're asking First Milk members, staff and their families to walk/bike/run/swim collectively the equivalent distance of head office in Glasgow to Mt Everest, via the Lake District and Haverfordwest Creameries - a total of 5238 miles!

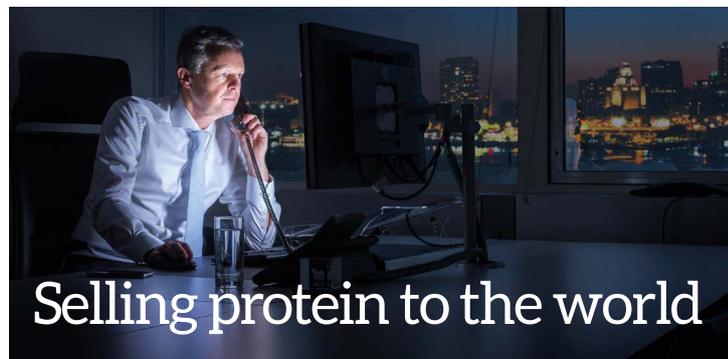
The challenge allows for social distancing and minimises travel, enabling everyone to participate individually or in small groups in their local area. Every step counts whether walking/cycling/running/swimming around your farm or further afield. If 200 people take part, that's under 2 miles per person every day for a fortnight.



Mileage can be tracked on an app (Strava or similar) or submitted manually and we'll aggregate the total distance. We'd like participants to be sponsored, aiming to beat the 2019 total.

The 'Top of the World' challenge is running for two weeks from Saturday 26th September, finishing on World Mental Health Day on Saturday 10th October.

For more information contact the Membership Team on **0141 847 6800** or **membershipteam@firstmilk.co.uk**



Selling protein to the world

First Milk became the sole owner of the whey protein concentrate manufacturing facilities at LDC in July 2019. At that time, we entered into a new sales and distribution partnership with Havero Hoogwegt, global specialist in dairy proteins. A year on, we hear from Freek-Jan van der Puijl, Havero Hoogwegt MD, about the current market for high-quality whey products and how Havero Hoogwegt works to maximise the market for First Milk's WPC80.

"Prior to this partnership, First Milk had proved a solid and transparent long-term partner for Hoogwegt Cheese. Security of supply is becoming increasingly important to the Havero business strategy, so when this opportunity in value-added proteins arose, we were very keen to work with First Milk.

"Havero sells First Milk's WPC80 to approximately 20 regular customers in the UK and Ireland, Southern and Eastern Europe and the Balkan region. More recently, we have customers further afield in India. Most of these customers are in the performance, health and nutrition industries.

"We have been seeing clear differences across the various sales channels during the current pandemic. Customers working through shops and gyms faced severe reductions in their activities but are now slowly returning to the marketplace. We have tried to support these customers by postponing existing delivery contracts. In contrast, internet sales have boomed with customers asking for quicker delivery and booking new spot business. So, it is a differentiated picture."

First Milk Commercial Director, Fraser Brown, adds, "Our partnership with Havero has developed over the year and we look forward to working closely together on new markets and opportunities."

WPC80 Process



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