

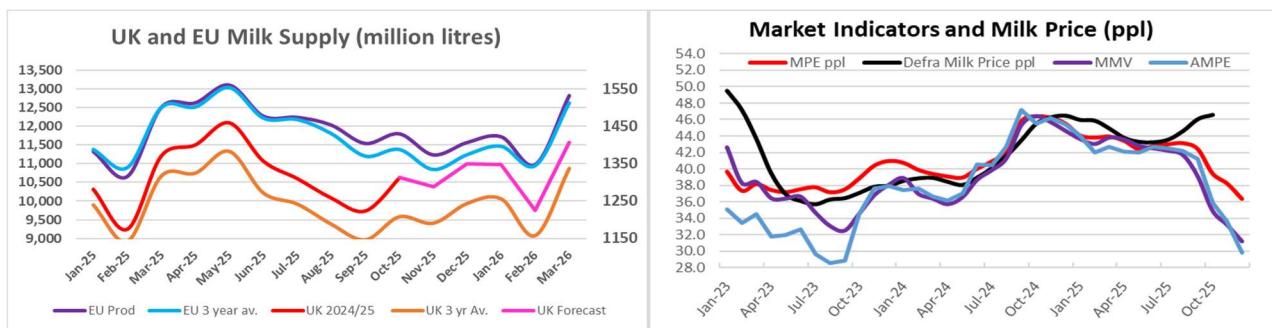
# PRESS INFORMATION from *The Dairy Group*

7<sup>th</sup> January 2026

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

### Dairy Market Desperately Searching for the Bottom

“The collapse in European dairy markets through the autumn on the back of unrestrained milk production continued right up to the end of the year” says Nick Holt-Martyn of The Dairy Group. He goes on to say “with the UK a significant offender with December supply forecast at +5.5%. The combined EU(+UK), USA and NZ milk supply in December 2025 is likely to have risen by 3.5%, well in excess of the normal below 1% required for stable dairy markets. Against this background we’re now in a data hiatus due to Christmas and New Year waiting for the updates to confirm our worst fears or offer some crumb of comfort.



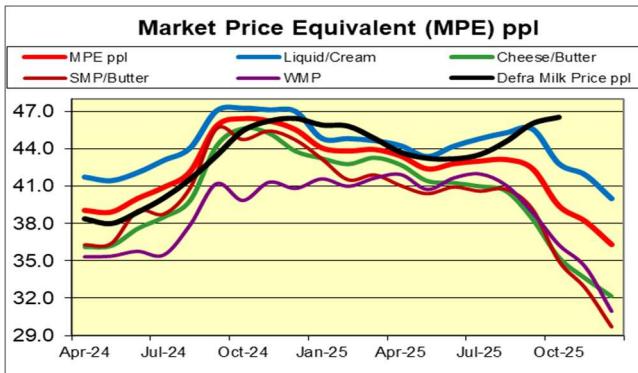
Source: The Dairy Group, AHDB, MMO & Defra

The graph on the left shows EU and UK milk supply against their respective 3 year averages. Despite a backdrop of crushing low milk prices, well below the cost of production, the EU and UK are forecast to see lower production towards the Spring, but to remain above the 3 year average. In the UK dairy companies are putting in place various pricing mechanisms to limit supply to 2025 levels on top of the usual seasonal pricing mechanisms. Prices for “B” litres are often linked to AMPE or Spot Prices and should be effective to limit supply, but will need to be transparent in origin.

The graph on the right shows the Defra milk price and market indicators over the last 3 years. All indicators are unanimous in describing market returns falling to low 30ppl with MPE moderated by the liquid returns which are largely unaffected by commodity markets. Unlike 2023, cheese based indicators are also pointing towards 30ppl suggesting the Defra milk price is likely to go below the levels seen in 2023.

Our latest forecast based on current market returns and milk contracts suggests a Defra milk price of 38.5ppl in January and dropping to 36ppl in March. Our expectation remains 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 other than liquid retail. The Supermarket aligned prices are generally less volatile and led by production costs as much as market returns, so having missed the market peak they should be protected from the slump, apart from their B/C litres. The range in pricing has widened from Muller Sainsburys SDDG at 45.8ppl (liquid) to Freshways at 29ppl (liquid) and Leprino at 27.1ppl (liquid) for January through to March. Some of these prices are advisory and subject to market evolution in the next month, but give a flavour of the range at the farmgate.

Our forecast average Cost of Production (CoP) for 2025/26 is at 49.1ppl, split 41% Variable Costs, 50% Fixed Costs and 9% Family Labour. Feed Costs are 25%, Power and Machinery Costs 22% and Property/Finance Costs 19%. Livestock Costs, Labour and Forage Costs are 11%, 9% and 5% respectively. Understanding your own CoP will be required to initiate a series of improvements to mitigate the losses that are highly likely. Beware the risk of false economy. With the farmgate price likely to remain below 40ppl for the next year at least, making permanent reductions in the cost of production will be required to ensure business viability into 2027 and beyond. Redesigning the business system will need to focus on quality forage, quality livestock and a right first time mentality to eliminate waste and inefficiency. A challenge at the best of times but now an imperative!



## Market Prices

The Market Price Equivalent (MPE) dropped 1.9ppl in December to 36.3ppl (-5.1%), down by 6.5ppl (-15.1%) in the last 6 months and down 9.2ppl (-20.2%) year on year. UK milk supply in November was estimated at +5.3%, December is forecast at +5.2% and January at +5.1%. 2025/26 production is forecast at 15.93 B litres, +5.4%. EU weekly commodity prices declined in December with Butter -19.3%, SMP -6.0%, WMP -10.2%, Whey +3.9% while Cheddar was +4.1%. The EU Cheddar price remains significantly above the UK level. In the UK Cream -33.5%, Butter -15.6%, SMP -4% and Mild Cheddar -4.6% have gone further with strong milk supply crushing any market resistance. All sectors of the market have been affected with liquid/cream -3.8%, cheese/butter -4.0%, SMP/butter -10.2% and WMP -11%.

**Farm Gate Prices**  
The Defra Farmgate Price for November and December are updated later in January. The October prices are likely to be a watershed at 46.6ppl and rolling at 45ppl. The sharp reduction in December and January prices will increasingly take effect as the current quarter progresses.

Our latest forecast for the Defra farm gate price is 44.3ppl in November, 40.7ppl in December and 38.6ppl in January. There are indications of February prices at 36.9ppl, March 36.0ppl and April 35.3ppl.

Milk production is estimated at 1287M litres (+5.3%) in November and was provisionally 1345M litres (+5.2%) in December. Our forecast production for January is 1347M litres (+5.1%), for February is 1224 M litres (+4.2%) and March is 1407M litres (+2.6%). The reaction to the price reductions has yet to have a significant effect on cull prices with throughput following seasonal patterns.

December closing exchange rates gained against the Dollar but was stable with the Euro, £/\$1.349 and £/€1.155. The consumer price index eased to 3.2% in November and the Bank Base Rate cut to 3.75%. The Government finally acceded to industry requests and reduced the impact of IHT on farmers and businesses by increasing the threshold.

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 down 4.3%, Soya Bean meal down 2% and Crude Oil down 3.2%. Prices remain low with issues on supply logistics causing fluctuations. The Ukraine war remains unsettled, the Gaza ceasefire continues but now Venezuela and oil is the subject of US foreign policy interventions but are having little market effect."

- Ends -

## For further information please contact:

- Nick Holt-Martyn**, The Dairy Group (01823 444488/e-mail: nick.holt-martyn@thedadairygroup.co.uk)
- Visit [www.thedadairygroup.co.uk](http://www.thedadairygroup.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.