

PRESS INFORMATION from *The Dairy Group*

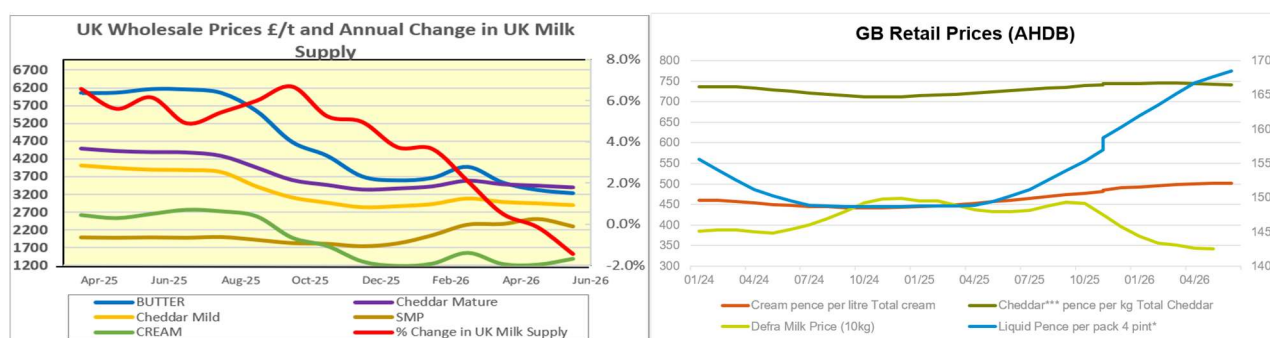
6th July 2026

The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

Who's got the £1 billion?

“Cash in the dairy supply chain has increased by £685M, yet the amount reaching the farmgate has fallen by £352M over the last year and continues to worsen each month” says Nick Holt-Martyn of The Dairy Group. He goes on to say “Compared to last year EU milk supply eased to +0.5% in May, while the UK supply reduced by 0.2%. Taken together, EU+UK supply is now only +0.8% above the three-year average. There has been no comparable relief in EU wholesale prices, which weakened further as June came to a close. Butter and Cheddar both reached new lows, down 48% and 35% year on year respectively. SMP and Whey remain the only products showing gains, but even these have fallen back by 5.3% and 3.5% over the last month. The recent heatwave will have triggered a further drop in milk supply, similar to May, which may finally gain the market's attention and reverse the recent downward direction.”



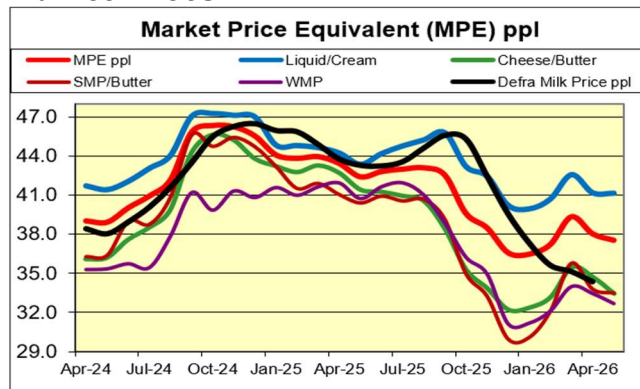
Source: The Dairy Group, AHDB, MMO & Defra

The left-hand graph shows UK milk supply gradually easing back, with June 2026 production forecast to be down 1.4%. Wholesale markets have moved lower at the same time: Butter and Cream were both down 47% year on year, while Cheddar was down 24%. SMP and Whey remain positive, up 15% and 44% respectively, but together account for only 2% of supply. Although Liquid retail prices have risen by 12% year on year, this gain has been offset by the collapse in Cream values, leaving the Liquid Price Equivalent down 4%. Overall, the Milk Price Equivalent was down 12.5% to 37.4apl.

The right-hand graph compares GB retail prices, as reported by AHDB, with movements in the Defra Milk Price over the last 30 months. Liquid retail prices lead the market, up 12%, while Cream has risen by 9% and Cheddar by 2%. By contrast, the Defra Farmgate Price is down 21% over the same period. Total consumer spend has increased by 6.3%, with cows' milk accounting for 92% of the dairy category. The result is a stark imbalance: cash in the dairy supply chain has increased by £685M, yet the amount reaching the farmgate has fallen by £352M over the last year and continues to worsen each month. The latest record temperatures affected few more directly than dairy cows, whether housed or grazing, as cows struggle once temperatures reach 25C. UK milk supply fell sharply from 25th June onwards. A daily deficit of 0.75M litres (-1.6%) quickly widened to 3.0M litres by 27th June, and the final three days of the month are likely to have followed a similar pattern despite temperatures returning closer to normal. June supply is likely to be around 1,315M litres, down 3%. With July's forecast dominated by high pressure and settled hot weather, the outlook for milk supply remains weak as high temperatures combine with diminishing forage quality and quantity.

The easing of the Middle East conflict has helped crude oil prices fall back to around \$70–75/barrel over the last week. Lower crude values are beginning to feed through into wider input costs, with retail fuel prices falling and some easing in fertiliser and imported feed prices. Harvest has also started in eastern areas, with early grain prices opening on a weak note. The supply chain must recognise the pressure on primary producers from weak prices, falling supply and rising costs. Farmgate milk prices need to reflect the reality of dairy farming, and more of the cash held in the supply chain must flow to where it is needed. Feathering retail margins helps the corporate few at the expense of the supply chain. Farmers should keep focusing on what they can control, while watching wider market pressures and cost-saving opportunities beyond the farmgate.

Market Prices



Market Price Equivalent

The Market Price Equivalent (MPE) was broadly unchanged in June, easing by just 0.07ppl (-0.2%) to 37.4ppl. It is now down 0.9ppl (-2.4%) over the last six months and 5.4ppl (-12.5%) year on year.

Commodity and Sector Movements

UK market movements were mixed. Some products remained close to recent lows, while others edged slightly higher, leaving the overall market generally weak.

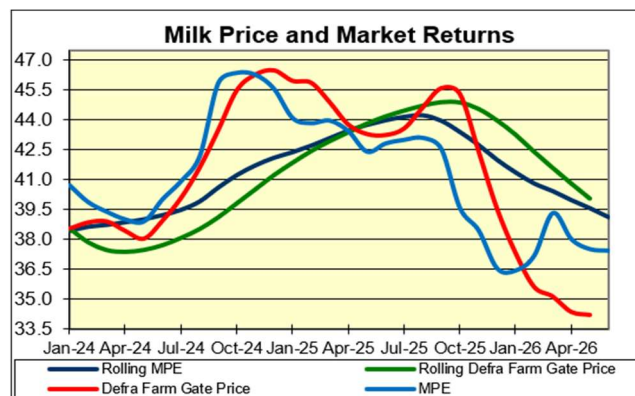
UK Commodity prices: Cream rose by 13.7%, while Butter fell by 2.7%, SMP by 8.4% and Mild Cheddar by 1.7%. Sector movements: Liquid/cream rose by 1.7%, while cheese/butter/whey fell by 2.6%, SMP/butter by 7.2% and WMP by 5.6%.

EU Commodity Prices: EU weekly commodity prices also weakened in June. Butter fell by 3.0%, SMP by 5.3%, WMP by 4.2%, Whey by 3.5% and Cheddar by 1.6%. EU AMPE fell by 6% and is now just 11% above its February 2026 low point.

Farm Gate Prices

The latest Defra Farmgate Price was 35.13ppl in March, 34.35ppl in April and 34.20ppl in May, following a slight upward revision.

Reflecting the latest market movements and recent price rises, our forecast for the Defra average farmgate prices are June 34.9ppl, July 35.7ppl, August 36.2ppl and September 37.3ppl. Despite recent milk price increases, the early forecast for October is only 37.7ppl.



UK Milk Supply

UK milk supply was 1,404M litres in April (+0.5%) and provisionally 1,454M litres in May (-0.2%). Our forecast has been revised down to 1,315M litres in June (-2.9%), 1,290M litres in July (-1.4%) and 1,245M litres in August (-1.0%). The beef market has stabilised, supported by barbecue weather, the World Cup and reduced slaughtering.

May exchange rates were broadly stable: softer against the Dollar at £/\$1.334 and stronger against the Euro at £/€1.166. The Consumer Price Index was unchanged at 2.8%, and the Bank Base Rate remained at 3.75%. With inflation fears easing as crude oil prices fall, autumn rate cuts now appear more likely.

El Nino has started strongly and forecast to intensify, with significant Pacific weather effects likely from late summer. Grain, soya and oil market volatility has eased as oil moves back towards pre-conflict levels, while European heatwaves are now the main risk to harvest yields and wholesale prices. Over the month, Wheat fell 5%, Soya Bean meal 6% and Crude Oil 25.3%. Strait of Hormuz operations remain uncertain as ceasefire talks continue.

- 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 80% 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.