

# PRESS INFORMATION from *The Dairy Group*

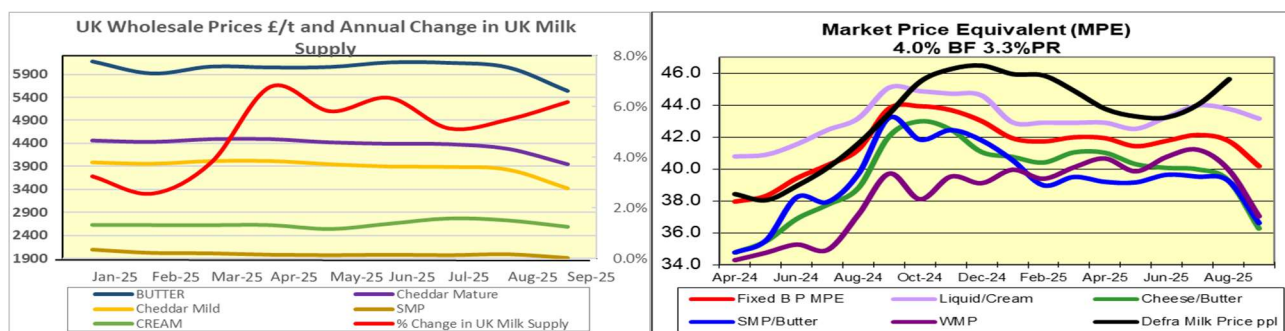
7<sup>th</sup> October 2025

## The Market Price Equivalent (MPE)

*By Nick Holt-Martyn, The Dairy Group*

### Rising EU Supply Upends the European Market

“The 3.3% increase in the EU’s August supply was sufficient to tip the EU market down after months of stability as EU commodity traders got back to work after the summer” says Nick Holt-Martyn of The Dairy Group. He goes on to say “this has been reflected in UK butter prices (-8%) alongside a steeper decline in mild cheddar (-11%) as UK supply increased further following the end of the drought. Milk supply is rising in all the main exporting countries at the same time, well in excess of demand resulting in weaker markets which are starting to have a dramatic effect on certain farmgate prices.



Source: The Dairy Group, AHDB, MMO & Defra

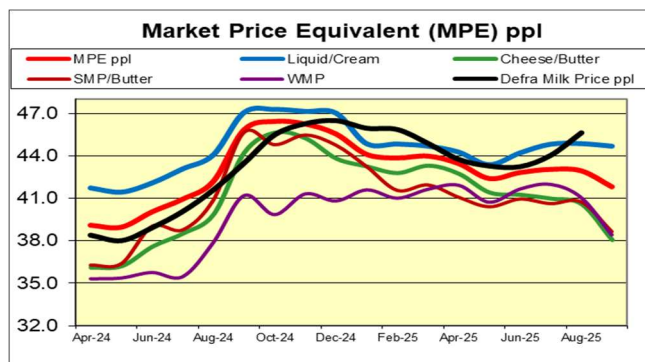
The graph on the left shows the UK commodity prices alongside the annual change in milk supply for 2025. While cheddar prices had eased slightly through the year, butter and cream prices improved despite the summer supply running 5 to 7% above 2024. The change started in August with small declines in butter and cheddar, but has gained momentum in September with butter down 8% and cheddar down 11%.

The graph on the right shows the UK wholesale market sectors standardised to 4.0% Butterfat and 3.3% Protein since April 2024. This shows markets have remained at an elevated state since summer 2024 and the size of the correction by all sectors in the last month. The “unreal” state of rising supply and high prices could not last, eventually either supply growth would need to ease or markets would adversely react to rising supply. Markets have reacted across all sectors with returns dropping to similar levels as summer 2024. This has triggered wide ranging farmgate price cuts by most milk processors with cuts of up to 8ppl, with the cheese sector bearing the brunt of the cuts.

With sufficient autumn rain across the country grazing quality has recovered and UK supply has risen further, estimated at +6.2% on 2024 in September. Drier conditions into October have allowed maize and late silage harvests to proceed and grazing to continue to support limited forage stocks. Purchased feed remains relatively low priced and producers are likely to continue to feed higher amounts to eke out forage stocks and as a result maintaining the higher production. Any reduction in supply is likely to come from increased culling instead of a reduction in yield per cow, which could lower cow beef prices in the near future.

The challenge to dairy farmers is to balance the falling milk prices against the rising cost of production. Latest figures suggest cost of production in 2023/24 was 46.2ppl and 2024/25 48.5ppl, 5-7ppl above the farmgate price with the difference made up by livestock sales to leave a small profit before unpaid family wages. The forecast for 2025/26 and allowing for the cost of the drought, is a cost of production of 49.2ppl against a current rolling farmgate price of 44.8ppl leaving little room for the farmgate price to fall before any profits are eroded.

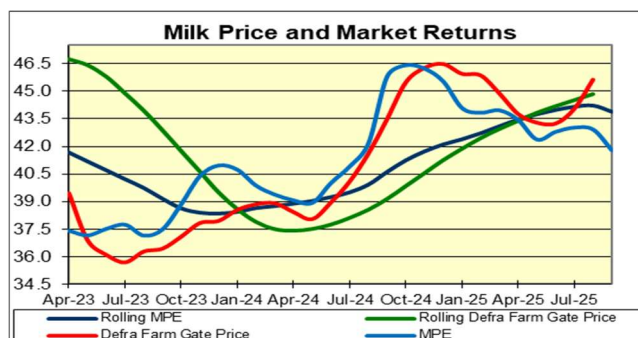
With some farmgate prices falling below 40ppl already and many more likely to fall towards 40ppl by the year end, 2026 is looking very challenging unless the cost of production can be reduced to 45ppl or less. This will require close scrutiny of costs to eliminate waste and inefficiency, a greater focus on forage quality and quantity and a renewed focus on feed efficiency.



13%, SMP -6.6%, WMP -5.8%, Whey -1.0% while Cheddar was 0.0%. In the UK Cream -5%, Butter -8%, SMP -4% and Mild Cheddar -11%, have followed a similar tone with milk supply weighing heavily on the market.

### Farm Gate Prices

The Defra Farmgate Price in August was provisionally 45.6ppl (+3.5%), down 0.2ppl (-0.5%) in 6 months and up 4.0ppl (9.7%) annually. The weighted rolling price rises to 44.8ppl. Milk processors have cut most prices as the wholesale market dropped sharply.



Our latest milk price forecast for the Defra farm gate price is 45.3ppl in September, 45.0ppl in October and 43.9ppl in November.

Milk production was confirmed in June at 1357M litres (+6.3%), 1311M litres (+5.1%) in July and was provisionally 1259M litres (+5.5%) in August. Our forecast production for September is 1224M litres (+6.2%), for October is 1290 M litres (+5.2%) and November is 1265M litres (+3.5%). It's hard to see any other outcome than for record levels of milk supply to continue throughout the year despite declining economic conditions due to forage quality and quantity.

September closing exchange rates have been stable against the Dollar and the Euro as trade relations became more settled, £/\$1.349 and £/€1.149. The consumer price index has remained at 3.8% in September and the Bank Base Rate 4.0% despite the risk to inflation.

Pacific weather patterns remain neutral and are expected to stay neutral until the end of the year. The global grain, soya and oil markets slipped following the continuing status quo in Ukraine and Gaza and with large wheat, maize and soya harvests, Wheat down 1.4%, Soya Bean meal down 2.0% and Crude Oil down 1.2%. Feed prices remain low as the Northern Hemisphere harvest comes to a close with small changes and logistical issues affecting day to day pricing. Ukraine is far from settled but the threat of "secondary tariffs" continues to unsettle oil markets."

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### 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.