PRESS INFORMATION from

The Dairy Group

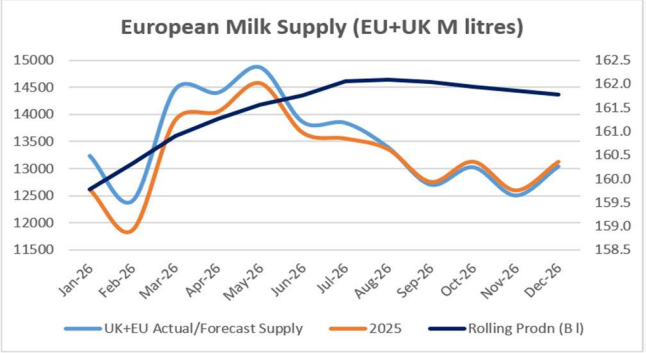
3rd November 2026

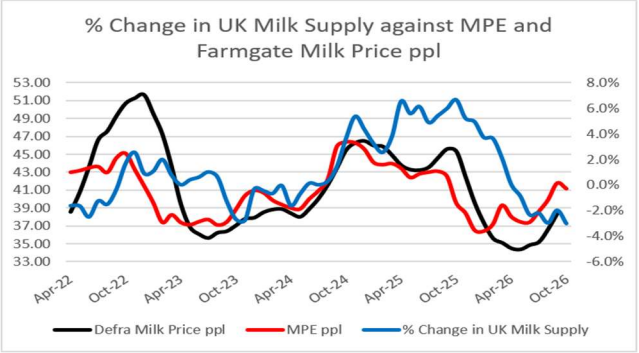
The Market Price Equivalent (MPE)

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

European Milk Supply Growth Slows to a Halt

"Milk supply in Europe (EU +UK) has finally fallen below the previous year with September milk supply -0.4% lower than 2025" says Nick Holt-Martyn of The Dairy Group, "however, this drop in supply has coincided with commodity markets softening across the board with both UK and EU Butter seeing a substantial reverse in October and taking Cream with it. Cheddar hasn't fared much better with a small reduction in prices. It is to be hoped that the EU will continue to show lower supply while it works through the hangover of large dairy stocks built up through the spring and summer. The markets remain fragmented with strong demand for SMP and Whey, but weakness on the Butter side of the coin, with Cheese similarly affected. This is a complete reversal of recent years when Butter was in short supply driving market prices and SMP was languishing in the bargain basement."





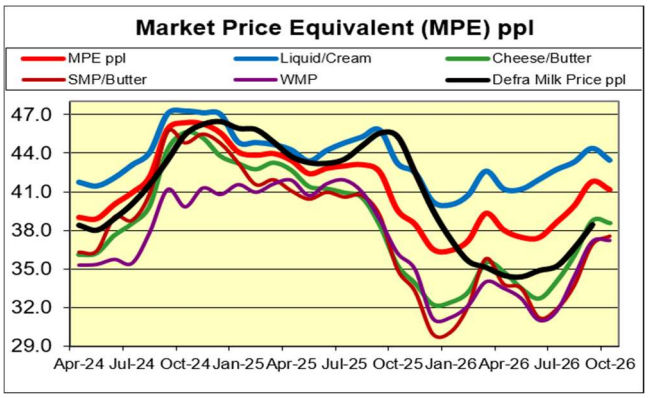
Source: The Dairy Group, CLAL, AHDB, MMO & Defra

The left-hand graph shows the European milk supply which has finally stopped rising and is showing signs of a slight decline due mainly to the UK which is running at -2% in September and is likely to be -3.4% in October. The latest figures from the EU show a collapse in German supply, -4.3% in September along with most other large dairy countries supply at or below 0%. Ireland bucked the trend with the autumn flush sending September milk soaring by 11.9%, reversing the sharp decline in August, but the drought means they are -1% for 2026 as a whole. Overall, it looks like Europe will remain at or below 0% for the rest of the year.

The right-hand graph shows the UK relationship with milk supply, market returns and the Defra Farmgate price. This graph suggests that unrestrained milk supply growth in 2025 was the major reason for the collapse in market returns and farmgate prices. The pattern is distinctly different to 2022/23 when it was the fear of a collapse in supply on the back of the high input cost inflation that led to higher farmgate prices. The low farmgate prices and stable markets through the summer have led to UK supply falling which allowed the upward movement in farmgate prices in the UK. These same factors are still in play which, when coupled to the increased consumer dairy spend, means the supply chain can hold prices while the correction in the EU supply continues.

The rise in UK farmgate prices towards 40ppl in October may falter with Arla's 0.45ppl reduction and the dip in wholesale market returns. However, UK milk supply is falling further behind now the autumn flush has passed. Latest figures show October supply is slipping away with GB October supply now -4.0% and the 7-day rolling is at -5.0%. Farmgate price reductions will only cause supply to fall further. Wholesale prices and milk supply are at odds with both falling at the same time. At some point wholesale markets will need to change direction to secure 2027 supply.

With 82% of UK milk supply consumed domestically and UK production accounting for about 67% of cheese and 60% of yoghurt consumption, the commodity tail is very much 'wagging the dog'. Milk supply growth in the EU and New Zealand is at or below +1%, leaving only the US, at +2.6%, with growth sufficient to weaken markets. The climate change driven El Niño is likely to affect milk supply in 2027, which should support a recovery in wholesale markets and, eventually, farmgate prices. It could be a slow process, but low supply is the best medicine to improve prices in 2027.



Market Prices

Market Price Equivalent

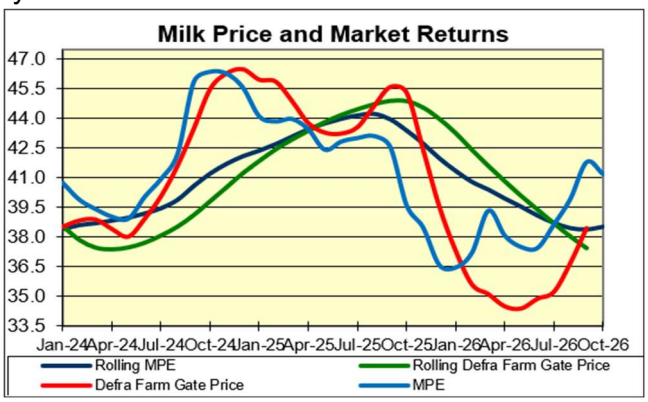
The Market Price Equivalent (MPE) slipped in October by 0.62ppl (-1.5%) to 41.16ppl. It is now **up 3.4ppl** (8.2%) over the last six months and +1.6ppl (+4%) year on year.

UK Commodity and Sector Movements

The UK market was mixed with cream and butter moving in the opposite way to SMP which continues to increase. Cream fell by 11%, Butter by 7%, Mild Cheddar fell by 1.5% while SMP jumped 7%. As for sectors; Liquid/cream fell by 2.1%, Cheese/butter/whey fell by 0.5%, but SMP/Butter increased by 1.8% and WMP by 0.3%. ***EU Commodity Prices***: EU weekly commodity prices were similarly mixed with Butter down by 4.5%, Cheddar down by 0.3%, but SMP up by 9.6%, WMP up by 1.3%, and Whey up by 1.7%. EU AMPE increased by 1.7% to 39.8ppl, down 4.3% year on year.

Farm Gate Prices

The latest Defra Farmgate Price was 38.45ppl in September, buoyed by the recent increases in market returns. The rolling 12 months milk price eased again to 37.41ppl, the lowest for more than 2 years.



Despite the prices easing from Arla (0.45ppl) and the markets (0.62ppl) consolidation of prices is the theme for most processors in November. Reflecting these movements our forecast for the Defra average farmgate prices are October 40.2ppl, November 40.5ppl, December 41.3ppl and January 40.9ppl. Weak supply growth is becoming evident in the UK, EU and New Zealand which will support consolidation, although supply growth remains strong in the US.

UK Milk Supply

UK milk supply was 1,279M litres in July (-2.2%), 1,221M litres in August (-3.0%) and provisionally 1,198M litres in September (-2.0%). Weekly figures are falling again suggesting 1,264M litres in October (-3.4%), 1,245M litres in November (-3.2%) and 1,305M litres in December (-2.7%). The rolling 12 months milk supply is now 0.84% below the peak in April 2026 and milk supply in 2026/27 is likely to be 265M (1.7%) litres below 2025/26. Beef prices have stabilised, but with grazing finishing could come under pressure as cull cow numbers increase.

September exchange rates firmed 2% against the Euro and 1.75% against the Dollar to £/$1.34 and at £/€1.19. CPI rose to 3.6% due to oil related inflation, but the Bank Base Rate remained at 3.75%. Oil prices rose through October to around $116/barrel before dropping to $104 before the US midterm elections. Over the month, Crude Oil +2.1%, Wheat eased -10.9% and Soya Bean meal -8.0%.

El Nino's temperatures are still the highest ever recorded, but so far has had limited impact weather wise although Australasia is seeing high temperatures and rainfall. Higher temperatures are forecast for most regions of the world in 2027 leading to higher input costs and cost of production. Reduced milk supply and higher milk prices will be required to meet the higher production costs head on.

- Ends -

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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 80% 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.