



## Introduction By Shelagh Hancock, Chief Executive



When I last wrote we were waiting to see if we would secure a Brexit trade deal. As we know, agreement was reached, and we avoided the disruption of a no-deal situation. This was good news, of course, although it's far from frictionless and no doubt will continue to cause some disruption at the borders for a while. Thankfully, the contingency arrangements we put in place beforehand means there has been no interruption to our growing export sales.

Of course, the other trial still facing us is the ongoing COVID-19 pandemic. It is hard to believe it's almost 12 months since the first lockdown, and we know current circumstances continue to be challenging and wearing for all.

To protect each other and your business, we continue to focus on rigorous COVID-secure practices. It is thanks to this approach, the commitment of our team and the rural location of our creameries, we continue to see little impact on day-to-day business operations. For this, we are most grateful.

As we head into spring with the government's roadmap for lifting lockdown restrictions and the vaccination

programme rolling out, we hope life can start returning to normal. We cannot afford to relax, however, and will continue to do all we can to protect each other and the smooth operation of your business for as long as necessary.

Looking beyond Brexit and COVID, we are rapidly heading towards the end of another financial year and our thoughts are very much focused on the future. As communicated previously, we have embarked on a major capital investment programme at Lake District Creamery which, combined with ongoing investment at Haverfordwest Creamery, continues to increase our production capacity and further improve operational efficiency. In addition, the changes we are making help support our award-winning product quality and consistency, while also reducing energy and water use. These are important steps in the development of First Milk and help us meet the growing demand from customers.

This is just part of our focus for the year ahead. We continue to strengthen and develop our partnerships with customers to focus on delivering what is important to them, making us indispensable. We are also using technology to help us work

more efficiently, particularly now our head office staff are largely home-based.

Yet our success won't only come from looking inwards at our own business. The world is changing fast and we must adapt. The global pandemic has heightened the focus on sustainability and climate change. We are entering a new era of conscious consumption, where consumers actively choose brands and products enhancing the planet, doing the right thing, and demonstrating a commitment towards net zero carbon.

We are already seeing significant changes in other sectors. For example, General Motors announced it will be carbon neutral by 2040 and only make electric vehicles from 2035, while Jaguar announced it will become an all-electric brand by 2025. Dairy is as much in the spotlight as the car industry when it comes to carbon, so we must play our part in this area to protect our industry for the long-term. There are opportunities ahead if we think differently in terms of sustainability, and we'll have more to share on this at our member meetings in March.

Until then, stay safe and I look forward to catching up with you at our virtual meetings next month.

### Dates for your diary: March member meetings

Due to the ongoing situation, the upcoming member meetings are, once again, being held virtually via a Microsoft Teams Live event. Joining instructions to follow via email.

Date	Time
Tuesday 23rd March	7.30pm
Wednesday 24th March	7.30pm
Thursday 25th March	12 noon



# Encouraging every-other-day capacity to improve the efficiency of milk collections

First Milk is rightly proud of its environmental credentials, but there is always more we can do. Ex-farm milk haulage is one area where further improvements can be made.

Almost 300 members currently require daily collections at some point in the year. These increased collections incur extra costs associated with the tankers, sample handling and consumables. But with larger farm collection vehicles now commonplace, long-term efficiency and sustainability gains can be made for members and First Milk if most members have capacity for every-other-day collections.

Following consultation with your member council, and through farmhouse meetings, we are announcing changes to take effect from **1st April 2022**. We will require members to have every-other-day capacity or a charge of £40 will be levied for each extra collection due to lack of capacity. Currently, a charge of £10 is levied on extra collections where a member supplies less than 3,500 litres a day. From the same date, this cap rises to 14,000 litres per day. Member feedback confirmed these changes to be the fairest and most transparent method of moving more of our milk supply to every-other-day collection.

There are advantages for members through lower costs associated with cooling and cleaning bulk tanks, and reduced wear and tear on farm lanes and yards. For First Milk, this change allows our hauliers to maximise efficiencies of milk collections. In time, this reduces our cost to serve and delivers greater returns to your business. Carbon emissions will also reduce,

improving the long-term sustainability of our business, operations and supply chains.

The Membership Team is working on ways to support members preparing for these changes and further details will be sent in the near future.

## Every collection testing

A milk sample is taken for every collection, with NML testing a random selection for payment and monitoring purposes. Some members pay NML to have all samples tested, feeling changes in milk quality are detected sooner, allowing quicker management decisions.

Following discussions with council and members over the last 12 months, and widespread agreement, we will test all available samples from **1st April 2021**. We will also use these results for payment purposes. It is the right time to change, with the move to graduated bactoscan and somatic cell count payments. It also coincides with all members moving across to our manufacturing schedule.

This increased testing inevitably incurs greater cost, so the current flat rate charge of £50 will increase to £65 per month. Again, this is the fairest and most appropriate way to itemise costs incurred as sample and testing costs are fixed regardless of milk volume.

This increased testing allows First Milk to budget more accurately and highlight any significant changes to milk quality in a timelier manner.

For more information about these changes, please contact your local Council Member or Area Manager.

### Every-other-day collections (EODC)

- From **1st April 2022** (12 months' notice)
- EODC profile to become the norm
- £40/extra collection if EODC capacity not provided

### Every collection milk quality testing

- From **1st April 2021**

- Milk quality testing on every sample
- All results contribute to payment averages
- Easier to track quality changes and take action
- Complements graduated bactoscan and somatic cell count change
- All members move onto manufacturing schedule
- Flat rate charge increasing to £65/month

# Becoming indispensable to customers

First Milk's Commercial Manager, Chris Eyers, is 'all things milk' when it comes to securing business for liquid milk through strong customer relationships.



Chris Eyers has been with First Milk for over 20 years, starting in the milk distribution team before becoming more directly involved with customers. He maintains a wide variety of customer accounts as well as exploring new business opportunities, buying and selling to achieve the best financial and sustainable returns.

Not surprisingly, he has regular contact with First Milk customers, building relationships, dealing with any issues and finding solutions. Over the years, he's found price is not always the number one priority: "Building and demonstrating trust is a vital part of our relationships with customers. Learning about what matters to them is critical. More often than not, a secure and reliable supply of product with dependable service is as important as a competitive price. Everyone is busy and customers want a dependable supplier. We aim to be indispensable to them.

"The pandemic has demonstrated the great service we can provide when customer requirements have been extremely volatile. The important role our production sites and supply chain team play in dealing with the fluctuations is never lost on me."

One small but growing area of demand for liquid milk is from paneer manufacturers. A traditional cheese made in the Indian subcontinent, it's popular here too, and gaining recognition as a meat alternative. First Milk's paneer customers are largely Midlands-based, fitting well with our Midlands milkfield. First Milk now supplies the majority of UK paneer manufacturers, winning new business through recommendations from existing customers.

Chris' commercial expertise isn't limited to liquid milk though. He now deals increasingly with the cream produced by the First Milk creameries. Cream comes in two forms – sweet cream and whey cream. Sweet cream goes predominantly to Castle Dairies in Caerphilly, for the manufacture of butter. Whey cream may also go into butter but also sold into the butter oil and ghee markets. Chris' role is to seek better value for cream in these markets, maximising returns and building partnerships with customers for long-term supply.



*"The pandemic has demonstrated the great service we can provide when customer requirements have been extremely volatile. The important role our production sites and supply chain team play in dealing with the fluctuations is never lost on me."*

*Chris Eyers, First Milk Commercial Manager*

He is also involved with selling cheese which isn't supplied to our major partners but traded in wider markets. These markets are largely foodservice oriented, bringing added pressure for Chris this year with so many outlets being closed. "We work with a network of partners and customers to find the best value for all our products," says Chris.

A recent change for Chris is the increase in conversations about the sustainability of First Milk's supply chain. "We're certainly seeing traction from customers, particularly those supplying the major retailers," comments Chris. "Customers are responding positively to the First4Milk Pledge and how it can help their business. Sustainability and responsible sourcing are becoming key ingredients of a successful supply relationship."

# Council Chat

This column brings you the latest Member Council news and updates on the work being done on your behalf by your elected members.

The work of Council takes many forms. This includes the more obvious governance, business monitoring and communication with members, but another important role is the development of new strategies and systems to improve First Milk for and with its members.

In last month's newsletter we mentioned how Council is involved in developing plans to demonstrate First Milk can be part of the climate solution. This newsletter details changes to the payment system to encourage members to accommodate milk collections every other day. Council was heavily involved in this process. Firstly, by evaluating the need and then by determining the fairest way to encourage investment in new capacity. A Member Council sub-group was established to work with First Milk's Membership team to investigate the current situation. This identified the significantly higher costs of collecting milk on a daily basis. These costs are, in turn, borne by all members and the current system does not offer any incentive for members to change. The group considered the several options taken to farmhouse meetings to gain input from members. Guided by this feedback, the group recommended changes to the full council which have now been adopted by the board. These are the changes announced in this newsletter.



One member of the working group, Scott Calderwood, commented: "It was clear we needed to offer further incentives for every other day collection in order for the business to continue making financial savings in haulage costs as well as environmental gains. We looked at many options and recommended the fairest method to facilitate the required change. Our proposal also included members should be given sufficient notice to make the changes, as well as the necessary support and guidance."

Another member of the group, Jess Mills, added "It is great to have working groups looking in more detail at specific areas impacting members. It also shows the importance of the farmhouse meetings which allow members to have their say in important decisions."

If you would like to discuss these changes or any matters, do not hesitate to contact your Council member.

## Farmer Director selection

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

This year, vice-chair Robert Craig is due to retire by rotation. Accordingly, we are inviting nominations for members to become farmer directors. Members can nominate themselves or be nominated by another member. Robert Craig is standing again.

The farmer director selection process is overseen by the Nominations Committee comprising the chair of the First Milk Nomination and Remuneration Committee, Carl Ravenhall, farmer director, Mike Smith, and Council members, Jess Mills and David Walker.

The deadline for nominations is Tuesday 6th April 2021. Nomination forms, which must be countersigned by 10 other members supporting the nomination, are available from First Milk company secretary, Angus Waugh, [anguswaugh@firstmilk.co.uk](mailto:anguswaugh@firstmilk.co.uk).

To discuss becoming a farmer director, please contact Carl Ravenhall at [carlravenhall@firstmilk.co.uk](mailto:carlravenhall@firstmilk.co.uk)

Date	Election timetable
6th April	Deadline for nominations
April	Completion of questionnaires, interviews and eligibility assessment by Nomination Committee
4th/5th May	Presentation to Council by candidates; Council feedback to the Nomination Committee
27th May	Nomination Committee recommendation to board; Board selection decision
24th June	Successful candidate attends board meeting
5th August	Members asked to ratify appointment at AGM



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