



## Introduction By Shelagh Hancock, Chief Executive



**What a challenging spring this is turning out to be with such a wet May after a cold, dry April. Very different from the weather we saw last year. And on top of rising input costs on farm, I'm sure these haven't been the easiest of conditions for members.**

Market demand continues to be strong and the outlook for dairy markets remains positive. As a result, we are delighted to have delivered three months of consecutive increases and will continue to do all we can to maximise returns.

Within the business, we are finalising our accounts for the last financial year. The annual report will be out in July which will contain a full update on the events of last year and the business performance. We are already through one month of the new financial year and it has started well despite inflationary cost pressures as reported across the wider market. Thankfully, we are beginning to see COVID restrictions being eased, good progress in the vaccination rollout and a wider opening of the retail and foodservice

sectors. We are still mindful though of strict adherence to all necessary policies and procedures.

As reported at our spring meetings, this financial year is going to be one of significant investment in the Lake District Creamery and continued capital expenditure at Haverfordwest. This reflects our operational focus on delivering continuous improvements in operational efficiency, product quality and sustainability, and unlocking additional capacity at both sites. This focus also includes work to develop our people capability and use of technology to work smarter.

Our other business priorities this year centre around a commercial emphasis on capturing greater value and being indispensable to our customers and partners, as well as becoming a leader on sustainability.

Since launching our Net Zero and soil carbon programmes programmes we've received considerable interest and

support from customers. As reported previously, the soil analysis work being done with Agricarbon is a pioneering project which will enable us to build a scientifically-robust baseline dataset on soil carbon levels. This will allow us to accurately determine the effectiveness of regenerative practices in capturing additional soil carbon over time.

Our recent YouGov survey results underline the importance of building momentum in this area. With a third of consumers taking environmental factors into account when choosing food, this is about securing market access for the future and leveraging value where possible.

By leading in this area, we will strengthen customer and partner relationships and help safeguard the future. We greatly appreciate the support we're seeing from members with this and look forward to the upcoming regenerative farming workshops being held to help you continue developing these practices.

# Regenerative farming workshops



First Milk believes the dairy industry is part of the climate change solution and the ability of members to contribute is underlined by the successful rollout of the First4Milk Pledge. The announcement earlier in the year of our intention to reach net zero by 2040 further cements First Milk's position in this area.

As well as working to reduce carbon emissions, we know First Milk members have an opportunity to sequester large amounts of carbon on farm by enhancing soil health. Within our net zero pledge, we have committed to working with our members to sequester 100,000 tonnes of CO<sub>2</sub>e per annum by 2025. These are very important commitments and have been received positively by members and customers alike.

They will be achieved in part by implementing regenerative farming action plans. As reported in the March newsletter, First Milk is working with the Farm Carbon Toolkit to help members adopt more regenerative farming methods. We know grass-based dairy farming already incorporates many positive and regenerative practices. We are building on these and offering further support to improve the health of soils, animals and the environment.

So, this July we are hosting a nationwide series of 'live' on-farm workshops. At long last we can meet face to face with members and look forward to catching up

with you again. We can discuss and demonstrate how regenerative farming principles can play a key role in helping us deliver dairy prosperity together.

The workshops are being run by a combination of Farm Carbon Toolkit team members, First Milk staff and other soil experts. Further details of times and venues to follow. If you are unable to attend, we will be arranging further workshops, with details to follow. For more information about these and alternative meetings, please contact your Area Manager.

July dates	Location
Monday 5th	West Wales
Tuesday 6th	West Wales
Wednesday 7th	West Wales
Monday 12th	Ashbourne
Thursday 15th	Penrith
Tuesday 20th	Wigton
Wednesday 21st	Dumfries
Thursday 22nd	Girvan
Tuesday 27th	Campbeltown
Wednesday 28th	Ayrshire
Thursday 29th	Lanarkshire

## Consumer views on climate change

A YouGov consumer omnibus survey conducted on behalf of First Milk showed three-quarters (76%) of consumers are concerned about climate change, with almost one-third (29%) taking environmental factors into account when choosing food.

A third (33%) felt the production of dairy foods significantly contributes to climate change, with almost half (46%) feeling the same about rearing animals for meat consumption. Over a third (37%) also believes food waste significantly contributes to climate change.

When it came to dairy consumption, 94% UK adults said they bought dairy products for themselves or others, although this figure declined to 78% in 18-24-year-olds.

# Looking forward more and back less

Phil Holland joined First Milk in January 2020 bringing invaluable experience to his role of Senior Finance Business Partner. Two 10-year appointments in the spirits industry, with Diageo and Bacardi, was followed by ten years as Head of Operations Finance at Müller. In this role, Phil supported the company in turning around its profitability, equipping him perfectly for his position at First Milk.



Phil is a native Glaswegian with three adult children and a Red Fox Labrador, called Macy. His two daughters, Keira and Stephanie, are cheerleaders and have represented Scotland at the World Championships in Florida. His son, Lewis, plays amateur football, and all three keep their father on his toes at the local gym. Any other free time is spent on long walks with his "shadow" Macy who follows him everywhere. Phil's wife is a nurse at Glasgow's newest hospital, the Queen Elizabeth University Hospital, in Govan. Last year, Phil became one of First Milk's accredited Mental Health First Aiders.

Supporting Chief Financial Officer, Greg Jardine, Phil is looking at where the business can drive further value with increased efficiencies and added value through the supply chain. His teams work across the business units from operations, membership and supply chain to commercial, finding ways to increase margins and ultimately farmer returns. For example, the operational finance team, led by Susan McColm, supported increased margins through yield improvement in the last financial year, ie. producing more cheese from the same amount of milk.

Phil comments: "The business constantly evaluates how it can add value to maximise farmer returns both in the short and longer term. We're doing this through investment in infrastructure, new product development and building relationships with our major customers."

And this, Phil says, requires a focus on the future: "Forecasting is critical. We need to understand what the future will be across the medium to long term, including a look at our competitors. Seeing beyond the immediate budget plan enables us to manage cash well and invest intelligently, while in the short term we can see what the numbers are telling us more clearly. We are looking forward more and back less."

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*Phil Holland, Senior Finance Business Partner*

The development and use of smarter business intelligence tools are primary objectives for First Milk. Improvements to the processes used make business insights less labour-intensive while offering greater efficiencies and support to other parts of the company. "We will be more agile, being able to provide management information quicker and with the ability to undertake sensitivity analysis," explains Phil.

More than three-quarters of UK adults said they'd prefer to buy milk and dairy products guaranteed to come from cows with access to pasture/the outdoors (78%), with almost two-thirds (63%) saying they are concerned about the welfare of UK dairy cows.

Commenting on the results, First Milk's Sustainability Director, Mark Brooking, said: "This survey reinforces consumer concerns about climate change and a growing level of interest in dairy production systems. Our First4Milk initiative and the overwhelming support of our members put First Milk in a good position to become leaders in sustainable milk production."

# Council Chat



In this month's Council Chat we catch up with Council members, Louise Davies and David Walker, and hear about their work on Council and views on the future. Both describe the regular meetings with the board and First Milk team as opportunities to be updated on the business and discuss current issues and future plans. Additional working groups allow Council to consider specific areas in more detail, such as milk pricing, EODC, animal welfare, carbon sequestration and, latterly, capital structure.

## Louise Davies

I farm alongside my husband on his family farm, and my role on Council is flexible enough for me to do both. I have enjoyed learning more about the business and being part of the bigger picture. It is also good to do something off the farm and meet new people to gain different perspectives. I enjoy representing members and giving them a voice within the business's decision-making process, reflecting what a co-operative is all about.



An indispensable part of the role is being a line of communication between members and the business, done formally through farmhouse meetings but also through contact with members at any time. I think this clear line of communication is where members gain most from Council. It gives them confidence to know there are those in the same position working in the best interests of both members and the business.

I've been surprised how much I'm enjoying my time on Council! I was apprehensive about applying for the role but, like all members, I have a vested interest in First Milk's future and decided it was an opportunity to do something positive.

I feel First Milk is in one of the strongest positions I have known it to be in and has a great team working to ensure that continues. I hope Council can continue to assist the business to drive efficiency, build on its strengths and explore future opportunities, while remaining transparent to its members.

I hope once COVID restrictions are lifted I have more opportunity to meet members and gain their views on First Milk's future, while playing my part in its development and success.

## David Walker

I was first attracted to Council as I felt the north of England, and especially Cumbria, needed representation at this level. My role as a council member is to bridge the gap between farmer members and the First Milk board. I am in my second term now and enjoy the challenges both the board and you, the members, set us.



Meeting up and chatting with members, both local and from other parts of the milk field, is what I like most about being on Council. The farmhouse and spring/autumn meetings have also helped develop my own personal skills which in turn helps me relay how and why decisions are made and respond to members' comments or concerns.

Looking ahead I only hope we, as your elected council reps, ensure the board keeps their feet firmly on the ground while striving to achieve a competitive milk price and making our products indispensable to our customers.

## #WorldMilkDay Tuesday 1st June

This is an annual global event celebrating the importance of milk and dairy foods. This year's theme focuses on sustainability in the dairy sector with messages around the environment, nutrition and socioeconomics.

It would be great to feature your photos and videos of how you are working to create a low-carbon future for dairy. Please share on social media or send to your local Area Manager and we'll share them for you.

#EnjoyDairy #WeAreFirstMilk



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