



**Kerry Co-op.**

21 February 2024

Dear Milk Supplier,

I write to provide an overview of the results of the Research Survey which we carried out before Christmas. The following pages contain an overview of the main findings of the survey.

I would like to thank everyone who took the time to complete the survey. Your efforts are very much appreciated and are also very important in helping your Co-Op to make informed decisions. This is part of our strategic planning process that is ongoing in relation to our current milk supply contracts in their current format with Kerry Group PLC which are coming to an end in 2026.

I am pleased to report that progress is being made in progressing our strategy review and defining our strategic options for the future. The work done throughout 2023 has brought focus to the Board's thinking and it is our intention to bring proposals to members in due course.

Once again, the Board of Kerry Co-Op would like to thank you sincerely for sharing your perspectives. We will use this information to make the best possible decisions in the interests of our members.

Finally, can I take this opportunity to ask you all to be careful and work safely during this very busy calving season.

Thank you,

**James Tangney**

Chairman, Kerry Co-Op



# Executive Summary

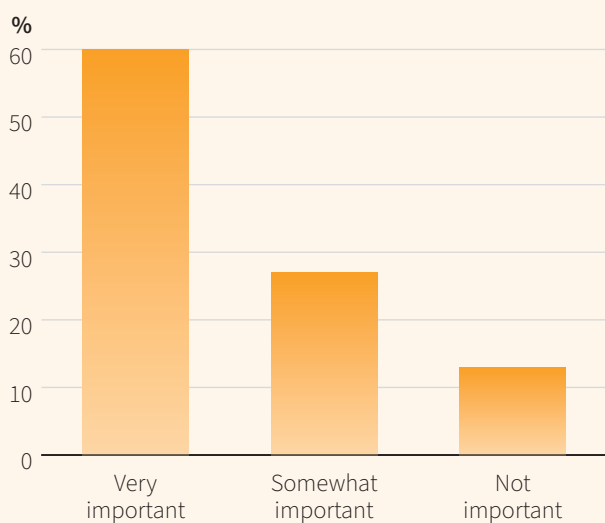
The Board of Kerry Co-Op Board commissioned *ifac* to carry out research of milk suppliers to enable informed decision making as part of the ongoing strategic planning process in the context of the Kerry Group PLC milk contract ending in 2026.

In late November 2023, a survey was sent to all suppliers (2,840). A total of 1,563 suppliers responded to the survey resulting in a response rate of 55%. This response rate is considered representative of the supplier base. The margin of error of is very low at 2%; further details in Research Methodology and Demographics on the back page.

## KEY INSIGHTS

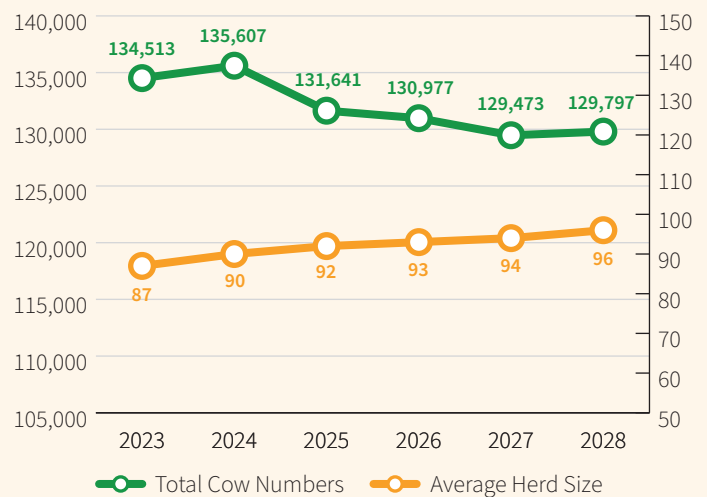
The majority (87%) of milk suppliers consider controlling future milk processing and value-added operations as somewhat or very important. Younger suppliers feel more strongly that control is somewhat or very important than older suppliers (over 90% of those under 44 years of age versus 81% of over-65's). There is no significant variation in overall sentiment between counties (those believing control is somewhat or very important).

### IMPORTANCE OF CONTROLLING DAIRY PROCESSING AND ADDED VALUE OPERATIONS (n=1,505)



The dynamics of cow numbers are shifting, with a projected growth in average herd size from 87 to 96 cows over the coming five years. This increase in herd size is predicted despite an anticipated 3.5% reduction in total cow numbers.

### TOTAL COW NUMBERS AND AVERAGE HERD SIZE FROM 2023-2028

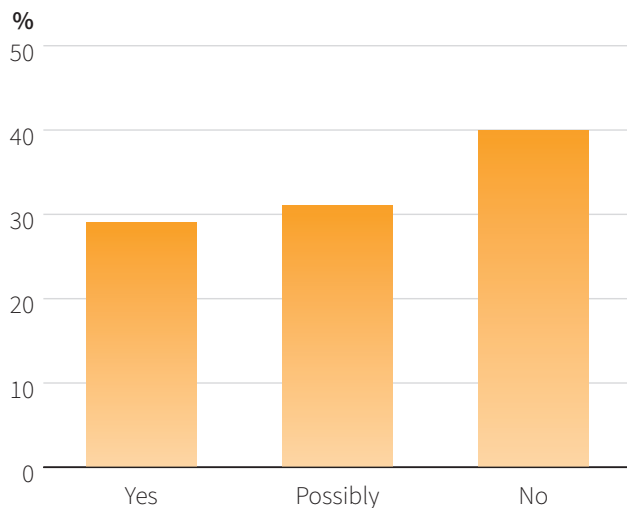


Segmentation analysis within the supplier base reveals a stark contrast between suppliers who are growing their business and those who are exiting. Those growing suppliers are ambitious and tend to have a younger age profile, larger herd size and increased ambition for control of milk processing and added value operations. Those exiting tend to be older (86% over the age of 55) and farmers with smaller herds. 60% of those who plan to exit have a herd size of less than 50 cows.

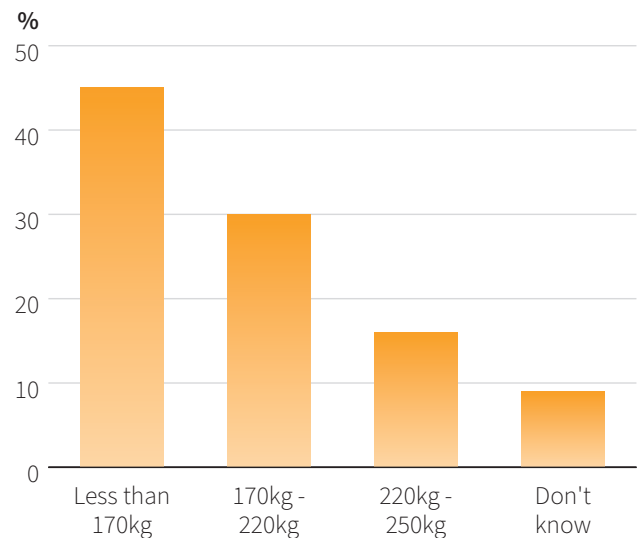
Succession planning emerges as a critical hurdle, with 35% of farmers above the age of 55 not having a definite successor identified. The appetite to lease land, hire a farm manager or engage in sharemilking or partnership options is also low amongst this cohort.

Changes in environmental regulation, particularly the Nitrates Derogation is a very pressing topic. Nearly half of the farmer respondents are in derogation, representing 57% of cows surveyed. Any further reduction to Ireland's Nitrates Derogation limit will impact on Kerry Co-Op if measures to reduce the effect are not made at farm level.

**HAVE YOU IDENTIFIED A SUCCESSOR FOR YOUR DAIRY BUSINESS?** (n=1,532)



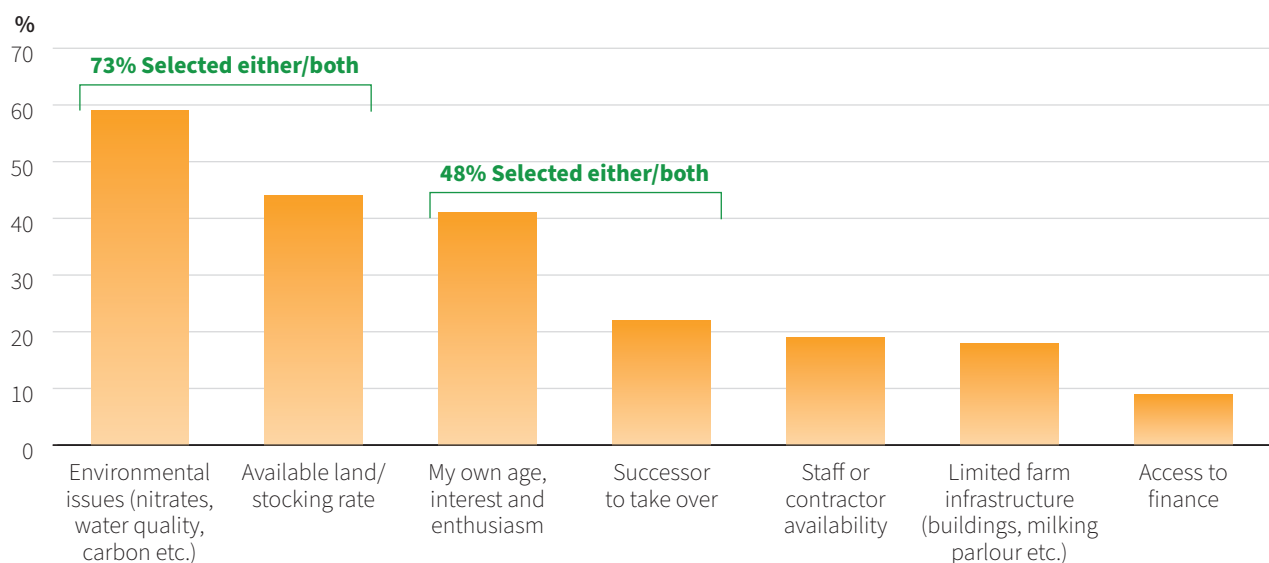
**NITRATES DEROGATION: NUMBER OF MILK SUPPLIERS IN EACH CATEGORY** (n=1,523)



Connected to these points, barriers to growth are predominately related to environmental regulations, limited access to land, age of farmers and succession concerns. 73% of farmers perceive environmental regulation and land issues as the main barriers to growth.

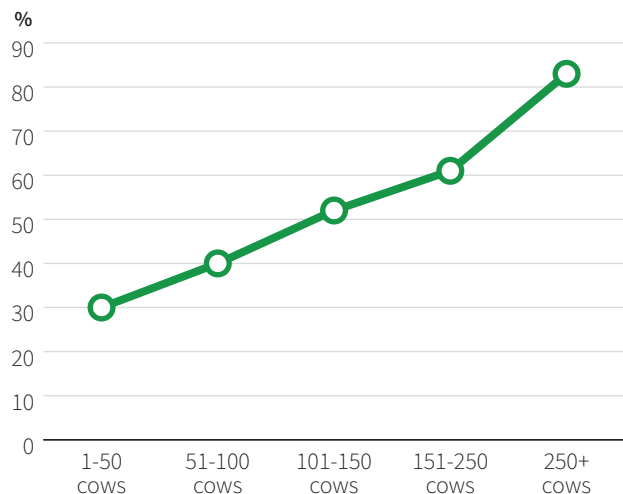
Availability of land is also a challenge. Over 70% of suppliers have leased land as part of their farm with 16% having land on short-term lease (less than 12 months) on their milking platform. Only 10% expecting land to become available to lease or buy in the next 3 years.

**FACTORS ANTICIPATED TO LIMIT MILK PRODUCTION IN THE NEXT 5 YEARS** (n=1,475)

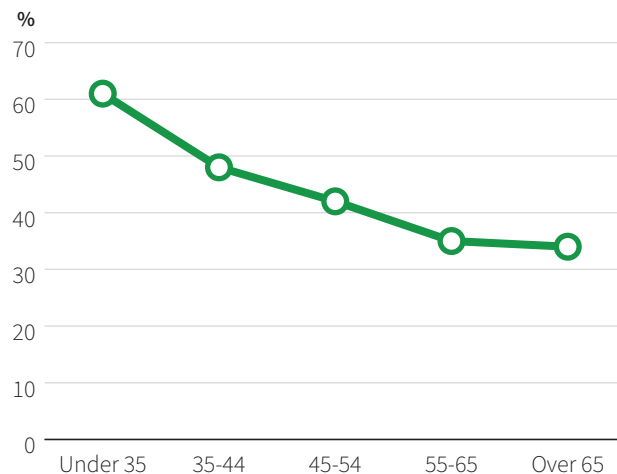


Despite these challenges, there is optimism amongst younger and larger farmers which bodes very well for the future of milk supply in the region. The ambition of this cohort, as indicated through their responses to this survey, has the potential to maintain milk supply into the longer term.

### OPTIMISM BY HERD SIZE

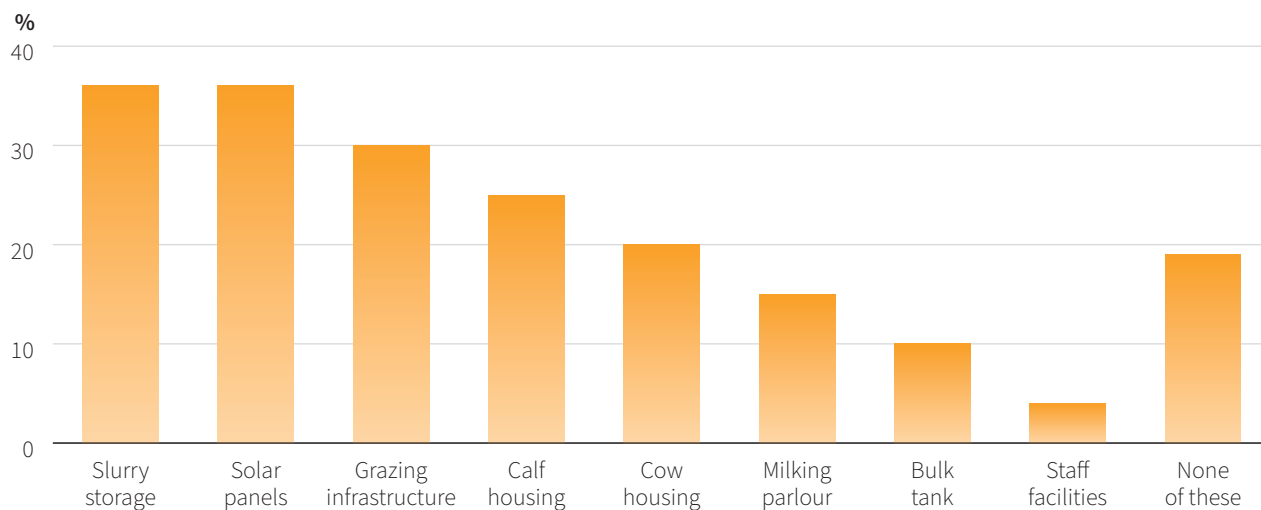


### OPTIMISM BY AGE



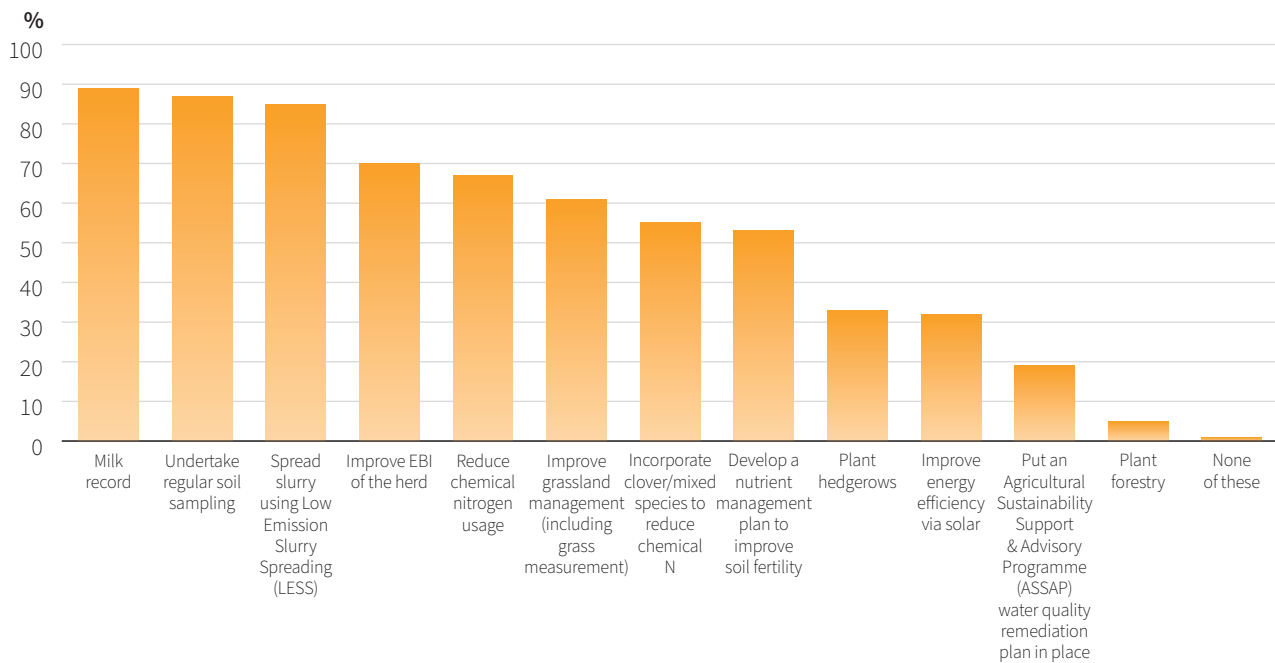
A significant portion of farmers plan to invest in slurry storage, solar, and grazing infrastructure to meet regulation requirements or enhance farm efficiency.

### PLANNED AREAS OF INVESTMENT OVER THE NEXT 5 YEARS *(n=1,513)*



The majority of farmers are taking positive environmental actions linked to the Teagasc Marginal Abatement Cost Curve including soil sampling, Low Emission Slurry Spreading (LESS), improving herd EBI and reducing chemical nitrogen usage.

**ENVIRONMENTAL ACTIONS BEING TAKEN OR PLANNED** (n=1,544)



58% of Kerry Co-Op suppliers expressed being negatively impacted by the portrayal of agriculture by media, including social media, highlighting the need for positive engagement and communication strategies to counteract this.

Female participation at board level will be challenged into the future due to a very low number of female milk suppliers.

Reviewing the written submissions from milk suppliers, a number of themes emerge with frequency:

- Milk price concerns and supplier fairness
- Regulatory and environmental challenges
- Weather and climate impact on their farming business
- Age related concerns along with succession
- Access to land to lease or buy
- Desire for improved communication from Co-Op on strategy

**To summarise: The vast majority of milk suppliers believe that is somewhat important or very important to control their future milk processing and added value operations. Younger and larger farmers are ambitious for growth and positive about the future of dairy farming in the region. Herd size will increase while there may be some reduction in cow numbers. Environmental regulation, access to land, age profile and succession are key issues.**

# Research Methodology & Demographics

*ifac* was commissioned by Kerry Co-Op to carry out independent research of milk suppliers views on a range of topics which will influence Kerry Co-Op strategic planning.

Research design was developed with the Kerry Co-Op Strategy Committee. This research was conducted between 29th November and 23 December 2023.

All members of the target group (Category A Milk Suppliers – 2,840) received a postal copy of the survey with a stamped address envelope to return same. A total of 1,563 suppliers responded to the survey resulting in a response rate of 55%. This response rate is considered representative of the supplier base evidenced by a very low margin of error. The margin of error, at a confidence level of 95%, was 2%.

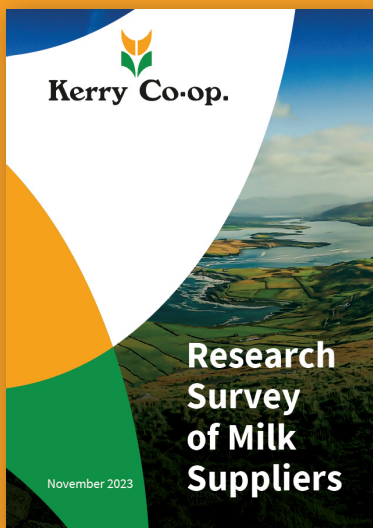
89% of the responses were submitted from the printed survey while 11% were submitted online.

Based on a cow producing 5,400 Litres and a total cow population of 134,513 cows, the respondents are delivering 726million litres of milk out of a total milk supply of 1.2BN. This represents 60.5% of the total milk supply.

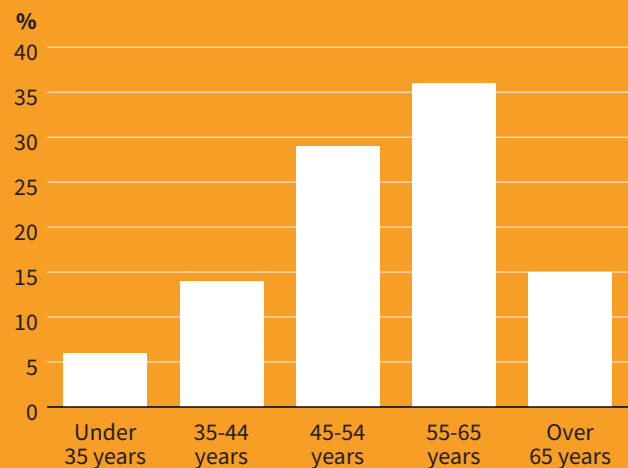
Statistical analysis and content analysis was used to analyse the data.

In terms of demographics, the research cohort correlates with the geography of suppliers.

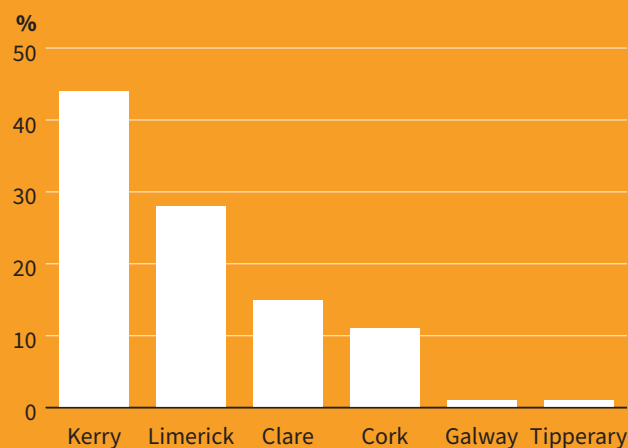
This Kerry Co-Op research survey was independently verified and analysed by *ifac*. *ifac* is a professional services firm specialising in farming, food and agribusiness.



**AGE** (n=1,514)



**COUNTY** (n=1,563)



County	Total Shareholders	Survey Responses
Kerry	42%	44%
Limerick	30%	28%
Clare	15%	15%
Cork	11%	11%
Galway	1%	1%
Tipperary	1%	1%