

# PRESS INFORMATION from *The Dairy Group*

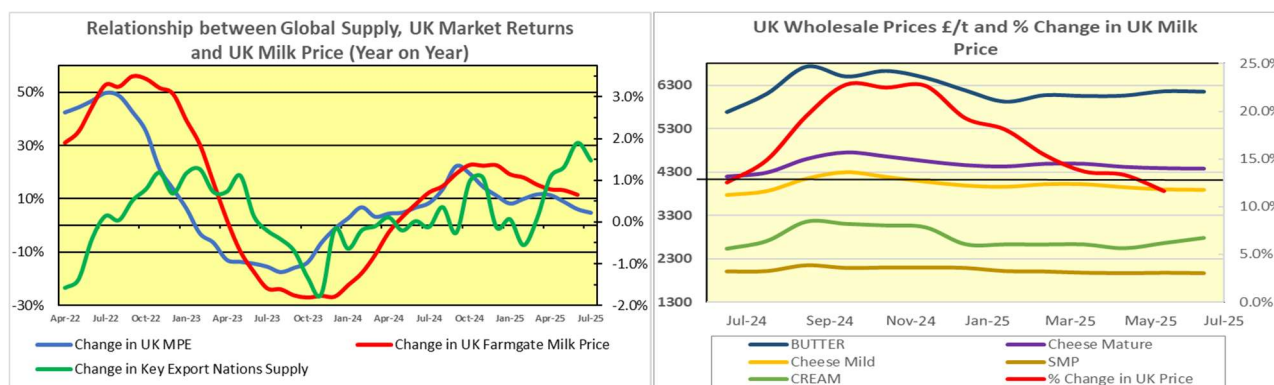
4<sup>th</sup> August 2025

## The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

### Global Milk Supplies Are Stirring

“Global milk supplies are responding to higher prices around the world and are showing signs of increasing, not in a heady UK style, but rising nonetheless” says Nick Holt-Martyn of The Dairy Group. He goes on to say “meanwhile the UK, despite very dry conditions, is still posting +5% milk production in July. Eurostat and CLAL are reporting EU production is showing modest year on year gains and we await the start of the New Zealand (NZ) new milk year with the major export blocks all showing production increases.



Source: The Dairy Group, AHDB, MMO & Defra

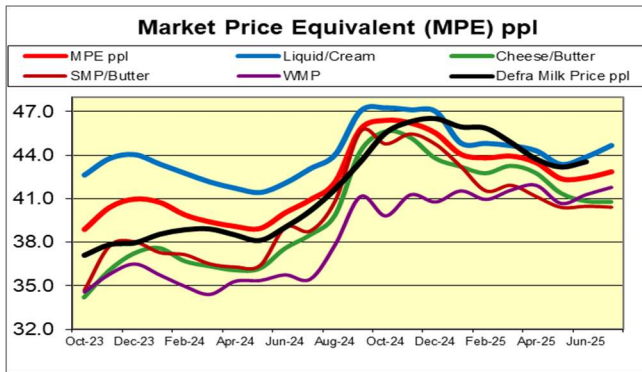
The graph on the left shows the relationship between the year on year change in the key export nations supply (includes UK together with EU, NZ, USA), UK Market Returns (MPE) and UK Farmgate prices. This shows each time supply growth is sustained above +1% markets generally soften with onward consequences for farmgate price. The current position was last seen during the winter of 2022/23 which triggered a market and farmgate price reduction in 2023. For now the market continues to be very stable with little movement in 2025, but with production lifting above the 1% threshold a softening in markets might be on the horizon.

The graph on the right shows the UK Wholesale Prices that have effectively flatlined since January producing stability in the farmgate price that has been between 43 and 46ppl depending on seasonal milk quality and seasonality adjustments of some milk contracts. August is a month when global dairy trade often goes into recess to re-emerge in September when the NZ new season data starts to become available and the market tone is set for the winter. If supply drops back below 1% markets are likely to remain stable. However, if supply remains above +1%, particularly with a strong start to the NZ milk year, then markets are likely to soften.

UK supply has so far shrugged off the weather extremes of heat and dry conditions in July to keep production at +5% above July 2024, the 3-year and 5-year July averages. After 4 months of 2025/26 milk year, supply is up 325M litres and the UK is on course to be up 3.5% in the 2025/26 milk year.

The US tariff machinations continue with the UK able to watch from the sidelines as differing tariffs are agreed or imposed on other countries. The EU settled at 15% which makes the UK's 10% seem favourable although its not clear what product overlap and competition exists for exports into the USA.

Feed markets remain low as the northern harvest progresses with strong supply of cereals and proteins which favours milk production. UK harvest is showing signs of drought with highly variable yields, but good quality with a similar pattern seen in forage production. The UK long range forecast suggests the current unsettled weather will give way to another heatwave mid month keeping pressure on grass and forage supply. With good milk prices and modest feed prices the economics of milk production are good, so milk producers are advised to make the best of the current situation because 2026 is more likely to be less favourable.



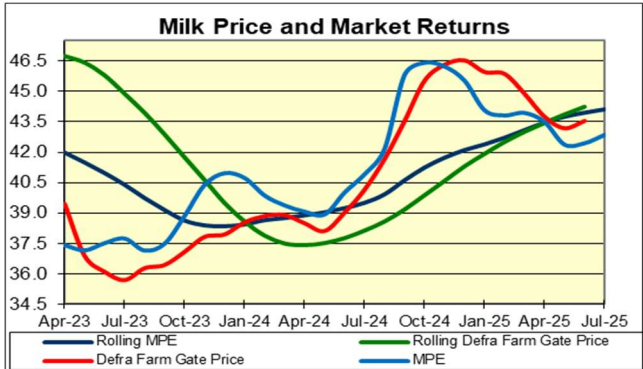
## Market Prices

The Market Price Equivalent (MPE) lifted higher again, +0.4ppl in July to 42.9ppl (+1.0%), down by 1.2 ppl (-2.8%) in the last 6 months and up 1.9ppl (+4.7%) year on year. UK milk supply in July was +5.2%, August is forecast at +4.2% and September at +3.1%. 2025/26 production is forecast at 15.64 B litres, +3.5%. EU weekly commodity prices remain broadly stable in June with

Butter -1.8%, SMP -0.8%, WMP +0.9%, Whey -1% while Cheddar was -3%. In the UK Cream +4%, Butter 0%, SMP -1% and Mild Cheddar 0% have followed a similar tone with the heatwave lifting cream demand, but the protein side remains under pressure from the record UK supply.

## Farm Gate Prices

The Defra Farmgate Price in June was provisionally 43.6ppl (+0.8%), down 3.0ppl (-6.4%) in 6 months and up 4.5ppl (11.6%) annually. The weighted rolling price rises to 44.2ppl. Milk processors are holding prices at the current levels due to the ongoing stability in market returns.



Our latest milk price forecast for the Defra farm gate price is 43.4ppl in July, 44.0ppl in August and 44.9ppl in September.

April milk production was confirmed 1400.2M litres (+6.8%), May was 1462.6M litres (+6.1%) and June was provisionally 1364.1M litres (+6.9%). Our forecast production for July is 1312M litres (+5.2%), for August is 1244 M litres (+4.2%) and September 1190M litres (+3.1%). Record levels of milk supply look set to continue throughout the year due to economic conditions and forage quality. The mostly dry weather is forecast to continue, making 2025 the warmest and driest summer since 2022.

July closing exchange rates have seen further weakening of the Dollar as the tariff picture unfolds, £/\$1.333 and £/€1.161. The consumer price index has lifted to 3.6% in June but the Bank Base Rate is held at 4.25%. Despite the inflation there is some speculation of a base rate cut in August.

Pacific weather patterns remain neutral and are expected to stay neutral until the end of the year. The global grain, soya and oil markets remain mixed following the Middle East crisis with Wheat down 5.8%, Soya Bean meal up 3.2% and Crude Oil up 0.9%. OPEC intention of increasing crude oil supply should lower oil prices from September. Apart from tariffs the USA appears to moving closer to supporting Ukraine which could bring further instability to markets if the threatened "secondary tariffs" unsettle grain and oil markets."

- 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.