

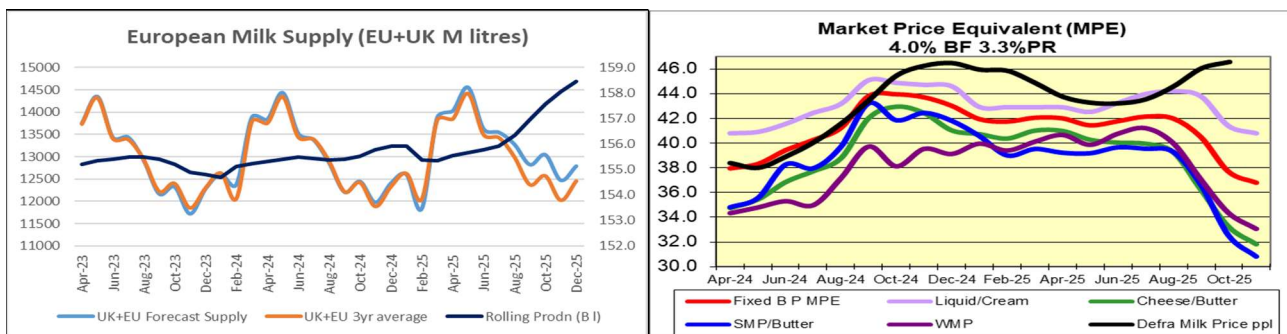
PRESS INFORMATION from *The Dairy Group*

3rd December 2025

The Market Price Equivalent (MPE) By Nick Holt-Martyn, The Dairy Group

Rampant European Milk Production Crashes the Dairy Market

"The EU's October milk supply is provisionally +4.6% following the +4.9% in September to confirm the concerns that the European dairy market is awash with milk" says Nick Holt-Martyn of The Dairy Group. He goes on to say "UK supply has increased still further by 8.6% in October to send mild Cheddar below £3000/t for the first time since July 2021. US supply is at +4% and New Zealand at +1.7% meaning that global milk supply is well beyond what could be absorbed by consumer demand which is dampened by a softening of GDP growth.



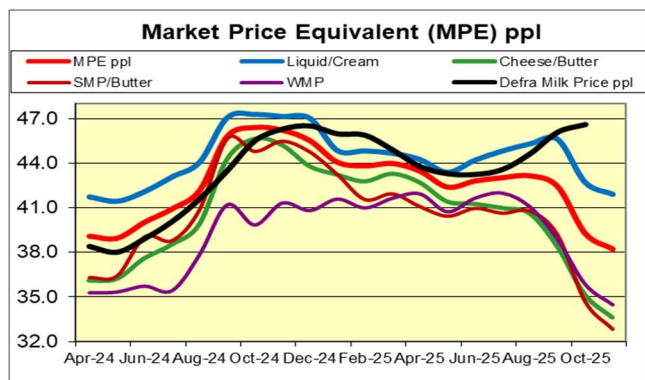
Source: The Dairy Group, AHDB, MMO & Defra

The graph on the left shows European milk supply against the 3 year average alongside the rolling 12 month production. From April 2023 to June 2025 milk supply has remained close to the 3 year average with positive supply countries countered by countries with negative supply. The rolling 12 month total remained around 155 (+/-1) B litres encouraging stable markets. From August 2025 European milk supply began to increase and a clear gap emerged above the 3 year average which has only grown through September and October and is expected to continue through to the year end. The effect on the rolling figure is clear with supply now surging to 158 B litres.

The graph on the right shows the UK wholesale market indicators at standardised butterfat and protein values and Defra Farmgate price over the last 2 years. This strips out the record levels of milk quality from the market returns to reflect how each sector of the processing industry is affected. No one escapes with the collapse of both Butter and Cheese markets dragging the MPE down. The liquid sector is similarly affected on the value of surplus butterfat, but retail prices are reported to have firmed in recent months providing some support. The high farmgate price is due to seasonality and the record milk quality through September and October, but will quickly fall as new milk pricing takes affect particularly in January. The danger is that markets often slump after the Christmas period taking prices lower before the spring flush.

Our latest forecast based on current market returns and milk contracts suggests a Defra milk price of 39ppl in January dropping to 38ppl in March. Our expectation is that April will see a farmgate price below 35ppl. For individual processors their price will reflect their exposure to various market segments although no sector has escaped the collapse. The range in pricing is widening as companies look to protect themselves from the effects of the declining value of their supply chain and product in store. South Caernarfon Creameries have announced a January price of 32ppl, First Milk 32.3ppl and Parkham Farms 33ppl, while Barbers are 36.1ppl and Saputo 38ppl indicating the current widespread of pricing for 2026. However, there will be a number of buyers operating B & C litres with Muller to pay just 1ppl on the ingredients portion where supply in March to June 2026 is more than 2% above the previous year.

With the average cost of production in 2024/25 at 48.5ppl and the forecast for 2025/26 at 49.2ppl everyone will be operating significantly below the cost of production. As one might expect there are no solutions that will cut the cost by 40% and farmers will need to look at their forward budget to see where savings can be made and postpone Capex."



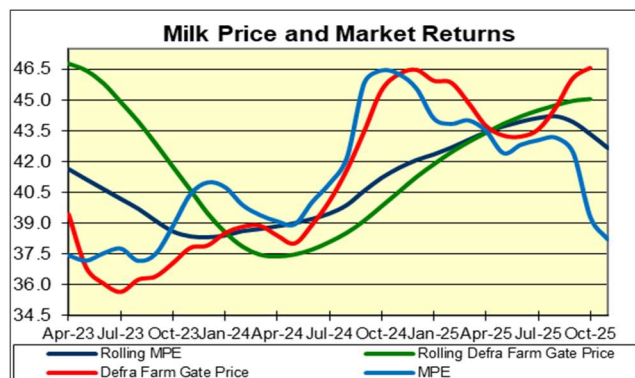
Market Prices

The Market Price Equivalent (MPE) dropped 1.1ppl in November to 38.2ppl (-2.8%), down by 4.2ppl (-9.9%) in the last 6 months and down 8.0ppl (-17.4%) year on year. UK milk supply in October was +7%, November is forecast at +5.4% and December at 4.2%. 2025/26 production is forecast at 15.9 B litres, +5.2%. EU weekly commodity prices declined in November with Butter -4.9%, SMP -1.9%, WMP -5.1%, Whey 0% while

Cheddar was -0.9%. The EU Cheddar price is significantly above the UK level. In the UK Cream -12%, Butter -8%, SMP -1% and Mild Cheddar -5% have gone further with excess milk supply weighing heavily on the market.

Farm Gate Prices

The Defra Farmgate Price in October was provisionally 46.6ppl (+1.1%), up 2.8ppl (+6.4%) in 6 months and up 1.1ppl (+2.4%) annually due to very high milk quality. The weighted rolling price rises to 46.6ppl. December and January contract prices have dropped sharply and will increasingly take effect.



Our latest forecast for the Defra farm gate price is 44.5ppl in November, 40.6ppl in December and 39.4ppl in January.

Milk production was confirmed at 1224M litres (+6.2%) in September and was provisionally 1312M litres (+7.4%) in October. Our forecast production for November is 1288M litres (+5.4%), for December is 1333 M litres (+4.2%) and January is 1333M litres (+4.0%). The reaction to the price reductions has started with higher cull numbers and softening prices as producers take advantage of the demand for beef.

November closing exchange rates gained against the Dollar but was stable with the Euro at £/\$1.3123 and £/€1.1331. The consumer price index reduced by 0.2% in October to 3.6% with the Bank Base Rate remaining at 4.0%. The budget came and went with suggested tax rises absent but replaced by static tax thresholds, a mansion tax, road tax on EVs and a resumption of fuel duty.

Pacific weather patterns have remained in a weak La Nina phase and expected to become neutral in the spring. The global grain, soya and oil markets remained mixed due to widespread uncertainty on most issues. Over the month Wheat up 0.6%, Soya Bean meal down 3.2% and Crude Oil down 2.6%. Prices remain low with issues on supply logistics causing fluctuations. The Ukraine war remains unsettled despite significant US activity, but the Gaza ceasefire continues."

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For further information please contact:

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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.