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A camel is a horse designed by a committee

By Jørgen Hald Christensen*

After years of abundant supply, declining consumption, and disappointing prices, butter markets around the world have over the last year shown an ability to surprise. This was evidenced by a trend towards increased consumption, skyrocketing bulk prices internationally, and – dare I mention it – good old-fashioned shortage. The perceived wisdom of many years, that the European Union has a structural surplus of butterfat cannot be lightly dismissed in view of the massive subsidies for supplies to the industrial sector, and yet it is gratifying to experience a turn-round, however brief it may prove to be.

Regulation 570

In the European Union, butter production in 1994 declined by about 4%, or almost 60,000 tonnes. Consumption was steady at 1,080,000 tonnes. Exports were fairly light at 2[illegible],000 tonnes, while official stock levels continued their steep descent and at the end of March 1995 stood at the very modest level of 25,000 tonnes. A significant contribution to the stability of the market has been the continued growth in the scheme of Regulation 570 which provides aid for the use of butter in industrial products. An increase of 50,000 tonnes for [illegible] brought the total quantity [illegible] 450,000 tonnes.

Internationally, it is amazing to remind oneself that not much more than one year ago the official GATT [illegible]

Everybody had believed that Russia would not have the funds available to buy butter, but maybe we all forgot that in a market economy, people will buy those goods that they [illegible]

Likewise, and understandably, the Commission is attempting to make economies in the 570 industrial butter scheme and has so far reduced [illegible] Also in this [illegible]

The EU Regulation on "yellow fats" - or

A camel is a horse designed by a committee

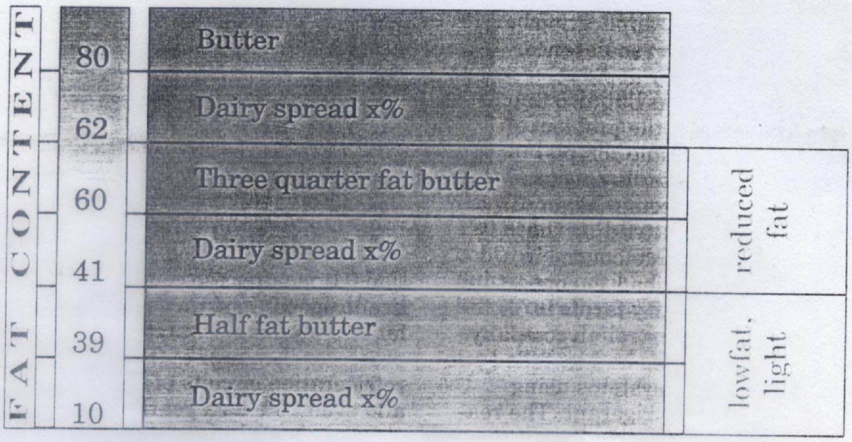
By Jørgen Hald Christensen*

On November 14 1994, EU's Ministers of Agriculture adopted the EU Regulation on "yellow fats", covering butter, margarine and mixed fat products.
The process started 7 years ago as the Danish Dairy Board began working for common EU provisions in this field. At that time the only yellow fat products on the Danish market were butter and margarine, whereas other EU countries - especially the UK and Ireland - had a wealth of mixed fat products with different total fat contents and blend ratios between butter fat and vegetable fat.
Products made in one EU country can be sold all over the EU. Therefore, it was the thinking at the time that common EU provisions for "yellow fats" were the only way for Denmark and the other continental EU countries to avoid the somewhat chaotic situation on the market, as had been the consequence of the unregulated introduction in England.

7 long years

A Danish philosopher once said : "It is hard to make predictions - especially about the future". It is very likely that had it been known at the time that it was going to take 7 years before a result was reached, people might have given it a second thought before pressing the "go-button".
On the industrial level, discussions in ASSILEC began in the spring of 1988, and here the members agreed on a proposal to which IMACE, the International Federation of Margarine Associations, assented in the summer of 1989. Together ASSILEC/IMACE then approached the EU Commission, and an official proposal was submitted in the spring of 1992. Discussions in the EU Council and the Parliament began. The industry (ASSILEC/IMACE) followed the process closely and several times had to put pressure on the EU Commission to speed up the process.
Therefore, the final adoption of the proposal in December 1994 was a great relief, although the final result was somewhat different from the original ideas (to put it diplomatically) - but as another philosopher once put it : "A camel is a horse designed by a committee".

Butter designations



Categories and designations

The proposal divides and defines the "yellow fat" products in a number of categories. The main categories are butter, margarine and mixed fat products.
Further, each of the three main categories are divided according to fat contents. For each of these categories, the permitted designation is fixed. The figure shows the butter-side as an example, but the same system applies for mixed fat products and margarine products as well. The idea is that the "Butter" designation may only be used on the "standard levels" 80, 60 and 40% fat. In the areas inbetween, a more descriptive designation is to be used. In the case of "butter products" this descriptive designation is "Dairy spread x%". From 62 to 41% fat the wording "reduced fat" may be added to the designation. A product with 60% fat would, therefore, be called "Three-quarter fat butter" or "Reduced fat butter", whereas a product with 50% fat would be called "Reduced Fat Dairy Spread 50%". The same system goes for percentages of fat from 41 and down. A product with 40% can be called "Half Fat Butter", the alternative wordings that may be used are "low fat" and "light".
Furthermore, for mixed fat products, the rule states that the milk fat share should constitute a minimum of 10% and a maximum of 80% of the total fat content.
The regulation will come into force on January 1, 1996. Products, marketed today, which do not comply with the regulation, can, however, be sold until January 1998.
Finally, to the comfort of those who are not happy about "the Camel", let me add my own private philosophy developed during the 7 years of work within this field : "He, who rides a camel, is also making progress". ■

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The international butter market

By Jens Majgaard

After years of abundant supply, declining consumption, and disappointing prices, butter markets around the world have over the last year shown an ability to surprise. This was evidenced by a trend towards increased consumption, skyrocketing bulk prices internationally, and - dare I mention it - a good oldfashioned shortage. The perceived wisdom of many years that the European Union has a structural surplus of butterfat cannot be lightly dismissed in view of the massive subsidies for supplies to the industrial sector, and yet it is gratifying to experience a turnround, however brief it may prove to be.

Regulation 570

In the European Union, butter production in 1994 declined about 4% or almost 60,000 tonnes. Consumption was steady at 1,080,000 tonnes. Exports were fairly light at 115,000 tonnes, while official stock levels continued their steep descent and at the end of March 1995 stand at the very modest level of 27,800 tonnes.
A significant contribution to the stability of the market has been the continued growth in the success of Regulation 570 which provides aid for the use of butter in industrial products. An increase of 50,000 tonnes for this programme has brought the total quantity to a staggering 450,000 tonnes!

Jens Majgaard, Managing Director, MD Foods Butter Division

Internationally, it is amusing to remind oneself that not much more than one year ago the official GATT minimum price was USD 1,350.00 and intense discussions were taking place about an Australian demand for a reduction to USD 750.00. Instead, a compromise was reached to **suspend** the minimum price system altogether. In the meantime, the world market price for butter has more than doubled, and thankfully a decision has been reached to maintain the suspension. Many factors have contributed to this development, but probably it was the somewhat unexpected and vigorous demand from the CIS which triggered the turnround in the market.
Everybody had believed that Russia would not have the funds available to buy butter, but maybe we all forgot that in a market economy, people will buy those goods that they want or believe that they need, not what Big Brother dictates.
For seasonal and other reasons, Russian demand has now come to a halt, and it will be highly interesting to see if the market will be able to sustain its recent massive gains. Experience from the late 80s would seem to indicate that it will not!

Detrimental moves

As markets have gone through considerable upheaval, the Europen Commission has been torn between its desire to exercise long-term market management and its wish to achieve budget economies. Not unexpectedly, the latter drive has prevailed, as proved by four reductions of export subsidies in four successive weeks at the beginning of the year. These moves have been highly detrimental to exporters of branded consumer products like ourselves; better results could in our view have been achieved by subsidy cuts for markets like the CIS which does not buy on a regular basis.

Likewise, and understandably, the Commission is attempting to make economies in the 570 industrial programme, and has so far reduced subsidies by 17%. Also in this respect it is extremely important to have a long-term strategy. The growing interest on behalf of industry in inward processing and in a detailed scrutiny of the demands for the declaration of ingredients in their end products might well prove that the food industry is a fair-weather friend.
Although the GATT agreement has little direct impact on the butter market, it could still affect markets significantly with more butterfat becoming available for domestic sale. In this context, it has been depressing to watch the Commission perform the dance of the seven veils when implementing year one of GATT. Apparently, it has been more intent on reducing exports and costs than in maintaining hard won market shares abroad. Its timid delay in adopting the same transitory system as the Americans seems almost ridiculous!

Three cheers!

This year's good news surely must be the indications that the continued downward trend in butter consumption has now finally turned. We see proof of this in the UK where the total consumption of yellow fats has declined by 6% while butter consumption has gone up by 3%. Even more significant figures are seen in the United States, where butter sales have gone up by almost 14% during 1994! Undoubtedly, the issue of transfatty acids has been an important factor in this development, but I like to think also that ordinary consumers have lost faith in the health gurus and the constant revision of their do's and don'ts. Three cheers for a balanced diet including a sensible intake of high quality butter! ■