

PRESS INFORMATION from *The Dairy Group*

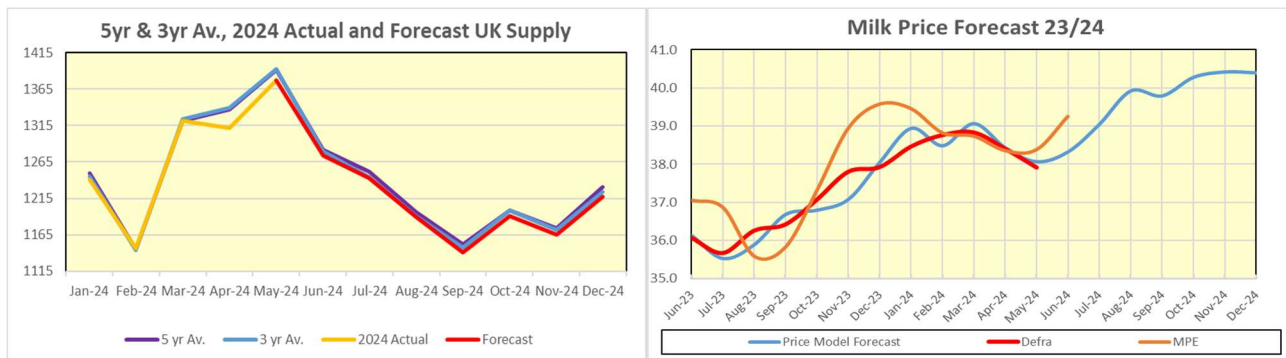
1st July 2024

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

Milk Prices Set to Turn a Corner

“Milk prices should now have bottomed out with the strong milk solids together with the weak production delivering 37.9ppl at the farm gate,” says Nick Holt-Martyn of The Dairy Group. He goes on to say “from here butter and cream’s rise should drag prices through 40ppl by late summer, with a little help from a firming cheese price.

The weather seems to be playing its part with June the first month with below average rainfall since June 2023 and the forecast suggests the wet weather patterns have switched to a more “normal” showery outlook. Meanwhile Europe wide inflation is down and GDP is picking up, often an indicator of rising dairy demand. Stability and normality seem to be in play, that is until perhaps the effects of the elections in UK and France have played out. For the UK that would seem to be continued stability, but for France much uncertainty is evident.



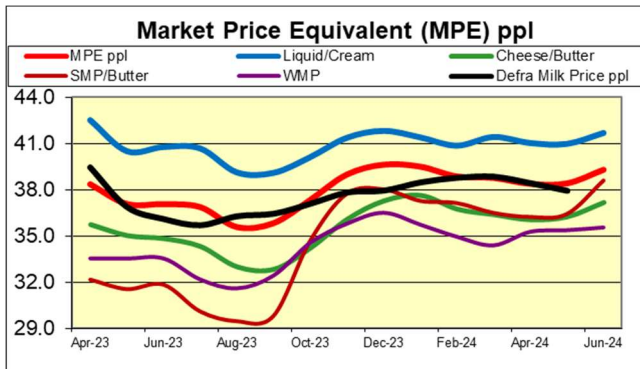
Source: The Dairy Group, Defra, AHDB

The graph on the left shows the UK supply picture in 2024 with a general tracking of the 3 and 5 year average with the exception of the spring departure due to poor weather. This effect is diminishing with late June daily supply exceeding 2023 and June set to finish at 0%. Going forward tracking the 2 trend lines is most likely subject to weather and economic pressures. The graph on the right shows the recovery in the farm gate price from autumn 2023 followed by the recent seasonal dip towards the spring flush. With MPE rising and higher wholesale prices in the EU the upward trend looks set to resume with 40ppl being surpassed by late summer.

Milk prices above 40ppl will be welcome, but more is needed if the gap to the cost of production is to be closed. The cost of production continues to rise and particularly fixed costs which rise in tandem with general inflation, which despite the headline figure achieving 2% will be under pressure again this autumn. Crude oil prices are up 10.8% in the last 6 months of which 6.6% was in the last month. As with domestic electricity prices autumn/winter increases are expected when these feed through to the wider economy.

The average Farm Gate milk price in April has been revised up to 38.4ppl and May is provisionally 37.9ppl, the lowest monthly price since November. The Milk Price Gap may have narrowed to 5.5ppl and be set to fall further through the summer/autumn as the higher milk prices materialise, but cost of production could already be exceeding 44ppl. Milk prices around 40ppl won't be sufficient to deliver the profitability needed for reinvestment and environmental improvement.

The sustainability of the market rises depend on demand, but especially milk supply. If the weather can deliver some “normality” then tracking historic production levels seems likely. Hurricane Beryl being the earliest Category 5 Hurricane ever is a possible indicator of a stormy late summer/autumn to come which could hold back milk supply. Below par milk supply will drive the farm gate price higher through the winter bringing some narrowing of the Price Gap. Weather as always is the key!



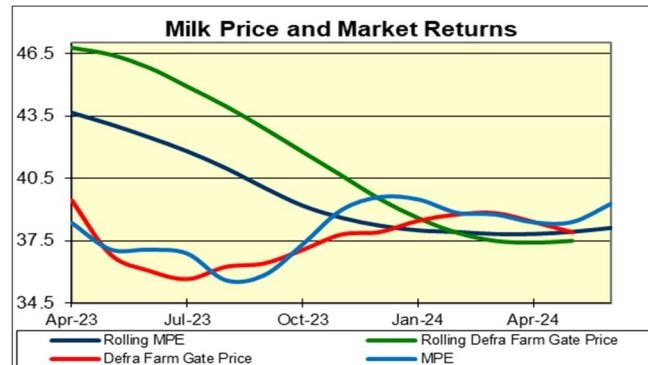
Market Prices

The Market Price Equivalent (MPE) rises in June to 39.3ppl (+2.2%), down 0.3 ppl (-0.8%) in the last 6 months, but up 2.4ppl (6.5%) year on year. This shows that there is some life in the markets that have remained flat for 6 months. UK supply was revised down to -1.6% in April and -0.8% in May, but June is forecast at 0%. The rise in the June MPE is due to rising butter and cream prices

together with a firming cheese price. EU weekly commodity prices were mixed in June with Butter up 3.8%, SMP down 0.8%, Whey up 1.3% and Cheddar down 0.8%. The UK commodities were all up with Cream +8.2%, SMP +2.4% and Mild Cheddar +3.5%. The range across the sectors widened to 6.2ppl from Liquid to WMP due to the rise in butterfat prices.

Farm Gate Prices

The Defra average Farm Gate Price was adjusted to 38.4ppl in April and to 37.9ppl in May. UK Milk quality continues to seasonally ease back to a record May level of 4.15% Butterfat and 3.37% Protein. Butterfat production was only 0.7% below the previous May record set in 2021, with combined butterfat and protein production only -1%.



Our latest milk price forecast is up due to milk price increases and the market rise. Based on current prices and the latest market returns, suggests the Defra farm gate price will rise in June to 38.3ppl, around 39ppl in July and then rise further towards 40ppl in August and September.

Production in March was confirmed at 1321 M litres (0%), April was 1311 M litres (-1.6%), May 1377 (-0.8%) and based on the AHDB daily deliveries our forecast for June is 1274 M litres (0%). The forecast for July is 1240 M litres (-0.4%) and August 1190 M litres (0%) with a more normal weather pattern. The forecast outturn for 2024/25 14.8 B litres (-0.4%). The average June has seen grass growth follow a more normal pattern that looks like being extended into July.

June closing exchange rates were £/\$1.2648 and £/€1.1779. Sterling fell against the Dollar but firmed against the Euro. The consumer price index fell to 2.0% in May, so a bank base rate cut is expected after the General Election from its current 5.25%. Pacific weather patterns are neutral, and the La Nina event is expected to develop over the next 6 months. The global grain, soya and oil markets have had a mixed month with Wheat down 15%, Soymeal down 3.4%, but Crude Oil up 6.6%.”

- Ends -

For further information please contact:

- ❑ **Nick Holt-Martyn**, The Dairy Group (01823 444488/e-mail: nick.holt-martyn@thedairygroup.co.uk)
- ❑ **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.