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Considerations regarding the release of SMP intervention stocks

Tenders for releasing SMP back on the market have been operating since December 2016, with only 10 248 tonnes sold so far. Virtually all of these volumes have been sold this year (and the vast majority during the last two tenders) at a time when prices for fresh SMP were at extremely low levels.

We have been advocating a dynamic selling strategy since a faster reduction of the stocks is required to enable market recovery. At this stage, certain adjustments to the tendering procedure, combined with a considerable volume reserved for feed use, seem necessary for allowing the market for fresh SMP to recover and develop an upside.

Immediate adjustments to the tender procedure to increase the volumes sold

The Commission should announce a minimum price below which it will not sell (e.g. 1 050 € per tonne). This would limit the uncertainty and speculation inherent to tendering as no one wants to end up buying large quantities at a price which is considerably above the minimum selling price. With a fixed price floor, all offers will be in a narrower price range, meaning that operators will have access to the product under similar conditions. The level of the price floor could be regularly reviewed, for instance every 3 months. We believe such changes to the tendering regime could create a positive spiral that allows for an increase of the quantities sold and opens a premium for the fresh powder on the upside.

We would also encourage moving to bi-monthly tendering to keep the selling process in constant motion. Moreover, increased transparency of the tender results in the form of a full breakdown of the quantities offered at each price would further stimulate the process by increasing the information available to potential bidders.

Supplementary scheme to segregate or direct the oldest product into feed

In addition to the changes to the current tendering regime, a considerable volume of the oldest product (e.g. 100 000 tonnes) should be put aside for a – still to be developed – feed-use programme which could also be operated by tendering. The details of the scheme could be worked out over the coming months but the announcement alone would already send a positive signal to the market.



The stock overhang would be perceived to have been reduced by $\frac{1}{4}$. The Commission would no longer be chasing the best price for the least attractive product.

If no satisfactory feed scheme can be developed over the coming months there will still be time for the Commission to reconsider and/or reallocate within a possibly more positive context.

Clarity and predictability are crucial

We appreciate that so far the Commission's position has been coherent but there is nevertheless a lot of speculation about the various potential outlets which should stop. Any changes to the current selling regime should be announced as soon as possible. In the same vein, if the Commission intends to continue with the existing tendering process without any adjustments, it should clearly state that all other options are off the table.