

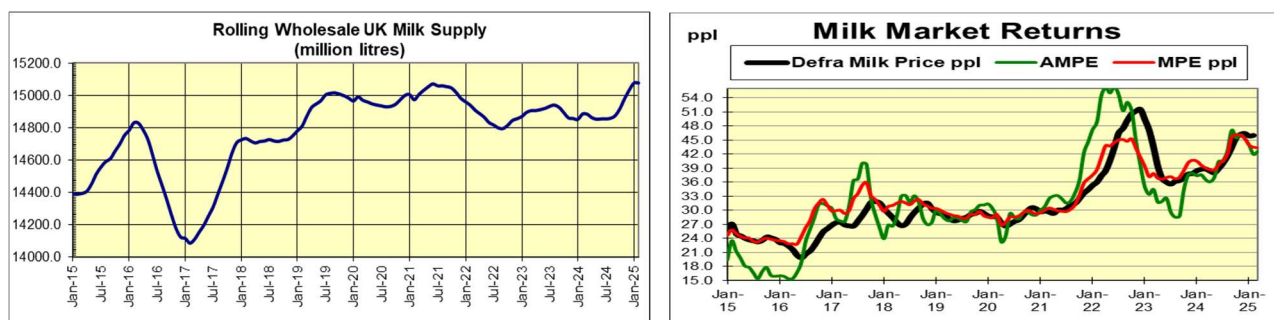
PRESS INFORMATION from *The Dairy Group*

3rd April 2025

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

EU prices Firm on Pre-Easter Trade

“EU and UK butter prices have perked up through late March alongside a firming UK cheddar price to support most farmgate prices through May” says Nick Holt-Martyn of The Dairy Group. He goes on to say “milk supply remains strong with UK +3.7% in March although GB was only +2.5%, but Northern Ireland a massive +9.1%. As expected, spot milk is in the mid to low 30s ppl with peak flush likely to occur earlier due to dry, sunny weather. Extended dry conditions will increasingly influence supply and markets as the summer progresses.



Source: The Dairy Group, AHDB, MMO & Defra

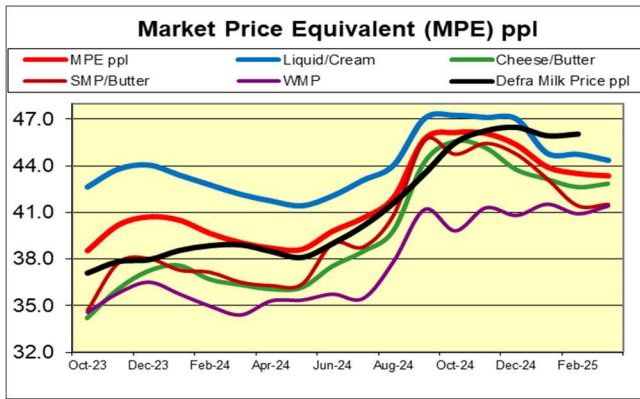
The graph on the left shows the rolling UK milk supply for the last 10 years. Milk supply is the highest it has been since de-regulation and almost as high as the pre-quota period. Milk solids are at an all time record high, higher than at any point in the last 65 years! Therefore the supply of milk solids is also at a record high. The UK population is similarly at a record high as it moves towards 70 Million and so the domestic market has never been larger and nor has demand ever been greater.

The graph on the right shows the market returns and Defra Milk Price over the same period. From January 2018 markets settled down after the quota abolition had caused massive swings in milk supply and dairy markets. From July 2019 until October 2021 all was pretty subdued until the risk of a falling supply triggered a market reaction, with record commodity prices as supply eased back. Supply showed signs of recovery so markets duly over-reacted and the farmgate price crashed, knocking supply in the process. 2024 was a year of recovery in both market returns and supply so we now find ourselves with high levels of supply, but markets are only showing the normal seasonal adjustments. The risk to supply remains due to a shrinking industry structure with declining herds and cow numbers contending with climate change driven volatile weather patterns.

Inflation has become embedded in farm costs other than feed, fertiliser and in part fuel costs such that the total cost of milk production is likely to be around 45ppl in the period from 2023/24 to 2025/26. With non-dairy income falling due to Government policy there is little leeway for markets to fall without significant supply risk. The confidence of farmers has taken a battering in the last 9 months and the level of supply will be sensitive to market returns.

EU butter prices have edged up through March in the run up to Easter helping to firm market returns, often there is a softening post Easter as the market deals with peak milk flow and milk solid production. The market tone for the summer is largely set through the next 6 weeks with the added complexity of the volatile US trade policy this year.

The USA has levied tariffs across the board on all imports ranging from a minimum of 10% for UK and others up to 54% for China with Asian suppliers to the US market hardest hit. Stock markets have fallen, the Dollar is weaker and oil prices have dropped. US tariffs on dairy products are likely to create a cascade of effects on the global dairy market with trade shifting to EU and New Zealand, price volatility, market uncertainty and ultimately consumers will feel the impact with price changes. The key task this time of year is to produce a high quantity of high quality forage and let the rest take care of itself!



Market Prices

The Market Price Equivalent (MPE) drifted lower by -0.15ppl in March to 43.4ppl (-0.3%), down by 2.4 ppl (-5.2%) in the last 6 months and up 4.3ppl (+11.0%) year on year. The MPE is 2.8ppl below the October peak of 46.2ppl. UK supply continues to be high with February at +3.6%, March forecast at +3.7% and April at 3.7%. 2024/25 production is forecast at 15.13 B litres, +1.9%. EU weekly commodity prices were

mixed in March with Butter up 2.5%, SMP -2.4%, WMP +1.4%, Whey 0% while Cheddar was up 1.1%. The range across the UK sectors eased to 2.9ppl from Liquid/Cream to WMP due to stable milk quality.

Farm Gate Prices

The Defra Farmgate Price in January was up 0.1ppl to 46.1ppl, up 4.4ppl (10.6%) in 6 months and up 7.2ppl (18.6%) annually. The weighted rolling price rises to 42.4ppl.

Our latest milk price forecast indicates that the Defra farm gate price will ease to 44.8ppl in March, 43.5ppl in April and 43.5ppl in May.



December milk production was confirmed at 1278.5 M litres (4.4%), January milk production 1285 M litres (+3.5%) and February was provisionally 1187 M litres (+3.6%). Our forecast production for March is 1369 M litres (+3.7%), for April is 1360 M litres (+3.7%) and May a record 1417 M litres (+2.7%). The forecast outturn for 2025/26 is forecast at 15.3 B litres (+1.1%), a record level of milk supply. March has been largely dry and sunny with the weather extending into April with little change. Dry, cool conditions will start to impact milk production soon with grass growth up to 50% behind normal levels for early April.

March closing exchange rates have been overshadowed by Dollar weakness since the tariff announcement, as of 3rd April they were £/\$1.31 and £/€1.19. The consumer price index has eased to 2.8% in January, with the bank base rate down to 4.5%. Pacific weather patterns remain neutral but continue to suggest a relatively short-lived weak La Nina producing modest effects in the pacific region. New Zealand has had a very dry start to 2025 which is affecting their late season milk production helping to support global dairy markets. The global grain, soya and oil markets have fallen with Wheat down 4.4%, Soya Bean meal down 4.3% and Crude Oil down 5.1%.”

- Ends -

For further information please contact:

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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.