

PRESS INFORMATION from *The Dairy Group*

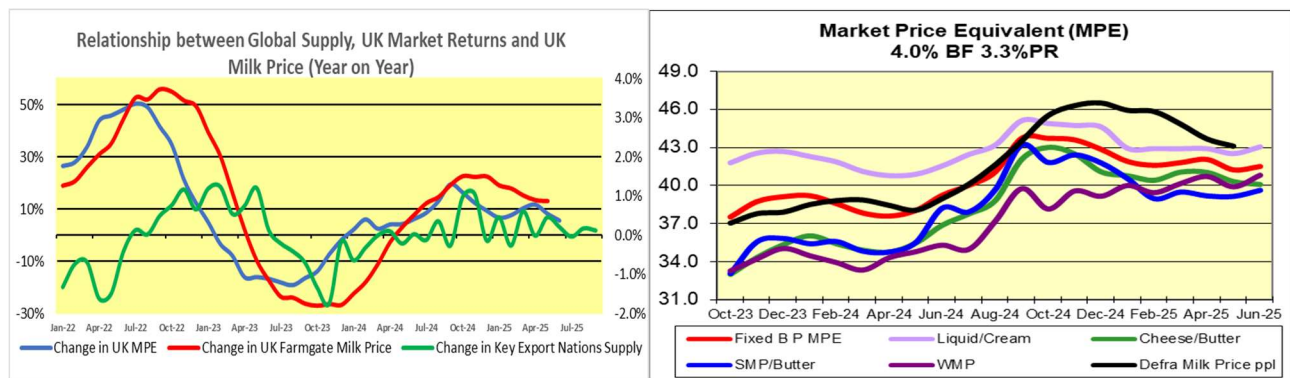
2nd July 2025

The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

Milk Production Increased Further Through June

“UK milk production continues to break records with production in June likely to increase by 6.9%” says Nick Holt-Martyn of The Dairy Group. He goes on to say “recent extreme weather will probably cause a slowdown but is unlikely to turn production into reverse. UK production has proved to be very resilient to the cold, dry spring and now hot, dry summer weather. The same cannot be said for the EU with production down 1.6% in April with the result that dairy commodity markets remain stable with EU Butter prices largely unchanged for 4 months. Globally the EU is a major driver of supply at this time of year and despite positive production in the USA, New Zealand and Argentina, overall supply remains stable.



Source: The Dairy Group, AHDB, MMO & Defra

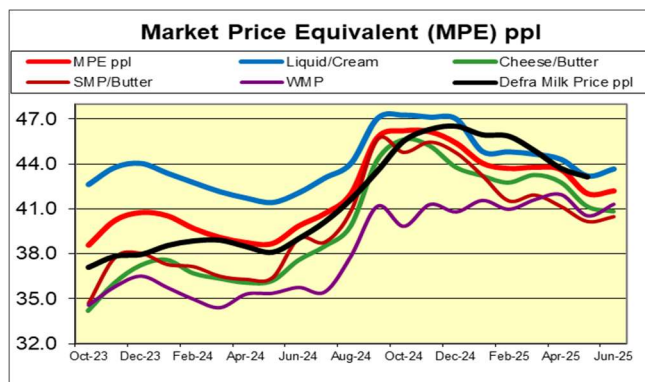
The graph on the left shows the relationship between the year on year change in the key export nations supply (includes UK together with EU, NZ, USA), UK Market Returns (MPE) and UK Farmgate prices. This shows the post Covid volatility has passed and now we are seeing a constrained supply (between +1% and -0.5%), increasingly stable market returns delivering stable milk prices.

The graph on the right shows the UK sector equivalent prices, standardised to 4% Butterfat and 3.3% Protein to remove milk quality seasonal factors. This shows the range in returns has narrowed considerably over the last 2 years to a relatively small spread of just 3ppl. This is borne out by the latest UK prices where most prices are within that range with the exception of Arla and it's pan-European dimension.

Despite the numbers of GB dairy farmers dropping to just 7,040, those that remain are demonstrating their professionalism and resilience by resisting the latest turns of the weather dice. There are concerns for future forage supply with early harvest reports suggesting low yields in the driest areas in both silages and winter barley. Feed prices remain low and as outlined above milk prices remain stable, around the the cost of production while livestock returns are still good. Low forage stocks will test this resilience particularly if the summer throws up repeated extreme heat events with below average rainfall.

The US tariff policy is set to reappear as the Trump July deadline passes. The limited UK/US trade agreement has been enacted which should protect the UK from some of the expected chaos, but large areas are not covered by the agreement including dairy products. Futures markets are indicating continued stability but are often a poor indicator of future movements. The big risk to stability is the start of the New Zealand milk year in the autumn combined with a recovery in EU supply. The former is possible with record prices, but the latter seems unlikely given the extreme weather, bluetongue and environmental policy in the new CAP.

There is little rain in the UK long range forecast so forage supplies will remain constrained, supplementary feeding is economically prudent, preserving forage stocks and in maintaining milk output.



Market Prices

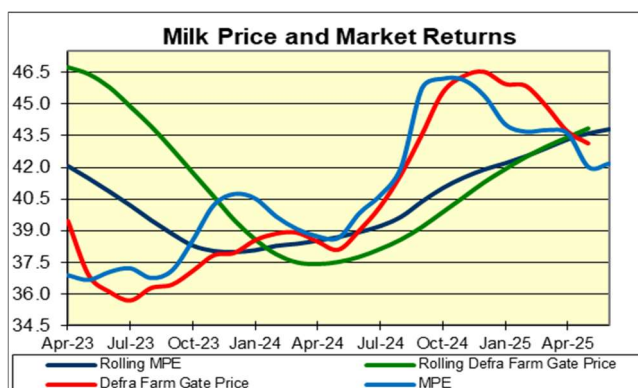
The Market Price Equivalent (MPE) increased by +0.2ppl in June to 42.2ppl (+0.4%), down by 3.2 ppl (-7.0%) in the last 6 months and up 2.3ppl (+5.9%) year on year. UK milk supply in June was +6.9%, July is forecast at +5.9% and August at 4.8%. 2025/26 production is forecast at 15.6 B litres, +3.3%. EU weekly commodity prices remain broadly stable in June with Butter +0.5%, SMP -2.4%, WMP +0.7%, Whey -2%

while Cheddar was -1.3%. In the UK Cream +5%, Butter +2%, SMP +1% and Mild Cheddar -1% have followed a similar tone with summer sun lifting cream and butter demand, but protein remains under pressure from record UK supply.

Farm Gate Prices

The Defra Farmgate Price in May was provisionally 43.1ppl (-1.3%), down 3.2ppl (-7.0%) in 6 months and up 5.0ppl (13.2%) annually. The weighted rolling price rises to 43.8ppl. Milk processors are holding prices at the current levels due to the stability in market returns.

Our latest milk price forecast is stable with the Defra farm gate price 43.9ppl in June, 43.3ppl in July and 43.9ppl in August.



March milk production was confirmed at 1371M litres (+3.8%), April was 1396M litres (+6.5%) and May was provisionally 1458M litres (+5.7%). Our forecast production for June is 1363M litres (+6.9%), for July is 1320 M litres (+5.8%) and August 1250M litres (+4.8%). Record levels of milk supply look set to continue through the summer even though grass supply is showing the 2nd drought of the year after staging a recovery in early June. The dry weather is forecast to extend through July after the driest spring for many years. Beef prices have now stabilised maintaining encouragement to cull cows if forage becomes limiting.

June closing exchange rates have seen further weakening of the Dollar following tortured progression of the "Big Beautiful Bill", £/\$1.36 and £/€1.15. The consumer price index has remained at 3.4% in May and the Bank Base Rate at 4.25%, although economic uncertainty persists with the Government spending and tax policies under scrutiny.

Pacific weather patterns continue to remain neutral and are expected to stay neutral with an outside chance of La Nina re-establishing over the next 6 months. Global milk supply remains constrained and not posing any risk to dairy market stability at present. The global grain, soya and oil markets remain mixed following the Middle East crisis with Wheat up 3.3%, Soya Bean meal down 7.1% and Crude Oil up 4.9%. A further Iranian conflict will cause oil prices to jump again but that seems less likely at the moment."

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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.