

## Review of Dairy Market Indicators

### Summary of changes

#### Background

We publish market indicators for the dairy sector to provide broad, general estimates of market returns. They are not intended to be correct for every plant but instead aim to be indicative of the industry. The value of market indicators is a basis for identifying trends and to use them for more precise purposes goes beyond the limits of their scope and accuracy.

- **AMPE** (Actual Milk Price Equivalent) is an indicator of the factory gate value of a litre of milk used for butter and skimmed milk powder (SMP),
- **MCVE** (Milk for Cheese Value Equivalent) assesses returns from mild Cheddar and whey powder and whey butter.

The indicators are reviewed around every 5 years, with the last major review carried out in 2020, and before that 2014.

This review was undertaken externally by dairy technologist, Dr Ken Burgess, and involved a series of stakeholder interviews and literature reviews with input from industry experts and processors to ensure suggested changes reflect reality. The review does not look to assess all elements of the calculations, but focuses on the following key parts:

The commodities used and the sourcing of prices,  
Conversion factors (milk into products)  
Processing costs

#### Summary of changes

The following changes are being made:

Previous position: 2020 formula	Updated position: 2025 formula
Conversion factors are based on a standard milk composition of 4.1% fat, 3.35% protein based on 3-year average weighted by 20:30:50.	Conversion factors will be based on a standard milk composition of 4.25% fat and 3.40% protein based on 2024/25 standard litre.
As a result yields were (litres per tonne):	As a result yields become (litres per tonne):
Butter 19,900	Butter 19,200
SMP 10,600	SMP 10,470
BMP 203,600	BMP 202,700
Cheddar 9,100	Cheddar 8,860
Whey powder 16,700	Whey powder 16,700
Whey butter 205,000	Whey butter 211,000

Previous position	Updated position																								
Costs are based on 2020 assessments, indexed to inflation and changes in labour and energy costs over time. SMP cost excludes lactose cost, which is covered separately below. Costs are (£'s per tonne):	Costs have been adjusted for movement in the cost of energy and labour. These adjustments reflect changes in efficiency, productivity and processing plant energy sources. SMP cost excludes lactose cost, which is covered separately below. Costs are (£'s per tonne):																								
<table> <tr><td>Butter</td><td>£343</td></tr> <tr><td>SMP</td><td>£560</td></tr> <tr><td>BMP</td><td>£560</td></tr> <tr><td>Cheddar</td><td>£456</td></tr> <tr><td>Whey powder</td><td>£532</td></tr> <tr><td>Whey butter</td><td>£343</td></tr> </table>	Butter	£343	SMP	£560	BMP	£560	Cheddar	£456	Whey powder	£532	Whey butter	£343	<table> <tr><td>Butter</td><td>£335</td></tr> <tr><td>SMP</td><td>£420</td></tr> <tr><td>BMP</td><td>£420</td></tr> <tr><td>Cheddar</td><td>£425</td></tr> <tr><td>Whey powder</td><td>£455</td></tr> <tr><td>Whey butter</td><td>£335</td></tr> </table>	Butter	£335	SMP	£420	BMP	£420	Cheddar	£425	Whey powder	£455	Whey butter	£335
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For SMP, the skimmed milk is protein standardised by adding lactose to adjust the protein value. This is assumed at the rate of 85kg per tonne.	Lactose addition has been amended to 93kg per tonne of SMP, to reflect the higher protein in milk and therefore the higher level of lactose addition that would still be possible to achieve protein in SMP of 34%.																								
Source of prices: ongoing use of spot UK wholesale prices for butter, mild Cheddar and SMP; whey powder – EU milk observatory; lactose - USDA	No change																								
Market indicators/prices published on 25th of the month	No strong support to change to a calendar month, some liked the ability to build into next month's contracts																								
Whey butter valued at £300/tonne discount to standard butter	Adjust the whey butter discount from £300/tonne to a flat percentage (5%) of the unsalted butter price.																								
AMPE and MCVE are 'factory-gate' measures that do not include costs for transport/distribution to the retailer/customer.	No change																								
Profit margin is not included in either indicator.	No change																								

### **Future considerations**

The review has highlighted a number of areas of potential future adjustment. These will require further industry consultation:

1. Use of weighted average for UK wholesale prices beyond cream  
Consider whether the UK commodity price survey could be conducted in the same way as for cream, with volumes captured via a portal and audited. This could improve confidence in the process, especially for butter. Contributors to be consulted before any changes made.
2. Other products  
Current product mix for price reporting made up of butter, SMP, BMP, mild cheddar, whey powder, whey butter. Consult on whether it is appropriate and practicable to include Mozzarella and Cheddar curd in the wholesale price reporting mix.

## Review and amendments

AMPE and MCVE continue to be based on the same principles as historically. Namely;

- AMPE is based on the return for butter, BMP and SMP, less the cost of buying in lactose powder for protein standardised. The BMP is not standardised and is accounted for separately.

$$\text{AMPE} = \text{Butter value} + \text{BMP value} + \text{SMP value} - \text{Lactose powder cost}$$

$$\text{Values for each product} = (\text{Market price} - \text{processing cost}) / \text{Conversion factor}$$

- MCVE is based on the return for mild cheddar, whey butter and whey powder.

$$\text{MCVE} = \text{cheese value} + \text{whey butter value} + \text{whey powder value}$$

$$\text{Values for each product} = (\text{Market price} - \text{processing cost}) / \text{Conversion factor}$$

The new cost breakdown is given below:

### UK costs (£'s per tonne of product)

UK	Butter	SMP	BMP	Cheddar	Whey Powder
Energy	65	170	170	70	190
Labour	90	70	70	95	90
Raw materials (ingredients, packaging)	30	30	30	75	30
Maintenance	25	25	25	30	25
Depreciation	35	45	45	50	40
Other processing costs	55	45	45	70	45
General/admin	35	35	35	35	35
<b>Total</b>	<b>335</b>	<b>420</b>	<b>420</b>	<b>425</b>	<b>455</b>

Excl, lactose cost

Energy assumptions split:

Electricity	30%	20%	30%	30%	15%
Gas	70%	80%	70%	70%	85%

## AMPE

Estimate of calculation, based on June 2025 market prices:

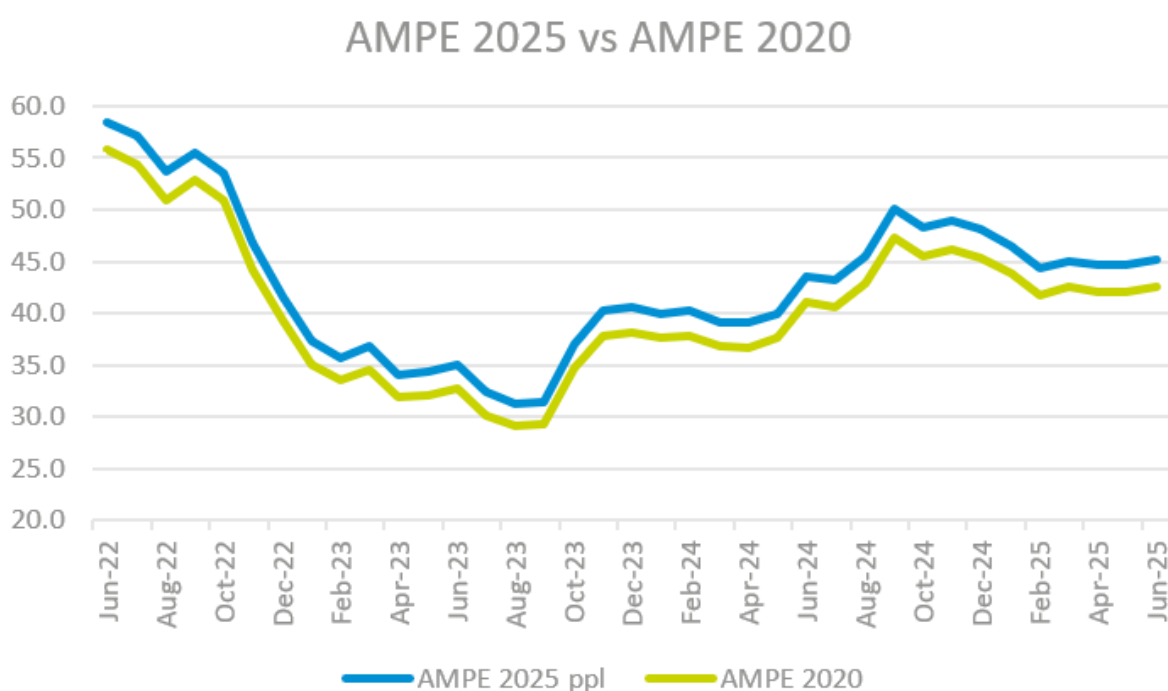
Butter value, ppl =  $(6,160 - 335) \times 100 / 19,200 = 30.34\text{ppl}$

BMP value, ppl =  $(1,980 - 103 - 420) \times 100 / 202,700 = 0.72\text{ppl}$

SMP value, ppl =  $(1,980 - 420 - (789 \times 9.3\%)) \times 100 / 10,470 = 14.20\text{ppl}$

So the updated AMPE value =  $30.34 + 0.72 + 14.20 = \mathbf{45.3\text{ppl}}$

This compares with an AMPE figure of **42.6ppl** using the previous methodology.



## MCVE

Estimate of calculation, based on June 2025 market prices:

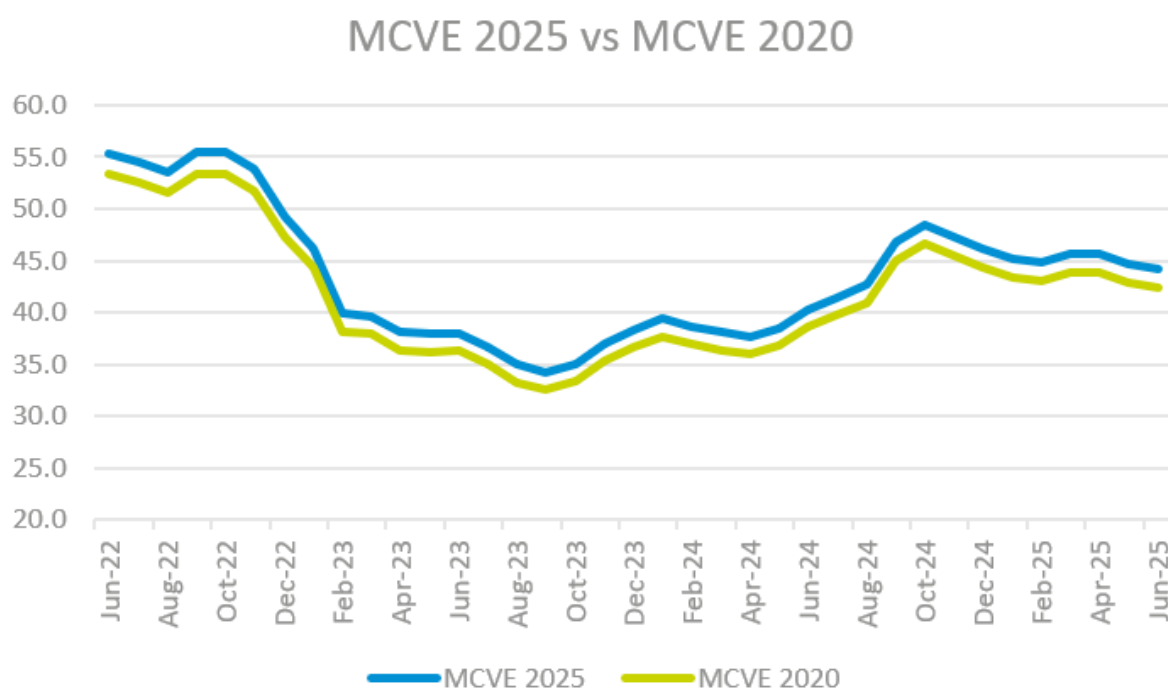
Cheese value, ppl =  $(3,900 - 425) \times 100 / 8,860 = 39.22\text{ppl}$

Whey butter value, ppl =  $(6,160 \times 0.95) \times 100 / 211,000 = 2.61\text{ppl}$

Whey powder value, ppl =  $(844 - 455) \times 100 / 16,700 = 2.33\text{ppl}$

So the updated MCVE value =  $39.22 + 2.61 + 2.33 = 44.17\text{ppl}$

This compares with a MCVE figure of **42.4ppl** using the previous methodology



You can find the link to the full report here: