

### **Covid 19 – Announcement reference News articles updated 22/04/2020**

- Freshways buys raw milk from farms and processes, packs and distributes this throughout the country. It directly employs over 1,500 people.
- The UK dairy industry, and in particular the fresh liquid milk sector, is a highly challenging market to operate in and indeed Freshways, and many others processors, have made losses in recent years.
- Our business is highly complex, requiring a just in time delivery operation and high levels of customer service. In a nutshell, we supply everyone but the major retailers. We make in the region of 15,000 direct deliveries a day to coffee shops, restaurants, hotels, airports, railway stations, prisons, hospitals and care homes etc.
- In addition, we supply many wholesalers who in turn probably make a further 10,000 daily deliveries.
- When the Coronavirus hit, this had a highly detrimental impact on our business and especially in relation to the foodservice sector which almost overnight fell off a cliff. Overall, we lost 40% of our business but had all our costs still in place.
- We had no outlets to sell the surplus raw milk, that resulted from losing our foodservice sales, which we had to keep contractually buying from our farmers. Indeed, as we approach the peak of the Spring Flush, milk production across the UK is running ahead of demand and there is a little or no processing capacity to turn this into longer life products e.g. cheese, milk powder etc. All this means that it is very difficult to generate a sustainable level of return from this excess milk and in turn is threatening the viability of the entire business.
- At an operational level the downturn in sales means that the logistics for every route have been disrupted, leading to greater inefficiencies and costs. Simply put, fewer products on routes equals higher delivery costs.
- Given the above, to survive we have had to take significant steps to reduce costs across every element of our business and indeed we have so far furloughed over 150 staff.

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- However, regrettably we have also had no choice but to reduce the amount we pay to our farmers and also raise the cost of our products to All customers.
- In reference to PROFITEERING. This is insulting and a joke. The biggest issue in all of this is the general price of MILK. At £1.10 for 4pnts, it is the cheapest LIQUID drink per litre available. Water costs more !!! That's the crime.
- We have since day 1 of this crisis been in daily communication with the NFU, Defra and Government ministers. We have made multiple suggestions to them for targeted support as we are not able to access The Treasury's general business loan schemes.
- In addition to all the above issues, our priority first and foremost must be to ensure, where possible, the health & welfare of our staff. We have many employees off sick, with 2 employees in critical condition in hospital. Both are on ventilators fighting for their lives. One of those is my 38-year-old brother, who is the Operations Director for Freshways.

In summary:

“Freshways, in common with many other businesses across the country, is experiencing unprecedented financial, commercial and operational challenges. We are working closely with our staff, farmers and customers to address these issues to ensure the immediate viability of the business. This involves many different and difficult decisions none of which can be viewed in isolation.

“Our absolute focus is to ensure that the business remains sustainable. In doing so, we will continue to be able to meet the needs of our customers, and provide a living for our 400 supplying farmers and 1,500 employees in the long term. In addition, we have been doing this whilst facing our own personal Covid 19 challenges.”

My main aim is to get my brother well and at the same time keep Freshways running. Failure is not an option on either count!!

Kind Regards

***BALI NIJJAR***

***MANAGING DIRECTOR***

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