

PRESS INFORMATION from *The Dairy Group*

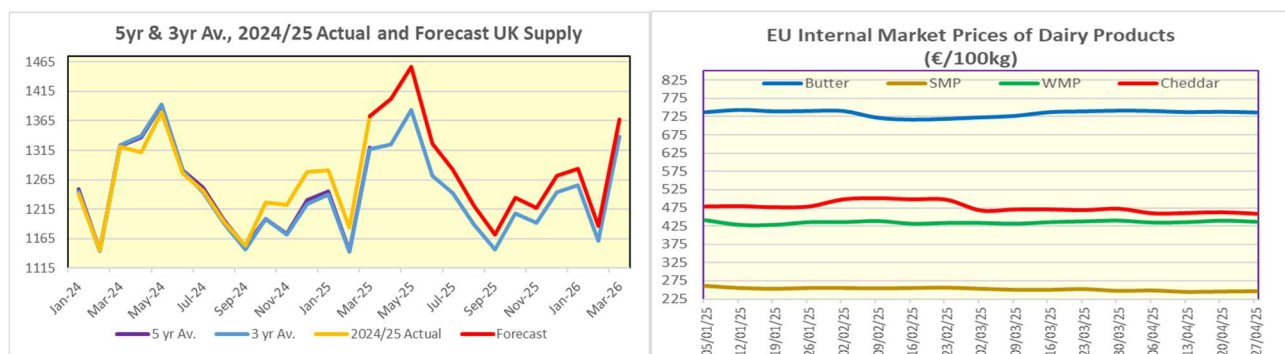
6th May 2025

The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

Markets Stable Despite Flood of UK Milk

“Commodity prices have remained stable through a flood of milk from the Spring Flush” says Nick Holt-Martyn of The Dairy Group. He goes on to say “UK milk supply started the month strongly and has improved on the back of the sunniest of April’s with warm temperatures delivering abundant, quality grazing driving milk production. April production is expected to be 7% up on April 2024 and over 5% above the 3 and 5 year averages, the highest production since before milk quotas. Milk production is yet to peak although it is expected to be at peak production around May bank holiday.



Source: The Dairy Group, AHDB, MMO & Defra

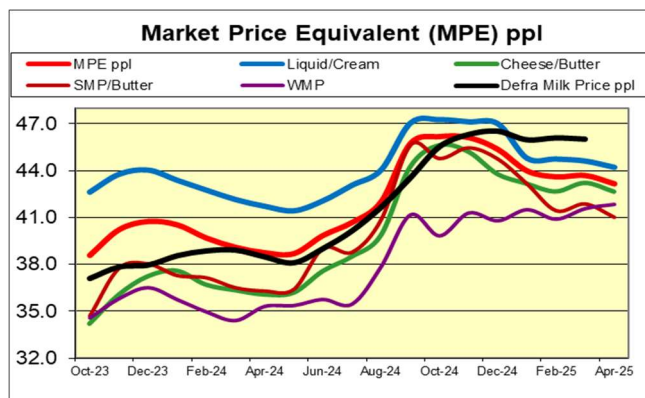
The graph on the left shows the UK milk supply from January 2024. Spring 2024 production was held back due to poor, cold spring weather whereas 2025 has seen the complete opposite. Strong winter production has been boosted by excellent spring weather to give the high levels of milk production. A combination of good forage, low feed prices and good milk prices is likely to lead to higher levels of production through the summer. Drought is the biggest threat to milk supply after 3 months of dry spring weather and a reverting to trend is most likely unless wetter weather returns.

The graph on the right shows the EU Commodity prices since the start of the year. Butter is unchanged, but SMP and Cheddar has declined 5.7% and 4.2% respectively. By contrast the UK market shows Butter down 2.1% and SMP 5.3%, but Cheese and Cream unchanged. Overall markets have been incredibly stable through the last 4 months throughout Europe due to stable European milk production. It is only the UK that has seen a sharply rising milk supply.

The only reason the UK has seen stable milk prices in the face of the +7% rise in milk supply in April is due to being part of the large European milk market. Weaker supply through much of the EU has supported good market returns as indicated by Arla’s milk price and it’s stability. UK’s record supply is being met by strong demand from the EU showing the benefits of tariff free trade. On the back of record levels of milk production there will be record levels of exports in both added value products and commodities with the majority of trade with the EU.

The US tariff policy has proved as chaotic as the President with a blanket 10% being applied to dairy products during the 90 day pause while trade agreements are made. To date no trade agreements have been concluded, although discussions with more than 30 countries are ongoing and there are up to 20 tabled proposals. The outcome of the trade war with China will determine how the tariff policy is ultimately judged, but it has damaged trading relationships with the USA and put exporters and importers in an economic bind. Ultimately the US consumer will either pay more or have a restricted choice of product.

For many 1st cut is in the pit with high quality and good quantity and concerns now turn to rainfall and forage production. The western side of the country has seen some rain in the last 6 weeks, but the forecast is looking very dry, threatening production. The economics of milk production are good with weaker input costs as feed and oil prices ease. “Make hay while the sun shines” seems an appropriate sentiment!



April with Butter -0.7%, SMP -0.4%, WMP -0.7%, Whey -1.9% while Cheddar was -3.0%. The range across the UK sectors eased to 3.2ppl from Liquid/Cream to SMP/Butter due to stable milk quality.

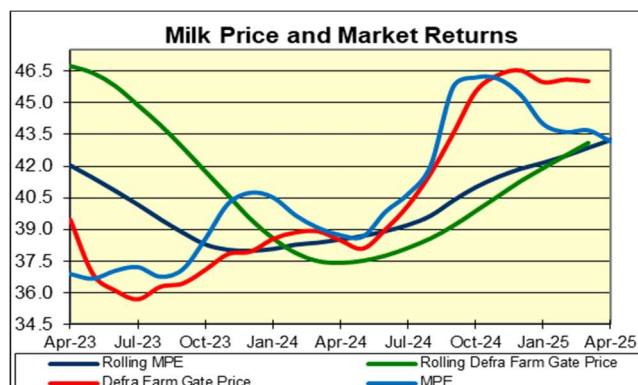
Farm Gate Prices

The Defra Farmgate Price in March was down 0.1ppl to 46.0ppl, up 2.5ppl (5.7%) in 6 months and up 7.1ppl (18.3%) annually. The weighted rolling price rises to 43.1ppl.

Our latest milk price forecast firms slightly to suggest the Defra farm gate price will ease to 44.6ppl in April, 43.8ppl in May and 43.8ppl in June.

Market Prices

The Market Price Equivalent (MPE) drifted lower by -0.5ppl in March to 43.2ppl (-1.2%), down by 3.0 ppl (-6.6%) in the last 6 months and up 4.4ppl (+11.5%) year on year. The MPE has been 43-44ppl since January 2025. UK milk supply in March was +3.9%, April is forecast at +7% and May +5.6%. 2024/25 production was provisionally 15.125 B litres, +1.9%. EU weekly commodity prices remain broadly stable in



January milk production was confirmed at 1281.5 M litres (+3.2%), February milk production 1183.5 M litres (+3.3%) and March was provisionally 1372.6 M litres (+3.9%). Our forecast production for April is 1402 M litres (+6.9%), for May is 1456 M litres (+5.6%) and June 1326 M litres (+3.9%). Milk supply has been at record levels since October 2024 and is set to continue into the summer. The largely dry and sunny weather has extended through April and is forecast for much of May threatening milk production.

April closing exchange rates have seen further weakening of the Dollar following further tariff announcements, £/\$1.336 and £/€1.176. The consumer price index has eased to 2.6% in April and the bank base rate down to 4.5% although a cut is expected. Pacific weather patterns are neutral after a short-lived weak La Nina and is expected to stay neutral. Global milk supply remains slightly positive but is unlikely to weaken dairy markets. The global grain, soya and oil markets are mixed with Wheat up 1.8%, Soya Bean meal up 2.9% and Crude Oil down 1.6%."

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- ❑ **Visit www.thedairygroup.co.uk**
- ❑ The MPE is calculated from the weighted actual wholesale prices for liquid milk, cheese, butter and powders after the normal processing costs. The MPE accounts for 90% of the United Kingdom market utilisation of milk. AMPE (Actual Milk Price Equivalent) also only accounts for 14% of United Kingdom milk production. The MPE provides a far superior indicator of the wholesale value of milk and therefore the likely market returns available to the dairy farmer.