

PRESS INFORMATION from *The Dairy Group*

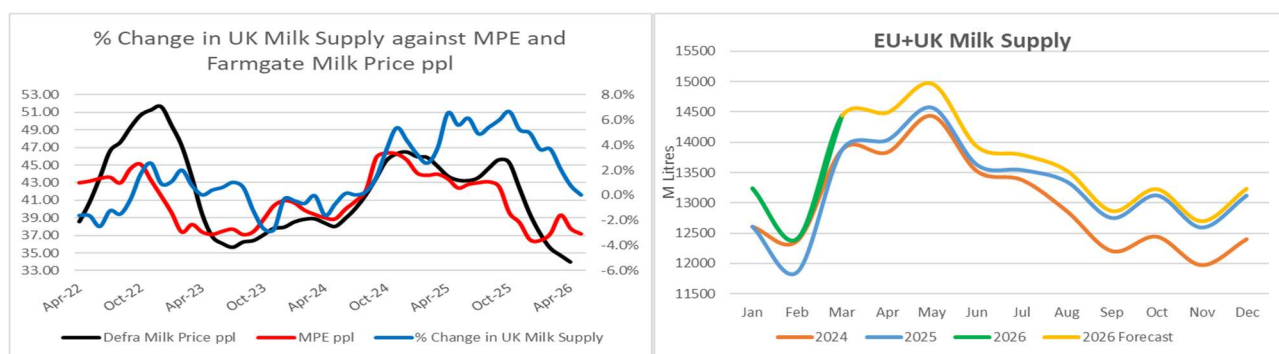
3rd June 2026

The Market Price Equivalent (MPE)

By Nick Holt-Martyn, The Dairy Group

UK Industry Reset Complete but the EU Has Work to Do

“A combination of variable spring weather and tough volume management from UK milk processors has succeeded in limiting UK milk supply growth to 0.8% in April and forecast to be 0% in May” says Nick Holt-Martyn of The Dairy Group. He goes on to say “no such good news from the EU where there are reports of Ireland and Germany amongst others still showing supply growth. EU March milk supply was +4.2% and April is forecast around +3.0% and borne out by EU wholesale prices for butter plumbing new depths since Easter.



Source: The Dairy Group, AHDB, MMO & Defra

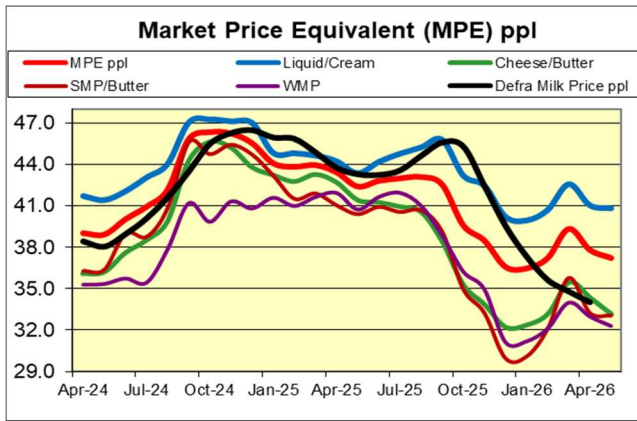
The left hand graph shows the UK market has bottomed out with MPE showing the Easter bubble and subsequent return to 37ppl, a similar level to 2022-23. The Defra Farmgate price has levelled out at 34ppl, the lowest since November 2021, with May likely to show a modest improvement. The change in supply has returned to zero confirming that supply, market returns and the farmgate milk price have all reached the bottom of the cycle.

The graph on the right shows the European milk supply (EU+UK) in March was +4.2%, almost as high as May 2025, which gives little confidence that the EU supply has returned to balance like in the UK. EU market returns are mixed with butter, SMP and mild cheddar all at rock bottom, with only SMP and Whey showing any gains in the last year. The increase in SMP and Whey is a global phenomena on the back of widespread GLP-1 use, but has yet to spill into the cheese market which is key to UK prices.

So far this summer the weather has been highly variable with rapid swings from cool conditions with frosts to record breaking temperatures, which has reduced forage growth by around 10% and limited the spring flush in early May. The west has seen sufficient rainfall whereas parts of the east are in drought. The UK supply is forecast to be flat through the summer helping to firm prices with modest gains likely as seasonality effects drop out and milk quality improves. A 10% milk price increase by the autumn is possible as rampant input cost inflation raises concerns about future supply coupled with challenging weather.

The continuing Middle East conflict sees crude oil prices swing between \$90-100/barrel. The future supply risk to oil and fertiliser is adding to the cost of food production in 2026 and 2027. Globally GDP growth is likely to be lowered and inflation is likely to be raised - both of which are likely to limit any increases in dairy demand.

The strong el Nino that is establishing in the Pacific region is becoming widely recognised as are the possible weather effects all round the world. The effect on feed markets in 2027 is likely to see a disruption in grain supply and higher feed prices. What is clear is that the cost of production is being driven up while the returns from dairy and livestock are declining. The financial squeeze will necessitate an increase in farmgate prices well above 45ppl for any prospect of a sustainable industry. The future market for dairy might be good, but the benefits need to cascade through to the primary producer. As always farmers need to focus on factors within their control, but be mindful of the world outside.



Market Prices

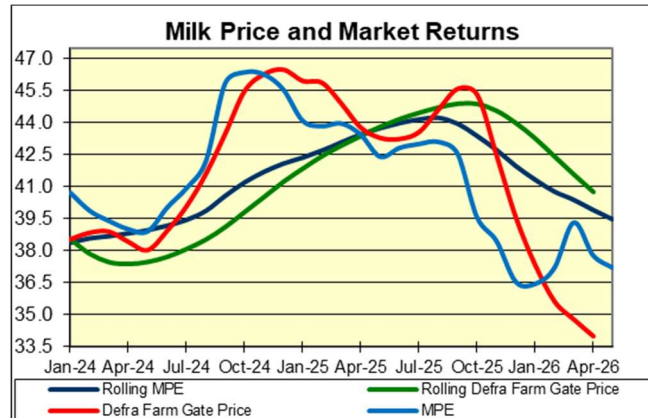
The Market Price Equivalent (MPE) eased again by 0.6pppl in May to 37.2pppl (-1.6%), down by 1.3pppl (-3.3%) in the last 6 months and down 6.2pppl (-14.7%) year on year. In the UK Cream fell -1.5%, Butter -6.3%, SMP +5.6% and Mild Cheddar -1.4%. All sectors remain above the low point of December, but continued to ease post Easter with liquid/cream -0.5%, cheese/butter/whey -3.6%, SMP/butter -0.6% and WMP -2.1%. EU weekly commodity prices were mixed in

May with Butter -3.7%, SMP +4.9%, WMP -0.9%, Whey -6% while Cheddar managed 0%. EU AMPE rose 0.7%, 17% above its low point in February 2026.

Farm Gate Prices

The Defra Farmgate Price for February was 35.61pppl, March 34.77pppl and April 33.99pppl, as the farmgate sinks to levels not seen since December 2021.

The latest market movements and recent price rises means that our forecast for the Defra average farm gate price is 34.4pppl in April, 35.6pppl in May, 35.7pppl in June and 35.4pppl in July. The early forecast for August is 36.5pppl and September 37.1pppl.



UK milk supply in March was confirmed at +2.1% and provisionally April was 1408 M litres (+0.8%). Our forecast production for May is 1456M litres (+0.0%), for June is 1347 M litres (-0.6%) and July is 1311M litres (+0.2%). The beef market continues to slip as market weakness spills in from Ireland and the EU, with finished prices down 8.8% since January and down 13% year on year.

May closing exchange rates were stable with the Dollar, £/\$1.34 and the Euro £/€1.15. The consumer price index eased to 2.8% in April and the Bank Base Rate remained at 3.75%, with inflation fears limiting future rate cuts.

The El Nino has become big news and a significant El Nino is now expected this Summer. The global grain, soya and oil markets remained volatile due to the ongoing conflict from the logistics costs and supply fears. Over the month Wheat was down -5%, Soya Bean meal stable +2% and Crude Oil highly volatile at -10.5%. The Strait of Hormuz remains closed despite protracted negotiations.”

- 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.