

PRESS INFORMATION from *The Dairy Group*

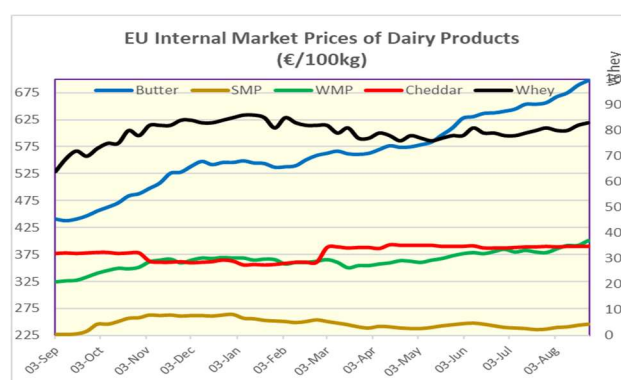
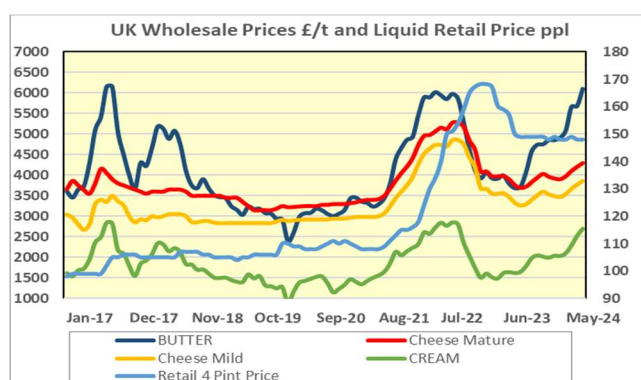
2nd September 2024

The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

Butterfat is on the Charge, Again!

“Strong demand for Butter and Cream on the EU market is driving on to near record levels,” says Nick Holt-Martyn of The Dairy Group. He goes on to say “not for the first time butterfat values are dragging the farmgate price along in its wake due to its presence in most commodities apart from SMP and Whey. Many years ago, Butter and Cream were expected to be sidelined by the demand for milk protein products like Cheese and SMP, but for the 4th time in 7 years it is driving prices higher. No other commodities show the same level of volatility as Butter and Cream - both highs and the occasional lows.



Source: The Dairy Group, AHDB & Eurostat

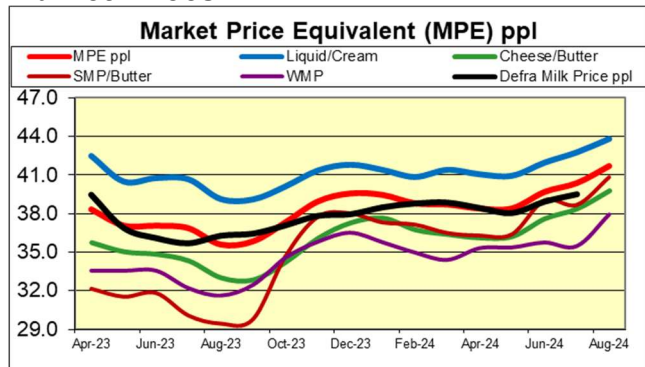
The graph on the left shows the UK Wholesale Prices and Retail 4 Pint Price from January 2017. Butter and Cream are currently enjoying the 4th peak in 7 years and the 3rd to breach the £6000/£2700/t level. Whereas Cheese and Liquid, while rising, have been much more stable over the same period. The whole market rose in 2021, but even that was led by Butter and Cream. The graph on the right shows the EU Internal Market Prices over the last year. It is the EU that sets the tone for the UK market with Butter prices rising for most of the last 12 months, accompanied by a more modest recovery in SMP prices. Currently the UK Butter price is 0.8% below the all time peak price of £6150/t achieved in September 2017. EU Butter is still 4.2% below the peak of September 2022.

The average Farm Gate milk price in July was up to 39.5ppl as the seasonal recovery continues and is well on course to top 40ppl in August. With Arla's September increase of 0.89ppl and First Milk 1ppl together with Muller's and Saputo's 1ppl for October the Defra Farmgate price has much further to rise. Our forecast for October is around 43ppl subject to milk quality.

Coupled with falling feed prices heading into the autumn, despite in-different cereal yields in northern Europe, and a declining oil price the variable cost pressures have eased, but fixed costs will still be rising with inflation and higher finance costs. Overall costs of production are probably stable around 44ppl so a farmgate price around 43-44ppl will bring some stability to the industry after recent turbulence. Retirees are unlikely to be dissuaded from leaving the industry, but for those that remain there is some light at the end of the tunnel.

Global milk supply is stable around 0% growth and unlikely to swamp the recovering worldwide demand encouraging a more stable outlook. Even the weather appears to have stabilised with an almost “normal” pattern of sunshine and showers which are forecast to continue. Things that can upset this stability are unchanged; Ukraine, Middle East and the US Election with the weather capable of springing surprises at anytime. For the moment the “knowns” appear to be in a stable, benign mood. A good time for farmer's to review their systems, plan adjustments and make sure they are reaping the opportunities within their milk contracts. Above all else, exercising good cost control.

Market Prices



The Market Price Equivalent (MPE) rises in August to 41.7ppl (+3.2%), up 2.9 ppl (+7.5%) in the last 6 months and up 6.1ppl (+17.2%) year on year. This is just 6.0ppl below the peak achieved in October 2022. UK supply is tracking 2023 at 0.0% in June and -0.1% in July with August forecast at +0.0%. The rise in August MPE is due to a 7% jump in cream and butter prices together with a 2% rise in cheese prices, whilst SMP was flat at 0.5%. EU weekly commodity prices rose in August with Butter up 6.2%, WMP up 5.8%, SMP up 3.2%, Whey up 2.5%, with Cheddar flat at 0%. The range across the sectors narrowed to 5.9ppl from Liquid to WMP due to the rise in butterfat values.

Farm Gate Prices

Farm Gate Price rose again, up 0.6ppl to 39.5ppl in July, up 3.8ppl (+10.7%) year on year. UK Milk quality remains variable due to better grazing with Butterfat down 0.04% in July to 4.1% but Protein up 0.08% to 3.38%. Combined butterfat and protein production was up 0.4% on July 2023 due to the strong Protein levels masking weaker Butterfat production.



Our latest milk price forecast is up due to widespread increases in the market and at the farmgate. Together this suggests the Defra farm gate price will rise in August to 40.5ppl, 41.5ppl in September and then rise further towards 43.5ppl in October.

Production in June was confirmed at 1275 M litres (0%), July 1246 (-0.1%) and based on the AHDB daily deliveries our forecast for August is 1190 M litres (0%). The forecast for September is 1146 M litres (+0.9%) and October 1197 M litres (+1.2%) provided the benign weather pattern persists. The forecast outturn for 2024/25 rises to 14.84 B litres (-0.1%). August weather had something for everyone with many damp days, but slightly below average rainfall and average temperatures. September is forecast to be similar supporting good late season forage production.

August closing exchange rates were £/\$1.3138 and £/€1.1874, Sterling firmed against the Dollar and recovered after a mid-month fall against the Euro. The consumer price index rose to 2.2% in July, with the bank base rate held to 5.00% in August. Pacific weather patterns remain neutral with little sign of the next La Nina. The global grain, soya and oil markets were mixed with Wheat up 4%, Soymeal down 3% and Crude Oil down 2%.”

- Ends -

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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.