PRESS INFORMATION from

The Dairy Group

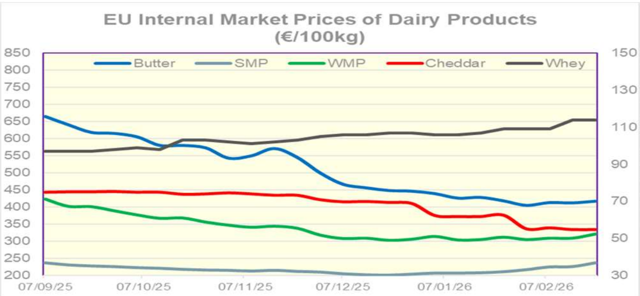
3rd March 2026

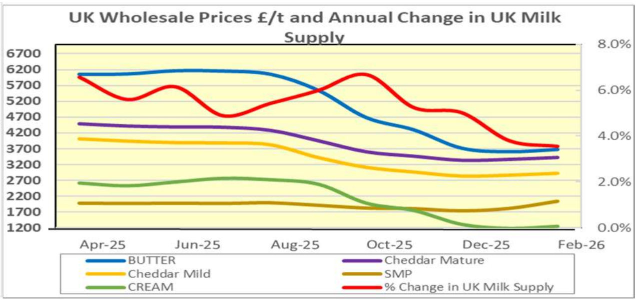
The Market Price Equivalent (MPE)

***By Nick Holt-Martyn,* The Dairy Group**

European Dairy Markets Have Lifted off the Bottom

“The European dairy markets appear to have lifted off the bottom in February with Cheddar being the exception” says Nick Holt-Martyn of The Dairy Group. He goes on to say “Butter bottomed out in the first week of February while powders have lifted from their base in December. Cheddar is less robust while Whey is in a world of its own, showing steady growth over the last 2 years. As for supply the picture is less rosy, there is little sign that supply growth is easing anywhere in the world with the UK posting +3.8% in January.





Source: The Dairy Group, AHDB, MMO & Defra

The graph on the left shows the EU commodity prices for the last 6 months. Cheese and Whey are the outliers for different reasons, with Butter and SMP showing some stability in recent weeks. An early Easter provides the next risk area with post Easter doldrums and spring flush likely to coincide in April. This is less about recovery than establishing a solid stability across markets.

The graph on the right shows the UK Wholesale prices for the current milk year against the year on year supply change for each month. The weakening market returns were matched by a slowing supply growth through the autumn with markets stabilising in 2026 despite milk supply still growing, albeit more slowly. In spite of the deteriorating economics of milk production the falling farmgate prices have not produced a reaction in milk supply as yet, with all parts of the UK seeing +3.8% supply growth in February.

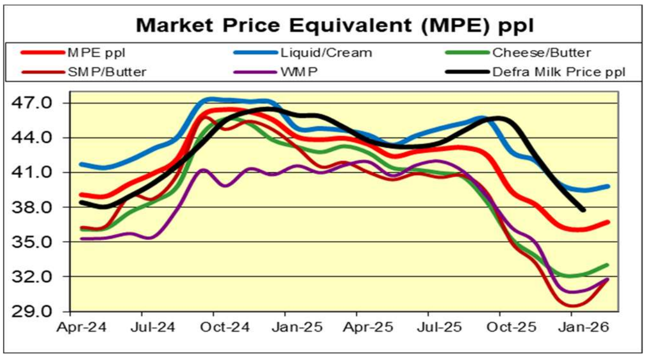
The expected rise in cull cow slaughterings has failed to materialise although the decline in cull cow slaughterings seen through much of 2025 has stabilised and has remained so for the last 3 months. The national herd size rose slightly through 2024, but declined through 2025 while replacements over 12 months of age declined through 2024 and 2025. It is expected that the national herd is continuing to decline, but at a steady pace with yield increases more than compensating.

The UK supply in 2025/26 is on track to finish around 15.875 B litres, a rise of 5%, with February at +3.8% and March at 2.5%. The forecast for April is only +0.3% because April 2025 saw a jump in production of 6.6% and it’s a similar forecast for May. Each month that passes is a record level of production for that month since at least before milk quotas if not ever and it may be mid-late summer before that sequence is broken.

With Arla’s March price holding at 33.98ppl and the 0.5ppl rise to 30.3ppl in April by First Milk coupled with the 33ppl by Saputo are further evidence of steadiness in market returns and an expectation in the short term at least of stability.

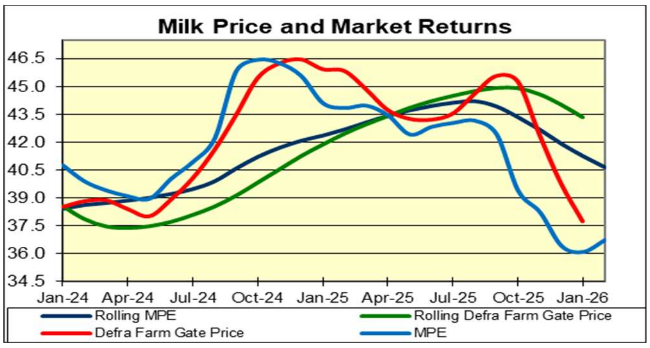
Oil prices are anything but stable with the US/Israeli attack on Iran, the assassination of its leader and the closure of the Strait of Hormuz. There are reports of tankers rerouted round the Cape of Good Hope delaying arrival in Western ports by around 10 days. The effect is inflationary with transport a key component of input and output prices.

The market stability doesn’t change the view that milk prices through 2026 are likely to be around 35ppl, some 10-15ppl below the cost of production for all producers. To mitigate the losses the focus falls squarley on forage quantitly and quality, cost effective rationing and careful cost control. That’s enough challenges for 2026 now that Spring has arrived, in theory at least!



Market Prices

The Market Price Equivalent (MPE) lifted 0.64ppl in February to 36.7ppl (+1.7%), down by 6.4ppl (-14.9%) in the last 6 months and down 7.1ppl (-16.1%) year on year. EU weekly commodity prices were positive in February with Butter -0.2%, SMP +12.3%, WMP +2.9%, Whey +4.6% while Cheddar was -11.1%. The EU Cheddar price has fallen to the UK level. In the UK Cream rose +5.2%, Butter +1.9%, SMP +11.3% and Mild Cheddar +2.1%, cream has lost 54% of its value in the last 6 months, Butter 39% and Mild Cheddar 24%. All sectors are now showing an improvement with liquid/cream +0.9%, cheese/butter/whey +2.5%, SMP/butter +6.5% and WMP +3.2%.



Farm Gate Prices

The Defra Farmgate Price for December was 39.8ppl and January 37.8ppl following the fall in market returns.

Our latest forecast for the Defra farm gate price is 35.7ppl in February, 34.5ppl in March and 34.8ppl in April. The early forecast for May is 34.4ppl and June 34.7ppl.

UK milk supply in December was confirmed at +5.0%, January at +3.8% and February is forecast at +3.8%. 2025/26 production is forecast at 15.88 B litres, +5.1%. Our forecast production for February is 1217M litres (+3.8%), for March is 1405 M litres (+2.5%) and April is 1401M litres (+0.3%). The beef market remains stable due to supply of beef animals to the market remaining stable, with the milk supply forecasts suggesting this will continue.

January closing exchange rates weakened against the Dollar and the Euro, £/$1.3511 and £/€1.1474 respectively. The consumer price index dropped to 3.0% in January and the Bank Base Rate remained at 3.75% but with further cuts jeopardised by the rise in oil prices despite weak growth. The Government revamp of SFI has seen the number of actions cut to 71 with reductions in rates to many popular actions like Multi Species Swards and Pollinator/Birdseed actions. The first summer application window targeted at small farms under 50ha.

Pacific weather patterns have changed to a neutral phase for the Northern Hemisphere summer, and an El Nino is expected to affect the global weather patterns next autumn/winter. The global grain, soya and oil markets are volatile due to tensions and now conflict between USA/Israel and Iran. Over the month Wheat was up 11%, Soya Bean meal up 7% and Crude Oil up 17% despite supply remaining stable with good ending stocks in most commodities. The USA's tariffs were replaced by blanket tariffs although there is confusion as to whether it is 10% or 15%. European economies remain sluggish with very little growth in GDP to drive dairy consumption."

- Ends -

<u>For further information please contact:</u>

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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.