

PRESS INFORMATION from *The Dairy Group*

6th May 2026

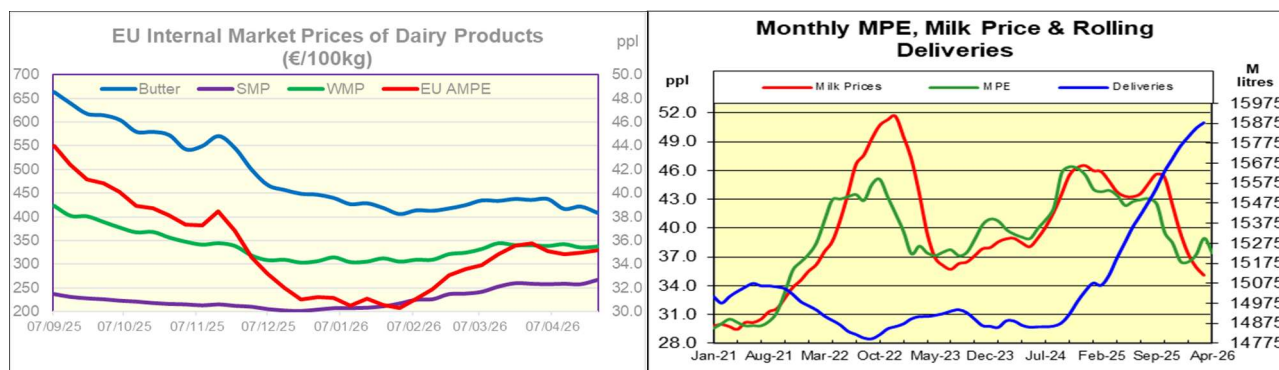
The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

Farmgate Price Picks Up but Markets Remain Subdued

“The spate of milk price increases have proved a welcome sign alongside stable milk supply as a dry April slipped into showery May” says Nick Holt-Martyn of The Dairy Group. He goes on to say “the threat of C litres with little to no value has left April supply at a manageable +0.4% and milk supply is likely to have peaked over the bank holiday weekend close to 2025’s figure. The improved market returns since January and the risk to future milk supply from cost of production inflation has been enough to trigger significant price increases with some key processors such as Arla.

The collapse of commodity prices through the winter has not translated into savings for consumers therefore the supply chain still enjoys the same revenues streams as before. This cash has stopped flowing through the supply chain due to commodity prices dictating pricing for processors. The ramifications of the protracted middle east conflict and trade blockade that has disrupted oil and fertiliser markets will significantly increase the cost of production. This presents a risk to future milk supplies and is sufficient to trigger price increases at the farmgate.



Source: The Dairy Group, AHDB, MMO & Defra

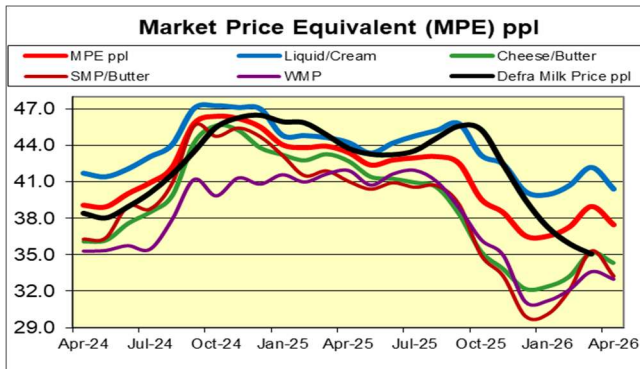
The left hand graph shows the EU Commodity Prices from September 2025. The graph shows how market returns have more than stabilised and there has been something of a recovery from February with prices improving as shown by the EU AMPE. Butter prices have softened since Easter as expected, but SMP and Whey have maintained their price levels to support overall returns. Provided EU milk supply is as constrained as the UK stable markets should persist through the summer.

The graph on the right shows the UK rolling milk supply, Defra Farmgate Price and Market Returns since 2021. This clearly shows the sharp rise in supply over the last 18 months and the price peaks in Farmgate prices, mostly borne out by increased market returns. There are signs of the supply curve levelling off more recently and the recent lift in market returns that has helped trigger the price increases announced for May and June.

The effects of the Middle East conflict rumble on as the fragile ceasefire is tested on a daily basis as tentative negotiations continue. Each flashpoint triggers oil prices to jump that feeds through directly to prices farmers have to pay. Currently both red diesel and fertiliser prices are about 50% higher than pre-conflict and won't recede until there is an agreement to permanently end the conflict, an outcome that seems as far away as ever.

If the oil crises wasn't enough to challenge dairy farmers there is the looming prospect of a strong El Nino establishing before the year end. This will have limited effects in 2026, but does herald a change to weather in the southern hemisphere in 2026/27 that could affect feed markets in 2027. What is clear is that the cost of production is faced with pressure from many directions that are all one way (upwards!) with no respite in sight. Farmgate prices will need to be above 45ppi for any prospect of a sustainable industry.

As always farmers need to focus on factors within their control and provide their herds with an adequate supply of high quality forage, the fundamental basis of all livestock enterprises. So far so good, 2026 is playing ball with showers coming just in time creating excellent growing conditions.



Market Prices

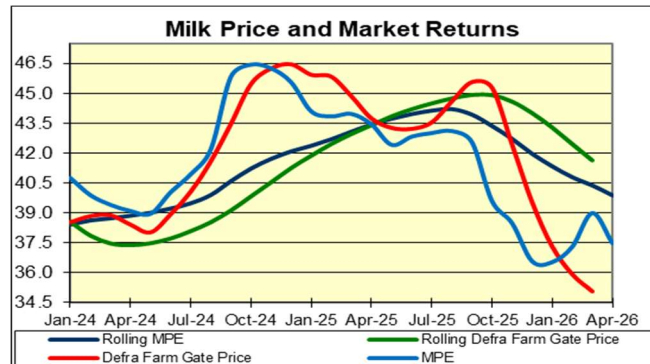
The Market Price Equivalent (MPE) slipped 1.5ppl in April to 37.5ppl (-4.0%), down by 2.1ppl (-5.3%) in the last 6 months and down 6.0ppl (-13.7%) year on year. In the UK Cream fell -26%, Butter -12%, SMP +0.8% and Mild Cheddar -3%. The Butter/Cream ratio remains high suggesting cream and butter have to move closer together. All sectors have slumped post Easter with

liquid/cream -4.4%, cheese/butter/whey -2.4%, SMP/butter -6.3% and WMP -1.9%. EU weekly commodity prices were mixed in April with Butter -6.2%, SMP +3.1%, WMP -0.9%, Whey +14.5% and Cheddar -4.8%.

Farm Gate Prices

The Defra Farmgate Price for January was 37.3ppl, February 35.9ppl and March 35.1ppl, as the farmgate reflects recent market returns.

The market changes and recently announced price rises means our latest forecast for the Defra average farm gate price is 35.1ppl in April, 36.3ppl in May and 35.8ppl in June. The early forecast for July is 36.0ppl and August 36.7ppl.



UK milk supply in February was confirmed at +3.7% and March at +2.1%. 2025/26 production is forecast to finish at 15.88 B litres, +5.1%. Our forecast production for April is 1404M litres (+0.4%), for May is 1460 M litres (+0.5%) and June is 1350M litres (-0.1%). The beef market has eased across the board despite a weaker supply of cattle to the market and strong store prices. Cull cow numbers are 10% down in April year on year despite the pressure of high milk supply and low milk prices.

April closing exchange rates were stable with the Dollar, £/\$1.3496 and the Euro £/€1.1515. The consumer price index rose to 3.4% in March and the Bank Base Rate remained at 3.75%, with further cuts jeopardised by the rise in oil and energy prices fuelling inflation.

Pacific weather patterns are shifting from neutral to El Nino which is likely to be visible from May/June and a significant El Nino is expected to affect the global weather patterns next autumn/winter. The global grain, soya and oil markets remained affected by the ongoing conflict. Over the month Wheat was up +5.7%, Soya Bean meal +1.5%, but Crude Oil volatile but just +1.2%.”

- Ends -

For further information please contact:

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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 80% 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.