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REPORT FROM THE COMMISSION TO THE COUNCIL

REPORT ON DEVELOPMENTS ON THE MARKET IN MILK PRODUCTS AND COMPETING PRODUCTS

Fourth report submitted to the Council by the Commission
pursuant to
Article 4(3) of Regulation (EEC) n° 1898/87

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DEVELOPMENTS ON THE MARKET IN MILK PRODUCTS AND COMPETING PRODUCTS

1. **INTRODUCTION**

This is the fourth Commission Report submitted to the Council covering developments on the market in milk products and competing products.
As required under Article 4(3) of Regulation (EEC) n° 1898/87 most Member States have reported developments in their respective countries and this information forms the basis of the report.

However, since not all reports were submitted to the Commission within the required time limit this report is being sent to the Council after the deadline set by Regulation (EEC) N° 1898/87.

The report first of all analyses the market in milk products, then examines the market in competing products and, lastly, the conclusions to be drawn.

2. THE MARKET IN MILK PRODUCTS

Because of the vast range and diversity of milk products it is more informative to examine the market on a product-by-product basis.

a) Milk and Fresh Products

The market for all types of liquid milk within the Community has levelled out with stable or slightly contracting markets in all countries, with the exception of Germany, where growth is still occurring.

Where the market continues to develop, however, is in the consumer trend away from whole fat milk to semi-skimmed milk. Over the last 10 years the proportion whole milk sales in Belgium, for example, has fallen from 75 % to 48 % of the market share. Similarly, in the UK, whose market accounts for around one-third of the Community's total liquid milk consumption, whole milk has falled from a 92 % percent market share in 1984, to 69 % in 1990, with a consequent growth in demand for semi-skimmed milk. Indeed, over half the milk drunk in Denmark, the Netherlands and France is now semi-skimmed whilst less than a third is whole milk.

The demand for skimmed drinking milk has not grown rapidly, however. Overall, only 5 % of liquid milk consumed is skimmed, and even in countries where it is in high demand (Belgium, Denmark, Spain) the market share has barely exceeded 10 %.

A consumer perception (irrespective of its scientific validity) that low-fat products are healthier and perhaps, to a much lesser degree, price would explain the changes in consumer preference towards semi-skimmed milk, and some vitamin-enriched milks are now available for the more health-conscious consumers. However, the relative lack of success of skimmed milk would seem to highlight the product's significant lack of flavour and texture, compared with whole milk.

For these reasons the trend away from whole milk towards semi-skimmed milk (but not to skimmed milk) within a stable total liquid milk market is expected to continue throughout the Community for the forseeable future.

In contrast to liquid milk, the market for fresh dairy products (cream, yoghurt, fromage frais etc.) is expanding, though with an emphasis on low- and reduced-fat products. Large growth in this value-added sector is anticipated.

b) Butter

Butter consumption within the Community remained stable in 1991 after four consecutive years of decline which has seen consumption drop by 12 %. However, the downward trend is expected to recommence at around 1 % per year for the next two years at least. This reflects the continued growth in the number of other yellow-fat products which successfully compete on the grounds of health-image, price or convenience and are often supported by significant advertising campaigns.

Per capita butter consumption remains at around 7 kg per person for the Community as a whole, but with large national variations - from over 8kg in France to under 4kg in the United Kingdom and the Netherlands. Ireland, which traditionally has had one of the highest levels of butter consumption, currently has a per capita consumption of around only 6kg, even with a large social butter scheme.

The growing number of spreadable butters and "healthy" butters (with reduced levels of cholesterol) on the market appears to signal the dairy industry's belated recognition of changed consumer values. It remains to be seen if such butters will be targetted at the butter market as a whole, and thus possibly arrest the long-term decline in butter consumption, or if they will remain high-price niche products, as at present.

c) Cheese

Cheese consumption in the Community as a whole has grown by 25 % between 1984 and 1991. In 1991 consumption increased by 2,9 % and annual growth in the region of 1 % per year is forecasted for the future.

France, with 20.8 kg per person, continues to have the highest per capita consumption of cheese, with consumption in Germany, Greece and Italy also high, above 16 kg.

In contrast, cheese consumption in Ireland averaged 5.7 kg per person in 1990 - little more than one-quarter of that in France - whilst the UK's average was only a little higher, at 8.1 kg.

3. THE MARKET IN COMPETING PRODUCTS

The number of products competing with milk and milk products continues to grow at a great pace within the Community. In most Member States the greatest activity is within the yellow-fat sector, particularly with the abolition of national laws preventing butter/vegetable oil mixtures.

However, in those countries with highly developed fat markets (UK, Ireland) there is increasing emphasis on competing products in other areas, notably cheese and cream.

In general, statistics on the production and consumption of competing products are still difficult to obtain. The data provided by the Member States is often based on estimates and comparision of statistics between countries is, as a consequence, of limited accuracy.

a) PRODUCTS COMPETING WITH BUTTER

This group of products consists of :

1. Margarine and Margarine-type products. Margarine (containing 80 % vegetable fat) has been the traditional competitor of butter since it was invented over 100 years ago. In recent years there have appeared many soft margarines containing polyunsaturated fats and, more recently, margarine-type reduced vegetable-fat products usually marketed as "Light" products.

2. Reduced-fat milkfat products. Generally called "light-" or "reduced fat butter" these products contain butterfat and no other fats, but often contain significantly higher amounts of water than butter.

3. Mixed-fat products. Containing both milk- and non-milk fats it is this category of products that has seen the largest growth in sales over recent years.

1. Margarine and Margarine-type Products

Consumption of margarine and margarine-type products remains stable across the Community. Where consumption has dropped this merely reflects on overall contraction in the yellow fats market, not a swing away from margarine in particular.

There is a growing trend away from traditionnal margarine and toward "light margarines" (minarines) and low-fat non-dairy spreads. In Germany consumption of these products has gone from 23.000 tonnes to 44.000 tonnes in two years. In France consumption of low fat margarines have almost quadrupled in 2 years, from under 9.000 tonnes to over 30.000 tonnes - whilst over the same period the consumption of "traditional" margarine has declined by 20.000 tonnes.

Denmark has the highest per capita consumption of margarine in the Community - some 15kg per person - but there the trends have been reversed with margarine now losing market share to a high dairy content, mixed fat spread.

In contrast, in the United Kingdom more new yellow fat products continue to appear on the market. Two interesting new additions which fall under the category of margarine-type products are a 3/4 fat margarine whose chief ingredient is not vegetable oil or sunflower oil, but olive oil, and a margarine spread containing only 5 % total vegetable fat. Another, which contains no milkfat at all (but some buttermilk) uses the word "butter" as a prominent part of its name.

2. **Reduced-fat milkfat products**

Commonly known as "light butter" these products (which include half-fat - and threequarter fat butters) have had mixed success with consumers.

In the United Kingdom and Ireland, where these products have faced the greatest competition from alternative reduced fat products for several years, they account for only about 2 % of the total market.

This contrasts strongly with France and Germany : in these countries national legislation prohibited the development of non-dairy reduced fat products until recently. Consequently, light butters have faced few competing products and have been able to gain market share from the 'traditional' yellow fats. For example, consumption in Germany in 1990 was 18.000 tonnes.

It remains to be seen whether reduced-fat milkfat products can maintain a market share when faced with competition from reduced fat margarines and mixed fat products. Interestingly, in this respect light butters are the only "light"' dairy product not to have made a major overall impact on the market (unlike light yoghurt, low-fat cheese, light fromage frais, low-fat liquid milk etc.).

3. **Mixed-fat products**

The consumption of mixed-fat products continues to grow rapidly, with their spreadability and prices competitive with butter. As can be seen from annex III a notable feature of mixed-fat products is that it has been dairy companies, not margarine companies, that have developed these products, and many have been quick to use dairy imagery in their advertising and packaging.

The oldest and largest (in volume) Community market for mixed-fat products is the United Kingdom. Household consumption of mixtures in 1990 totalled 128.000 tonnes - only 3.000 tonnes less than domestic consumption of butter - and will have now superceded butter.

In Ireland, where they have been on the yellow fat market since 1984, mixtures have a 40 % market share (almost 20.000 tonnes per annum) placing them ahead of margarine and butter in popularity.

In both the UK and Ireland mixtures have displaced butter on the market. In Denmark, however, the consumption of butterfat has actually risen since the launch of a mixed-fat product containing 60 % butterfat and 20 % vegetable fat. This shows that margarine, as well as butter, can be vulnerable to mixed-fat products in certain circumstances, and it will be interesting to note how the Danish market develops.

Consumption of fat mixtures in France grew from under 15.000 tonnes in 1988 to almost 25.000 tonnes in 1990. Further growth is inevitable, not least as the French authorities reported that advertising expenditure on these products went from FF. 11.2 M to FF. 30 M over the same period.

The situation in Germany is less clear, since few statistics on fat mixtures are available. However, it appears that these products have made a smaller-than-expected initial impact on the German market, due to the German consumer's preference for natural and traditional products.

In most, if not all of the other Member States fat mixtures are now on the market but there are no figures on sales available.

b) **PRODUCTS COMPETING WITH CHEESE**

Products competing with cheese were originally to be found in the sector of industrial food ingredients, particular for use as pizza toppings, and use casein in their manufacturing process. In the last couple of years, however, the number of cheese imitations appearing on supermarket shelves has grown considerably.

Unlike those in the ingredients sector, cheese imitations for retail sale are generally made and matured in the same way as cheese but contain sunflower or vegetable oil in replacement of some of the butterfat. Statistics on the consumption of cheese imitations are very limited with only one Member State (France) supplying significant details. These showed that in 1990 consumption of imitation cheeses totalled 3.000 t - a 200 % increase on the previous year.

However, we do know that these products are now available in several other Member States, notably the Netherlands, Belgium, Germany and the United Kingdom. The Netherlands is the chief producer of imitation cheeses, with production totalling 3.000 tonnes in 1990, much of it for export. The two major brands contain 80 % sunflower oil and 20 % butterfat, and 54 % vegetable fat and no milkfat content, respectively.

Cheese-type products made from soya also exist, though their appeal is very limited and seldom seek to imitate cheese.

c) **OTHER COMPETING PRODUCTS**

In the liquid milk sector competing products exist in the form of soya juice or filled milk.

Soya juice, or *tonyu*, is derived exclusively from soya beans and is of very minor importance in most Member States. An exception is in France where almost 10.000 tonnes of soya drinks were consumed in 1990, whilst sales in Germany totalled 3.500 tonnes. In the U.K. and Ireland soya juice is sold as "soya milk", an apparent breach of Regulation N° 1898/87.*

Filled milks, where the fat in milk is replaced by vegatable fat, but the protein and carbohydrates are of dairy origin, are found in Southern Europe. In Spain, consumption totals 30.000 tonnes per year with much going to the Canary Islands.

Products competing with condensed milk include coffee whiteners, which have a 20 % market share in the Netherlands. Cream substitutes for dessert toppings are generally mixed fat products and are increasing in number on the market, reflecting the negative health images associated with cream.

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* a) proceedings have been issued against the UK for breaching article 3 (1) (on 8/10/92)

b) the Irish authorities were asked to clarify their position with regard to the sale of soya milk in Ireland (letter 6/10/92).

4. CONCLUSIONS

The trends seen in this report in the market in milk products and competing products do not differ greatly from those seen in the previous reports submitted to the Council, namely:

- stable consumption of liquid milk, though with a continuing shift away from full-fat milks to reduced-fat milks,
- growth in the consumption of fresh products, with particular emphasis on reduced-fat products,
- continued steady growth in the consumption of cheese,
- a gradually contracting yellow fats market, in which margarine is retaining its market share,
- a continued drop in household consumption of butter,
- significant growth in the consumption of reduced-fat and mixed fat products, often containing only a low dairy content.

It can be said that products competing with butter are now in the dominant position in the yellow-fats market.

Yet, in spite of the growth in the number of competing products the Member States appear to have little or no information on them - either in terms of the formulation of products, or in terms of volumes of consumption. The absence of such information makes it very difficult to manage effectively the butterfat market. A legal basis for statistics on these products is thus urgently needed, in order that the necessary information can be acquired.

A Council regulation laying down designations for yellow fats will assist in informing the consumer about genuine dairy products and therefore should result in either keeping certain markets or regaining markets lost due to misinformation.

For the same reason the growth in the market for non-dairy imitation cheeses and creams needs to be closely followed.

If it appears that consumers are confused by the packaging and comparative advertising of these products, one could consider strengthening Council Regulation (EEC) No 1898/87 by the addition of legal definitions for dairy products to prevent the misuse of dairy imagery.

ANNEX I

CONSUMPTION FIGURES REPORTED BY MEMBER STATES

BUTTER CONSUMPTION	> 80% FAT			<80% FAT		
(000't)	1988	1989	1990	1988	1989	1990
Belgium	84.8	78.5	76.9	-	-	Yes
Denmark	55.8	51.9	49.0	4.1	17.8	18.4
Germany	506.3	449.9	404.1	-	-	-
Greece	-	-	-	-	-	-
Spain	21.8	19.0	-	-	-	-
France	490.0	477.0	474.0	2.9	5.2	6.7
Ireland	16.3	13.2	12.2	2.7	1.9	1.6
Italy	-	-	-	-	-	-
Luxembourg	2.7	2.6	2.4	-	-	-
Netherlands	56.0	51.0	52.0	0	0	0
Portugal	11.6	12.7	12.9	-	-	-
United Kingdom	275.0	215.0	220.0	-	-	-

SOURCE: Member State replies to Commission, under Reg 1898/87.

MARGARINE CONSUMPTION	> 80% FAT			< 80% FAT		
(000't)	1988	1989	1990	1988	1989	1990
BELGIUM	130.9	128.5	125.6	-	-	-
DENMARK	72.6	71.6	69.5	4.7	5.5	5.3
GERMANY	441.2	444.1	477.7	23.9	30.0	44.6
GREECE	-	-	-	-	-	-
SPAIN	-	-	-		-	-
FRANCE	121.81	111.5	97.2	9.0	16.9	30.9
IRELAND	15.2	15.7	15.1	-	-	-
ITALY	-	-	-	-	-	-
LUXEMBOURG	3.1	3.1	3.0	-	-	-
NETHERLANDS	157.0	148.0	146.0	37	42	43
PORTUGAL	59.4	60.0	62.6	-	-	-
UNITED KINGDOM	389.0	379.0	379.0	-	-	-

SOURCE: Member State replies to Commission, under Reg 1898/87.

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(000't)	MIXED FATS CONSUMPTION 1988	1989	1990	CHEESE CONSUMPTION 1988	1989	1990
BELGIUM	-	-	Yes	125.8	134.6	142.3
DENMARK	0	0	3.3			
GERMANY	-	-	-	984.8	1034.3	1074.9
GREECE	-	-	-	-	-	-
SPAIN	-	-	-	-	-	-
FRANCE	14.7	20.7	24.9	-	-	-
IRELAND	15.0	17.5	18.9	17.8	18.6	19.1
ITALY	-	-	-	-	-	-
LUXEMBOURG	0.4	0.4	0.4	6.1	6.0	6.6
NETHERLANDS	0	0	0	201.0	211.0	215.0
PORTUGAL	-	-	-	40.5	44.7	44.2
UNITED KINGDOM	124.0	141.0	144.0	395.0	390.0	390.0

SOURCE: Member State replies to Commission, under Reg 1898/87.

ANNEX II

ESTIMATED CONSUMPTION OF DAIRY PRODUCTS, 1990
(kg per head)

	Butter	Margarine	Cheese	Liquid Milk	Fresh Products
BELGIUM	7.6	12.5	14.3	69.5	17.0
DENMARK	6.0	15.0	14.6	122.6	21.6
GERMANY	6.6	7.9	18.6	70.7	20.9
GREECE	-	-	17.8	-	-
SPAIN	0.5	-	5.3	102.6	12.5
FRANCE	8.2	3.9	20.8	79.5	22.7
IRELAND	6.1	4.6	5.7	184.6	3.4
ITALY	2.4	1.6	16.9	78.1	3.8
LUXEMBOURG	6.8	-	11.3	76.9	9.1
NETHERLANDS	3.3	9.8	15.0	93.0	42.0
PORTUGAL	0.9	-	5.4	-	-
UNITED KINGDOM	3.8	6.6	8.1	122.5	5.1

SOURCES: F.A.O., I.D.F

ANNEX III

COMPETING YELLOWFAT PRODUCTS - SOME EXAMPLES

Product Name	Milkfat/Total fat Content (in %)	Manufacturer	Product Type[1)]
Candia	65/65	Sodiaal, F	Dairy spread
Balade 60	60/60	ULN, F	Fat-reduced butter
President Light	62/62	Besnier, F	Fat-reduced butter
Natual	60/60	Entremont, F	Fat-reduced butter
Balade	41/41	Corman, B	Low-fat butter
Buttercup	40/40	Mitchelstown, IRL	Low-fat butter
Butterfly	40/40	Meggle, D	Low-fat butter
Dawn Light	40/40	Kerry, IRL	Low-fat butter
Les Nouveaux Plaisirs	41/41	Elle & Vire, F	Low-fat butter
Du Darfst	40/40	Unilever, D	Low-fat butter
Bredel Beurre Allegé	41/41	Bridel, F	Low-fat butter
Silhouette 20%	20/20	Sodiaal, F	Low-fat dairy spread
Kaergaarden	60/80	MD Foods, DK	Blend
Butina	50/70	Uelzina, D	Blended spread
Clover	50/70	Dairy Crest, GB	Blended spread
Golden Crown	15/72	Kraft, UK	Blended spread
Dairygold	30/75	Mitchelstown, IRL	Blended spread
Florefin	50/62	Corman, B	Fat-reduced blend
Le Fleurier Allege	20/60	Vedial, F	Reduced fat blended spread
Lifestyle	40?/60	Avonmore, IRL	Reduced fat blended spread
Avonmore Light	15/40	Avonmore, IRL	low-fat blend
St Hubert 41	34/41	St Hubert, F	Low-fat blend
Elmer Light	25/40	Elmer, NL	Low-fat blend
Clover Extra Lite	25?/40	Dairy, Crest, UK	Low-fat blend
I Can't Believe It's Not Butter	0/70	VandenBergh, UK	Fat spread
Krona Spreadable	0/70	VandenBergh, UK	Fat spread
Olivio	0/60	Vandenbergh, UK	Fat-reduced margarine
Avonmore Xtra Light	0/40	Avonmore, IRL	Low-fat margarine
Effi	0/40	Astra Calve, F	Low-fat margarine
St Ivel Gold	0/40	Unigate, UK	Low-fat margarine
Lowlow	0/40	Kerry, IRL	Low-fat margarine
Anchor Low-Fat Spread	0/40	Anchor, UK	Low-fat margarine
Golden Olive	0/40	Golden vale, IRL	Low fat margarine
St Ivel Gold Lowest	0/25	Unigate, UK	Low-fat spread
Delight Extra Low	0/20	VandenBergh, UK	Low-fat spread
Twenty Four	0/20	Brinkers, NL	Low-fat spread
Tesco Lowest Ever Spread	0/ 5	Kerry, IRL	No designation

1) Definitions, as currently proposed for Council Regulation. See Annex IV.

ANNEX IV

PROPOSED YELLOW-FATS DESIGNATION GRID

This is the current proposal for the forthcoming Council Regulation aimed at laying down marketing standards for yellow fat products. At the time of writing the proposals had yet to be approved.

I	95% – 80%	Butter	Blend	Margarine
II	62%	Dairy Spread	Blended spread	Fat spread
	60%	Fat-reduced or 3/4 fat butter	Fat-reduced or 3/4 fat blend	Fat-reduced or 3/4 fat margarine
	41%	Reduced fat dairy spread	Reduced fat blended spread	Reduced fat spread
III	39%	Low-fat or half-fat butter	Low-fat or half-fat blend	Low-fat or half-fat margarine
	20%	Low-fat dairy spread	Low-fat blended spread	Low fat spread

SOURCE: Council document COM (91) 462 final, 22/1/92

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