

# PRESS INFORMATION from *The Dairy Group*

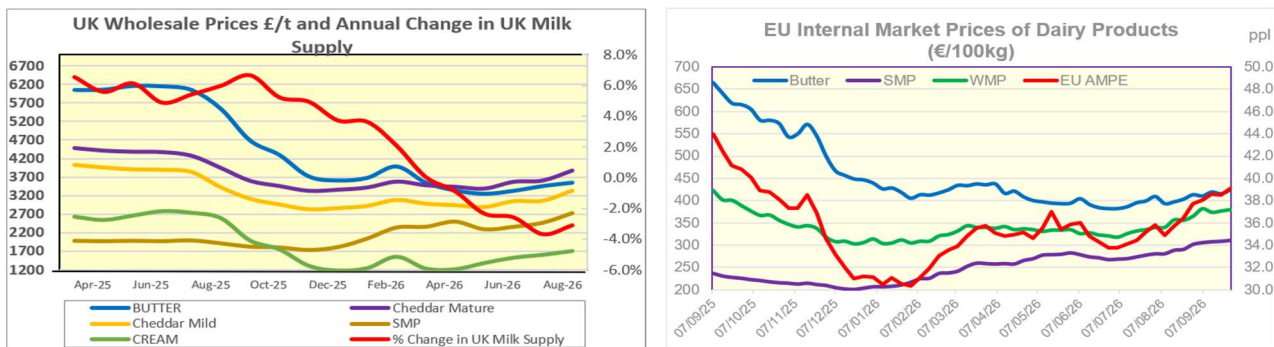
1<sup>st</sup> October 2026

## The Market Price Equivalent (MPE)

*By Nick Holt-Martyn, The Dairy Group*

### Milk Prices Might Be Up but so are Production Costs

“Milk price rises across the industry has given dairy farmers some hope of an improved outlook” says Nick Holt-Martyn of The Dairy Group, “but the sharp rises in fuel and feed looks set to derail the recovery almost as soon as it has begun. The latest rolling seven-day average shows UK supply has improved a little to -3.0%, with GB -3.7% and Northern Ireland -0.5%. Production has picked up due the recovery in grazing along with autumn calving cows settling into their winter diets. September weather has remained good, heralding above average grass growth allowing late cuts of silage to boost dwindling forage stocks. Most maize has been harvested allowing the detailed winter feed planning to take place before taking the tough decisions regarding feed shortfalls and herd size for the next 6-9 months. As a result of the various conflicts around the world, oil and feed prices are on the rise and the looming super El Nino is threatening feed supply in 2027. A surefire recipe for inflation in production costs at a time of low milk prices.”



Source: The Dairy Group, AHDB, MMO & Defra

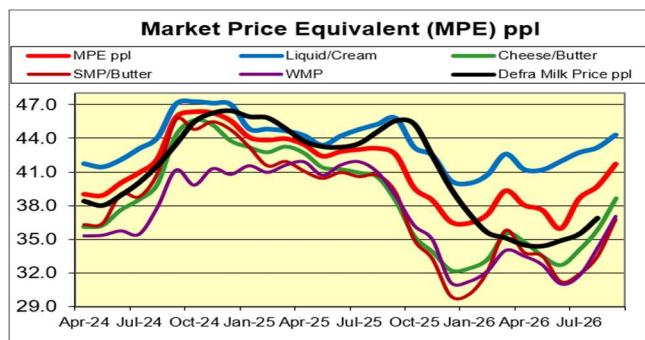
The left-hand graph shows the UK Wholesale Prices and the change in UK supply over the last 18 months. It shows an upward trajectory albeit from a low base and still a long way behind the levels last seen in the summer of 2025. Butter and Cream prices are down 35% on the year whereas SMP is up 43% and Mild Cheddar down just 3%. The milk supply has corrected with the start of the supply deficit in April and deepening as the summer progressed. There are signs of an upturn in supply which would be expected to recover towards 0% by the end of winter. Higher feed costs may limit that recovery.

The right-hand graph gives the EU Wholesale Prices which are showing a similar pattern to the UK, with a modest recovery so far with the SMP increase contributing most of the rise in EUAMPE. Butter is down 31% on the year, SMP up 38%, Cheddar down 28%. The rise in SMP is on the back of the increased use of dairy protein, both SMP and whey, in products aimed at the GLP-1 market. Whey prices are up 57% on the year adding some support to weak cheddar prices.

The steady progress of UK farmgate prices towards 40ppl in October is as much due to fears about future UK milk supply as it is about market returns. With the cost of production for most dairy farmers around 49.5ppl and the recent jump in feed prices (+20%) in the last 3 months, farmers are more reliant than ever on the value of calves and culls to make a profit. Fortunately, livestock prices have risen this autumn (+6%) helping to alleviate some of the cost pressure from drought related reparations of extra feed and forage.

Consumers on the other hand have been completely isolated from the volatility in wholesale prices with AHDB reporting Liquid Milk prices up 10.4%, Cream +6.3% and only Cheddar is unmoved in the last 12 months. The Liquid and Cheese share of the milk has fallen from 77% to 71% in the last 5 years as supply has risen by 5% with all the additional being taken up by other products.

Our assessment of milk prices is suggesting a 10% rise in the Defra Farmgate price to 41ppl in December as the rise in wholesale markets underpins the recent price rises. Increases in feed, fertiliser and fuel are likely to consume most of those increases leaving dairy producers operating below the cost of production for some time to come. 2027 will undoubtedly be no less challenging.



## Market Prices

### Market Price Equivalent

The Market Price Equivalent (MPE) continues to rise, up in September by 1.99ppl (+5%) to 41.69ppl. It is now **up 2.4ppl** (6.0%) over the last six months and -0.8ppl (-2%) year on year.

### Commodity and Sector Movements

The UK market moved up across the board as weaker milk supply drove the market higher, led by Cream and SMP supported by Butter with

Mild Cheddar unmoved.

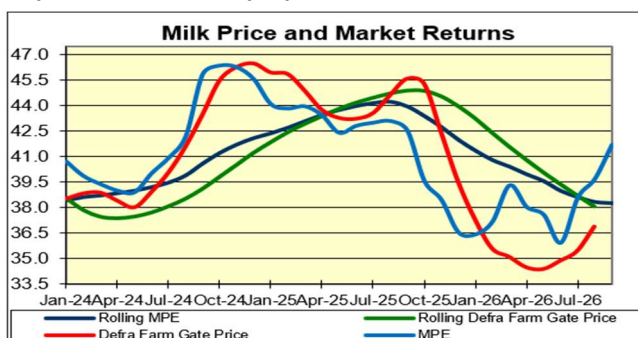
**UK Commodity prices:** Cream rose by 6%, Mild Cheddar jumped by 9%, SMP jumped 11% and Butter by 3%. Sector movements: Cheese/butter/whey rose by 7.8%, Liquid/cream by 2.6%, SMP/butter by 9.9% and WMP by 8.4%.

**EU Commodity Prices:** EU weekly commodity prices also strengthened across the board. Cheddar rose by 0.3%, Butter by 2.7%, WMP by 4.1%, SMP by 3.0% and Whey by 6.2%. EU AMPE increased by 3.6% to 39.1ppl, down 4.3% year on year.

### Farm Gate Prices

The latest Defra Farmgate Price was 36.9ppl in August finally breaking out of the narrow band of 34.4ppl-35.6ppl that has lasted for 6 months. The rolling 12 months milk price slipped again to 38.1ppl, the lowest since July 2024.

Widespread price increases together with the seasonal rise in milk solids will lift prices towards 40ppl for the rest of the year. Reflecting the latest market movements and recent price rises, our forecast for the Defra average farmgate prices are September 37.1ppl, October 39.9ppl, November 40.3ppl and December 41.0ppl. 41ppl marks the extent of the price increases at present with supply pressures still evident in the US and New Zealand, although the EU remains at +1.2% in August.



### UK Milk Supply

UK milk supply was 1,323M litres in June (-2.3%), 1,274M litres in July (-2.6%) and provisionally 1,212M litres in August (-3.7%). Forecasts have been revised down again to 1,184M litres in September (-3.1%), 1,262M litres in October (-3.5%) and 1,252M litres in November (-2.7%). The milk supply in 2026/27 is likely to be 274M (1.7%) litres below 2025/26. Beef prices have improved due to the Brazilian beef being suspended from the EU market due to non-compliance with antimicrobial regulations, alongside declines in the European cattle population and increasing seasonal demand.

September exchange rates were broadly stable against the Euro, but fell 2.25% against the Dollar to £/\$1.325 and at £/€1.17. CPI rose to 3.1%, but the Bank Base Rate remained at 3.75%. Inflation is creeping up as the Iran war restricted supplies of crude oil and gas and their products. Prices rose through September to around \$100/barrel making bank base rate rises more likely. Over the month, Crude Oil +4.4%, Wheat eased -11.6% and Soya Bean meal -0.5%.

El Nino's temperatures are the highest ever recorded suggesting extreme weather effects are likely around the world in 2027/28. Volatility in all agricultural sectors will affect both incomes and expenses at a time of elevated energy costs which will provide a very challenging economic environment.

- 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 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.