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MD DA106 Skim Milk Powder - Europe

MADISON, WI. March 30, 2017 (REPORT 13)

WESTERN EUROPE

INFORMATION GATHERED 03/20/2017 - 03/31/2017

U.S. DOLLARS PER METRIC TON, FOB PORT

SKIM MILK POWDER (SMP):

Skim milk powder prices in Western Europe weakened at each end of the price range. This continues a weaker trend.

Current SMP stocks still leave Europe oversupplied. Most sources do not expect an increase in SMP production during 2017, and possibly a decline. Current production is primarily to fill existing contracts. Manufacturers are making contract deliveries on time. New contracting has been quite slow in recent weeks. Buyers feel no pressure to lock in supplies or pricing due to the expected continuing price weakness and oversupply. In fact, preparations are underway for a new round of intervention sales.

There is nearly universal agreement that only significantly increased exports can reduce SMP stocks, both intervention and privately held. Absent a robust increase in exports, there is apprehension that SMP stocks in Europe will increase during 2017. However, there is awareness of keen competition with the U.S. which has stocks of nonfat dry milk at favorable prices also seeking export markets. Some sources are suggesting that the volumes of intervention stocks involved can realistically best be reduced in the near term by donating stocks to help refugees or poor people in the Middle East or Africa.

Western European SMP production during January this year was 8.1% lower than January last year according to Eurostat. EU exports of SMP during January 2017 declined 7.8% from January one year earlier, according to Eucolait. Export volumes and primary destinations are shown in the following table:

Main Three Destinations

Jan-Feb 2017

Destination	Quantity	% of Total
Algeria	7,876	13.8%
Philippines	5,968	10.5%
Indonesia	5,701	10.0%

1.25% BUTTERFAT: 1,800 - 1,925

0930c eric.graf@ams.usda.gov

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