

PRESS INFORMATION from *The Dairy Group*

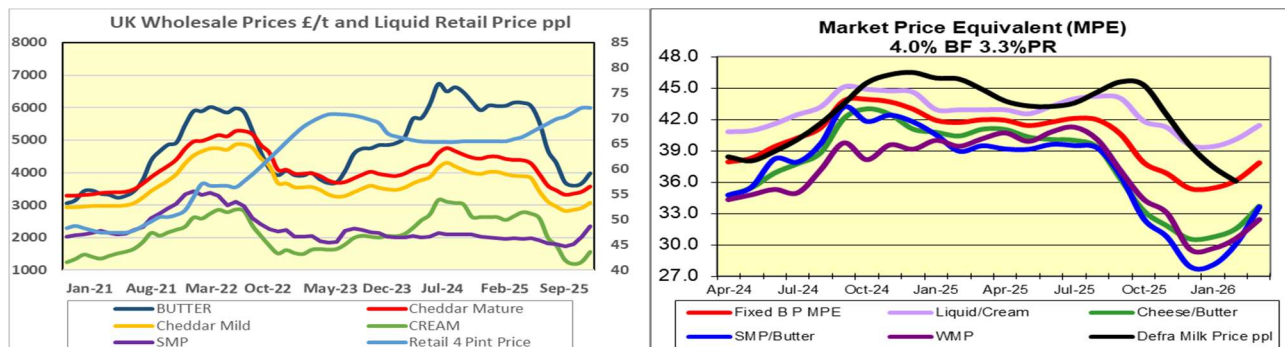
7th April 2026

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

Contract Quotas and Cancellations as Volume Controls get Serious

“A revolution is taking place on farm with quotas being introduced by milk buyers fearful of a buoyant spring flush and excess milk with limited value” says Nick Holt-Martyn of The Dairy Group. He goes on to say “Better a volume quota for the many than a contract cancellation for a very unlucky but still significant few. Rationalising milk pool/supplier base is the usual cited reason which serves to shrink the industry further. Despite the statutory 12 months’ notice the market conditions are not conducive to finding a new contract.

Commodity prices have turned a corner with SMP following Whey in meeting rising demand for milk protein on the back of the weight-loss GLP-1 boom, but Butter and Cheese are less fortunate although the rot has been stopped, providing a mixed dairy market for the next quarter. European Butter prices recovered through February into March but has stalled now that Easter and the Spring flush are upon us.



Source: The Dairy Group, AHDB, MMO & Defra

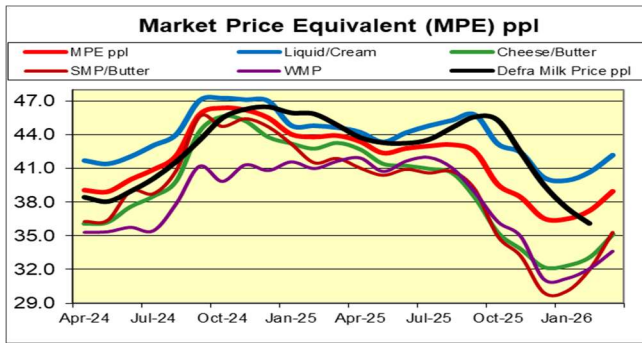
The left hand graph shows the UK Wholesale prices and the Retail Liquid price for the last 5 years. The graph shows how far market returns have fallen compared to 2024 and 2025 and have been below the previous downturn in 2022/23. Markets remained depressed for 6-12 months before beginning a recovery suggesting the recent upturn, while positive, is unlikely to be a recovery. The liquid sector has maintained its price levels as indicated by the stability of the aligned prices.

The graph on the right shows the Market Price Equivalent standardised to 4.0% butterfat and 3.3% protein. This indicates that market returns have improved across all sectors since January, driven by SMP and firming Butter markets. The better returns have occurred despite the continued strong milk supply, although there are signs that supply growth is starting to ease.

The UK supply in 2025/26 is on track to finish around 15.89 B litres, a rise of 5.1%, with February at +3.8% and March forecast at +2.7%. April will see the start of strong penalties from many processors for supply in excess of 2025, such that the “B or C litre” milk values are set to be below 20ppl and possibly below 15ppl. How effective these measures will be when grass quality is at its highest remains to be seen.

The rising markets have encouraged widespread stability in farmgate pricing through April and May and raises hopes that some modest increases can't be too far ahead. While welcome, these pale into insignificance against the expectation of the rising cost of production on the back of the oil crisis. Our expectation is for the cost of production in 2026/27 to rise above 50ppl for the first time, 15ppl above the expected summer milk price.

The oil crises will continue beyond the end of the conflict with oil inflation spreading through the rest of the economy. Farmers have to limit their lowest value litres while not restricting the performance or efficiency of the herd. Early culling and drying off decisions will be the most effective at restricting unwanted litres while the rest of the herd operates efficiently. A challenging line to tread when the sun is shining, grass growth is accelerating and cows want to milk. 2026 will be yet another challenging year.



Market Prices

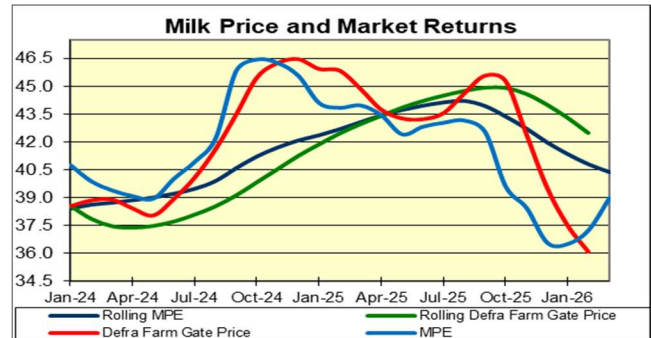
The Market Price Equivalent (MPE) rose a further 1.7ppl in March to 39.0ppl (+4.4%), down by 3.6ppl (-8.4%) in the last 6 months and down 5.0ppl (-11.3%) year on year. In the UK Cream rose +24%, Butter +8%, SMP +15% and Mild Cheddar +5%. The Butter/Cream ratio remains high suggesting cream has some ground to recover. All sectors are now showing further

improvement with liquid/cream +3.7%, cheese/butter/whey +6.1%, SMP/butter +10.3% and WMP +4.2%. EU weekly commodity prices were also positive in March with Butter +2.4%, SMP +8.8%, WMP +4.9%, Whey +15.9% while Cheddar managed +0.6%.

Farm Gate Prices

The Defra Farmgate Price for December was 39.6ppl, January 37.5ppl and February 36.1ppl, as lower prices feed through to the farmgate.

The rise in markets means our latest forecast for the Defra average farm gate price has risen to 35.1ppl in March, 35.1ppl in April and 35.7ppl in May. The early forecast for June is 35.3ppl and July 35.5ppl.



UK milk supply in January was confirmed at +3.7% and February at +3.8%. 2025/26 production is forecast to finish at 15.89 B litres, +5.1%. Our forecast production for March is 1408M litres (+2.7%), for April is 1415 M litres (+1.3%) and May is 1472M litres (+1.1%). The beef market remains stable due to the weaker supply of cattle to the market. Cull cow numbers are still down year on year despite the pressure of high milk supply and low milk prices.

March closing exchange rates weakened against the Dollar, £/\$1.332 and stable against the Euro £/€1.1479. The consumer price index remained at 3.0% in February and the Bank Base Rate remained at 3.75%, with further cuts jeopardised by the rise in oil and energy prices fuelling inflation.

Pacific weather patterns remain neutral for the Northern Hemisphere summer, but a significant El Nino is expected to affect the global weather patterns next autumn/winter. The global grain, soya and oil markets have firmed due to logistical issues and costs arising from the USA/Israel and Iran conflict. Over the month Wheat was up 2.3%, Soya Bean meal stable -0.8%, but Crude Oil up 41% with the Strait of Hormuz effectively closed to most countries. The OECD has lowered the estimate for Global GDP from 3.2% to 2.9% and begun to mark down 2027 as a result of the conflict.”

- Ends -

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.