

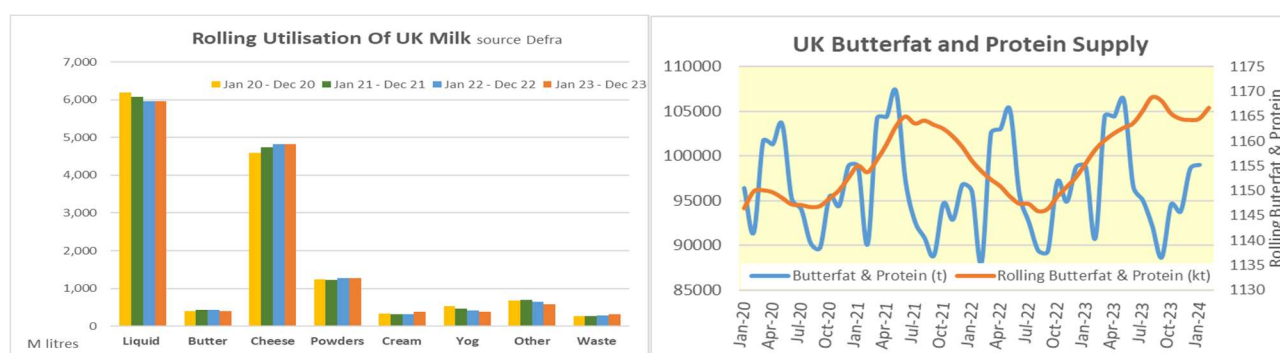
# PRESS INFORMATION from *The Dairy Group*

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

### Easter Excitement Subsides as Markets Remain Stable

“The dairy market has slipped into the doldrums through March as any Easter effect subsided. Despite the sluggish spring and incessant wet weather milk supply has remained close to the 3 and 5 year averages, any deficits diminished further by high levels of milk solids,” says Nick Holt-Martyn of The Dairy Group. He goes on to say “with European economies flirting with recession and inflation remaining stubborn demand is flat, just like the supply. With milk prices below the cost of production perhaps it’s just as well it hasn’t been an easy Spring otherwise prices would have been under pressure from an early Spring flush.



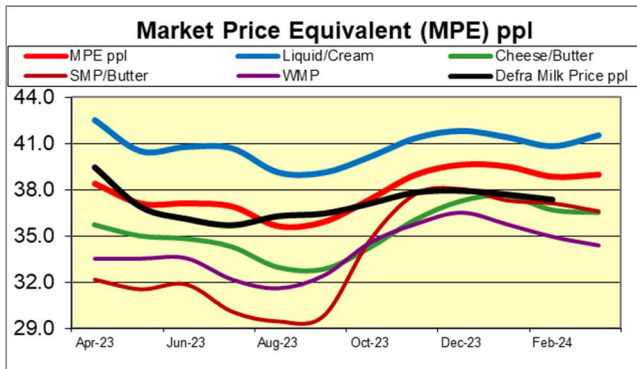
Source: The Dairy Group, Defra

The graph on the left shows the Annual Utilisation of milk over the last 4 calendar years from January 2020 until December 2023. The long term decline in Liquid volumes and the rise in Cheese manufacture appears to have halted, but there is an increase in the utilisation of milk for Cream. Yogurt volumes also appear to be in decline along with other uses. The dominance of Liquid and Cheese remains, taking 76% of the UK supply with just 9% taken up by powders. AMPE products accounted for just 9.1% of UK 2023 production. With the liquid premium eroded by the retailers the UK Farmgate price is reliant on the UK cheese market tempered by the vagaries of the European commodity markets for Butter and Powders. The AMPE tail does indeed wag the dairy industry dog!

The graph on the right shows the production of butterfat and protein both monthly and on a rolling basis. The expected seasonal supply is clear with the Spring flush providing a significant level of milk solids to be processed compared to other times of the year. The rolling level however indicates the importance of recent record levels of milk quality in maintaining milk solids supply despite volumes falling short of previous years. Variances in supply of less than 1% are unlikely to unsettle the market unless it is part of a deepening trend, especially so in the run up to the Spring flush.

Globally milk production is still flat drifting between +0.5% and -0.5% and as such is not stimulating a moribund market. The OECD is expecting Global GDP to grow by 2.7% in 2024, down slightly from 2.9% in 2023 before picking up to 3.0% in 2025. Oil prices have continued to rise helping to keep inflation higher than target. Production costs are still high, above the farmgate milk price, despite weakening feed prices. Fixed costs will keep rising on the back of higher inflation. The whole dairy supply industry from primary producer to consumer is struggling to find any positives in the current climate.

With spring proving elusive and providing ever growing rainfall totals concerns are growing of how cereals and dairy can maintain production. With low prices and margins present in both sectors, supply in 6 months time is likely to be compromised which will then trigger a response from the market place. Forward buying to insure against such risks only works if there is a willing seller, they may be harder to find as time progresses. The challenge to farmers is to manage those variables within their own control, the externals will take care of themselves.



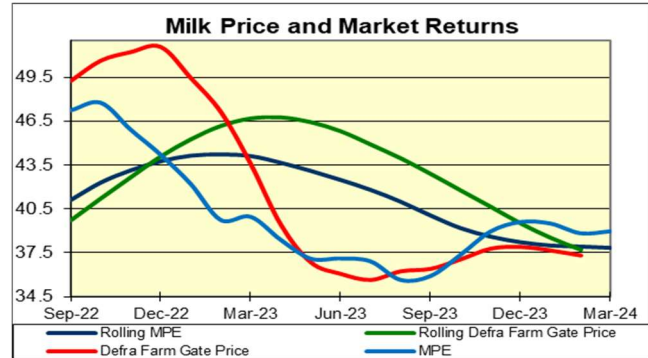
## Market Prices

The Market Price Equivalent (MPE) rose slightly in March to 39.0ppl (0.3%), up 3.1 ppl (8.5%) in the last 6 months and down 1.0ppl (-2.5%) year on year. Liquid retail prices rose to 65.5ppl, down 11.4% on the year and 0% in the last 6 months. UK supply slipped by 1.2% in February (leap year adjusted) and is forecast to be a flat 0% in March. EU weekly commodity prices were mixed in March with

Butter up (0.4%), SMP down (-5.5%) and Whey (-6.1%), Cheddar was up 7.5%. The UK commodities were mixed with only Cream up 2.4%, SMP down 4.9% and Mild Cheddar dropping 1.1%. The range across the sectors rose to 7.1ppl from Liquid to WMP due to the lift in liquid prices.

## Farm Gate Prices

Farm Gate Price slipped to 37.7ppl for January & dropped further in February to 37.3ppl (-0.9%). The farm gate price continues to track the MPE which has been around 39.0ppl since November. UK Milk quality continues to ease back to 4.26% Butterfat and 3.43% Protein in February, similar to 2023.



Our latest milk price forecast, based on current prices and the latest market returns, suggests the Defra farm gate price will rise slightly, but be stable around 38ppl until June.

Production in January was confirmed at 1240 M litres (-0.5%), February was provisionally 1180 M litres (1139 M litres leap year adjusted, -1.5%) and based on the AHDB daily deliveries our forecast for March is 1320 M litres (-0.1%). Our forecast for April is 1320 M litres (0%) and May 1383 M litres (-0.3%). The forecast for 2023/24 is 14.83 B litres (-0.5%) and for 2024/25 14.8 B litres (-0.3%). The weather forecast has failed to follow through with March finishing on a very wet week and April has picked the wet theme!

March closing exchange rates were £/\$1.2636 and £/€1.1708, Sterling firmed against the Dollar, while remaining mostly flat against the Euro. The consumer price index has eased to 3.8% in February to hint at an interest rate cut later in the year, but for now the bank base rate is held at 5.25%. Pacific weather patterns are showing the El Nino event is easing towards neutral by spring/summer 2024, but they are forecasting another La Nina event later in the year. The global grain, soya and oil markets have had a mixed month with Wheat flat, Soymeal down 3.0% but Crude Oil up 6.9%."

- 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.