



## Member meetings summary

Thank you to everyone who joined us at our first face-to-face meetings since the start of the pandemic and to those connecting with us online. Across both types of meetings, there was a great turnout and useful discussion. For those unable to join us, and a recap for those who did, here is a meeting summary.



By Shelagh Hancock,  
Chief Executive

Since the easing of lockdown there has been an exceptional level of demand causing disruption throughout the supply chain. This is occurring concurrently with a shortage of labour, materials and products, accompanied by rising prices and high levels of inflation creating the perfect storm. Inflation is directly impacting the business, so we are working hard to find ways to mitigate it and protect ourselves from rising costs as well as seeking to secure price increases from the market.

We are painfully aware the same challenges are affecting you, our members, on farm, potentially impacting future milk supply. We are doing all we can to lessen this for you and have announced a 1ppl milk price rise for December, mindful this is a step in the right direction rather than the total solution.

As well as rising costs, dairy farming continued under the spotlight in the run up to the recent COP26 conference. Consumers are increasingly demanding products with greener credentials, Government policy is moving towards environmental protection and the calls for reduced consumption of meat and dairy continue. Dairy farmers therefore remain under attack, with the recently published RABI 'Big Farming' survey suggesting it's taking its toll on farmer wellbeing. We need to come together to change the narrative.

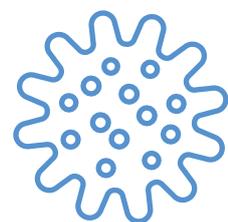
While it is tough going at the moment, it's good to keep in mind the progress made over the past few years. The business today is more stable and delivering better value. Each year we continue to build our financial resilience and can confirm that the member premium will remain at 0.5ppl from April 2022.



Stability and value



Building longer  
term financial  
resilience



COVID 19

# Finance



By Greg Jardine,  
Chief Financial Officer

Our customers are also experiencing the same challenges, so we are working to strengthen our relationships with them, becoming more indispensable to them.

Post-Brexit, our export business is more solid. Although haulage costs are greater and paperwork more complicated, our sales this year have further increased by about 15%. We are fully aligned with Nestlé's sustainability agenda and have been working closely with them to help decarbonise the supply chain.

We continue to manage Covid risks day-to-day at the sites, keeping staff safe. Despite this, site utilisation has been exceptional this year, with a record production level. We have also embarked on a significant training programme developing our people skills and simplifying processes.

This year's capital expenditure is the largest ever at over £14m, up from £7m in FY21.

In terms of the financials, we've seen sales growth through both volume and value. While profits are forecast to be down YOY, we do continue to deliver profitable growth.

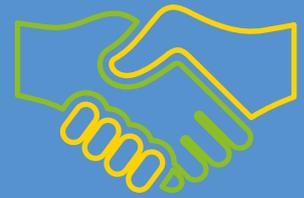
***"Continuing to generate profitable growth, investing in our assets at sites ahead of our depreciation costs and paying down the pension deficits means the strength of the balance sheet continues to grow. Net assets in the business will increase to over £40m this year."***

*Greg Jardine*

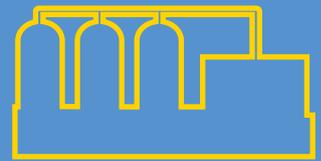
Despite being impacted by the inflationary increases, we have lifted the milk price 3ppl through five price increases to members this year, representing £25m more being paid out annually for milk.

The significant capital expenditure spend will lead to an increase in our bank borrowings as planned. We're funding this expenditure partly through operating profits and the cash generated and partly through our extended banking facility.

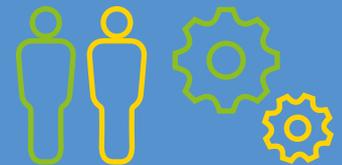
Continuing to generate profitable growth, investing in our assets at sites ahead of our depreciation costs and paying down the pension deficits means the strength of the balance sheet continues to grow. Net assets in the business will increase to over £40m this year.



**Be indispensable to our customers and partners**



**Demand led growth**



**People & process**



**Capital projects**

# Membership update

The latest member survey has given good feedback on future intentions and attitudes. Member sentiment is improving YOY, average herd size is increasing and First Milk is growing its share of the national milk supply. More members have a successor in place and plan to still be milking in three years' time. Composition and hygiene quality both continue to increase with better monitoring, factors of importance to our customers.



**62%**  
plan to be milking  
in 3 years



**68%**  
have successors

Current projects include Agricarbon soil sampling to a depth of 1m, measuring soil carbon in tonnes/hectare, enabling our regenerative approach to be based on sound science and maintain credibility with our customers. Another innovative piece of work is the Genocells project allowing one single bulk sample to be used to ascertain individual cell counts after genotyping the cows. It enables simpler cell count monitoring for members and offers the opportunity for improved efficiency.



**Pilot project  
processing well**



**Genocells  
project  
innovation**

# Leading on sustainability

We must move forward, look to the future and continue to grow in a sustainable way. Taking the lead on sustainability is so important for us to secure our markets in the future. We are one of the first dairy companies in UK to set a net zero target and adopt a regenerative farming approach to help us achieve our goal. Importantly, it builds on your current practices in terms of grazing and managing the land. A really important step is for us to gain recognition of how regenerative farming practices capture carbon in the soil and that's why we have invested in Agricarbon. It's all about working together to regenerate the earth every day to enrich lives and nourish future generations. It is a time of opportunity if you're willing to embrace the change and adapt to them.

Our relationships with customers are stronger than ever - they want the long-term security of supply we can provide. The investment being made at the sites gives us operational resilience, making us more efficient and the platform for further growth.

It's also time for us to tell our story and talk positively about who we are and what we do; how we can be part of the solution and not the problem. Our First4Milk programme activities, adopting regenerative practices and driving towards our net zero target all strengthen the business and make us more indispensable to our customers.

Regenerative farming goes beyond sustainability. There's no pass or fail and it's a continuum. The regenerative farming plans you provide will help us demonstrate how we will reach the target to sequester 100,000t of CO<sub>2</sub>e in soil each year by 2025. This all helps us tell the story about the quality of First Milk farms and the work already being done, demonstrating dairy farming and particularly First Milk farms, are part of the climate change solution.

To support this initiative, we are pleased to announce a **new regenerative farming bonus of 0.5ppl payable from April 2022**. To receive the 0.5ppl bonus, plans must be completed by the end of March 2022.



**Be a leader in  
sustainability**



**Net zero by 2040**



**Grow and prosper**



**Target to sequester  
100,000t  
of carbon in soil each  
year by 2025**

# Regenerative Farming Bonus: What is it?

The Regenerative Farming Bonus is payable from 1 April 2022 to members who have completed an online Regenerative Farming Plan by 31 March 2022. The foundation of the plan is your own digital farm maps we can access via your government agency (with your permission).

These maps will be visible on the First4Milk website. We will ask you to input your current cropping along with other information about each field. This will include details of hedges, watercourses and management practices, selected from drop down boxes as appropriate.

To qualify for the Regenerative Farming Bonus, we're asking each member to submit a plan with at least one intervention from each of the five regenerative farming principles (below) along with the base data in full.



There is also the requirement to enter soil analyses for three fields, including soil organic matter. To help do this, we are providing three soil tests free of charge. You can choose to use this service or results you have already. Results from the free soil tests will be uploaded automatically.

The membership team is on hand to help you navigate the process. Further details about how you give permission to access your maps, complete your plan and undertake your soil analysis will be circulated soon. Your support for this initiative is really important and essential if we are to demonstrate how First Milk and its members can be part of the climate solution.

## First Milk members embrace new technology to transform herd management **NMR**

First Milk members have helped develop, and are the first British farmers to use, an innovative service from NMR set to transform herd management. The new 'Genocells' technology provides individual cow somatic cell counts (SCC) from a **single herd bulk milk sample** using genomic data.

It allows farmers to improve cow health and welfare by taking a fast and targeted approach to treating individual cows.

Managing the project, First Milk's Toni Bruce comments: "Our objective was to assess whether Genocells technology could provide accurate SCC results, aiding decisions on selective dry cow therapy, reducing antibiotic use and improving herd welfare. We are now confident in its reliability and see this ground-breaking technology opening the door

to individual cow SCC data without having to take individual samples."

Matt Tinney, a member involved in the trial, says: "We have considered milk recording in the past but didn't know if the hassle and cost would be justifiable. We managed cell counts through ad-hoc testing, which is always a bit of a guessing game! But we are so pleased we took part. The monthly testing is very straightforward with the data enabling us to target and deal with those chronic sub-clinical cows, bringing our herd cell counts down to below 100 for the first time."

The service is now available exclusively to First Milk members. Please contact your Area Manager for further details.



Telephone: 0141 847 6800

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