

# PRESS INFORMATION from *The Dairy Group*

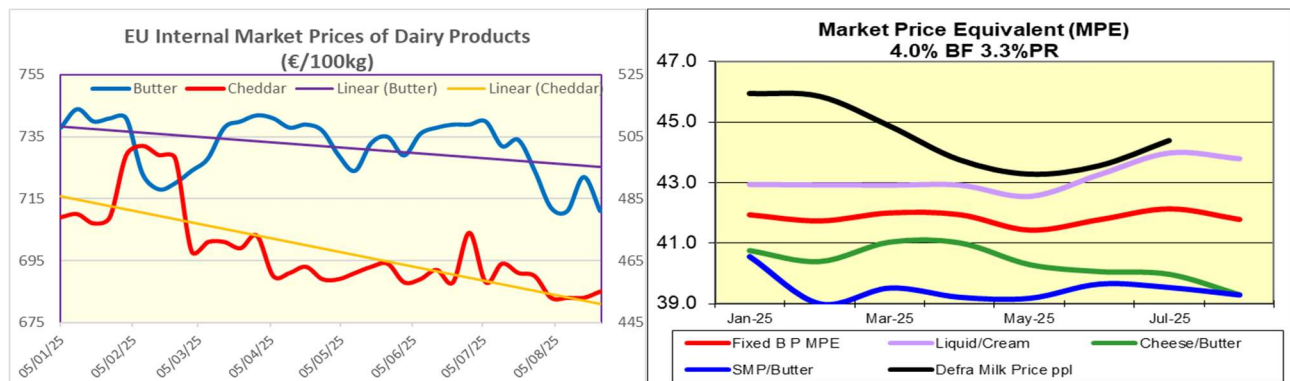
5<sup>th</sup> September 2025

## The Market Price Equivalent (MPE)

*By Nick Holt-Martyn, The Dairy Group*

### Arla and First Milk Signal a Change in the Market

“Softening of EU Butter prices is starting to reach the UK farmgate signalling a change in market sentiment” says Nick Holt-Martyn of The Dairy Group. He goes on to say “after months of strong supply in both the UK and Ireland and an increase in EU production in recent months, wholesale butter prices have started to soften prompting mark downs in future pricing.



Source: The Dairy Group, AHDB, MMO & Defra

The graph on the left shows the EU wholesale price of Butter and Cheddar since the start of the year. Butter has been remarkably level throughout the year so far, barring the dip in February, due to the strong demand and stable EU milk production. Since April, however EU production has been marginally positive and coupled with higher supply in the UK, USA and New Zealand, markets have softened, notably since July. By contrast Cheddar has been sliding all year apart from a sudden rally in February. The trendlines for both Butter and Cheddar have been declining all year with Cheddar declining at a slightly higher rate.

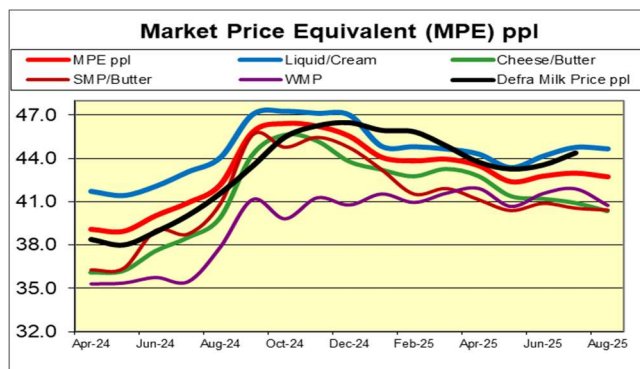
The graph on the right shows the UK wholesale market sectors standardised to 4.0% Butterfat and 3.3% Protein since January. UK markets have been very stable with a slight rise in Cream and Butter through the long hot summer but weaker more recently. UK wholesale prices may buck the EU trend for a while but the Cream and Butter markets are intrinsically linked, so softening markets in the EU will reach across the channel through the autumn.

The effects on individual milk processors will depend on their exposure to commodity prices and EU markets. Arla with its European milk pool is acutely exposed to the EU market and is often the first to respond to market movements in either direction.

UK supply has continued to shrug off the drought conditions maintaining an estimated +5.7% in August compared to the previous year. Current rainfall will help alleviate the immediate grazing shortage later in September and provide some welcome late silage to harvest, but for much of the country forage will remain in short supply. With purchased concentrate feed relatively low priced, producers are likely to feed heavier through the winter to eke out forage stocks maintaining the higher production. Higher milk supply is not what markets will want to see and could cause further weakening in the milk price.

Globally the Pacific weather systems are forecast to remain neutral for the rest of the year before slipping in to La Nina territory in 2026. In the UK the long range forecast suggests the showery weather is likely to persist throughout September with average temperatures allowing grass and brassica crops to recover, but too late for Maize crops.

As each month passes the current period of good milk prices and modest feed prices looks set to continue until the year end with all the signs that 2026 is more likely to be less favourable. The message to dairy farmers is to take advantage while you can and prepare for the challenges ahead.



## Market Prices

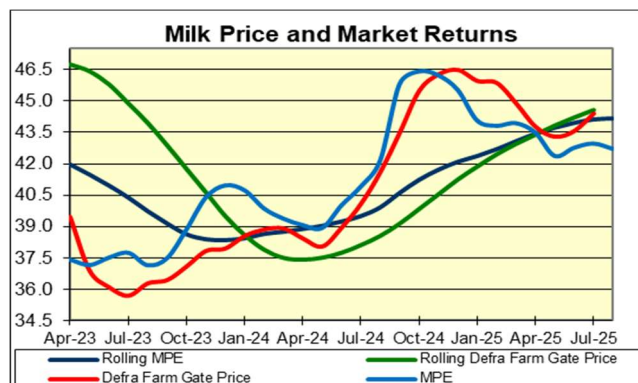
The Market Price Equivalent (MPE) slipped in August to 42.7ppl (-0.6%), down by 1.1ppl (-2.5%) in the last 6 months and up 0.6ppl (+1.3%) year on year. UK milk supply in August was estimated at +5.7%, September is forecast at +5.1% and October at +4.1%. 2025/26 production is forecast at 15.8 B litres, +4.6%. EU weekly commodity prices declined in August with Butter -1.8%, SMP -

0.4%, WMP -2.1%, Whey +3.2% while Cheddar was -1.1%. In the UK Cream -2%, Butter -2%, SMP +1% and Mild Cheddar -2% have followed a similar tone with milk supply starting to weigh heavily on the market.

## Farm Gate Prices

The Defra Farmgate Price in June was provisionally 44.4ppl (+1.9%), down 1.6ppl (-3.4%) in 6 months and up 4.3ppl (10.8%) annually. The weighted rolling price rises to 44.6ppl. Milk processors have started to lower prices as the wholesale market starts to weaken.

Our latest milk price forecast for the Defra farm gate price is 44.5ppl in August, 44.9ppl in September and 45.2ppl in October.



Milk production was confirmed in June at 1361.1M litres (+6.9%) and was provisionally 1316.8M litres (+5.6%) in July. Our forecast production for August is 1262M litres (+5.7%), for September is 1210 M litres (+5.1%) and October 1225M litres (+4.1%). Record levels of milk supply are set to continue throughout the year due to favourable economic conditions.

August closing exchange rates have seen stable rates against the Dollar and the Euro as the tariff picture became clearer, £/\$1.34 and £/€1.16. The consumer price index has lifted slightly to 3.8% in June, but the Bank Base Rate was cut to 4.0% despite the risk to inflation.

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 with Wheat down 0.6%, Soya Bean meal up 3.5% and Crude Oil down 5.1%. Feed prices remain low as the Northern Hemisphere harvest comes to a close with small changes on logistical issues affecting day to day pricing. Ukraine is far from settled and the threat of "secondary tariffs" continues to unsettle 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.