

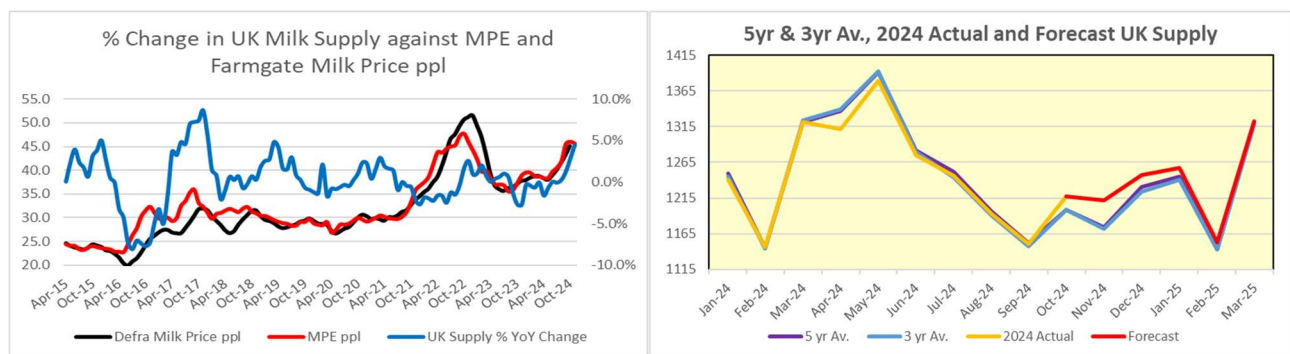
# PRESS INFORMATION from *The Dairy Group*

3<sup>rd</sup> December 2024

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

### Markets Sustain Higher Levels to the Year End...

“EU Commodity markets have sustained Butter values and allowed some catch up in Cheddar and SMP prices. The UK markets have followed suit with a similar pattern over the last 2 months” says Nick Holt-Martyn of The Dairy Group. He goes on to say “there is likely to be some slight weakness in returns early in the New Year which are being reflected in futures prices for Spring 2025 which is often seen. Milk supply patterns while up in the UK are more mixed around Europe, with Poland and France up while Ireland and Germany are down. The USA and New Zealand are marginally positive, which is indicative of the Global supply position that is similarly marginally positive.



Source: The Dairy Group, AHDB & Defra

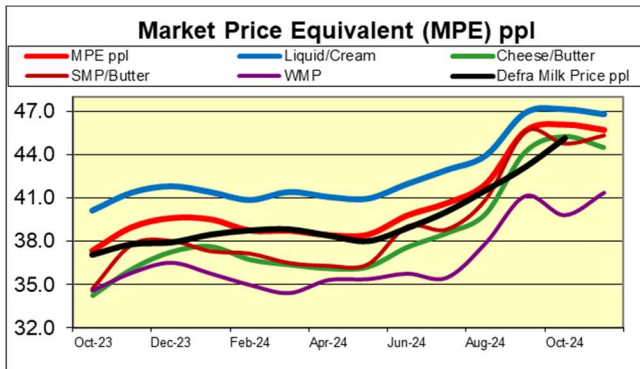
The graph on the left shows the 10 year relationship between market returns, the farmgate price and the percentage change in the UK milk supply, which is also affected by weather and input economics. However, the current situation is unusual with all three in a strongly positive position.

The graph on the right shows the strong production increase this autumn, but that is against a backdrop of sharp declines in autumn 2023. Production has only moved above the 3 & 5 year averages in October. A lot of the UK's positive production is in Northern Ireland (+10%) which is balancing a weaker position in Ireland, but even so GB production is 1.6% above the long term trends. The expectation is that this will return to trend level in the New Year due to strong cull values, the end of seasonal pricing and the historic softening of prices post-Christmas.

Milk quality is in record breaking territory with the UK posting a new record level of butterfat in October (4.40%) which is likely to be surpassed in November and/or December. Milk proteins are also reaching a peak over the next 2 months and could exceed their previous best. The combined weight of butterfat and protein is up 3.8% on 2023 and the 12 month rolling supply is at record levels. This suggests that the market is quite able to pay a sustainable milk price at a higher level of supply and the current situation should be maintained. The historic precendance of the supply price relationship need not necessarily apply at the current levels of price and supply.

Despite Arla raising prices by a further 0.89ppl in December most processors are holding their price levels in January which is producing a wide spread of farmgate prices depending on sector. Arla's EU dimension is an anomaly amongst UK processors and drives its price to be more volatile and experience a greater market sensitivity. Which means that when markets are high Arla's price will be high, but also when markets are low they will be correspondingly low, as has been demonstrated over the last 3 milk years. 2 years of good prices and 1 year of poor prices which provides a very challenging business environment and one that could dampen investment.

The fallout from the recent budget and the deterioration in the relationship between the agricultural sector and Defra adds further uncertainty and acts as another inhibitor to investment. It can only be hoped that 2025 will bring some certainty and confidence in the future, with pressure on the political leaders to deliver.



## Market Prices

The Market Price Equivalent (MPE) softened 0.4ppl in October to 45.7ppl (-0.8%), up 7.25 ppl (+18.9%) in the last 6 months and up 6.7ppl (+17.3%) year on year. There are definite signs of a stable market becoming established over the last 2 months. UK supply has lifted +2.9% in October with November forecast at +4.5%. GB supply has moved above the 3 & 5 yr averages. The

stability in November MPE is due to a 1% easing in cream prices, a 2% gain in butter and 0% in SMP, countered by a 3% fall in mild cheddar. Liquid 4-pint retail remains flat and detached from the market. EU weekly commodity prices were mixed in November with Butter up 0.4%, SMP +4.4%, WMP +3.6%, Whey +5.5%, and Cheddar +3.4%. The range across the UK sectors rose to 5.4ppl from Liquid/Cream to WMP due to weaker butterfat values.

## Farm Gate Prices

The Farm Gate Price jumped 2.0ppl to 45.2ppl in October, up 8.1ppl (+21.8%) year on year. UK Milk quality is continuing its seasonal rise with Butterfat up 2.4% in October to 4.40%, Protein was down 0.9% to 3.47%. Combined butterfat and protein production was +3.8% on October 2023 due to the higher supply and milk quality.



Our latest milk price forecast has risen again

due to further milk price increases at the farmgate alongside the stable markets. Together this suggests the Defra farm gate price will rise in November to 46.7ppl, 46.9ppl in December and ease to 46.3ppl in January.

Production in September was confirmed at 1151 M litres (+1.3%), October at 1217 (+2.9%) and based on the AHDB daily deliveries our forecast for November is 1211 M litres (+4.5%). The forecast for December is 1247 M litres (+1.8%) and January 1258 M litres (+1.3%). The forecast outturn for 2024/25 remains at 14.97 B litres (+0.8%). December weather is forecast to be similar to November with settled spells interspersed with westerly rain.

October closing exchange rates were £/\$1.2739 and £/€1.2043, with Sterling sliding against the Dollar, but mixed against the Euro. The consumer price index rose to 2.3% in October, with the bank base rate cut to 4.75%. Pacific weather patterns remain neutral, but there is still a chance that a weak La Nina will develop this winter. The global grain, soya and oil markets weakened with Wheat down 2.9%, Soymeal down 2.6% and Crude Oil down 1.4%.”

- Ends -

## For further information please contact:

- **Nick Holt-Martyn**, The Dairy Group (01823 444488/e-mail: nick.holt-martyn@thedairygroup.co.uk)
- **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.