

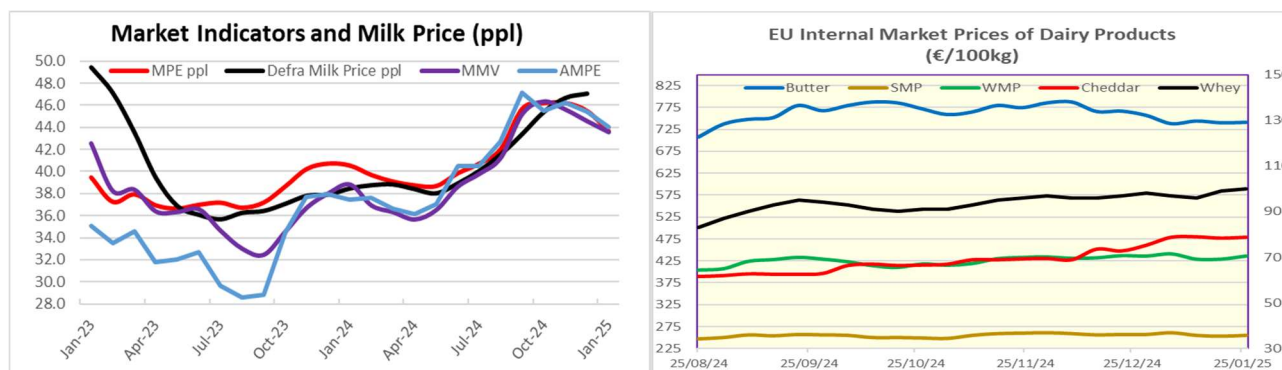
# PRESS INFORMATION from *The Dairy Group*

3<sup>rd</sup> February 2025

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

### Markets Weather the Post-Christmas Malaise, but could soon be 'Trumped'

"The softening in markets after the holiday season has passed and been replaced with a more optimistic mood" says Nick Holt-Martyn of The Dairy Group. He goes on to say "EU Butter, having fallen 6% from its December peak has stabilised and Cheddar is staging a recovery after a New Year slump. Milk supply is still positive but is accompanied with positive demand that is providing the firmness to the market.



Source: The Dairy Group, AHDB, MMO & Defra

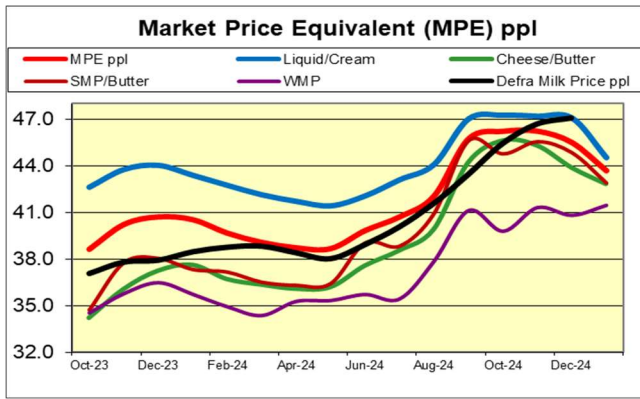
The graph on the left shows the market indicators over the last 2 years which shows close agreement between them and the Defra Farmgate price which follows the market lead albeit delayed for 2-3 months. In early 2023 the gap between markets and the farmgate was significant triggering a quick correction in Summer 2023. In 2025 the markets and farmgate price are in common agreement so price adjustments should be minimal at most.

The graph on the right shows that the EU commodity prices for the last 6 months have remained very stable with January 2025 showing gains for Cheddar and Whey, stability for SMP and just a 2% decline in Butter. Whey is at €100/100kg for the first time in over 2 years suggesting the protein markets have further to run.

The big unknown is milk supply and how that will shape the market as the year progresses with different fortunes around the world at present. The UK is up with January +3.6%, the EU is a mixed picture with France up but Germany down, further hampered by the recent Foot & Mouth case and Blue Tongue, but overall EU is up around 1 to 2%. New Zealand was up 1.4% in December. The US is slightly down with a significant Avian Flu effect in California. Overall, the key players are up around 1% which in the past has been the point above which markets have softened. The spring weather and the strength of the Spring flush in both Europe and US will be important to determine farmgate pricing in the 2<sup>nd</sup> half of 2025.

Trump's second Presidency has got underway with a flurry of activity demonstrating his experience in office and a lot of policy development. He has already demonstrated his willingness to use tariffs as a bargaining position and his assault on Canada, Mexico and China is a taste of things to come. He has repeated his rejection of negative trade balances which he perversely describes as subsidies. The UK has a trade imbalance due to services rather than goods so it will be interesting to see how he reacts to that, but as always appears "up for a deal".

In the UK the Government and Defra are talking growth but actions speak louder than words with farmer confidence very low. Dairy economics are currently good which is driving the strong milk production through the winter months. Come spring the weather will be key and so far 2025 has delivered intense wet spells followed by cool dry spells making for challenging conditions. After 2 very wet years it is hoped that something more average will emerge which will help forage quality and quantity. With 2024 UK milk production at record levels in both volume and quality it is expected that records will be pushed higher in 2025.



## Market Prices

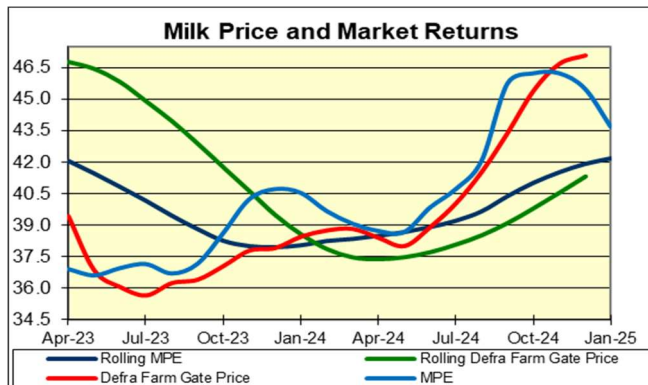
The Market Price Equivalent (MPE) eased further by 1.8ppl in January to 43.7ppl (-4.1%), up 3.0 ppl (+7.3%) in the last 6 months and up 3.2ppl (+7.8%) year on year. After 3 months the MPE is 2.5ppl below the peak at 46.2ppl in October. The drop in MPE post peak has been expected as the Xmas trade passed through the supply chain. UK supply has risen again with December at +4.3% and January forecast at +3.7%, UK

supply is set to stay around 3 to 4% above the 3 & 5 yr averages to the end of March. EU weekly commodity prices stabilised in January with Butter down 2.1%, SMP 0.8%, WMP 0.0%, Whey +2% while Cheddar was up 3.9%. The range across the UK sectors narrows to 3.0ppl from Liquid/Cream to WMP due to stronger WMP values.

## Farm Gate Prices

The Defra Farmgate Price in December was up 0.4ppl to 47.1ppl, up 8.2ppl (21%) in 6 months and up 9.2ppl (24%) annually. The weighted rolling price for 2024 was 41.25ppl.

Our latest milk price forecast has eased slightly in March due to the seasonal slip in an otherwise stable market. This suggests the Defra farm gate price will ease to 46.2ppl in January, 45ppl in February and 44ppl in March.



November milk production was confirmed at 1221 M litres (5.3%) and December milk production was provisionally 1278 M litres (+4.3%). Our forecast production for January is 1287 M litres (+3.6%), for February is 1181 M litres (+3.1%) and March 1356 M litres (+2.6%). The forecast outturn for 2024/25 eases to 15.11 B litres (+1.8%), a record level of milk supply. January weather had a bit of everything, but February is looking more settled with average temperatures giving steady progress to spring.

January closing exchange rates were £/\$1.24 and £/€1.196, with Sterling firming in recent days against the Dollar and the Euro due to the Dollar easing after Trump's inauguration. The consumer price index remains at 2.5% in December, with the bank base rate at 4.75%. Pacific weather patterns have developed into a relatively short-lived weak La Nina producing modest effects in the pacific region. The global grain, soya and oil markets were mixed with Wheat down 1.5%, Soyameal down 5% and Crude Oil up 1.4%."

- Ends -

## For further information please contact:

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- ❑ **Visit [www.thedairygroup.co.uk](http://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.