COMMISSION OF THE EUROPEAN COMMUNITIES

SEC (89) 1537 final

Brussels,29 September 1989

DEVELOPMENTS ON THE MARKET IN MILK PRODUCTS AND COMPETING PRODUCTS

Commission report to the Council drawn up pursuant to Article 4(3) of Regulation (EEC) No 1898/87

CONTENTS

1. INTRODUCTION

1. Under Article 4(3) of Regulation (EEC) No 1898/87 the Commission must report to the Council each year before 1 March on developments on the market in milk products and competing products in the context of the implementation of that Regulation. The report must be based on reports prepared by the Member States.

   In view of the difficulties encountered in a number of Member States in preparing their reports, the first Commission report is being sent to the Council after the date set by Regulation (EEC) No 1898/87.

2. This report gives a synopsis of the findings in the national reports, followed by an examination of developments on the market in milk products and on the market in the main competing products.

   In our study we have considered:

   - competing products, i.e. products intended to be used in the same way as milk products;

   - imitation products, i.e. competing products which, by virtue of their general composition, aspect, characteristics and intended use, are similar to milk products.

3. Some of the information provided by the Member States is incomplete and we have therefore had to use all the other data (e.g. work carried out by international organizations, technical publications) that might be relevant for the drawing up of the report.

...

2. MEMBER STATES' REPORTS

The information received by the Commission from the Member States is insufficient for evaluating the true situation on the Community market in products competing with milk products.

The main findings, based on the Member States' reports, are the following.

The German report emphasizes the positive trend in the consumption of dairy products in 1987. Butter sales rose while margarine sales were down. The favourable price trend of recent years, the ban on the manufacture of mixtures of fats and the good image of the product are given as the reasons for this growth.

The situation is altogether different in France, Ireland and the United Kingdom.

The French report highlights the drop in butter sales and the rapid growth of "spreads" (mixtures of butterfats and vegetable fats). It emphasizes also the rapid increase in the use of soy products at the expense of dairy products.

The Irish report indicates that the collapse in the sales of butter in Ireland has been even more dramatic. In a very short period products comprising a mixture of butterfats and vegetable fats have taken a very considerable share of the market for yellow fats in Ireland. The introduction of "low fat butters" (products with a reduced butterfat content because of the incorporation of proteins and water) has also helped to depress butter sales.

The United Kingdom report, too, describes a very sharp fall in butter sales in the UK and a rise in the consumption of polyunsaturated margarines and mixtures of butterfats and vegetable fats. The market for cream, on the other hand, has witnessed a very favourable trend in consumption and a cut-back in sales of competing products.

The Belgian report, lastly, alludes to difficulties in obtaining figures for competing products, and the reports from the other Member States (Denmark, Greece, Spain, Italy, Luxembourg, the Netherlands and Portugal) make no fundamental contribution to existing knowledge about developments on the markets in products competing with milk products.

A summary of the Member States' reports is given in Annex.

3. DEVELOPMENTS ON THE MARKET IN MILK PRODUCTS

The overall trend in the consumption of milk products in recent years has been positive.

Nevertheless, while sales of cheese, cream and fresh products have been steady, consumption of condensed milk has fallen appreciably, although it is now tending to stabilize.

The outlook for the next few years is favourable on the whole for milk products, except for butter, sales of which are expected to fall.

Milk and fresh products (see Table 1)

Sales of liquid milk and fresh products rose by 2.3% between 1983 and 1987. Consumption rose most in Portugal (+ 18.1%), the Federal Republic of Germany (+ 10%) and Belgium (+ 6.7%), but fell in Greece (- 24.4%), Ireland (- 10%) and the Netherlands (- 9.1%).

In 1988 consumption in the Community rose by 1.6% and in 1989 and 1990 is expected to rise by an annual average of around 1%. The highest rates of increase in 1988 were recorded in Portugal (+ 8.5%), the Federal Republic of Germany (+ 6%) and France (+ 2%). In Ireland there was a drop in consumption of 5.4% in 1988 but it is expected to stabilize in 1989 and 1990.

Sales of liquid milk and fresh products as a proportion of the total quantity of milk collected rose from 25% in 1983 to 28.7% in 1988 and are expected to be 29.5% in 1990.

Cheese (see Table 2)

Consumption of cheese rose by 12.5% between 1983 and 1987. Increases were recorded in all the Community countries, especially Portugal (+ 32.6%) and Ireland (+ 24.8%).

The increase in cheese consumption in the Community in 1988 is estimated to be almost 2% and annual increases of around 1% are expected for 1989 and 1990. The largest increases are expected in Portugal and the United Kingdom.

Butter (see Table 3)

consumption of butter rose by 6.1% between 1983 and 1987. However, while considerable increases were recorded in Greece (+ 154%), Portugal (+ 16%), the Netherlands (+ 16%) and Germany (+ 26%), there was a sharp fall in Ireland (- 40.2%), the United Kingdom (- 20%) and Luxembourg (- 40%).

Butter consumption in the Community in 1988 fell by 1.4%. The fall will be greater in 1989 (- 5.8%) and 1990 (- 3.3%), with the biggest reductions expected in Germany, the United Kingdom and France.

Other milk products

Consumption of cream is high and the outlook is good, while consumption of condensed milk has fallen appreciably in recent years and is continuing to decline but at a slower rate.

TABLE 1

SALES OF LIQUID MILK AND FRESH PRODUCTS

	in thousands of tonnes ('000 t)					Percentage change			
	1983	1987	1988	1989*	1990*	87/83	88/87	89/88*	90/89*
BELGIE BELGIQUE	842	898	900	900	900	6.7%	0.2%	0.0%	0.0%
DANMARK	716	662	655	650	650	-1.5%	-1.1%	-0.8%	0.0%
DEUTSCH-LAND	5729	6302	6678	6930	7050	10.0%	6.0%	3.8%	1.7%
ELLAS	344	260	260	280	280	-24.4%	0.0%	7.7%	0.0%
ESPANA	3000	2989	2978	2966	2966	-0.4%	-0.4%	-0.4%	0.0%
FRANCE	3615	3774	3850	3950	4050	4.4%	2.0%	2.6%	2.5%
IRELAND	781	703	665	665	665	-10.0%	-5.4%	0.0%	0.0%
ITALIA	3137	3256	3260	3250	3250	3.8%	0.1%	-0.3%	0.0%
LUXEMBOURG	61	67	68	68	69	9.8%	0.7%	0.7%	0.7%
NEDERLAND	1305	1186	1180	1170	1160	-9.1%	-0.5%	-0.8%	-0.9%
PORTUGAL	645	762	826	839	853	18.1%	8.5%	1.5%	1.7%
UNITED KINGDOM	7186	7142	7120	7099	7099	-0.6%	-0.3%	-0.3%	0.0%
EUR-12 total	27361	28001	28440	28767	28992	2.3%	1.6%	1.1%	0.8%

* forecast

Source : Results of quarterly questionnaire (DG VI-D-1) of 16 March 1989.

TABLE 2

CONSUMPTION OF CHEESE

	in thousands of tonnes ('000 t)					Percentage change			
	1983	1987	1988	1989*	1990*	87/83	88/87	89/88*	90/89*
BELGIE BELGIQUE	112	123	124	125	125	9.8%	1.1%	0.8%	0.0%
DANMARK	57	64	66	67	67	13.8%	1.7%	1.5%	0.8%
DEUTSCH-LAND	821	943	985	985	1000	14.9%	4.4%	0.1%	1.5%
ELLAS	200	229	230	230	230	14.8%	0.4%	0.0%	0.0%
ESPANA	163	185	194	195	195	13.8%	4.6%	0.5%	0.2%
FRANCE	1035	1208	1225	1240	1255	16.7%	1.4%	1.2%	1.2%
IRELAND	13	16	16	16	17	24.8%	1.9%	2.5%	4.3%
ITALIA	864	935	935	935	935	8.2%	0.0%	0.0%	0.0%
LUXEMBOURG	5	5	5	5	5	4.4%	0.0%	2.1%	0.0%
NEDERLAND	192	218	218	220	222	13.5%	0.0%	0.9%	0.9%
PORTUGAL	28	37	39	42	44	32.6%	5.4%	6.4%	4.8%
UNITED KINGDOM	379	389	398	416	433	2.6%	2.3%	4.5%	4.1%
EUR-12 total	3866	4351	4433	4475	4527	12.5%	1.9%	0.9%	1.2%

* forecast

Source : Results of quarterly questionnaire (DG VI-D-1) of 16 March 1989

TABLE 3

CONSUMPTION OF BUTTER

	in thousands of tonnes ('000 t)					Percentage change			
	1983	1987	1988	1989*	1990*	87/83	88/87	89/88*	90/89*
BELGIE BELGIQUE	82	83	83	83	83	0.5%	0.5%	0.0%	0.0%
DANMARK	52	52	52	51	50	1.4%	-0.8%	-1.7%	2.0%
DEUTSCH-LAND	399	506	514	470	440	26.8%	1.7%	-8.6%	-6.4%
ELLAS	6	16	16	16	16	154.0%	0.0%	0.0%	0.0%
ESPANA	17	18	17	17	18	1.7%	-0.6%	0.0%	1.1%
FRANCE	482	520	490	460	440	7.9%	-5.8%	-6.1%	-4.3%
IRELAND	41	25	22	21	20	-40.2%	-10.2%	-4.5%	-4.8%
ITALIA	123	137	138	138	138	11.4%	0.7%	0.0%	0.0%
LUXEMBOURG	5	3	3	3	3	-40.0%	-13.3%	0.0%	0.0%
NEDERLAND	50	58	58	58	58	16.0%	0.0%	0.0%	0.0%
PORTUGAL	8	9	10	10	10	16.0%	3.2%	2.1%	1.0%
UNITED KINGDOM	315	250	250	230	230	-20.6%	0.0%	-8.0%	0.0%
EUR-12 total	1580	1676	1653	1557	1505	6.1%	-1.4%	-5.8%	-3.3%

* forecast

Source : Results of quarterly questionnaire (DG VI-D-1) of 16 March 1989.

4. DEVELOPMENTS ON THE MARKET IN COMPETING PRODUCTS

4.a. Butter Imitations

Butter, margarine and products known as "spreads" together make up the market in yellow fats.

Since the beginning of this century margarine has been butter's main competitor. The recent development of margarines that are easier to spread, are richer in polyunsaturated acids and have a lower fat content has helped push up sales.

Over the past few years numerous butter imitation products have appeared on some markets. These are "spreads" (mixtures of milkfats and vegetable fats) and, more recently, "light butters" consisting of butterfats only but with a fat content lower than 80% (generally 40%). Spreads are taking an increasing share of the market for yellow fats in countries where they have been allowed to be marketed.

In the community, spreads are marketed in the United Kingdom, Ireland, France and, to a lesser extent, Belgium and Spain. In Denmark they are manufactured for export.

The market share of spreads as a proportion of total yellow fats consumption is 30% in Ireland, 12% in the United Kingdom, 7% in France and less than 1% in Belgium and Spain.

In the countries where spreads have been introduced, consumption of butter has fallen off considerably. Between 1983 and 1988 it fell by 46% in Ireland and by 21% in the United Kingdom. In Germany, on the other hand, where these products were banned, consumption of butter rose by 29% during the same period.

The use of vegetable fats in place of milkfats means that spreads can be produced at a lower cost than butter. Producers of spreads can then market their products at a lower price and at the same time conduct large-scale promotion campaigns.

These publicity campaigns highlight the fact that the products are easier to spread than butter and stress other, undemonstrated, health benefits.

In the United Kingdom, Ireland, France and Belgium the market in yellow fats has been heavily diversified. A wide variety of products, under various names, has appeared on the market. Their butterfat content varies appreciably from product to product and this has created considerable confusion.

Surveys carried out in Belgium show that most consumers cannot tell the difference between the various products. It has been found on several occasions in a number of Member States that Regulation (EEC) No 1898/77 has not been correctly applied.[1] This has been harmful to butter's image and has sown confusion in the minds of consumers.

It is expected that the consumption of spreads will continue to increase on markets where they are already available and that they will be introduced to markets where they were banned.

(1) The Commission staff have made representations in particular to the national authorities following complaints relating to the use of certain names.

4.b. Cheese Imitations

In cheese imitation products the butterfat is replaced by vegetable fats.

Cheese imitations are less expensive than real cheese. They seem to have a longer life and this makes them particularly suitable for certain uses. Until now, however, their taste and flavour have not been comparable with those of genuine cheese.

For these reasons they are used principally in the processing sector (in the preparation of pizzas and the manufacture of prepared dishes). They are used in particular in the catering industry, where consumer choice is limited.

Outside the Community the United States is the main producer of cheese imitations. Contrary to forecasts, however, production there . has stabilized and accounts for no more than 7% of cheese sales. The restricted range of use has curbed the anticipated development. Some 17 firms manufacture a wide variety of imitations, ranging from Cheddar to Mozzarella and processed cheeses.

Within the Community cheese imitationss are available in the United Kingdom, where sales are estimated to account for around 1% of the market.

In the medium term sales will continue to be confirmed to the industrial sector and will remain closely linked to the development of the prepared foodstuffs sector.

4.c. Condensed milk and milk powder imitations

Imitations of milk are known as "filled milks". They consist of skimmed milk and non-milk fats and are used to replace condensed milk and whole milk powder.

1. Condensed milk imitations

In the Western countries, condensed filled milk is used as an imitation coffee cream.

In the Community countries there is no reliable information available. Sales of imitation coffee cream in the Netherlands are estimated to account for around 10% of the Dutch market.

In the Far Eastern countries (Philippines, Malaysia and Thailand) and Mexico, "filled milk" is used in place of condensed milk. The effect of this is to reduce exports to those countries.

2. Whole milk powder imitations

"Filled milk" powder is used in the preparation of imitation drinking milk (by adding water) and the manufacture of baby foods.

These products are manufactured in the Far East (Philippines, Thailand) and in South Africa and Pakistan.

In the Community "filled milk" powder is produced in Spain (especially in the Canary Islands), the United Kingdom and Ireland.

Ireland produces around 30 000 tonnes, almost all of which is exported. Its main customers are the United Kingdom, Pakistan and Spain (especially the Canary Islands).

Consumption of imitation milk powder in the Canary Islands is 12 000 tonnes annually.

4.d. Other competing products

1. Products competing with cream

In the Community cream prepared with vegetable fats is marketed in Spain, the United Kingdom, Belgium, the Netherlands and the Federal Republic of Germany.

The advantages of these products over milk cream are their relatively moderate prices, better keeping quality and ease of use. The position of milk cream is very strong, however, and the market share of competing products is very small.

2. Coffee whiteners

In coffee whiteners the milkfats are replaced by vegetable oil, which makes them cheaper and gives them greater keeping quality (important when sold from automatic dispensing machines).

In the Community coffee whiteners are sold in the Netherlands, Germany, Belgium and the United Kingdom. Sales at present are modest.

3. Soya bean products

These include soya drinks, soya paste (tofu) and yoghurt and other dessert substitutes.

Soya products are consumed by people with a lactose intolerance or who like vegetable foodstuffs. Their preparation is costly, which means that their prices are frequently higher than those of comparable milk products.

Soya drinks are the most popular of these soya products and while their market share at the moment is modest it would seem to have development prospects. They are marketed in Belgium, France and Germany.

5. CONCLUSIONS

The study of the Member States' reports and of the information available to the Commission reveals the following:

1. The information received from the Member States is insufficient to give a full overview of the situation on the markets for products competing with milk products.

   The lack of reliable figures makes it difficult to see what is happening on those markets. Since the products in question are frequently relatively new ones, there is no specific classification for them. In addition, the reluctance of producers to disclose their figures contributes to the difficulty of obtaining information.

2. The trend in the consumption of dairy products is satisfactory on the whole, with the exception of butter.

3. In countries where products competing with butter have been allowed to be sold, these products are increasing their share of the market, a the expense of butter.

4. In the yellow fats market, where butter imitation products have been introduced, there is considerable confusion as to the names of the products, their fat content and their proportions of butterfat and vegetable fat. This causes problems for consumers and for the image of milk products.

5. With the exception of butter imitations, other products competing with milk products have not yet penetrated the Community market to any significant degree.

It cannot be ruled out, however, that these products will develop in the future. That will depend on the size of the gap between the prices for milk products and the prices for competing products, on technological progress and on consumer demand.

In the light of the above and in view of the Single Market, the Commission requests the Member States to take steps to ensure that fuller information is forwarded under Article 4(3) of Council Regulation (EEC) No 1898/87.

The Commission informs the Council, in addition, that it intends to provide funding for research on products competing with milk products in order to be able to evaluate the development prospects for those products and the impact on the milk sector.

The research should cover definitions, composition, prices, production and consumption figures, and any other factors necessary for obtaining a fuller understanding of those products.

The research would be funded in the context of the 14th Communication to the Council concerning the programme for the use of co-responsibility funds in the milk sector.

The Commission takes the view, lastly, that Community definitions should be drawn up for the main milk products. It reserves the right to present a proposal for a regulation to the Council for that purpose before the end of the current year.

ANNEX

SUMMARY OF THE MEMBER STATES' REPORTS

BELGIUM

The Belgian report gives figures on milk products, margarine and ice cream. On the question of competing products, it states that there are no production figures and that it is not possible to single them out in the external trade figures.

DENMARK

The Danish report consists simply of a table showing the trend of butter and margarine consumption.

FEDERAL REPUBLIC OF GERMANY

The report states that the trend in human consumption of milk and milk products in the Federal Republic of Germany was extremely favourable in 1987.

Compared with 1986, overall human consumption of milk and milk products was up by 3.9%. The growth in the consumption of fermented milk products, yoghurts, puddings, milk creams and cream pastes remarkable. Cream consumption rose by 5.7% in 1987. Part of this increase was at the expense of condensed milk consumption, which fell by 2.3%.

The report contains a reminder that Article 36 of the Law on Milk, bans the sale of imitation products in the Federal Republic of Germany. For that reason butter has no competitors other than margarine.

In 1987 butter consumption rose while sales of margarine were down. The latter fell by 5.5% while consumption of butter continued to rise at the rate of 3.3%. The principal reason for the rise in butter consumption is the favourable trend of prices in recent years, the ban on the manufacture of fat mixtures and butter's good image.

GREECE

The Greek report states that the Greek Foodstuffs Code bans the use of the term 'milk' or similar designations to describe imitation products other than those referred to in the second subparagraph of Article 3(1) of Regulation (EEC) No 1898/87.

SPAIN

The Spanish report deals solely with spreads and light butters. It states that spreads are available on the Spanish market but not light butters. A copy of Royal Decree No 1011 of 1981 setting out the legal provisions is attached to the report.

FRANCE

The French report starts by considering developments on the market in milk products, goes on to examine competing products (spreads and soyfoods) and ends by drawing conclusions.

1. Developments on the market in milk products

The most remarkable developments in 1987 were the following:

- the very sharp fall in the production of butter and skimmed milk powder;

- the stagnation of the production of drinking milk;

- the relative expansion of cheese production;

- the considerable increase in the production of fermented milk and fresh milk desserts. Fresh products are the driving force behind the consumption of milk products.

2. Products competing with milk products

In France the development of these products is an innovation. There are few figures available concerning them. It is not possible at the moment to evaluate their production at national level. In some cases the small number of producers means that the production figures are kept secret.

(a) Spreads

After an initial launching stage (1983-85), when many short-lived products appeared on the market, it would appear now that the milk industry itself has taken the situation in hand in order to control it better.

Five dairy undertakings and two non-dairy undertakings are offering six products on the French market (4 containing a mixture of fats and 2 containing vegetable fats), in addition to three products made from milkfats. On top of that there are three distributor brands.

The development of household buying has been as follows:

	Rate of growth %		Quantities bought
	1986	1987	1986
Butter	- 2,6	- 3,5	490 000 tonnes
Margarine	+ 1,3	+ 5,2	209 000 tonnes
Spreads	+ 23,1	+ 31,5	16 000 tonnes

Before long the market will become further segmented between products with different fat contents.

It is a matter of urgency, therefore, that the Community agree on the various trade descriptions of fatty substances by reference to their fat content and its origin. It is essential that the favourable impact that can be expected from the development of light (not skimmed) butters on the consumption of butterfats should not be quickly cancelled out by the use of such a description for products with a fat content that is reduced as the result of unfair competition.

(b) Soya pastes and juices (soyfoods)

The quantity of soya beans being used at present is only 10 000 tonnes, but is increasing. A number of undertakings specialize in the manufacture of products with a high added value.

The recent trend of household buying has been as follows:

	Rate of increase (%)	
	1986	1987
Soya juice	+ 10	+ 15
Tofu	+ 7 - 8	+ 10 - 12

The soyafoods at present expanding are coffee whiteners and tofu-type pastes (cheese imitation).

The factors determining their increased consumption are:

- raw material costing 40% less;
- special nutritional qualities;
- ease of use and long life;
- functional properties in some cases.

Two aspects worth noting are:

- the use of tofu (soya paste) and tonyu (soya juice) for direct consumption;
- the use of soyfoods in the manufacture of preserved meat products, prepared dishes, confectionery, ice creams and desserts.

In the first instance the products compete directly with milk products; Regulation (EEC) No 1898/87 makes provision for preventing consumers from being confused by providing that the trade description must not use dairy terminology. Rules governing the advertising of soyfoods are needed, however.

In the second instance, imitation products are used as supplements and ingredients in the manufacture of more highly processed foodstuffs. Milk products are subject in this cast to a subtler form of competition that is difficult to come to grips with. Regulation (EEC) No 1898/87 does not address this problem of food processing, where consumer choice is virtually non-existent.

The response of some dairy undertakings, therefore, has been to embark upon the manufacture of soyfoods in order to diversify the product ranges and to gain better control over competition from imitation products.

3. Conclusion

In view of the developments that have taken place in countries where imitation products are available on the market, it can be expected that spreads will increase their market share in the future. In the medium term, sales of cheese imitations and soya products will continue to be confined to the industrial sector while remaining closely linked with developments in the prepared foodstuffs sector. It is a matter of urgency, therefore, and essential that the labelling be unambiguous. In the long term some products represent a genuine threat to the milk industry.

Ireland

The Irish report examines the market in yellow fats, which is the market where substitute products have offered the greatest competition to milk products.

Margarine was butter's only competitor until February 1985, when the first mixture of milkfats and vegetable fats appeared on the Irish market. Very soon these products secured a significant share of the market. Their better spreadability was the main reason for their sales.

The situation on the Irish market is as follows:

	Tonnes ('000 t)		Market share %	
	1987	1988	1987	1988
Butter	20,5	16,5	42	33
Low Fat Butter	2	2,9	4	6
Margarine	14,9	15	31	30,5
Dairy/non dairy blends	11	15	23	30,5
			100	100

The appearance on the market of "low fat butters" (products whose butterfat content is reduced by incorporating additional proteins and water) also played a role in reducing butter consumption.

A new law on the production and marketing of milk products is now being drafted. It is planned to include in this legislation, measures to safeguard the designation of milk products which should be presented to Parliament in the first half of 1989.

ITALY

The Italian report states that Regulation (EEC) No 1898/87 has no impact on the milk products market in Italy, since Directive 79/112 had already discouraged the production of imitation or substitute products.

Since the Italian legislation is more restrictive, the application of less stringent Community rules might undermine the market in milk products in Italy.

LUXEMBOURG

The Luxembourg report states that the application of Regulation (EEC) No 1898/87 has not given rise, in Luxembourg, to any appreciable difficulties, or to any clearly perceptible changes in the market in competing products.

NETHERLANDS

The Netherlands sent the statistical yearbook "Statistisch Jaaroversicht". They claim they have no information on competing products.

PORTUGAL

The Portuguese report says that some new milk products have come onto the market.

On the question of competing products, a cream imitation manufactured from vegetable fats is available on the market.

UNITED KINGDOM

The United Kingdom report states that the areas where products competing with milk products have had a significant impact are the yellow fats and cream markets.

The factors favouring competing products are their better spreading quality (in the case of yellow fats), their price and health considerations. Taste continues to be the overriding advantage of milk products, however.

1. Market in yellow fats

From 1900 until the beginning of the 1960s, consumer choice was limited to butter and margarine.

Soft margarine was introduced in 1964. Its better spreading quality secured it a share of the market.

In 1968 the first polyunsaturated margarine became available as a result of the growing awareness of the possible relationship between the consumption of saturated fats and certain cardio-vascular diseases.

In 1969 the first low fat spread appeared on the market.

United Kingdom membership of the Community brought about a rise in butter prices. Polyunsaturated margarines and low fat spreads continued to take a growing share of the market because of health considerations and the fact that they were cheaper.

A new type of product known as "dairy based spreads" has recently been launched. These consist of a mixture of butterfats and vegetable fats and taste better than products with a 100% vegetable content as well as being lower priced than butter.

The most recent stage in the development of competing products has been the appearance of low fat butters containing less than 80% fat (normally 40%), all of which is butterfat.

Estimated consumption of fats by United Kingdom households in 1987 is as follows:

- Traditional soft margarine	133 000 tonnes
- Butter	130 000 tonnes
- Polyunsaturated margarine	166 000 tonnes
- Low fat spreads	49 000 tonnes
- Traditional hard margarine	45 000 tonnes
- Dairy based spreads and low fat butters	32 000 tonnes.

In 1980 butter and margarine accounted for 90% of the market while in 1987 this figure had dropped to 60%. The drop was greater in the case of butter, whose market share fell from 44% to 26%. In the same period polyunsaturated margarines increased their share from 6% to 20%.

Spreads today account for 16% of the market. Dairy based spreads are taking an increasing share of the market at the expense not only of butter but also of low fat spreads and soft margarines. Their role in offsetting the general fall in consumption of butterfats is very significant.

2. <u>The market for cream</u>

Competition in cream substitute products is based on price considerations. Despite the appearance of cream substitutes, however, sales of cream have continued to rise.

Between 1982 and 1987 sales of fresh cream rose by around 20%. In 1987 the rise was 8% while sales of competing products fell by 6%.

Cream's image as a luxury product for special occasions limits competition based on price or health considerations.

When competing products appeared on the market their presentation and labelling made it difficult in some cases to distinguish between genuine cream and imitations. The drop in the sales of imitations may be due partly to improvements in presentation and labelling and to consumers much greater awareness of the two different products.

The position of cream continues to be strong, with prospects for growth in the future.