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AGRI INSPEC LAUNCHES INVESTIGATION INTO LOW-PRICED SKIMMED MILK POWDER FROM EUROPE

The unusual, considerable increase in imported skimmed milk powder (SMP) from Europe attracted Agri Inspec’s attention early in 2020 and prompted wide-ranging enquiries. The free on board (FOB) price levels looked suspicious and repeated enquiries did not shed any light on the matter.

SARS import statistics for July 2020 indicated that the problem was escalating and it was decided, in cooperation with the MPO, to submit an official complaint to the embassies in question. The basis of the complaint was that the declared prices do not tally with international prices and that it is not possible to manufacture SMP at those low prices. At the same time, Agri Inspec also approached the Department of Trade and Industry to inform them of these developments and ask for inputs.

The following table compares the prices month-on-month and with the international price. The countries of origin are typically France, Belgium, and Sweden.

Table 1: Tariff item 04021090 – skimmed milk powder

Month	Average price (FOB) R/kg	% change	International price R/kg	Exchange rate R/€
April	49,79		46,20	20,20
May	52,04	+0,50	45,73	19,76
June	57,87	+11,20	45,14	19,29
July	40,68	-29,70	46,04	19,23

The average European Union (EU) producer price for unprocessed milk in July was R5,96. Approximately 10 ℓ of milk is required to manufacture one kilogram of SMP. During the preceding months, the EU producer price was R5,50 or above. This means that the cost of the milk component alone already amounted to R55,00. There are undeniably grade differences in the products and butterfat is also produced in the process, but that does not justify the low price in July.

Agri Inspec continually investigates and monitors the dairy trade environment and keeps on top of market developments. We will report on progress with these matters, but it must be remembered that embassies and most government departments are working with a skeleton staff.

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