



**MILK SUPPLIERS  
ASSOCIATION**

**2018/19 AGM**

# Chairman's report – the market

- 2017/18 – another challenging year
- Retailer competition intensifies, they remain locked in a destructive battle for market share
- The driving strategy for all is to buy for less
- They remorselessly leverage their supply change to maintain margin
- The recent merger of Asda and Sainsbury and announcement that it will lead to a 10% reduction in cost for consumers does not bode well
- Tesco and Carrefour have also recently announced a procurement partnership
- The giants do not sleep, they get larger and hungrier



# Chairman's report - culture

- This culture drives the processor on exactly the same path – reduce cost, manage margin and mitigate risk
- In terms of manufacturing this means:
  - Increase output to decrease overhead cost
  - Improve the quality of what is sold but do it in less time
  - Reduce waste and increase efficiency
  - FIND A USP – BE DIFFERENT
  - Bluntly put: Bend over backwards to keep your contracts
  - If you don't, others will



# Chairman's report – the farm

- It is equally if not more difficult on farm
- Increase output, reduce costs and conform to ever higher standards
- Then add the weather – a defining challenge in 2018:
  - Late and very wet spring
  - Dry hot summer
- This has increased COP, reduced winter forage and will cause problems later in the year



# Chairman's report – MSA work

- Our aim is to add value for members
- We meet/conference call every month
- The topics discussed encompass:
  - Group volume in relation to factory demand
  - Expansion plans and new starts
  - Price, in particular quarterly pricing
  - Better ways to price milk and reduce volatility
  - New ways to validate the market and our price



# Chairman's report – MSA work

- Reduce the burden of industry initiatives, e.g. Johnnes, antibiotics
- Understand and communicate the importance of such programs
- Meet and greet retail customers to secure and retain custom
- Work on new ways to demonstrate the value of working with MSA and why our members need and deserve a premium milk price
- Dealing with a steady stream of complaints about fluctuating bactoscan results
- Highlighting the need to find more reliable sampling – 40% of rogue samples were linked to 4 drivers
- Discussing EODC and the need to make the proposal more equitable – the current plan is poor business



# Lactalis Antibiotic Project

- Involves Benchmarking and meeting/on-farm Workshops (7) on Reducing AB Use
- Participation strongly encouraged
- Represents Lactalis investment which MSA support
- Voluntary engagement gives positive message to customers and consumers and reduces the push for more rigid, mandatory rules whilst delivering industry targets
- Practical focus to promote ideas and solutions to reduce AB use with associated cost savings whilst not compromising health and welfare
- Individual data all confidential
- If not already done so, please return consent forms to Derek / Judith at FMC and confirm attendance for your local workshop.

# Chairman's report – MSA work

- As committee we have also:
  - Developed a new 5 year strategy – discussed later
  - Continued the work on KTIF – more later
  - Developed a member value statement – more later
  - Continued to build reputation within the industry that allows MSA to:
    - ✓ Have influence at a national level on Government and Industry policy
    - ✓ Ensure that we are first in line for any grant aid and self help schemes that come along





# Chairman's report - summary

- We continue to adapt
- We continue to build knowledge
- We continue to refresh and maintain our focus on delivering value in what has been and continues to be a challenging year

**Thank you for your continued support**



# Subscription fees 2018/19





<b>MSA 2018/19 Budget</b>			
<b>Income</b>		Litres	Levy
<b>Levy</b>	<b>63,000</b>	210,000,000	0.0003
<b>Expenditure</b>		<b>Per member</b>	
Consultants and travel	10,000	76	
Secretarial and travel	18,000	137	
Legal fees	7,500	57	
Training/conference	2,000	15	
Steering Committee travel	1,900	15	
Postage & stationary	800	6	
Member meetings	2,000	15	
<b>Total</b>	<b>42,200</b>	<b>322</b>	
Surplus/ (Deficit)	20,800	159	
Opening reserves	68,529	523	
Closing reserves	89,329	682	

# Justification

- Balance sheet shows the cash high point – just after fees are paid
- Board considers £40,000 should be the minimum reserves – cash low point
- We need a fighting fund of that scale for when the going gets tough

