

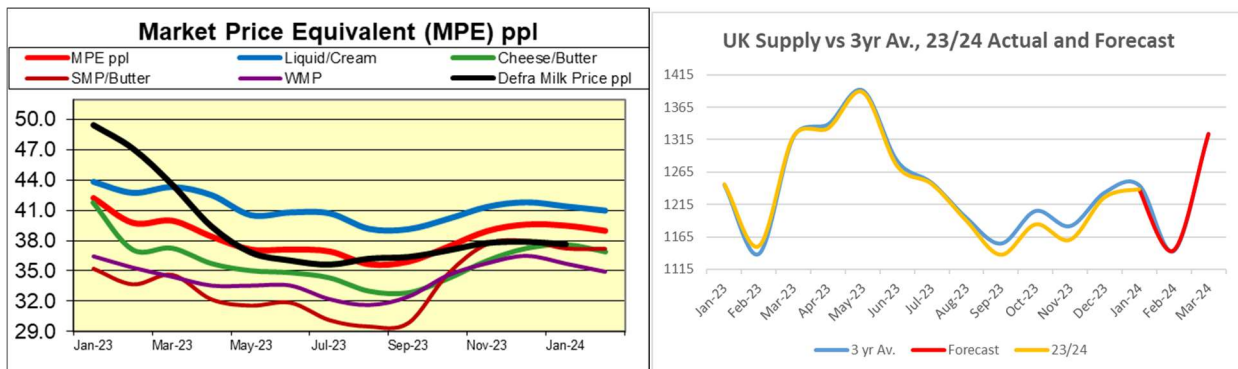
# PRESS INFORMATION from *The Dairy Group*

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

### Butter Provides Some Excitement in an Otherwise Flat Market

“The dairy market has been in the doldrums throughout February with Cream, Mild Cheddar and SMP slipping by 1-2% whereas Butter increased by 2%,” says Nick Holt-Martyn of The Dairy Group. He goes on to say “the excitement with Butter is through EU markets which in the last 2 weeks jumped 3% to suggest March will see an uplift in the UK market.



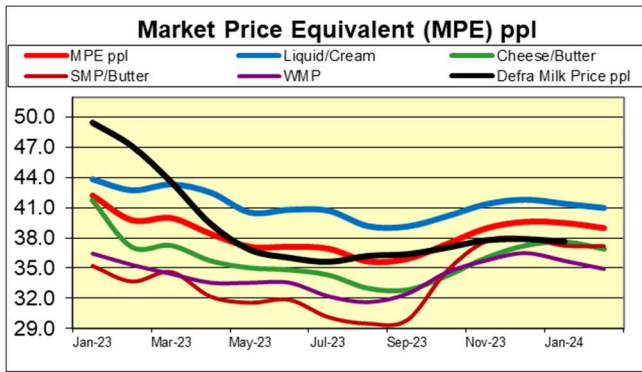
Source: The Dairy Group, EU Milk Market Observatory & AHDB

The graph on the left shows the UK market returns through 2023 based on the milk utilisations as reported by Defra. The downward trend that set in through autumn 2022 continued until autumn 2023 when the decline in autumn milk supply caused markets to stage a partial recovery. There has been a slow easing in markets from December 2023 as the Christmas seasonal effects receded. With Easter in March this year the recent rally in the butterfat market could just be another seasonal effect. Overall market returns and as a result farmgate prices have been flat through the late autumn and winter with February continuing that trend.

The graph on the right shows the deviation in supply from the 3 year average through autumn 2023 and the recovery towards the average in 2024. The sluggish start to spring however will dampen expectations of a strong spring flush and help to support markets with a flagging supply. With supply close to the 3 and 5 year average and European economies flirting with recession, thereby holding back demand, there is little sign of a change unless supply drops behind. Spring weather holds the key to spring and summer market returns and farmgate prices.

Milk production in the USA is slipping back while both the EU and New Zealand are volatile, negative months being followed by positive months. The EU supply position through the spring will be as important as the UK domestic supply in setting the direction of UK pricing. Very often the weather does not discriminate and affects UK, Ireland and the dairy nations of northern EU to a greater or lesser extent. Globally milk production is still drifting down, but as yet markets haven't shown any concern about future milk supply. Milk production costs are still high despite weakening feed prices. Oil prices have risen throughout the last 3 months helping to keep inflation above the long term average. Fixed costs have remained much higher than 2 years ago and will keep rising on the back of higher inflation. The rising fixed costs maintains the higher cost of production and the need for higher milk prices for milk production to be profitable. There is the expectation of higher feed and straw prices in 2024/2025 as land is taken out of cereal production due to adverse weather and margins. In the absence of a risk assessment of SFI23/24 there is anecdotal evidence of land being diverted into high value SFI actions instead of cereals, a risk compounded by the wet weather through the autumn and winter.

The combination of weak supply, weak margins and weak markets suggest something is going to change soon or farmers will look seriously at the alternatives.



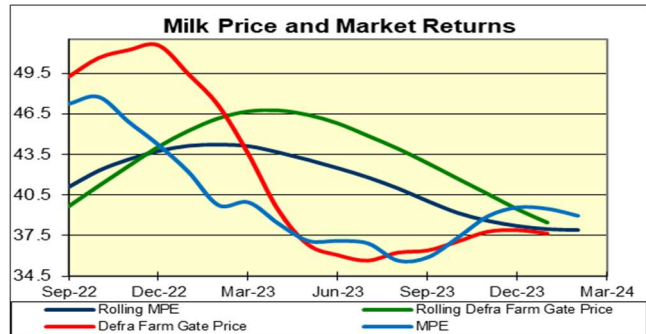
## Market Prices

The Market Price Equivalent (MPE) reduced in February to 39.0ppl (-1.3%), up 3.3 ppl (9.3%) in the last 6 months and down 0.8ppl (-2.0%) year on year. Liquid retail prices slipped to 65.0ppl, down 12.0% on the year and 1.4% in the last 6 months. UK supply reduced by 0.6% in January and is forecast to be down 0.8% in February (leap year adjusted). EU weekly commodity prices rose

in February with Butter up (3.7%), SMP up (0.8%) and Whey (1.2%), even Cheddar managed to rise up 1.1%. The UK commodities were mixed with only Butter up 2.1% and the rest falling 1-2% with Mild Cheddar dropping 2.0%. The range across the sectors rose to 6.0ppl from Liquid to WMP despite the weak market tone.

## Farm Gate Prices

Farm Gate Price was provisionally up to 37.9ppl (+0.3%) for December but reduced in January to 37.7ppl (-0.6%). The farm gate price continues to track the MPE which has eased back from 39.6ppl in November to 39.0 in January. UK Milk quality seasonally eased back from the record levels in November and December to 4.32% Butterfat and 3.45% Protein in January.



Our latest milk price forecast, based on current prices and the latest market returns, suggests the Defra farm gate price will rise to 38.7ppl in February, 39.0ppl in March and at 39.0ppl in April.

Production in December was confirmed at 1226 M litres (-0.2%) and January was provisionally 1239 M litres (-0.6%). Our forecast for February is 1145 M litres (-0.8%) (1186 M litres due to the leap year) and March 1323 M litres (0.1%). The forecast for 2023/24 stays at 14.85 B litres (-0.4%). The weather changed its mind and reverted to record breaking wet conditions and yet again a drier forecast is now in place for March (we hope!).

January's closing exchange rates were £/\$1.2625 and £/€1.1684, Sterling firmed against the Dollar but has been mostly flat against the Euro. The consumer price index was unchanged at 4.2% in January which has extended the hold to bank base rate at 5.25%. Pacific weather patterns are showing that the El Nino event is likely to ease towards neutral by spring/summer 2024, although weather effects are likely to continue further. The global grain, soya and oil markets have had a mixed month with Wheat down 7.3%, Soymeal down 7.0%, but Crude Oil up 8.5%."

- 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.