

# PRESS INFORMATION from *The Dairy Group*

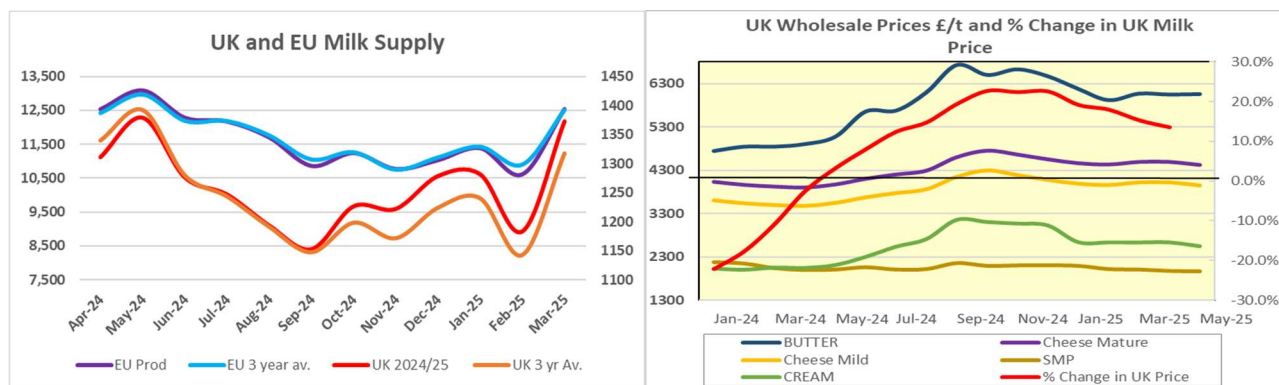
2<sup>nd</sup> June 2025

## The Market Price Equivalent (MPE)

*By Nick Holt-Martyn, The Dairy Group*

### Drought Fails to Stem UK Milk Production

“UK milk production peaked 8 days earlier in 2025 than 2024 on 4<sup>th</sup> May and was 4.9% higher” says Nick Holt-Martyn of The Dairy Group. He goes on to say “despite fears of widespread drought limiting grazing, milk production has remained high with the rolling 7-day average +5.7% in late May. The May forecast is now +5.9% at a record 1460 M litres, 3.9% higher than the previous May record in May 2021. The UK and Ireland are seeing higher milk production in 2025 while the rest of Europe, particularly Germany, France, Netherlands and Belgium are seeing declines. The result is a stable dairy commodity market delivering good returns even while milk production is high.



Source: The Dairy Group, AHDB, MMO & Defra

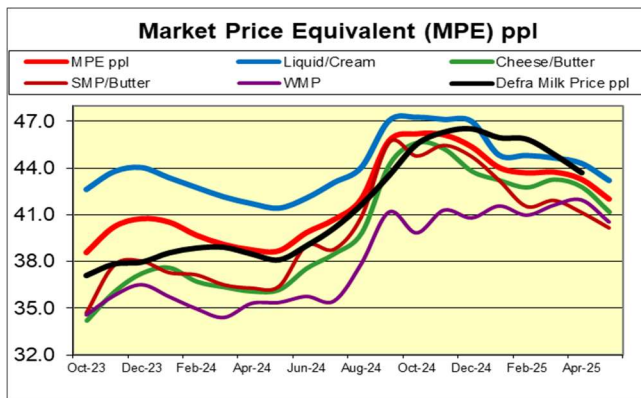
The graph on the left shows the EU and UK milk supply from April 2024 against their respective 3 year averages. The striking difference is that EU milk supply has stayed at or below the 3 year average supply throughout the milk year whereas the UK departed from the average in the autumn and has kept on going. The result being a record level of milk supply in May 2025 which looks set to continue through the summer.

The graph on the right shows the UK wholesale prices since January 2024. and it's effect on change in UK milk prices. Commodity prices peaked in the autumn and have largely held firm ever since, Butter prices weakened slightly in late winter, but have been stable since March with other commodities stable throughout. The effect on milk prices has been a year on year increase through 2024 reaching a peak in December. Seasonal factors and the slight easing in commodity prices in 2025 has resulted in a consolidated and stable price.

The sluggish nature of EU milk supply has protected the UK from the normal milk price weakening effects of a surging milk supply. The recent UK/EU trade agreement which should reduce the phyto-sanitary non-tariff barriers to trade is expected to take effect towards the year end strengthening the links with the EU dairy market. The demand for butter in the EU and globally is driving commodity markets to remain firm while global milk supply remains stable. UK aside, the main dairy exporters globally have a very flat milk supply, but are seeing good demand for dairy products. Both Fonterra and Rabobank see the current combination of stable milk supply and good demand delivering strong milk prices for the next 12 months, not withstanding global political uncertainty.

The US tariff policy continues to be chaotic with countrywide tariffs mired in the US courts while the tariffs on steel, aluminum and cars are unaffected but remain changeable. The UK/US trade agreement is yet to be enacted which is expected to protect the UK from the chaos, but even that remains unclear in this interim period. For the moment at least UK dairy product exports can expect tariffs of 10% until the US courts decide on their legality.

Most of the country has seen some rain in recent days, but amounts have been limited and patchy. The forecast for June is much the same with limited rain and warm dry weather due around mid-month.



## Market Prices

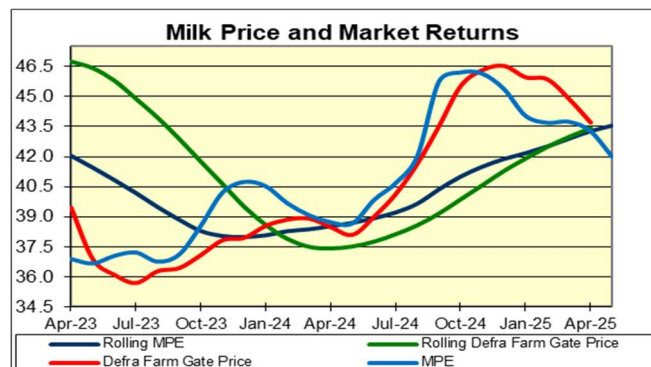
The Market Price Equivalent (MPE) continues to drift lower, -1.3ppl in March to 42.0ppl (-3%), down by 4.1 ppl (-9.0%) in the last 6 months and up 3.3ppl (+8.6 since January 2025). UK milk supply in May was +5.9%, June is forecast at +3.9% and July at +2.8%. 2025/26 production is forecast at 15.42 B litres, +2.0% on 2024/25. EU weekly commodity prices remain broadly stable in May with Butter -0.3%, SMP 0%, WMP -

0.7%, Whey -3.3% while Cheddar was +1.1%. UK markets have followed a similar tone with Cream -3%, Butter 0%, SMP -1% and Mild Cheddar -2%.

## Farm Gate Prices

The Defra Farmgate Price in March was revised down to 44.9ppl, April was provisionally 43.7ppl (-2.7%), down 1.8ppl (-4.0%) in 6 months and up 5.2ppl (13.6%) annually. The weighted rolling price rises to 43.4ppl. Milk processors are largely holding prices at the current levels.

Our latest milk price forecast eases slightly to suggest the Defra farm gate price will ease to 43.7ppl in May, 43.8ppl in June and 43.4ppl in July.



February milk production was confirmed at 1175.2 M litres (+3.3%), March was 1370.8 M litres (+3.9%) and April was provisionally 1396.0 M litres (+6.5%). Our forecast production for May is 1460 M litres (+5.9%), for June is 1326 M litres (+3.9%) and July 1282 M litres (+2.8%). Record levels of milk supply are set to continue through the summer even though grass supply has been about 35% below average through May. The dry weather is forecast to extend through June after the driest spring for many years.

May closing exchange rates have seen a weakening of the Dollar following further tariff announcements, £/\$1.35 and £/€1.191. The consumer price index has jumped to 3.5% in April and the bank base rate cut to 4.25% although great uncertainty persists against a background of trade deals and tariffs. Pacific weather patterns remain neutral after a short-lived weak La Nina and is expected to stay neutral. Global milk supply remains slightly positive but not at risk levels to dairy markets. The global grain, soya and oil markets are mixed with Wheat down 0.5%, Soya Bean meal down 1.2% and Crude Oil up 11%. OPEC have announced increased oil supply which could reduce oil prices."

- 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.