Latest news and views from *February 2026*

The Dairy Group

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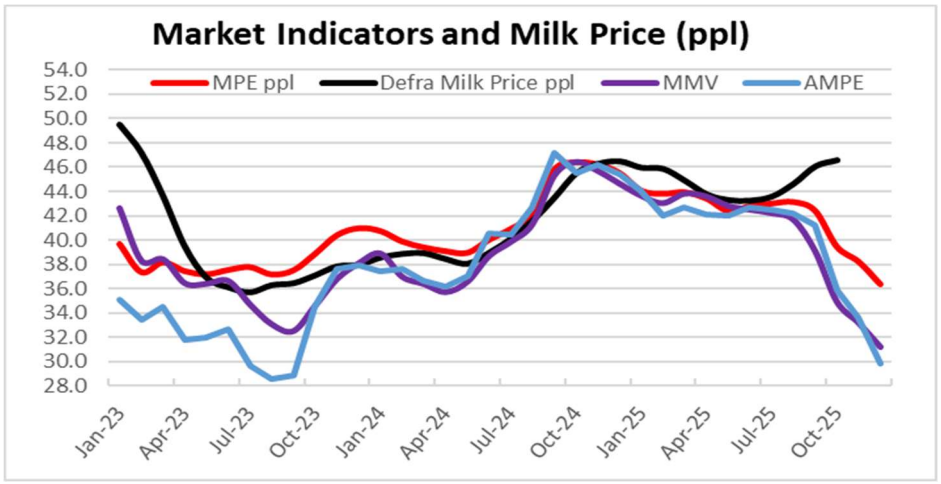
Business resilience

Richard Lane, Senior Dairy Consultant

Many dairy farmers will be looking at the collapse in milk price and wondering how long this downturn will last? At the time of writing, further price cuts are expected so the 'bottom' of the price cycle is not yet known. The graph below shows the Defra milk price and market indicators over the last 3 years. All indicators are unaminous in describing market returns falling to the low 30's ppl 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 milk price forecast based on current market returns and milk contracts suggests an average Defra milk price of 38.5ppl in January, falling to 36ppl in March. We expect that April will see an average farmgate price below 35ppl. For individual processors, prices will reflect their exposure to various market segments although no sector has escaped the collapse other than liquid retail. 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, with the exception of B or C litres.

Our forecast average Cost of Production (COP) for 2025/26 is 49ppl, split 41% Variable Costs, 50% Fixed Costs and 9% Family Labour. Feed cost, which is 25% of the total COP, is the single biggest cost item. Power and Machinery Costs are 22% and Property and Finance Costs are 19%. Understanding your own COP is needed to initiate a series of measures to mitigate the losses that are highly likely. With the farmgate price likely to remain below 40ppl for possibly the whole of 2026, making permanent reductions in the cost of production will help ensure business viability into 2027 and beyond.

EDITORIAL

Welcome to our first newsletter of 2026. The first article looks at the prospects for milk price and the effects on cashflow and business performance.

Following the drought in 2025, many dairy producers are facing the challenge to replenish forage stocks as efficiently and cost-effectively as possible. The second article reviews forage plans and the value of manure and nutrient management plans to inform fertiliser applications.

The third article looks at some options to manage milk production this spring as well as feed costs.

We are exhibiting at Dairy Tech on Wednesday 4th February at Stoneleigh Park. Please join us for refreshments and to meet the team at stand T65, Hall 1.

If you would like to discuss any of the topics featured in this newsletter, please speak to your consultant or ring the office on 01823 444488.

Christine Pedersen

There is an urgent need to prepare a realsitic cashflow forecast for the next year to estimate the peak borrowing requirement. The greatest challenge will be managing cashflow; most businesses operate within an overdraft limit and the sooner you can idenitify if this limit is likely to be exceeded then you can have an early discussion with your lender. Your forecast can also help to identify opportunities to reduce the peak borrowing, e.g. competitive buying of key inputs (feed, seed & fertiliser) and services (electricity & insurance), deferred supplier payment terms for seed and fertiliser; reviewing capital expenditure plans or defering loan capital repayments.

Richard provides nutrition, herd monitoring & business management advice, driving efficiency, reducing waste and improving animal welfare & environmental sustainability. Contact Richard on 07717 502505

Forage resilience

David Darlington, Dairy Business Consultant

Many dairy farms suffered from the drought in 2025 which reduced grass production and silage yields, necessitating the use of cereal crops for wholecrop forage and/or the purchase of expensive grass and maize silage to fill silage pits. The challenge is now to replenish forage stocks as efficiently and cost-effectively as possible to reduce or eliminate additional expenses. The first step is a forage plan which should be based on the current silage stocks and then a projection of what forage is required in the next year to meet livestock requirements. The next step is to plan the harvests of the various forage crops and to see how this meets the forage requirement on a monthly basis. We use our MCi web-based Forage Planner which provides a monthly plan for the year ahead, which can then be monitored after each crop harvest (grass silage cuts, wholecrop & maize) to assess if the planned yields have been achieved, indicating possible shortfalls at an early stage and allowing plans to be adjusted as necessary.

The most profitable farms consistently produce high yields of high quality forage, equivalent to 120 GJ/ha (10.5 t DM/ha @ 11.5 MJ/kg DM). To achieve this, soils need to be in optimum condition with good soil structure and nutrient status, aiming for a minimum pH of 6.5, soil P index 2 and K index 2-. Up to date soil analysis will indicate the current status and provide the basis for nutrients required in the current year.

There has been a tendency for nitrogen application levels to be reduced over recent years, partly driven by the high prices in 2020 and to reduce emissions. However, we need to remember that there is a very high response to nitrogen fertiliser of around 15 to 1, which means for each 1kg of nitrogen there is a 15kgDM yield response, which is linear up to around 300kgN/ha. The typical cost of purchased forage is around 12p/kgDM and last autumn/winter the cost was over 20p/kgDM. 1kg of nitrogen currently costs 100p and at a response of 15kgDM gives a return of 180p based on a forage value of 12p/kgDM. Whilst not advocating simply applying high levels of nitrogen in a year when profit margins are under pressure, it would be a false economy to apply sub optimal levels of nitrogen to only then be faced with a forage shortfall and a requirement to purchase expensive forage later in the year.

The RB209 recommendation for grass silage (low clover content) with a target yield of 9-12t DM/ha is 100 kg N/ha for 1st cut and 75 kg N/ha for both 2nd & 3rd cut. There is an adjustment for the soil nitrogen supply (SNS). For maize with an SNS index of 1 the recommendation is 100 kgN/ha. For grazing the recommendation for 9 – 12t DM/ha is up 180kg N/ha. All nitrogen applications should be planned and take into account the available nitrogen supplied by manures.

The optimal nitrogen rate will depend on the composition of grass leys in terms of perennial ryegrass, clovers and herbs. A 2025 R&D report by Teagasc indicates the optimal nitrogen rates below depending on the composition of the pasture:

Ley Type	Purpose	Total N Rate (kg/ha/year)	Timing
Herbal Ley	Grazing	0–60	Light N (20–30) in early spring; avoid after April
Herbal Ley	Silage	Up to 80	40–60 in March–April; optional 20–40 for regrowth
Clover Ley (White)	Grazing	100–150 (based on % clover)	25–30 in Feb–Mar; reduce from May onwards
Clover Ley (White/Red)	Silage	0–100	40–60 in March for first cut; avoid late-season N

Having a plan for forage production alongside manure and nutrient management plans to inform fertiliser applications will be essential to help to mitigate the low milk price in 2026.

David Darlington specialises in both technical and business aspects of milk production, working across the Midlands and the North. He can be contacted on 07831 477296.

Managing milk production this spring

Christine Pedersen, Principal Consultant

As alluded to in a previous article, some dairy companies are operating A and B or even A, B and C pricing mechanisms with low value B and/or C litres. An example is the Müller "Spring 2026 Volume Management" the details and pricing structure for which sends a very clear signal to Müller Direct conventional dairy suppliers that surplus spring litres are not wanted. On-going discussions with client's centre around the practical and financial implications of such pricing mechanisms; the first step is always to review the milk price schedule to ensure that the details and the value of 'marginal' litres are fully understood.

A milk production forecast based on an accurate calving prediction will quantify a potential milk surplus and a strategy to optimise milk income can be devised. Reducing production is complex and counterintuitive but, if necessary, options include focused culling, drying cows off early or feeding whole milk to calves (Johnes dependant). A previous article has already highlighted that feed is the single largest operating cost on most dairy farms. However, simply cutting feed may have the desired short-term effect in reducing production but could also have significant, long-term cow health, fertility and performance implications. Reducing the concentrate feed rate to later lactation, pregnant cows by increasing the proportion of forage or grazing are measures to consider as is manipulating milk quality to increase milk solids at the expense of litres, where the value of butterfat % and protein % are rewarded through the payment schedule.

UK average butterfat and protein levels follow typical seasonal trends with the lowest levels for both through May, June and July. Bulk tank milk quality is a useful guide to the herd nutritional status; there is a definite relationship between diet composition, rumen function and milk composition. Introducing feeds to increase fibre and maintain rumen pH and rumen function will improve butterfat levels. Options to consider include grass or wholecrop silage, chopped hay or straw, sugar beet pulp or soya hulls or high fibre dairy compound depending on the practical constraints of your feeding system. Low milk protein results are often due to energy deficiency rather than a protein deficiency; if energy supplies are limited, low milk proteins may be a result of break-down of dietary protein to supply energy. Options to increase energy supply are through increased total dry matter intake or increased starch or fermentable carbohydrates (e.g. cereals or maize silage). Please discuss possible diet changes with a FAR registered nutrition advisor to ensure that rations remain balanced before implementing changes.

Our latest MCi dairy herd costings report shows that the average purchased feed price is £275/t and the average purchased feed cost is 11ppl, but of course averages mask a wide range. Feed costs below 7ppl should be targeted this spring, relying on both feed rate and feed price. Amongst other factors, feed rate depends on the quality of conserved forage or grazing presented and expected forage dry matter intake levels appropriate for the stage of lactation. It is a good time to review grazing and forage strategy and to identify opportunities for improvement.

It is always good practice for businesses to obtain three quotes for significant purchases. Comparing quotes for straights should be straightforward based on price, but comparing compound feeds is less so. We source a range of key dairy inputs including compound feeds and minerals through a competitive tendering process that starts when we send detailed specifications to potential suppliers. Due to the continued strength of our buying group's ability to negotiate prices for high quality feed, group members typically save 10 – 15% of the cost per tonne for dairy compounds, samples of which are taken for independent analysis and quality control during the tender period. We source around 20,000 tonnes of dairy compound feed annually through our 8 regional groups and will shortly be tendering for the summer period. To make use of our sourcing services for dairy compounds (including organic) and other products including minerals, maize and grass seed, please ring our office or speak to your consultant.

Christine provides nutrition, dairy technical and business management advice to clients across southern England. She can be contacted on 07831 172940.

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Ian Powell

Ian is Managing Director and is responsible for our dairy data including MCi dairy costings, accounts analysis & milk price modelling. Ian works with dairy farmers in the south of England providing dairy technical and business advice including business strategy, forward budgets and monitoring. Ian is FACTS and FAR registered and is experienced in both feed and fertiliser planning.

Ian Ohnstad

Ian has worked as a Milking Technology Specialist for 33 years, including the last 20 years as a Director of The Dairy Group. He leads a team of dairy consultants offering advice on all aspects of milk harvesting and milk quality across the UK and overseas. He is actively involved in several international mastitis and milk quality organisations and is the Chairman of the British Mastitis Conference.

Christine Pedersen

Christine is an experienced dairy business consultant working with farmers across Southern UK on all aspects of dairy technical and business management performance. Christine is FAR registered and specialises in Ruminant Nutrition (dairy and beef). She manages the compound feed sourcing offer which is available for clients of The Dairy Group.

David Darlington

David provides advice to dairy farmers in the Midlands & the North to improve technical and business performance. Business advice includes appraisals & planning, budgets & cashflow forecasts and grant applications. Areas of technical consultancy include nutrition & feed planning, milk forecasting and milk price analysis.

Jamie Radford

Jamie works with businesses in the South-West. Drawing on extensive practical experience, his focus on technical performance (milk output, fertility, health) allows his clients to maximise the potential of their herd. Jamie helps farmers make informed business decisions which drives sustainable growth and improves profitability.

Naomi Read

Naomi works with dairy businesses in Somerset & Devon. She advises clients on a range of business and technical issues including business analysis & planning, grant schemes and dairy herd performance. She has specialist knowledge of environmental legislation and compliance and works with the E.A. and aligned agencies on behalf of clients. She is FACTS and BASIS qualified and skilled in nutrient planning.

Richard Lane

Richard delivers consultancy across Southern England to cover nutrition, herd monitoring & benchmarking, business planning & management. He works with farm businesses to drive productivity & efficiency and reduce waste whilst improving animal welfare and environmental sustainability. Richard's key interests are maximising feed efficiency through forage production for both housed and grazing systems.

Susie Felix

Susie works with farmers in North-West England & North Wales. Her focus is business management; business reviews, plans, cashflow forecasts and investment planning. Other areas of consultancy include dairy herd nutrition, NVZ compliance, environmental stewardship and grant applications. Alongside her clients, Susie also works closely with accountants, bank managers and Government agencies.

Tim McKendrick

Tim specialises in Dairy Husbandry and Dairy Design. Designing new milking facilities, including robotic milking and dairy cattle buildings for all ages of cattle, to maximise animal welfare and enable efficient operations, using current research and technology to ensure the most up to date and modern buildings are provided for the client.